

**MARIN RESOURCE CONSERVATION DISTRICT**

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**AUDITED BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

IZABAL, BERNACIAK & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

**MARIN RESOURCE CONSERVATION DISTRICT  
AUDITED BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**Marin Resource Conservation District**  
Point Reyes Station, CA

### Report on Financial Statements

We have audited the accompanying basic financial statements of Marin Resource Conservation District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Marin Resource Conservation District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Marin Resource Conservation District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3 through 9 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of Marin Resource Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marin Resource Conservation District's internal control over financial reporting and compliance.



San Francisco, California  
January 30, 2017

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2015-2016**



### **BACKGROUND**

Marin Resource Conservation District (District/MRCD)'s history dates back to the late 1950's. After the "Dust Bowl" Federal and State governments began to recognize that erosion was a number one priority if the country was to continue to be a leader in agricultural production. Non-regulatory Conservation Districts were authorized to increase leadership and provide assistance at the local level to landowners, ranchers, and farmers. California recognized their importance, and in 1938 authorized their formation. MRCD was formed in 1959.

MRCD receives annual funding from a County General Fund appropriation by the Marin County Board of Supervisors. In the year period from fiscal year 2015 to 2016, the MRCD received \$100,000 from the County General Fund. MRCD's other funding comes from competitively sought government grants from local, state, and federal regulatory agencies. Funds from local foundations and other private sources were received.

### **FINANCIAL HIGHLIGHTS**

- The District's net assets ending June 30, 2016 were \$278,227.
- The District's revenue for the year ending June 30, 2016 is \$3,459,731 of which the major sources are Federal, State, Local grants of \$3,315,524. The majority of these funds are used to fund various program areas with approximately 20% used for planning and 72% for restoration construction. Funds, not financially administered by the MRCD, are applied to construction projects as matching contributions.
- The annual allocation from the Marin County General Fund was \$100,000 which was used to support District programs and to partially offset operational costs that were not covered by Local, State or Federal grants. Funding supports annual training and education of MRCD staff, non-recoverable accounting costs, ongoing monitoring and maintenance of completed projects. The Marin RCD also contracted Bookkeeping services in the amount of \$32,200 which is excluded from Federal, State and Local revenues in addition to interest, rebates and state reimbursement in the amount of \$12,007.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2015-2016**

### **USING THIS MANAGEMENT REPORT**

- The Governmental Funds/General Fund and Governmental Fund/Statement of Net Assets are presented on pages 10 and 11 in a combined format. The adjustments column reconciles the two types of financial statements. The notes to the financial statements (pg 12-20) explain the adjustments column.
- Governmental Funds/General Fund, expenditures (first column on pages 10 and 11) are presented using modified accrual basis of accounting and as such it excludes retention receivable, retention payable, accrued vacation and additions and depreciation to capital assets.
- Government Fund/Statement of Net Assets (third column on pages 10 and 11) are presented using full accrual basis of accounting and as such all receivables and payables of the District are included regardless of the timing of the related cash flows.
- The Statement of Net Assets on page 10 presents information on all of the District's assets and liabilities, with the difference between the two reported as Total Fund Balance/Net Assets.
- The Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities on page 11, presents information reflecting how the District's Fund Balance/Net Assets changed during the year ended June 30, 2016. All changes in net assets (third column on page 11) are reported as soon as the event occurs, regardless of the timing of the related cash flows.
- Notes to Financial Statements on pages 12 to 20 provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- The Budgetary Comparison Schedule on page 21 reviews all revenues and expenditures for the year ending June 30, 2016, comparing our original and final budget for the year ending June 30, 2016 to the actual results of operations for the same period.

### **REPORTING ON THE DISTRICT AS A WHOLE**

Changes in the District's net assets measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Below is a summary of the District's net assets as of June 30, 2016 and the changes in net assets for the year ending June 30, 2016. This year MRCD's Net Assets increased by \$61,105.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2015-2016**

**Net Position as of June 30, 2016**

Current and Other Assets	\$ 641,762
Equipment, Net of Depreciation	<u>2,712</u>
Total Assets	644,474
Current Liabilities	<u>366,247</u>
Total Liabilities	366,247
Unreserved, Undesignated	275,515
Investment in Fixed Assets	<u>2,712</u>
Total Net Position	<u>\$ 278,227</u>

“Current and other assets” represents all outstanding Federal, State and Local receivables due to the District in addition to the District's Net Assets carried over from prior years.

“Equipment, Net of Depreciation” represents the estimated monetary value placed on MRCD equipment, less the calculated depreciation of that item over a five year period. All equipment items valued at \$2,500 or more are included in this calculation.

“Current Liabilities” represents all outstanding bills to be paid by the District to vendors. These bills are scheduled for payment, pending receipt from Federal, State and Local funding sources.

