

HUMBOLDT COUNTY
RESOURCE CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT
June 30, 2016

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June 30, 2016

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INTRODUCTORY SECTION

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LIST OF APPOINTED OFFICIALS

June 30, 2016

BOARD OF DIRECTORS

Dan Cohoon, Chairman

Gary Markegard, Vice Chairman

Mark Moore, Secretary/Treasurer

Gary Belli, Director

James Renner, Director

Peter Bussman, Director

Hugo Klopper, Director

EXECUTIVE DIRECTOR

Jill Demers

PROGRAM MANAGER

Curtis Ihle

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Humboldt County Resource Conservation District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Humboldt County Resource Conservation District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 judgement, 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Humboldt County Resource Conservation District as of June 30, 2016, and the 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 on pages 7 through 11 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 operational, 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. Management has not presented the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Humboldt County Resource Conservation District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the Humboldt County 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 the Humboldt County Resource Conservation District's internal control over financial reporting and compliance.

Aycock and Edgmon
March 30, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

The following narrative overview and analysis of the financial activities of the Humboldt County Resource Conservation District (District) for the fiscal year ended June 30, 2016 has been prepared by management. This information is intended to be read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- During the fiscal year ended June 30, 2016, the District earned \$4,173,918 under cost-reimbursement contracts for restoration projects.
- The net assets of the District decreased by \$18,092, a 27% decrease, primarily due to a decrease in reimbursements of administration costs.

SECTIONS OF THE FINANCIAL STATEMENTS

The two sections of the District's financial statements are the introductory section and financial section.

Introductory Section

This section includes the table of contents and a list of Board of Directors and Staff.

Financial Section

This section includes the auditor's report, management's discussion and analysis, and the basic financial statements. The District's basic financial statements are comprised of the government-wide statements, the fund statements, the notes to the basic financial statements, and the required supplementary information.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction to the District's basic financial statements and provides an analysis of some key data presented in the financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities and Changes in Net Position and provide a financial picture of the District from the economic measurement resource focus using the accrual basis of accounting. They are intended to provide a broad overview in a manner similar to a private-sector business. Additionally, certain eliminations have occurred as prescribed by Governmental Accounting Standards Board Statement 34 in regards to interfund activity, payables, and receivables.

The Statement of Net Position presents information on all of the assets and liabilities of the District, with the difference between the two being reported as net position. Over time, increases and 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 and Changes in Net Position presents information showing how the net position of the District changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Fund Financial Statements. The governmental fund statements include a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the basic services of the District are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance projects of the District.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the financial position of the District. The assets of the District exceeded the liabilities by \$49,567 at the end of the most recent fiscal year.

The District's assets are comprised of cash and revenue and retention receivables of \$416,209 and \$204,932, respectively. The increase in assets of 23% is primarily as a result of an increase in cash of \$234,665 or by 129% as the District received prior year's contract receivables. The revenue and retention receivables of \$204,932 decreased by 37%.

The District's liabilities are primarily comprised of payables to its contractors as a current accounts payable and deferred revenue and are 95% of the total liabilities. The accounts payable of \$493,401 increased by \$254,811, or by 107%. The deferred revenue decreased by \$123,206 for a total deferred at year end of \$24,915.

The following table reflects the condensed Statement of Net Position.

Condensed Statement of Net Position
 June 30,

	Governmental Activities		Increase (Decrease)
	2016	2015	
Current Assets	\$ 621,141	\$ 505,354	\$ 115,787
Total Assets	<u>\$ 621,141</u>	<u>\$ 505,354</u>	<u>\$ 115,787</u>
Current Liabilities	\$ 571,574	\$ 437,663	\$ 133,911
Total Liabilities	<u>571,574</u>	<u>437,663</u>	<u>133,911</u>
Net Position			
Restricted	-	-	-
Unrestricted	49,567	67,659	(18,092)
Total Net Position	<u>\$ 49,567</u>	<u>\$ 67,659</u>	<u>\$ (18,092)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS - CONTINUED

The District's revenues predominately derive from a number of state and federal reimbursement-based contracts. In addition to being reimbursement-based, most contracts also retain a certain percentage of the total funding to guarantee project performance and completion. Some apply this retention to each invoice, others apply the retention by reducing the total funding available. The revenue earned under these contracts decreased by \$99,386, or 2%.

The significant expenditures of the district are comprised of consultants and contractors and direct project costs and total \$3,915,139, or 92% of the total expenditures. Payroll and related expenditures total \$303,037 and is 7% of the total expenditures.

The decrease in net position of \$18,092 is primarily due to a decrease in the District's administrative costs recovered under certain cost-reimbursement grants. Administrative costs recovered in fiscal years ended June 30, 2016 were \$2,232, about 3% of the total General Fund expenditures.

