

HUMBOLDT COUNTY
RESOURCE CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT
June 30, 2018

TABLE OF CONTENTS

June 30, 2018

INTRODUCTORY SECTION	
List of Appointed Officials	1
INDEPENDENT AUDITORS' REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities and Change in Net Position	13
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	19
Reconciliation of the Net Change in Fund Balance of the Governmental Funds to the Statement of Activities and Change in Net Position	21
Notes to Financial Statements	23
SUPPLEMENTAL INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	34

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INTRODUCTORY SECTION

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LIST OF APPOINTED OFFICIALS

June 30, 2018

BOARD OF DIRECTORS

Dan Cohoon, Chairman

Gary Markegard, Vice Chairman

Mark Moore, Secretary/Treasurer

Gary Belli, Director

James Renner, Director

Peter Bussman, Director

Hugo Kloppe, 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

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, 2018, 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. 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, 2018, 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

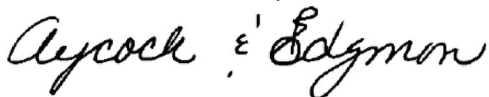
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 combining financial statements 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 are fairly stated in all material respects in relation to the financial statements as a whole.



Aycock and Edgmon
July 8, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

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, 2018 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, 2018, the District earned \$4,121,637 under cost-reimbursement contracts for restoration projects.
- The net assets of the District decreased by \$10,182, a 22% 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, 2018

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 \$35,698 at the end of the most recent fiscal year.

The District's assets are comprised of cash and revenue and retention receivables of \$62,387 and \$401,964, respectively. The decrease in assets of 37% is primarily as a result of an decrease in revenue and retention receivable of \$243,419 and a decrease in cash of \$32,435.

The District's liabilities are primarily comprised of payables to its contractors as a current accounts payable and deferred revenue and are 90% of the total liabilities. The accounts payable of \$259,507 decreased by \$299,203, or by 54%. The deferred revenue decreased by \$43,068 for a total deferred at year end of \$6,953.

The following table reflects the condensed Statement of Net Position.

Condensed Statement of Net Position
June 30,

	Governmental Activities		Increase (Decrease)
	2018	2017	
Current Assets	\$ 464,350	\$ 740,205	\$ (275,855)
Total Assets	<u>\$ 464,350</u>	<u>\$ 740,205</u>	<u>\$ (275,855)</u>
Current Liabilities	\$ 428,652	\$ 694,325	\$ (265,673)
Total Liabilities	<u>428,652</u>	<u>694,325</u>	<u>(265,673)</u>
Net Position			
Restricted	-	-	-
Unrestricted	35,698	45,880	(10,182)
Total Net Position	<u>\$ 35,698</u>	<u>\$ 45,880</u>	<u>\$ (10,182)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

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 increased by \$2,914,502, or 241%.

The significant expenditures of the district are comprised of consultants and contractors and direct project costs and total \$3,754,402, or 91% of the total expenditures. Payroll and related expenditures total \$325,856 and is 8% of the total expenditures.

The decrease in net position of \$10,182 is primarily due as a result of expenditures exceeding intergovernmental revenue in the general fund.

Condensed Statement of Activities
For the Year Ended June 30,

	Governmental Activities		Increase (Decrease)
	2018	2017	
Revenues			
Program Revenues			
Charges for services	\$ 2,830	\$ 6,294	\$ (3,464)
Operating grants and contributions	4,121,637	1,207,135	2,914,502
General Revenue			
Other income	943	6,599	(5,656)
	<u>4,125,410</u>	<u>1,220,028</u>	<u>2,905,382</u>
Expenses			
General government	217,567	30,258	187,309
Resource conservation	3,918,025	1,193,169	2,724,856
	<u>4,135,592</u>	<u>1,223,427</u>	<u>2,912,165</u>
Increase (Decrease) in Net Position	(10,182)	(3,399)	(6,783)
Beginning Net Position	45,880	49,567	(3,687)
Prior Period Adjustment	-	(288)	288
Ending Net Position	<u>\$ 35,698</u>	<u>\$ 45,880</u>	<u>\$ (10,182)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

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 continues through 2018, involving the restoration of approximately 5.2 miles of historic river channel that has filled with sediment. The full implementation of Phase 2 is expected to take an additional three years to complete, with monitoring and maintenance of the overall SRERP will continue in partnership with the Salt River Watershed Council for at least a decade afterward.