**Changes in Net Position for the year ending June 30, 2016**

Total Revenues	3,459,731
Expenses	
Program	3,199,134
General and Administrative	<u>199,492</u>
Total Expenses	<u>3,398,626</u>
Increase in Net Position	61,105
Net Position – Beginning of the Year	<u>217,122</u>
Net Position – End of the Year	<u>\$ 278,227</u>

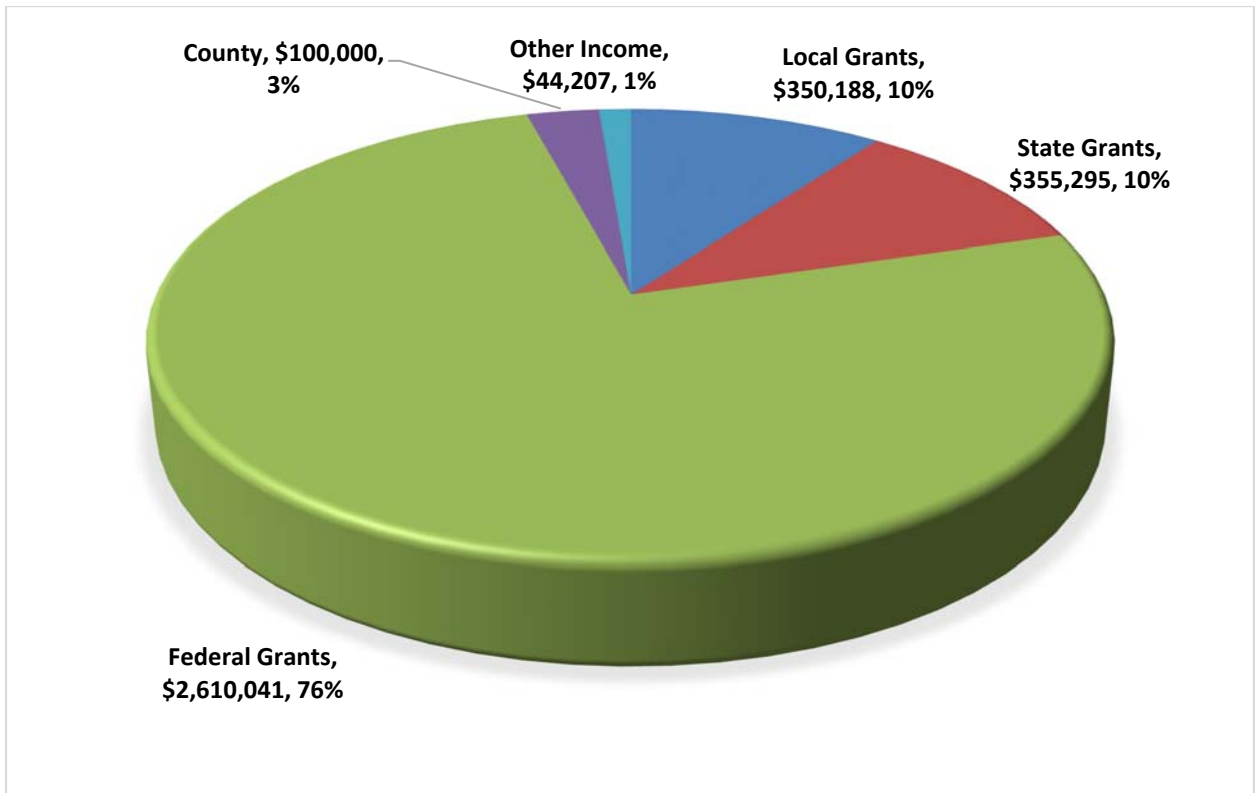
The overall financial position and result of district operations remains in good standing. A big increase in net assets occurred in the amount of \$61,105. This increase is attributed to an hourly billing rate estimation which possibly underestimated billable working hours. The district should consider re-evaluating staff hourly billing rates in the next fiscal year to determine if adjustments must be made.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2015-2016**