Condensed Statement of Activities
 For the Year Ended June 30,

	Governmental Activities		Increase (Decrease)
	2016	2015	
Revenues			
Program Revenues			
Charges for services	\$ 3,958	\$ 1,000	\$ 2,958
Operating grants and contributions	4,239,708	4,273,304	(33,596)
General Revenue			
Investment earnings	27	102	(75)
Other income	869	3,877	(3,008)
	<u>4,244,562</u>	<u>4,278,283</u>	<u>(33,721)</u>
Expenses			
General government	88,709	146,157	(57,448)
Resource conservation	4,173,945	4,143,982	29,963
	<u>4,262,654</u>	<u>4,290,139</u>	<u>(27,485)</u>
Transfers - Net	-	(300)	300
Increase (Decrease) in Net Position	(18,092)	(12,156)	(5,936)
Beginning Net Position	<u>67,659</u>	<u>79,815</u>	<u>129,156</u>
Ending Net Position	<u>\$ 49,567</u>	<u>\$ 67,659</u>	<u>\$ (18,092)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

FACTORS AFFECTING FUTURE PERIODS

Implementation of restoration and conservation projects by the District is accomplished through cooperative partnerships with private landowners, landowner groups, consultants, contractors and other professionals. The District provides general coordination and technical assistance for project planning, development, and funding; administrative and technical oversight of project implementation; and overall contract management for contracts with a range of partner projects. The District's work is funded by securing state, federal and local grants and contracts through a competitive application process and through a limited number of fee-for-service contracts.

The District was originally formed by landowners in the Eel River Valley to focus on addressing the hydrologic dysfunction of the Salt River Watershed and the resulting resource concerns that impact its residents and agricultural producers. Restoring the Salt River watershed has remained one of the District's top priorities and the District is currently leading a multi-year, multi-agency, landowner-driven endeavor that takes a holistic, watershed-wide approach to address sediment, fish passage, flooding, and drainage issues in the Salt River basin of the Lower Eel River Watershed. The project is known as the Salt River Ecosystem Restoration Project (SRERP). The SRERP is divided into two phases. Phase 1 was completed in 2013 with the excavation of approximately 2.5 miles of river channel and the restoration of approximately 300 acres to tidal marsh habitat. Construction of Phase 2 began in 2014 and continued in 2015 and involves the restoration of approximately 5 miles of historic river channel that has filled with sediment. The implementation of Phase 2 is expected to take several years to complete, and monitoring and maintenance of the overall SRERP will continue in partnership with the Salt River Watershed Council for at least a decade.

The Board and Staff recognize that the ecosystem-scale of SRERP will continue to make it, and other resource conservation work in the Salt River watershed, a primary focus of the District's, and as such, will consume a large portion of available staff resources in the coming years to administer, fund-raise, manage, monitor, and maintain. Although the allocation of staff resources to the SRERP has temporarily decreased the number of additional projects and partnerships the District is able to be involved with in other areas of Humboldt County, the District is committed to maintaining its ability to provide technical assistance and support for a range of resource conservation work across the County. The District aims to accomplish this through partnerships with federal and state agencies. For example, the District recently partnered with US Fish & Wildlife Service and the State Coastal Conservancy to enhance and restore the White Slough Unit of the Humboldt Bay National Wildlife Refuge. Phase 1 of restoration implementation occurred in 2015 and Phase 2 is expected to occur over several years. In addition, the District plans on continuing to develop fee-for-service contracts to provide services that support improved water quality and/or natural resource conservation while also meeting the goals and objectives laid out in the District's Long Range Plan. The District recently entered into a fee-for-service contract with the Six River Diary Association to assist participating association members with data collection of surface waters and regulatory reporting requirements.

The SRERP is a multi-million dollar effort and funding for the project is secured through a large number of grants and contracts managed by the District. As such, the number of contracts being managed by the District continues to steadily increase, as have the number of funding agencies the District is working with. District administrative staff continues to do an excellent job of contract and fund management, as demonstrated by the Department of Finance, Office of State Audits and Evaluations audit of five District grants funded by Propositions 1E and 84 in which no audit observations were issued.

Over the past several years, the District's work has been substantially funded by grants and contracts made available by bond measures allocating funding to water quality protection and for resource conservation work. The District anticipates that the recent passage of the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1) will provide future funding opportunities for the District to complete the construction implementation phases of the SRERP and provide support to other resource conservation work across the County.

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances to interested parties. Questions about any of the information provided in this report should be directed to Humboldt County Resource Conservation District, 5630 South Broadway, Eureka, CA 95503. Or you may call 707-442-6058 extension 5.

STATEMENT OF NET POSITION

June 30, 2016

	<u>Total Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 416,209
Receivables	
Revenue receivable	178,777
Retention receivable	<u>26,155</u>
Total Assets	<u>\$ 621,141</u>
LIABILITIES	
Accounts payable	\$ 493,401
Retention payable	19,263
Payroll and payroll benefits payable	26,495
Deferred revenue	<u>24,915</u>
Total Liabilities	<u>437,663</u>
NET POSITION	
Restricted	-
Unrestricted	<u>49,567</u>
Total Net Position	<u>\$ 49,567</u>

The accompanying notes to financial statements are an integral part of this statement.