The District Board and Staff recognize that the ecosystem-scale of SRERP and the unmet restoration needs in several of the Salt River's tributaries will continue to make resource conservation work in the Salt River watershed a primary focus of the District's. The District has recently acquired funding to analyze restoration alternatives to address the hydrologic dysfunction of Salt River's largest tributary, Williams Creek. Future opportunities to advance planning work along Williams Creek will focus on advancing restoration designs, developing project permits, and environmental compliance documentation, and, eventually, construction implementation of a Williams Creek Restoration Project. Additionally, the Salt River has been identified by USDA Natural Resource Conservation Service (NRCS) as a high priority watershed targeted for financial and technical assistance to support producers willing to implement water quality conservation practices through the National Water Quality Initiative. With a long-standing partnership between NRCS and the District, the District anticipates future opportunities to provide support to NRCS to implement this program. Thus, SRERP and associated projects in the watershed will continue to consume a large portion of available District staff resources in the coming years to administer, fundraise, implement, manage, monitor, and maintain. Although the allocation of staff resources to the Salt River watershed remains high, the District is committed to maintaining its ability to provide technical assistance and support for a range of resource conservation work across the County as outlined in the District's Long Range Plan. The District will achieve this by providing services that support improved water quality and/or natural resource conservation, such as a fee for service contract with Six Rivers Dairy Association; providing support to the Eel River Groundwater Working Group through contracts with Humboldt County to address the regulatory requirements imposed by California's recent Sustainable Groundwater Management Act; and providing technical assistance to producers through Department of Food and Agriculture grants to support the State's Healthy Soils Initiative and Alternative Manure Management Program.

HUMBOLDT COUNTY
RESOURCE CONSERVATION DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	<u>Total Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 62,386
Receivables	
Revenue receivable	232,537
Retention receivable	<u>169,427</u>
Total Assets	<u>\$ 464,350</u>
LIABILITIES	
Accounts payable	\$ 259,507
Retention payable	124,411
Line of credit payable	15,000
Payroll and payroll benefits payable	22,781
Deferred revenue	<u>6,953</u>
Total Liabilities	<u>428,652</u>
NET POSITION	
Restricted	-
Unrestricted	<u>35,698</u>
Total Net Position	<u>\$ 35,698</u>

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

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HUMBOLDT COUNTY
RESOURCE CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2018

	Net (Expenses) Revenue and Changes in Net Position				
	Program Revenues		Net Position		
Functions / Programs	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Expenses					
GOVERNMENT ACTIVITIES					
General government	\$ 217,567	\$ -	\$ 203,612	\$ (11,125)	
Resource conservation programs	3,918,025	-	3,918,025	-	
Total Government Activities	<u>\$ 4,135,592</u>	<u>\$ -</u>	<u>\$ 4,121,637</u>	<u>(11,125)</u>	
GENERAL REVENUES					
Other income				943	
Total General Revenues				<u>943</u>	
CHANGE IN NET POSITION				(10,182)	
NET POSITION - BEGINNING OF YEAR				<u>45,880</u>	
NET POSITION - END OF YEAR				<u>\$ 35,698</u>	

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

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HUMBOLDT COUNTY
RESOURCE CONSERVATION DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	Major Funds						Total Governmental Funds
	General Fund	Salt River Ecosystem Restoration Project	Restoring Stream Habitat and Agriculture Viability	Restoring Fish Migration Connectivity	Reconnecting Stream Flows Lower Eel River Delta	Other Governmental Funds	
ASSETS							
Cash and investments	\$ 62,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,386
Receivables							
Revenue receivable	5,826	11,643	-	9,559	50,144	155,365	232,537
Retention receivable	-	35,832	-	-	93,598	39,997	169,427
Due from other funds	264,774	-	-	-	-	7,900	272,674
Total Assets	<u>\$ 332,986</u>	<u>\$ 47,475</u>	<u>\$ -</u>	<u>\$ 9,559</u>	<u>\$ 143,742</u>	<u>\$ 203,262</u>	<u>\$ 737,024</u>
LIABILITIES							
Accounts payable	\$ 259,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,507
Retention payable	-	-	-	-	85,676	38,735	124,411
Line of credit	15,000	-	-	-	-	-	15,000
Payroll and benefits payable	22,781	-	-	-	-	-	22,781
Deferred revenue	-	-	-	-	-	6,953	6,953
Due to other funds	-	47,475	-	9,559	58,066	157,574	272,674
Total Liabilities	<u>297,288</u>	<u>47,475</u>	<u>-</u>	<u>9,559</u>	<u>143,742</u>	<u>203,262</u>	<u>701,326</u>
FUND BALANCES							
Reserved	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-
Undesignated	35,698	-	-	-	-	-	35,698
Total Fund Balances	<u>35,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,698</u>
Total Liabilities and Fund Balances	<u>\$ 332,986</u>	<u>\$ 47,475</u>	<u>\$ -</u>	<u>\$ 9,559</u>	<u>\$ 143,742</u>	<u>\$ 203,262</u>	<u>\$ 737,024</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, 2018

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 35,698
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>\$ 35,698</u>