**Exhibit 1 reflects the source of revenue**

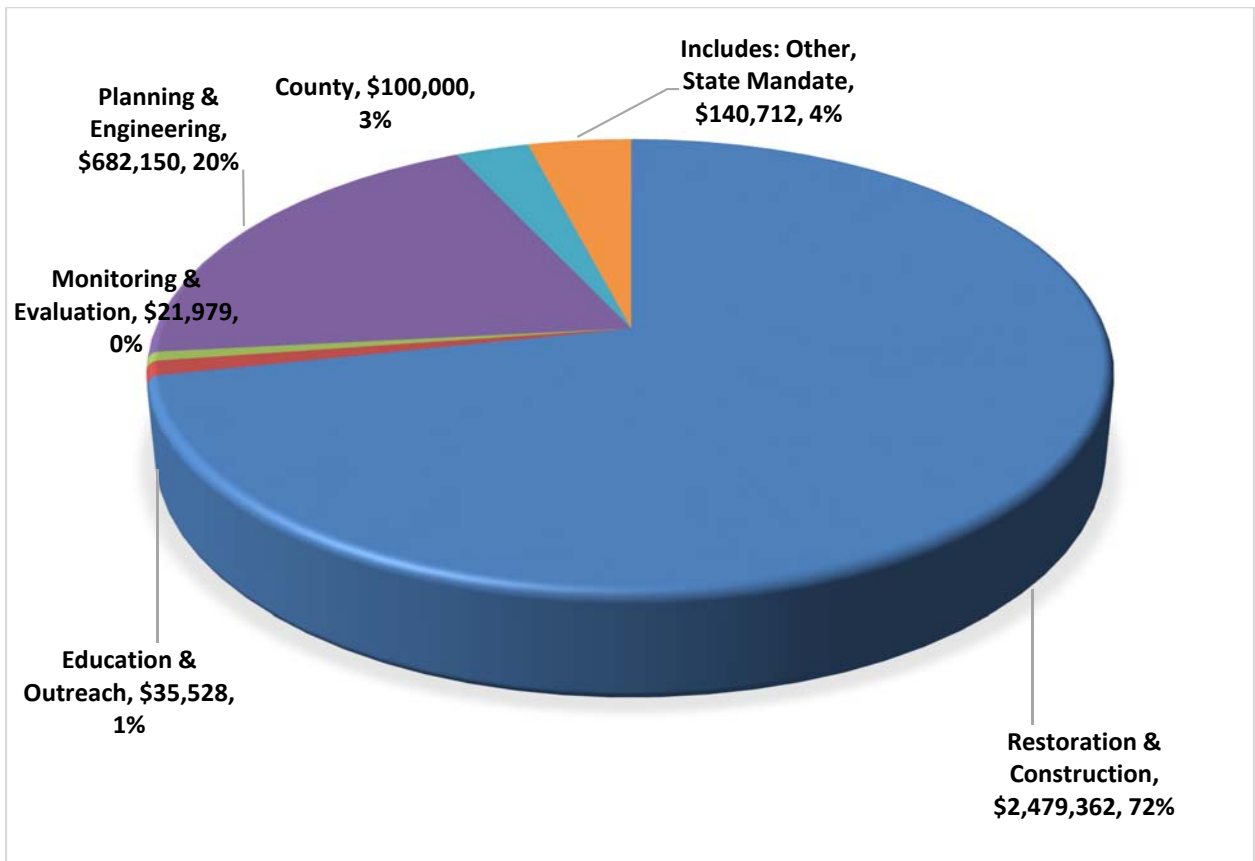
Federal aid contributed to 76% of the District's overall income while state and local grants each contributed to 10% of total income. The District may consider diversification of revenue sources where possible to strengthen the financial income stream. A diverse revenue stream will reduce any potential budget shortfalls that may arise from any one source (e.g. federal sequestration, state budget crisis). Fortunately, federal aid was furnished by two separate federal departments which offer limited protection from such shortfalls.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2015-2016**