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STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2016

Functions / Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENT ACTIVITIES					
General government	\$ 88,709	\$ -	\$ 3,958	\$ 65,790	\$ (18,962)
Resource conservation programs	4,173,945	-	-	4,173,918	(27)
Total Government Activities	<u>\$ 4,262,654</u>	<u>\$ -</u>	<u>\$ 3,958</u>	<u>\$ 4,239,708</u>	<u>(18,989)</u>
GENERAL REVENUES					
Interest income					27
Other income					870
Total General Revenues					<u>897</u>
TRANSFERS - NET					
					<u>-</u>
CHANGE IN NET POSITION					
					(18,092)
NET POSITION - BEGINNING OF YEAR					
					<u>67,659</u>
NET POSITION - END OF YEAR					
					<u>\$ 49,567</u>

The accompanying notes to financial statements are an integral part of this statement.

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BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	Major Funds					Total Governmental Funds
	General Fund	White Slough Wetlands Enhancement Project Phase I	Salt River Wetlands Restoration Project Phase II	Salt River Ecosystem Restoration Project	Other Governmental Funds	
ASSETS						
Cash and investments	\$ 416,209	\$ -	\$ -	\$ -	\$ -	\$ 416,209
Receivables						
Revenue receivable	1,978	8,514	-	12,019	156,266	178,777
Retention receivable	-	2,165	860	17,284	5,846	26,155
Employee receivable	-	-	-	-	-	-
Due from other funds	178,417	-	-	-	6,837	185,254
Total Assets	<u>\$ 596,604</u>	<u>\$ 10,679</u>	<u>\$ 860</u>	<u>\$ 29,303</u>	<u>\$ 168,949</u>	<u>\$ 806,395</u>
LIABILITIES						
Accounts payable	\$ 493,401	\$ -	\$ -	\$ -	\$ -	\$ 493,401
Retention payable	-	63	860	15,894	2,446	19,263
Line of credit	7,500	-	-	-	-	7,500
Payroll and benefits payable	26,495	-	-	-	-	26,495
Deferred revenue	19,641	-	-	-	5,274	24,915
Due to other funds	-	10,616	-	13,409	161,229	185,254
Total Liabilities	<u>547,037</u>	<u>10,679</u>	<u>860</u>	<u>29,303</u>	<u>168,950</u>	<u>756,828</u>
FUND BALANCES						
Reserved	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Undesignated	49,567	-	-	-	-	49,567
Total Fund Balances	<u>49,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,567</u>
Total Liabilities and Fund Balances	<u>\$ 596,604</u>	<u>\$ 10,679</u>	<u>\$ 860</u>	<u>\$ 29,303</u>	<u>\$ 168,949</u>	<u>\$ 806,395</u>

The accompanying notes to financial statements are an integral part of this statement.

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2016

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	49,567
Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the governmental funds above because of the following :		
Contract and grant receivables not received within sixty days are not available to pay current period expenditures and, therefore, are deferred in the funds.		
		<u>-</u>
NET POSITION GOVERNMENTAL ACTIVITIES	\$	<u>49,567</u>

The accompanying notes to financial statements are an integral part of this statement.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	Major Fund					Total Governmental Funds
	General Fund	White Slough Wetlands Enhancement Project Phase I	Salt River Wetlands Restoration Phase II	Salt River Ecosystem Restoration Project	Other Governmental Funds	
REVENUES						
Intergovernmental	\$ 59,140	\$ 928,064	\$ 391,384	\$ 1,852,764	\$ 1,001,706	\$ 4,233,058
Investment income	-	-	-	-	27	27
Contributions	6,650	-	-	-	-	6,650
Fee for service	3,958	-	-	-	-	3,958
Miscellaneous income	870	-	-	-	-	870
Total Revenues	70,618	928,064	391,384	1,852,764	1,001,733	4,244,563
EXPENDITURES						
Current						
Labor and benefits	20,921	15,530	-	47,815	218,771	303,037
Administrative expense	-	-	-	-	2,232	2,232
Advertising	-	1,397	-	-	-	1,397
Conferences and workshops	225	-	-	45	120	390
Consultants and contractors	33,236	908,918	382,784	1,278,519	591,057	3,194,514
Contributions	5,000	-	-	-	-	5,000
Direct project costs	23,657	-	8,600	518,151	170,217	720,625
Dues and subscriptions	50	183	-	378	213	824
Field supplies	1,274	161	-	831	3,234	5,500
Insurance and taxes	1,033	429	-	629	611	2,702
Miscellaneous expense	15	-	-	-	-	15
Office expense	1,291	416	-	876	3,303	5,886
Permit fees	-	-	-	2,547	1,261	3,808
Rent and utilities	1,733	674	-	2,217	6,968	11,592
Travel	275	356	-	756	3,746	5,133
Total Expenditures	88,710	928,064	391,384	1,852,764	1,001,733	4,262,655
Revenues Over (Under) Expenditures	(18,092)	-	-	-	-	(18,092)
OTHER FINANCING SOURCES (USES)						
Transfers - Net	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
Change in Fund Balance	(18,092)	-	-	-	-	(18,092)
Fund Balance - Beginning of Year	67,659	-	-	-	-	67,659
Fund Balance - End of Year	\$ 49,567	\$ -	\$ -	\$ -	\$ -	\$ 49,567

The accompanying notes to financial statements are an integral part of this statement.