**Exhibit 2 reflects revenue associated to the different programs**

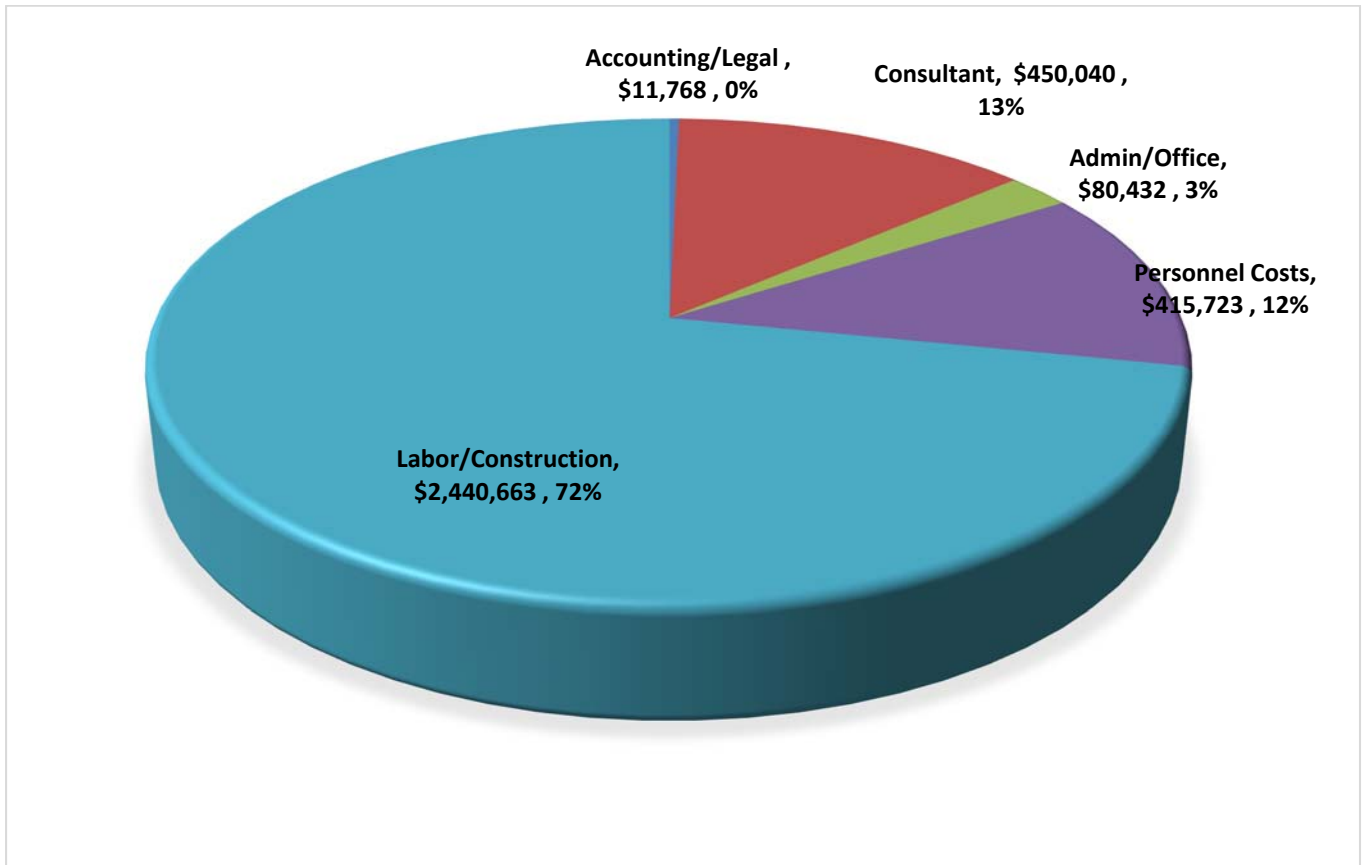
This year's budget reflects 72% of revenue being allocated to Restoration/Construction activity whereas Planning/Permitting/Engineering services comprise 20% of the overall budget. In comparison the prior year yielded 60% Restoration/Construction and 27% Planning/Permitting/Engineering. Over the prior ten year period, the District allocated an average of 50% to Restoration/Construction however in this year the increase was due to the implementation of the Pine Gulch Instream Flow Project which called for the construction of 4 reservoirs in a single season.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2015-2016**

**Exhibit 3 reflects the expenses for the year ending June 30, 2016**

This year's Personnel Costs have increased by \$38,151 due to the hiring of the Urban Stream Coordinator positions funded by the County of Marin. Consultant and Labor/Construction Expenses increased considerably compared to last year due to the construction of the Pine Gulch Instream Flow Enhancement Project.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2015-2016**

**BUDGETARY HIGHLIGHTS AND BUDGETARY COMPARISON**

The difference between final budget and actual governmental fund revenue, expenditures and changes in fund balance for the year ending June 30, 2016 is:

	<u>Budgeted</u>	<u>Actual</u>
Total Revenues	\$ 3,384,806	\$ 3,459,731
Total Expenditures	<u>3,384,806</u>	<u>3,398,626</u>
Revenue Over (Under) Expenditures	<u>-</u>	<u>60,105</u>
Net Change in Fund Balance	-	60,105
Fund Balances, Beginning of Year	<u>217,122</u>	<u>217,122</u>
Fund Balances, End of Year	<u>\$ 217,122</u>	<u>\$ 278,227</u>

There is a variation of approximately \$74,925 in Budgeted vs Actual revenue. This difference is due to new construction project expenses that were undertaken within the year. The anticipation of construction services is frequently under/overestimated since there are many planning, design and permitting delays that affect the construction season. Although the timing of construction services may have been miscalculated, allocations are never expensed unless the work has been completed and reimbursed with secured grant funding which is why the increase in revenue shown above is also reflected in the increase in expenditures,

Upon analyzing current financial conditions of the district, it is expected that next year's fiscal year will be relatively stable. This decision is based on the following: 1) a secured County contribution of \$100,000 and 2) a secured \$3,384,806 in grant funding which are currently under contractual agreement and planned for the next fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and agencies with general overview the District's finance and to reflect the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Scolari, Executive Director at P.O. Box 1146, Point Reyes Station, CA 94956, (415)663-1170.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS  
& FUND FINANCIAL STATEMENTS**

**MARIN RESOURCE CONSERVATION DISTRICT  
GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>GOVERNMENTAL FUND</b>		
	<b>General Fund</b>	<b>ADJUSTMENTS Note 2C</b>	<b>STATEMENT OF NET POSITION</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents (Note 3)	\$ 396,449	\$ -	\$ 396,449
Accounts Receivable (Note 4)	226,069	18,620	244,689
Other Assets	624		624
Total Current Assets	<u>623,142</u>	<u>18,620</u>	<u>641,762</u>
<b>Capital Assets - Net of Accumulated         Depreciation (Note 5)</b>	<u>-</u>	<u>2,712</u>	<u>2,712</u>
Total Capital Assets	<u>-</u>	<u>2,712</u>	<u>2,712</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 623,142</u></u>	<u><u>\$ 21,332</u></u>	<u><u>\$ 644,474</u></u>
<b>LIABILITIES</b>			
Accounts Payable (Note 6)	\$ 146,655	\$ 13,314	\$ 159,969
Accrued Salaries	12,909	-	12,909
Accrued Employee Leave (Note 2L)	-	21,614	21,614
Capital Lease Liability	-	45	45
Unearned Revenue	<u>171,710</u>	<u>-</u>	<u>171,710</u>
Total Liabilities	<u>331,274</u>	<u>34,973</u>	<u>366,247</u>
<b>FUND BALANCE / NET POSITION</b>			
<b>Fund Balances</b>			
Unrestricted Fund Balance	<u>291,868</u>	<u>(291,868)</u>	<u>-</u>
Total Fund Balances	<u>291,868</u>	<u>(291,868)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 623,142</u></u>		
<b>Net Position</b>			
Net Investment in Capital Assets		2,712	2,712
Unrestricted Net Position		<u>275,515</u>	<u>275,515</u>
Total Fund Balance/Net Position		<u><u>\$ 278,227</u></u>	<u><u>\$ 278,227</u></u>

See notes to the financial statements

**MARIN RESOURCE CONSERVATION DISTRICT  
STATEMENT OF GOVERNMENTAL FUND REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>GOVERNMENTAL FUND</b>		
	<b>General Fund</b>	<b>ADJUSTMENTS NOTE 2C</b>	<b>STATEMENT OF ACTIVITIES</b>
<b>EXPENDITURES/EXPENSES:</b>			
Program	\$ 3,185,820	\$ 13,314	\$ 3,199,134
General and administration	180,545	18,947	199,492
Capital outlay	-	-	-
Total Expenditures/Expenses	<u>3,366,365</u>	<u>32,261</u>	<u>3,398,626</u>
<b>PROGRAM REVENUES:</b>			
Federal Aid	2,591,421	18,620	2,610,041
State Aid	355,295	-	355,295
Local Aid	394,034	-	394,034
Total Program Revenues	<u>3,340,750</u>	<u>18,620</u>	<u>3,359,370</u>
Net Program Expense			<u>39,256</u>
<b>GENERAL REVENUES:</b>			
County grant	100,000	-	100,000
Other	361	-	361
Total General Revenues	<u>100,361</u>	<u>-</u>	<u>100,361</u>
Excess (Deficiency) of Revenues Over Expenditures / Change in Net Position	74,746	(13,641)	61,105
<b>FUND BALANCE/NET POSITION:</b>			
Beginning of the Year	<u>217,122</u>	<u>-</u>	<u>217,122</u>
End of the Year	<u><u>\$ 291,868</u></u>	<u><u>\$ (13,641)</u></u>	<u><u>\$ 278,227</u></u>

See notes to the financial statements

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**



**MARIN RESOURCE CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Note 1: DESCRIPTION OF ENTITY**

The Marin Resource Conservation District (District), a division of the State government, was formed in 1959 under Division 9 of the California Public Resources Code and covers most of western Marin County. The District's mission is to conserve and enhance Marin's natural resources, including soil, water, vegetation, and wildlife. The District serves as a liaison for State, Federal, and local resources, helping to prioritize problems and implement programs in their areas. The District's governmental powers are exercised through a five member Board of Directors.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

**B. Financial Reporting Entity**

The GASB has issued Statement No. 39 "Determining Whether Certain Organizations are Component Units", which requires state and local governments to report legally separate, tax exempt organizations as discrete component units if they meet the following criteria:

- a. The economic resources raised and held by the affiliated organization is almost entirely for the benefit of the District.
- b. The District is entitled to or has the ability to access the funds raised by the affiliated organization.
- c. The funds held by the affiliated organization are considered significant to the District.