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**RECONCILIATION OF THE NET CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**

June 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (18,092)

Amounts reported for governmental activities in the Statement of Activities are different from those reported in the governmental funds above because of the following:

Revenue is reported in the Statement of Activities at the time the revenue is earned, without regard to the timeliness of the collection.

-

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (18,092)

The accompanying note to financial statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Humboldt County Resource Conservation District (District) was established in March 1987 and is a political subdivision of the State of California, organized under the provisions of the California Soil Conservation District's Act. The District is governed by a seven-member Board of Directors appointed by the Board of Supervisors of Humboldt County, California. The District provides leadership and conservation assistance to landowners, farmers, and ranchers within Humboldt County.

The accompanying financial statements include all organizations, activities, and functions that comprise the Humboldt County Resource Conservation District. There are no component units (entities that are legally separate for which the District is financially accountable) included within the reporting entity.

B. Basic Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities and Changes in Net Position) report information on all of the governmental activities of the Humboldt County Resource Conservation District as a whole. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities and Changes in Net Position demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are grants and contributions that are restricted for the operational requirements of a particular function. Other items not properly included among program revenues are reported as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity.

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus whereby all assets and liabilities are included in the Statement of Net Position. The increases and decreases in those net positions are presented in the government-wide Statement of Activities and Changes in Net Position. These statements are reported on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources focus, whereby only current assets and current liabilities are included in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined. Available is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures are recognized when the fund liability is incurred .

When both restricted and unrestricted resources are available for use, it is the policy of Humboldt County Resource Conservation District to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Basis of Presentation - Continued

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following major special revenue funds that are used to account for specific revenues that are legally restricted to expenditures for particular purposes:

The White Slough Wetlands Enhancement Project, Phase I is a special revenue fund created to account for revenue earned under Agreement #15-015 that is funded by the State Coastal Conservancy with a Federal portion funded by the United States Fish and Wildlife Services through a National Coast Wetlands Conservation Grant to the Conservancy. The agreement provides funding to enhance and restore the White Slough Unit of the Humboldt Bay National Wildlife Refuge.

The Salt River Wetlands Restoration Project - Phase II is a special revenue fund created to account for revenue earned under Agreement #WC-1429SM that is funded by the State of California, Wildlife Conservation Board to Ducks Unlimited, Inc. that is passed through to the District. The agreement provides funding to facilitate the development and implementation of Phase II of the Salt River Ecosystem Project.

The Salt River Ecosystem Restoration Project is a special revenue fund created to account for revenue earned under Agreement #4600009931 that is funded by the State of California, Department of Water Resources. The agreement provides funding for Phase 2 of the Salt River Ecosystem Restoration Project from Reas Creek to Francis Creek.

Additionally, the District reports the following fund types:

Special Revenue Funds

Special revenue funds account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities.

D. Budgetary Control

The District does not adopt budgets for the general fund and, therefore, general fund budget information has not been presented in the accompanying financial statements.

Budgetary control for the special revenue funds is maintained on an individual grant or contract basis. Consequently, the District does not adopt annual or biannual budgets for the special revenue funds and such information has not been presented in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposit accounts..

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet.

3. Net Position

In the Statement of Net Position, net position are classified in the following categories:

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are legally restricted by outside parties for a specific purpose.

4. Use of 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.

NOTE II - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The carrying amounts of the District's cash and investments at June 30, 2016 consisted of the following:

Cash and Cash Equivalents

Cash on hand and in banks \$ 416,209

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS - CONTINUED

A. DEPOSITS AND INVESTMENTS - CONTINUED

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure by a financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that financial institutions secure cash deposits made by state or local governments by pledging securities as collateral. The fair value of the pledged securities must equal at least 110% of the amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District has not waived the collateralization requirement. The District had deposits with bank balances of \$436,332 as of June 30, 2016. The deposits were fully insured or collateralized.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a specific policy which relates to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the external investment pool with the County Treasury is not rated.

B. LINE OF CREDIT

The District entered into a loan agreement for \$35,000 dated October 27, 2015 with the Bertha Russ Lytel Foundation. The agreement calls for quarterly interest payments, at a rate of 5%. The agreement also provides that if the line of credit is in good standing, the interest payments will be made by the lender in the form of a grant. As of June 30, 2016, the balance on the line of credit was \$7,500. The agreement was renewed for an annual term at its maturity date of October 27, 2016.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. INTERFUND ASSETS AND PAYABLES

Interfund balances result from expenditures paid in excess of revenue received under cost reimbursement contracts (due to other funds) and revenue received in excess of expenditures paid (due from other funds). The composition of the interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Lower Eel River Watershed Restoration Project	General Fund	\$ 219
Consolidated Salt River Ecosystem Restoration		1,776
Freshwater Creek Road Decommission Project		617
Elk River Road Decommission Project		1,374
Iaqua Ranch Roads Sediment Reduction		242
South Fork Elk River Road Decommission		1,317
Refuge Creek Habitat Restoration Project		215
Pacific States Marine Fisheries Iaqua Adaptive		44
Cooperative Agreement EQIP Implementation		1,012
Cooperative Agreement EQIP Implementation		6
WQI Cooperative Agreement		7
WRP Cooperative Agreement		8
		<u>\$ 6,837</u>
 General Fund	Salt River Ecosystem Restoration Project	 \$ 13,409
	White Slough Wetlands Enhancement Project	10,616
	Restoring Stream Habitat & Agriculture Viability	7,702
	Restoring Stream Flow & Fish Passage, Eel River Delta	50,138
	Salt River Ecosystem Restoration Project	44,718
	Mad River Weir Removal Project	413
	PMEP Salt River Monitoring	1,497
	Salt River Monitoring	1,199
	Salt River Fish Passage	1,818
	Salt River Large Wood Debris	675
	Wildlife Area Lease Program	2,429
	Cooperative Agreement	21,609
	Restoring Ecosystem Function to Eel River Delta	8,101
	North Coast Irrigation Water & Fertigation Plan	20,747
	Redwood Meat Project	183
		<u>\$ 185,254</u>

NOTE III - OTHER INFORMATION

A. CONTINGENT LIABILITIES

The District participates in federal and state grant programs. These programs are subject to program compliance audits by the granting agency. The audits of these programs have not been completed and, as a result, the amounts, if any, of expenditures that may be disallowed by the granting agencies cannot be determined.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE III - OTHER INFORMATION - CONTINUED

B. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District insures against such losses with a commercial insurance policy issued through the Special District Risk Management Authority.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

C SUBSEQUENT EVENTS

Management of Humboldt County Resource Conservation District has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2016

PROJECT NUMBER	53	108	113	56	115	109	95	85
		State Coastal Conservancy		State of California Water Resource Control Board	State of California Department of Water Resources		State of California Water Board Mitigation Fund	State of California Department of Transportation
	Lower Eel River Watershed Restoration Project	Salt River Restoration Project Phase 2B	Restoring Stream Habitat & Agriculture Viability	Consolidated Salt River Ecosystem Restoration Project	Restoring Stream Flow & Fish Passage Eel River Delta	Salt River Ecosystem Restoration Project	Salt River Francis Creek Project	Mad River Weir Removal Project
ASSETS								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables								
Revenue receivables	-	-	7,702	-	50,138	41,961	-	413
Retention receivables	-	-	-	-	-	3,641	-	-
Due from other funds	219	-	-	1,776	-	-	-	-
Total Assets	\$ 219	\$ -	\$ 7,702	\$ 1,776	\$ 50,138	\$ 45,602	\$ -	\$ 413
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable	-	-	-	1,562	-	884	-	-
Deferred revenue	219	-	-	214	-	-	-	-
Due to other funds	-	-	7,702	-	50,138	44,718	-	413
Total Liabilities	219	-	7,702	1,776	50,138	45,602	-	413
FUND BALANCES								
Reserved	-	-	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 219	\$ -	\$ 7,702	\$ 1,776	\$ 50,138	\$ 45,602	\$ -	\$ 413

The accompanying notes to financial statements are an integral part of this statement.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2016

PROJECT NUMBER	57	58	59	62	66	67	83
	State of California, Department of Fish and Wildlife Fisheries Restoration Grant Program						
	Freshwater Creek Road Decommission Project	Elk River Road Decommission Project	laqua Ranch Roads Sediment Reduction Project	South Fork Elk River Road Decommission Project	Refuge Creek Project	Pacific Sates Marine Fisheries laqua Adaptive	Lower Eel River Sediment Reduction Project
ASSETS							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	-	-	-	-	-	-	-
Revenue receivables	-	-	-	-	-	-	-
Retention receivables	-	-	-	-	-	-	-
Due from other funds	617	1,374	242	1,317	215	44	-
Total Assets	\$ 617	\$ 1,374	\$ 242	\$ 1,317	\$ 215	\$ 44	\$ -
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable	-	-	-	-	-	-	-
Deferred revenue	617	1,374	242	1,317	215	44	-
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	617	1,374	242	1,317	215	44	-
FUND BALANCES							
Reserved	-	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 617	\$ 1,374	\$ 242	\$ 1,317	\$ 215	\$ 44	\$ -

The accompanying notes to financial statements are an integral part of this statement.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2016

PROJECT NUMBER	90	103	104	105	48
	State of California, Department of Fish and Wildlife Fisheries Restoration Grant Program				
	Lower Eel Riparian Planting Project	Salt River Monitoring	Salt River Fish Passage	Salt River Large Wood Debris	Technical Assistance Land Use
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables					
Revenue receivables		1,199	1,818	675	223
Retention receivables	-			-	2,206
Due from other funds	-	-	-	-	-
Total Assets	\$ -	\$ 1,199	\$ 1,818	\$ 675	\$ 2,429
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable		-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds		1,199	1,818	675	2,429
Total Liabilities	-	1,199	1,818	675	2,429
FUND BALANCES					
Reserved	-				-
Total Fund Balances	-	-	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ 1,199	\$ 1,818	\$ 675	\$ 2,429

The accompanying notes to financial statements are an integral part of this statement.