The District has not presented any organization as component units under GASB 39.

**C. Basis of Presentation**

Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances using accounting methods similar to those of a private-sector business.

**MARIN RESOURCE CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources as of the end of the fiscal year, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges paid by the recipients of goods or services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements**

The District has one fund, the governmental fund within which there is one major governmental fund – General Fund, which is the District's primary operating fund. It is used to account for all financial resources except for those required to be accounted for in other funds. The District's fund financial statements consist of Governmental Fund Balance Sheet and Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance.

**Combined Government-Wide and Fund Financial Statements**

The District's government-wide and fund financial statements are presented in a combined format on pages 10 to 11.

The column labeled Statement of Net Position on page 10 and the column labeled Statement of Activities on page 11 are the government-wide financial statements, which display the information about the District as a whole. These statements are reported on a full accrual, economic resource basis, which recognizes all assets and receivables as well as all debts and obligations. This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

The column labeled Governmental Fund on page 10 and page 11 are the District's fund financial statements, which report the District's financial transactions in general fund. The general fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures.

**MARIN RESOURCE CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Basis of Presentation – Combined Government-Wide and Fund Financial Statements - Continued**

The column labeled Adjustments on page 10 and page 11 pertains to the reconciling items between the governmental fund financial statements and the government-wide financial statements. The reconciling items pertain to a) revenues that have been earned but not available within the 60 day period after year-end with the related expenses; b) capital asset acquisitions and related depreciation; and c) accrued compensated absences.

**D. Basis of Accounting / Measurement Focus**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

The government-wide financial statements (i.e. column labeled Statement of Net Position on page 10 and column labeled Statement of Activities on page 11) are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**Modified Accrual**

The governmental fund financial statements (i.e. column labeled Governmental Fund on page 10 and on page 11) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recorded when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisition under capital leases are reported as other financing sources.

Non-exchange transactions, in which the District gives or received value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**MARIN RESOURCE CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Basis of Accounting / Measurement Focus - Continued**

Under the terms of grant agreements, the District funds certain programs by a combination of project specific grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The District's policy is to first apply project specific grant resources to such programs, followed by general revenues.

**E. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. Budgets and Budgetary Accounting**

By state law, the District's Board of Directors must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Directors satisfied these requirements.

These budgets are revised by the District's Board of Directors during the year to give consideration to unanticipated income and expenditures. The annual appropriations lapse at the end of each fiscal year.

**H. Cash and Cash Equivalents**

For the purpose of the Statement of Net Position, "cash and cash equivalents" include all demand, savings accounts, certificates of deposits and cash in the pooled funds of Marin County.

**I. Accounts Receivable**

In the government-wide financial statements, accounts receivable consists of all revenues earned at year-end and not yet received. The District considers the accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Major receivable balances for the governmental activities pertain mostly to project specific grants.

In the fund financial statements, accounts receivable exclude retention receivable, which is usually 10% of the individual project specific invoice. Retention receivable is considered measurable but not usually available within 60 days after year-end. Retention receivable is usually collectible at the end of the project.

**MARIN RESOURCE CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**J. Capital Assets**

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair market value at the date of donation. Depreciation on all capital assets is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 5 to 7 years.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

**K. Compensated Absences**

An employee accumulates vacation and sick leave time in accordance with the personnel policy. Vacation and sick time vested and accrued depends on the years of service. Vacation may be accumulated for a maximum of two-year accrual and is paid in full upon termination or retirement. Sick time may not be carried over to the following year.

In the governmental fund financial statements, the District has not recognized the current portion of certain long-term liabilities (e.g. compensated absences) and related expenditures for amounts not considered to be due and payable as of June 30, 2016 based on GASB Interpretation No. 6. Amounts are properly recorded in the government-wide financial statements.

**L. Net Position and Fund Balances**

Net position in the government-wide financial statements consists of the following:

Invested in Capital, Net of Related Debt – this amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – this amount represents net position restricted by parties outside of the District for use in specific programs or in specific fiscal period.

Unrestricted Net Position – this amount is all net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position”.

Fund balances in the governmental fund financial statements include reservations of fund balance, which are created to satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated or identify the portion of the fund balance not available for future expenditures.

**MARIN RESOURCE CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Note 3: CASH IN BANK**

The table below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2016. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no written or approved collateral agreement.

<u>Type of Deposits</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Demand Deposits	\$ 10,479	\$ -	\$ 358,861	\$ 369,340
Savings Deposits	27,109	-	-	27,109
Total Deposits	<u>\$ 37,588</u>	<u>\$ -</u>	<u>\$ 358,861</u>	<u>\$ 396,449</u>

**Note 4: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016 reported in the statement of net position and in the governmental fund are as follows:

<u>Projects</u>	<u>Governmental Fund</u>	<u>Retention Receivable</u>	<u>Statement of Net Position</u>
SWRCB – COW V – COW PATI	\$ 7,980	\$ -	7,980
DFW – Black Mountain	3,977	-	3,977
Gold Ridge RCD	2,558	-	2,558
Invoiceables	1,296		1,296
IRWMP – COW IV – Prop 84	97,448	14,038	111,486
Marin County Employee	15,690	-	15,690
RCPP	44,984	-	44,984
SCC – Regional Carbon Farming	52,136	4,582	56,718
Total	<u>\$ 226,069</u>	<u>\$ 18,620</u>	<u>\$ 244,689</u>

**MARIN RESOURCE CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Note 5: CAPITAL ASSETS**

A summary of changes in capital assets for year ended June 30, 2016 are as follows:

	Balance <u>6/30/2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/2016</u>
Office Equipment	\$ 28,040	\$ -	\$ -	\$ 28,040
Field Equipment	17,960	-	-	17,960
Less: Accum. Dep.	(41,433)	(1,855)	-	(43,288)
Total	<u>\$ 4,567</u>	<u>\$ (1,855)</u>	<u>\$ -</u>	<u>\$ 2,712</u>

Depreciation expense charged to governmental functions for the year ended June 30, 2016 was \$1,855.

**Note 6: ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2016 reported in the statement of net position and in the governmental fund are as follows:

<u>Projects</u>	Governmental <u>Fund</u>	Retention <u>Payable</u>	Statement of <u>Net Position</u>
DFW – Black Mountain	0	1,978	1,978
MALT/SAP	20,097	0	20,097
Measure A	6,837	0	6,837
IRWMP-COW III – Graizing Waiver	15,200	7,404	22,604
IRWMP-COW IV – Prop 84	51,914	3,932	55,846
Marin County Employee	8,752	0	8,752
RCPP	8,595	0	8,595
SCC – Regional Carbon Farming	34,109	0	34,109
Other	1,151	0	1,151
Total	<u>\$ 146,655</u>	<u>\$ 13,314</u>	<u>159,969</u>

**Note 7: COMMITMENTS**

The District leases its office building at 80 4<sup>th</sup> Street, Point Reyes Station on a year-to-year basis. The monthly rent on this building is \$1,358, which includes common area maintenance, with a provision for adjustment based trends in cost. The total rent expense for this building for the year ended June 30, 2016 is \$16,296.

**MARIN RESOURCE CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Note 8: CAPITAL LEASE**

The District leases its copy machine under a capital lease. The economic substance of the lease is that the District is financing the acquisition of the asset through the lease, and, accordingly, they are recorded in the District's assets and liabilities. The leases also contain bargain purchase options at the end of the lease term.

The following is an analysis of the leased asset included in Fixed Assets:

Copier	\$ 5,248
Less: Accumulated Depreciation	(5,203)
Capital Lease Fixed Asset	<u>\$ 45</u>

The following is a schedule by years of future minimum payments required under the leases together with their present value as of the year ended June 30:

2017	\$ <u>395</u>
Total minimum lease payments	395
Less: Amount representing interest	(340)
Present value of minimum lease payments	<u>\$ 45</u>

**Note 9: CONTINGENCIES**

The District received substantial support from state and federal funds for the administration and implementation of its projects. A significant reduction in the level of this support, if this were to occur, may have an effect on the District's program and activities.

This support from state and federal funds is subject to review and audit by grantor agencies, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**Note 10: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. The District manages these various risks of loss through purchase of insurance covering liability, automobile, property, crime and excess liability with Glatfelter Insurance Group. The District also purchased insurance for workers' compensation with State Compensation Insurance Fund.



**MARIN RESOURCE CONSERVATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Note 11: RELATED PARTY TRANSACTIONS**

The District provides landowner services as part of its program. The landowners participating in the program are recommended by a Technical Advisory Committee and approved by the District's Board of Directors. The Advisory Committee normally includes a representative from the funding agency, a board member from the District and technical members of the community. For the year ended June 30, 2016, there was no landowner services provided to landowners who are members of the District's board of directors.