HUMBOLDT COUNTY RESOURCE CONSERVATION DISTRICT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2016

PROJECT NUMBER	65	78	92	93	96	110
	US Department of Agriculture Natural Resources Conservation Service					
	Cooperative Agreement EQIP Implementation	Cooperative Agreement EQIP Implementation	WQI Cooperative Agreement	WRP Cooperative Agreement	WQI Cooperative Agreement	Cooperative Agreement
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables						
Revenue receivables	-	-	-	-	-	21,609
Retention receivables	-	-	-	-	-	-
Due from other funds	1,012	6	7	8		
Total Assets	\$ 1,012	\$ 6	\$ 7	\$ 8	\$ -	\$ 21,609
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable	-	-	-	-	-	-
Deferred revenue	1,012	6	7	8	-	-
Due to other funds	-	-	-	-	-	21,609
Total Liabilities	1,012	6	7	8	-	21,609
FUND BALANCES						
Reserved	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 1,012	\$ 6	\$ 7	\$ 8	\$ -	\$ 21,609

The accompanying notes to financial statements are an integral part of this statement.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2016

PROJECT NUMBER	97	112	111	89	98	
	US Department of Interior Fish & Wildlife Services	US Department of Commerce NOAA	West Coast Watershed	National Fish and Wildlife Foundation	Humboldt County Farm Bureau	
	PMEP Salt River Monitoring	Restoring Ecosystem Function to Eel River Delta	North Coast Irrigation Water & Fertigation Management Plan	Humboldt Bay Eel River Delta Complex Outreach	Redwood Meat Project	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables						
Revenue receivables	1,497	8,101	20,747		183	156,267
Retention receivables	-	-	-	-	-	5,846
Due from other funds	-	-	-	-	-	6,837
Total Assets	\$ 1,497	\$ 8,101	\$ 20,747	\$ -	\$ 183	\$ 168,950
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable	-	-	-	-	-	2,446
Deferred revenue	-	-	-	-	-	5,275
Due to other funds	1,497	8,101	20,747	-	183	161,229
Total Liabilities	1,497	8,101	20,747	-	183	168,950
FUND BALANCES						
Reserved	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 1,497	\$ 8,101	\$ 20,747	\$ -	\$ 183	\$ 168,950

The accompanying notes to financial statements are an integral part of this statement.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

PROJECT NUMBER	53	108	113	56	115	109	95	85
		State Coastal Conservancy		State of California Water Resource Control Board		State of California Department of Water Resources	State of California Water Board Mitigation Fund	State of California Department of Transportation
	Lower Eel River Watershed Restoration Project	Salt River Restoration Project Phase 2B	Restoring Stream Habitat & Agriculture Viability	Consolidated Salt River Ecosystem Restoration Project	Restoring Stream Flow & Fish Passage Eel River Delta	Salt River Ecosystem Restoration Project	Salt River Francis Creek Project	Mad River Weir Removal Project
REVENUES								
Intergovernmental	\$ -	\$ 199,844	\$ 7,702	\$ -	\$ 50,137	\$ 79,425	\$ 72,284	\$ -
Investment income	-	-	-	-	-	-	27	-
Project match	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total Revenues	-	199,844	7,702	-	50,137	79,425	72,311	-
EXPENDITURES								
Current								
Labor and benefits	-	43,710	5,477	-	-	27,228	-	-
Administrative expense	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-
Conference and workshops	-	-	-	-	-	45	-	-
Consultants and contractors	-	153,333	1,928	-	50,098	48,901	-	-
Direct project costs	-	-	-	-	-	-	72,311	-
Dues and subscriptions	-	-	29	-	-	90	-	-
Field supplies	-	-	-	-	-	-	-	-
Insurance and taxes	-	-	136	-	39	150	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Office expense	-	609	51	-	-	394	-	-
Permit fees	-	-	-	-	-	1,261	-	-
Rent and utilities	-	1,688	64	-	-	1,028	-	-
Travel and mileage reimbursement	-	504	17	-	-	328	-	-
Total Expenditures	-	199,844	7,702	-	50,137	79,425	72,311	-
Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)								
Transfers	-	-	-	-	-	-	-	-
Change in Fund Balance	-	-	-	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this statement.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

PROJECT NUMBER	57	58	59	62	66	67	83
	State of California, Department of Fish and Wildlife						
	Fisheries Restoration						
	Grant Program						
	Freshwater Creek Road Decommission Project	Elk River Road Decommission Project	Iaqua Ranch Roads Sediment Reduction Project	South Fork Elk River Road Decommission Project	Refuge Creek Project	Pacific Sates Marine Fisheries Iaqua Adaptive	Lower Eel River Sediment Reuction Project
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	67,367
Investment income	-	-	-	-	-	-	-
Project match	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,367</u>
EXPENDITURES							
Current							
Labor and benefits	-	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-	18
Advertising	-	-	-	-	-	-	-
Conference and workshops	-	-	-	-	-	-	-
Consultants and contractors	-	-	-	-	-	-	-
Direct project costs	-	-	-	-	-	-	67,349
Dues and subscriptions	-	-	-	-	-	-	-
Field supplies	-	-	-	-	-	-	-
Insurance and taxes	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Office expense	-	-	-	-	-	-	-
Permit fees	-	-	-	-	-	-	-
Rent and utilities	-	-	-	-	-	-	-
Travel and mileage reimbursement	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,367</u>
Revenues Over (Under) Expenditures	-	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)							
Transfers	-	-	-	-	-	-	-
Change in Fund Balance	-	-	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