**Note 12: SUBSEQUENT EVENTS**

The District's management has evaluated its subsequent events through January 30, 2017, the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**MARIN RESOURCE CONSERVATION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>BUDGET</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>				
Operating contributions and grants	\$ 3,252,806	\$ 3,252,806	\$ 3,359,370	\$ 106,564
County grant	100,000	100,000	100,000	-
Other	32,000	32,000	361	(31,639)
Total Revenues	<u>3,384,806</u>	<u>3,384,806</u>	<u>3,459,731</u>	<u>74,925</u>
<b>EXPENDITURES:</b>				
Personnel costs	429,214	429,214	415,722	13,492
Services and supplies	2,955,592	2,955,592	2,982,904	(27,312)
Capital outlay	-	-	-	-
Total Expenditures	<u>3,384,806</u>	<u>3,384,806</u>	<u>3,398,626</u>	<u>(13,820)</u>
Excess of Revenues Over Expenditures	-	-	61,105	61,105
<b>FUND BALANCE:</b>				
Beginning of the Year	<u>217,122</u>	<u>217,122</u>	<u>217,122</u>	<u>-</u>
End of the Year	<u>\$ 217,122</u>	<u>\$ 217,122</u>	<u>\$ 278,227</u>	<u>\$ 61,105</u>

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**INDEPENDENT AUDITORS' REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
**Marin Resource Conservation District**  
Point Reyes Station, California

We have audited the Basic Financial Statements of Marin Resource Conservation District for the year ended June 30, 2016 and have issued our report thereon dated January 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by The Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and their records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



San Francisco, California  
January 30, 2017

**MARIN RESOURCE CONSERVATION DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>GRANTOR</b>	<b>Grant Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U. S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY - OFFICE OF WATER</b>			
<i>Passed through CA State Water Resources Control Board: Nonpoint Source Implementation Grants</i>			
Nonpoint Source Pollution Control Program - COW V	D1513201	66.460	\$ 7,979
Nonpoint Source Pollution Control Program - COW III	11-092-552	66.460	<u>266,632</u>
<b>TOTAL U. S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY - OFFICE OF WATER</b>			<u>274,611</u>
<b>U. S. DEPARTMENT OF THE INTERIOR - U.S. FISH AND WILDLIFE SERVICE</b>			
<i>Passed through State of CA Natural Resources Agency: Pacific Coast Salmon Recovery</i>			
Pine Gulch Creek Instream Flow Enhancement Project	P1130410	11.438	1,875,915
Fisheries Restoration Grant Program	P1430409	11.438	<u>314,508</u>
<b>TOTAL U. S. DEPARTMENT OF THE INTERIOR - U.S. FISH AND WILDLIFE SERVICE</b>			<u>2,190,423</u>
<b>U. S. DEPARTMENT OF AGRICULTURE - NATURAL RESOURCES CONSERVATION SERVICE</b>			
<i>Direct</i>			
Environmental Quality Services Incentives Program	N/A	10.912	27,824
<i>Passed Through Marin Agriculture Land Trust: Environmental Quality Incentives Program</i>			
Marin Agricultural Land Trust Professional Services Contract	68-9104-5-263	10.932	<u>117,183</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE - NATURAL RESOURCES CONSERVATION SERVICE</b>			<u>145,007</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,610,041</u></u>

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Marin Resource Conservation District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marin Resource Conservation District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Marin Resource Conservation District.

**Note B: Summary of Significant Accounting Policies**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Marin Resource Conservation District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
**Marin County Resource Conservation District**  
Point Reyes Station, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Marin County Resource Conservation District, which comprise the statement of financial position as of June 30, 2016 and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Marin County Resource Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Gabriel Bernabeu".

San Francisco, California  
January 30, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Directors  
**Marin Resource Conservation District**  
Point Reyes Station, California

**Report on Compliance for Each Major Federal Program**

We have audited Marin County Resource Conservation District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Marin County Resource Conservation District's major federal programs for the year ended June 30, 2016. Marin County Resource Conservation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Marin County Resource Conservation District's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and *The Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Marin County Resource Conservation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of Marin County Resource Conservation District's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, Marin County Resource Conservation District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of Marin County Resource Conservation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marin County Resource Conservation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Marin County Resource Conservation District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *the Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



San Francisco, California  
January 30, 2017

**MARIN COUNTY RESOURCE CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>A. SUMMARY OF AUDITOR'S RESULTS</b>	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNMODIFIED
2. Internal Control over Financial Reporting: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
3. Noncompliance Disclosed by Audit Which Is Material to Financial Statements	NONE
<i>Federal Awards</i>	
1. Internal Control Over Major Programs: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
2. Type of Compliance Report Major Programs	UNMODIFIED
3. Uniform Guidance Audit Finding 4. Disclosed by Audit	NONE REPORTED
4. Major Programs:	11.438 Pacific Coast Salmon Recovery
5. Dollar Threshold for Type A Programs	\$750,000
6. Auditee Qualification	HIGH RISK
B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS	NONE REPORTED
C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in the Uniform Guidance	NONE REPORTED

**MARIN COUNTY RESOURCE CONSERVATION DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

There were no prior year audit findings.