HUMBOLDT COUNTY RESOURCE CONSERVATION DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

PROJECT NUMBER	90	103	104	105	48
	State of California, Department of Fish and Wildlife				
	Fisheries Restoration				
	Grant Program				
	Lower Eel Riparian Planting Project	Salt River Monitoring	Restoring Salt River Fish Passage	Salt River Large Wood Debris	Technical Assistance Land Use
REVENUES					
Intergovernmental	\$ 34,211	\$ 7,613	\$ 163,091	\$ 41,908	\$ 4,268
Investment income	-	-	-	-	-
Project match	-	-	-	-	-
Other revenue	-	-	-	-	-
Total Revenues	<u>34,211</u>	<u>7,613</u>	<u>163,091</u>	<u>41,908</u>	<u>4,268</u>
EXPENDITURES					
Current					
Labor and benefits	3,189	3,413	6,535	7,268	2,295
Administrative expense	465	199	669	658	223
Advertising	-	-	-	-	-
Conference and workshops	-	-	-	-	-
Consultants and contractors	-	3,948	155,848	33,860	1,630
Direct project costs	30,557	-	-	-	-
Dues and subscriptions	-	-	-	-	-
Field supplies	-	-	-	-	-
Insurance and taxes	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Office expense	-	-	-	-	-
Permit fees	-	-	-	-	-
Rent and utilities	-	-	-	-	9
Travel and mileage reimbursement	-	53	39	122	111
Total Expenditures	<u>34,211</u>	<u>7,613</u>	<u>163,091</u>	<u>41,908</u>	<u>4,268</u>
Revenues Over (Under) Expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers	-	-	-	-	-
Change in Fund Balance	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

HUMBOLDT COUNTY RESOURCE CONSERVATION DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

PROJECT NUMBER	US Department of Agriculture Natural Resources Conservation Service					
	65	78	92	93	96	110
	Cooperative Agreement EQIP Implementation	Cooperative Agreement EQIP Implementation	WQI Cooperative Agreement	WRP Cooperative Agreement	WQI Cooperative Agreement	Cooperative Agreement
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 2,911	\$ 40,393
Investment income	-	-	-	-	-	-
Project match	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	-	-	-	-	2,911	40,393
EXPENDITURES						
Current						
Labor and benefits	-	-	-	-	2,427	31,825
Administrative expense	-	-	-	-	-	-
Advertising	-	-	-	-	-	-
Conference and workshops	-	-	-	-	-	45
Consultants and contractors	-	-	-	-	52	5,145
Direct project costs	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	9
Field supplies	-	-	-	-	103	461
Insurance and taxes	-	-	-	-	-	16
Miscellaneous	-	-	-	-	-	-
Office expense	-	-	-	-	186	527
Permit fees	-	-	-	-	-	-
Rent and utilities	-	-	-	-	143	1,189
Travel and mileage reimbursement	-	-	-	-	-	1,176
Total Expenditures	-	-	-	-	2,911	40,393
Revenues Over (Under) Expenditures	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Transfers	-	-	-	-	-	-
Change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this statement.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

	97	112	111	89	98	
	US Department of Interior Fish & Wildlife Services	US Department of Commerce NOAA	West Coast Watershed	National Fish and Wildlife Foundation	Humboldt County Farm Bureau	
	PMEP Salt River Monitoring	Restoring Ecosystem Function to Eel River Delta	North Coast Irrigation Water & Fertigation Management Plan	Humboldt Bay Eel River Delta Complex Outreach	Redwood Meat Project	Total Nonmajor Governmental Funds
REVENUES						
Intergovernmental	\$ 6,562	\$ 133,820	\$ 38,845	\$ 43,661	\$ 7,664	\$ 1,001,706
Investment income	-	-	-	-	-	27
Project match	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	<u>6,562</u>	<u>133,820</u>	<u>38,845</u>	<u>43,661</u>	<u>7,664</u>	<u>1,001,733</u>
EXPENDITURES						
Current						
Labor and benefits	3,126	43,298	14,269	24,431	280	218,771
Administrative expense	-	-	-	-	-	2,232
Advertising	-	-	-	-	-	-
Conference and workshops	-	-	30	-	-	120
Consultants and contractors	2,513	87,985	23,447	15,000	7,369	591,057
Direct project costs	-	-	-	-	-	170,217
Dues and subscriptions	-	82	3	-	-	213
Field supplies	837	47	8	1,778	-	3,234
Insurance and taxes	-	135	135	-	-	611
Miscellaneous	-	-	-	-	-	-
Office expense	-	356	176	1,002	3	3,303
Permit fees	-	-	-	-	-	1,261
Rent and utilities	-	1,539	476	820	12	6,968
Travel and mileage reimbursement	86	378	302	630	-	3,746
Total Expenditures	<u>6,562</u>	<u>133,820</u>	<u>38,845</u>	<u>43,661</u>	<u>7,664</u>	<u>1,001,733</u>
Revenues Over (Under) Expenditures	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Transfers	-	-	-	-	-	-
Change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

**REPORTS REQUIRED BY GOVERNMENT AUDITING
STANDARDS AND THE UNIFORM GUIDANCE**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>
United States Department of Commerce		
<u>National Oceanic and Atmospheric Administration</u>		
<u>Pass Through from California Department of Fish and Wildlife</u>		
Pacific Coast Salmon Recovery, Pacific Salmon Treaty Program:		
Lower Eel River Sediment Reduction Phase II	11.438	P1110521
Lower Eel River Riparian Planting	11.438	P1210511
Restoring Fish Passage to Francis Creek	11.438	P1410527
Salt River Large Wood Debris	11.438	P1410530
Salt River Monitoring	11.438	P1410532
Total Pacific Coast Salmon Recovery		
Habitat Conservation		
Restoring Critical Ecosystem Function to the Eel River Delta	11.463	NA16NMF4630011
Total United States Department of Commerce		
United States Department of Interior		
Fish and Wildlife Management Assistance		
Salt River Ecosystem Restoration Project, Phase 1		
Estuary Monitoring	15.608	F14AC01186
<u>Pass Through State Coastal Conservancy</u>		
Coastal Wetlands Planning, Protection, and Restoration	15.614	15-015
Total United States Department of Interior		
United States Department of Agriculture		
<u>Pass Through Natural Resource Conservation Services</u>		
Soil and Water Conservation		
Humboldt Bay/Eel River Delta Complex Outreach	10.902	2004.12.034944
WQI Cooperative Agreement	10.902	68-9104-4-231
Total Soil and Water Conservation		
Agriculture Conservation Easement Program		
Cooperative Agreement Farm Bill Assistance	10.931	68-9104-5-304
Total United States Department of Agriculture		
TOTAL FEDERAL AND STATE AWARDS		

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

<u>Program Award Amount</u>	<u>Federal Passed Through to Subrecipients</u>	<u>Federal Awards Expended</u>
\$ 218,501	\$ -	\$ 67,367
142,526	-	34,211
180,388	-	163,091
56,659	-	41,908
34,539	-	7,613
<u>632,613</u>	<u>-</u>	<u>314,190</u>
<u>642,622</u>	<u>-</u>	<u>133,820</u>
<u>1,275,235</u>	<u>-</u>	<u>448,010</u>
16,895	-	6,562
<u>1,450,000</u>	<u>-</u>	<u>614,737</u>
<u>1,466,895</u>	<u>-</u>	<u>621,299</u>
200,000	-	43,661
10,000	-	2,911
<u>210,000</u>	<u>-</u>	<u>46,572</u>
<u>75,000</u>	<u>-</u>	<u>40,393</u>
<u>285,000</u>	<u>-</u>	<u>86,965</u>
<u>\$ 3,027,130</u>	<u>\$ -</u>	<u>\$ 1,156,274</u>

See accompanying notes to schedule of expenditures of federal and state awards.

**NOTES TO SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the Year Ended June 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state award activity of Humboldt County Resource Conservation District (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 of expenditures of federal awards presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B - EXPENDITURES

Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



INDEPENDENT AUDITORS' 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

To the Board of Directors of
Humboldt County Resource Conservation District

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Humboldt County Resource Conservation District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Humboldt County Resource conservation's basic financial statements and have issued our report dated March 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humboldt County Resource Conservation District'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 Humboldt County Resource Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Humboldt County Resource Conservation District'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.

To the Board of Directors of
Humboldt County Resource Conservation District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humboldt County Resource Conservation District's financial statements are free from 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 Humboldt County Resource Conservation District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humboldt County Resource Conservation District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aycock and Edgmon
March 30, 2017

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AYCOCK AND EDGMON

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Humboldt County Resource Conservation District

Report on Compliance for Each Major Federal Program

We have audited Humboldt 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 Humboldt County Resource Conservation District's major federal programs for the year ended June 30, 2016. Humboldt County Resource Conservation District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statues, regulations, and the terms and conditions of its federal awards applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Humboldt 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 of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Humboldt 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 for each major federal program. However, our audit does not provide a legal determination of Humboldt County Resource Conservation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Humboldt 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.

To the Board of Directors of
Humboldt County Resource Conservation District

Report on Internal Control Over Compliance

Management of Humboldt 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 Humboldt 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 federal 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 Humboldt 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 over compliance 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 requirement 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 type of compliance requirement of a federal program 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. 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aycock and Edgmon
March 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Humboldt County Resource Conservation District were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of Humboldt County Resource Conservation District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit which would be required to be reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Humboldt County Resource Conservation District expresses an unmodified opinion on all major federal award programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs include:
 - U.S. Department of Interior
 - 15.614 - Coastal Wetlands Planning, Protection, and Restoration
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Humboldt County Resource Conservation District was determined to be a high-risk auditee.

B. Findings - Financial Statement Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