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

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HUMBOLDT COUNTY
RESOURCE CONSERVATION DISTRICT

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

For the Year Ended June 30, 2018

	Major Fund						Total Governmental Funds
	General Fund	Salt River Ecosystem Restoration Project	Restoring Stream Habitat and Agriculture Viability	Restoring Fish Migration Connectivity	Reconnecting Stream Flows in Lower Eel River Delta	Other Governmental Funds	
REVENUES							
Intergovernmental	\$ 203,612	\$ 496,979	\$ 463,574	\$ 1,379,309	\$ 889,204	\$ 688,959	\$ 4,121,637
Fee for service	2,830	-	-	-	-	-	2,830
Miscellaneous income	943	-	-	-	-	-	943
Total Revenues	<u>207,385</u>	<u>496,979</u>	<u>463,574</u>	<u>1,379,309</u>	<u>889,204</u>	<u>688,959</u>	<u>4,125,410</u>
EXPENDITURES							
Current							
Labor and benefits	11,676	58,792	14,136	57,971	48,763	134,518	325,856
Administrative expense	-	-	-	6,006	-	7,033	13,038
Advertising	-	-	-	-	-	3,879	3,879
Conferences and workshops	627	-	-	-	-	1,141	1,768
Consultants and contractors	159,296	344,761	337,017	1,306,456	816,357	514,644	3,478,531
Direct project costs	34,557	89,930	111,000	6,795	18,187	15,402	275,871
Dues and subscriptions	369	60	54	-	219	178	880
Field supplies	905	-	40	997	-	300	2,242
Insurance and taxes	892	-	97	-	550	904	2,443
Miscellaneous expense	1,574	-	-	-	-	-	1,574
Office expense	1,085	304	313	48	233	1,730	3,713
Permit fees	433	197	332	-	2,428	4,059	7,449
Rent and utilities	4,684	2,214	461	-	1,940	2,898	12,197
Travel	1,469	721	124	1,036	527	2,273	6,151
Total Expenditures	<u>217,567</u>	<u>496,979</u>	<u>463,574</u>	<u>1,379,309</u>	<u>889,204</u>	<u>688,959</u>	<u>4,135,592</u>
Revenues Over (Under) Expenditures	<u>(10,182)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,182)</u>
Change in Fund Balance	(10,182)	-	-	-	-	-	(10,182)
Fund Balance - Beginning of Year	<u>45,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,880</u>
Fund Balance - End of Year	<u>\$ 35,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,698</u>

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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (10,182)

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 \$ (10,182)

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 measurement 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, 2018

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 *Salt River Ecosystem Restoration Project* is a special revenue fund created to account for revenue earned under Grant #46000011178 that is funded by the State of California, Natural Resources Agency, Department of Water Resources under the Urban Stream Restoration Program. The grant provides funding to implement the Francis Creek Rehabilitation and Restoration Project..

The *Restoring Stream Habitat and Agriculture Economic Viability* is a special revenue fund created to account for revenue earned under Agreement #15-102 that is funded by the State Coastal Conservancy. The agreement provides funding to facilitate and implement the Salt River Ecosystem Restoration Project: Phase2A (Upper).

The *Restoring Fish Migration Connectivity to the Salt River Coastal Watershed* is a special revenue fund created to account for revenue earned under Agreement #P1596013 that is funded by the State of California, Natural Resources Agency, Department of Fish and Wildlife, Watershed Restoration Grant Program. The agreement provides funding to restore fish migration connectivity to the Salt River Coastal Watershed.

The *Reconnecting Stream Flows in the Lower Eel River Delta* is a special revenue fund created to account for revenue earned under Agreement #WC-1558MM that is funded by the State of California, Natural Resources Agency, Department of Fish and Wildlife, Wildlife Conservation Board. The agreement provides funding to reestablish stream flows in the Lower Eel River Delta.

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, 2018

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, 2018 consisted of the following:

Cash and Cash Equivalents

Cash on hand and in banks

\$ 62,386

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 waived the collateralization requirement. The District had deposits with bank balances of \$63,386 as of June 30, 2018. The deposits were fully insured.

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, 2018, the balance on the line of credit was \$15,000. The agreement had an original maturity date of October 26, 2016 that was modified to December 31, 2018.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
EQIP Technical Assistance	General Fund	\$ 6,939
Restoring Critical Ecosystem Function to the Eel		947
Salt River Large Wood Debris		<u>14</u>
		<u>\$ 7,900</u>
General Fund	Salt River Ecosystem Restoration Project	\$ 47,475
	Restoring Fish Migration Connectivity	9,559
	Reconnecting Steam Flows in Lower Eel River Delta	58,066
	White Slough Wetlands Enhancement Project Phase II	11,893
	Salt River Ecosystem Upper Project Redesign	34,110
	Salt River Restoration Project	54,491
	Restoring Stream Flow & Fish Passage	5,077
	Reconnecting a Tributary in the Salt River Watershed	4,548
	Cooperative Agreement	448
	North Coast Irrigation Water Management Plan	354
	Redwood Meat Project	79
	Connecting a Tributary in the Salt River Watershed	37,273
	RCD Support	6,595
	Health Soils Technical Assistance	<u>2,706</u>
		<u>\$ 272,674</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, 2018

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, 2018

PROJECT NUMBER	124	88	115	118	120	103	104	105
	State of California, Natural Resources Agency							
	Department of Water Resources				Department of Fish and Wildlife			
	Salt River Ecosystem Upper Project Redesign		Salt River Ecosystem Restoration Project		Watershed Restoration Grant Program		Fisheries Restoration Grant Program	
	Restoring Stream Flow & Fish Passage		Eel River Delta		Developing Restoration Strategies		Salt River Fish Passage	
	Eel River Delta		Williams Creek		Monitoring		Salt River Debris	
ASSETS								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables								
Revenue receivables	33,338	51,765	1,041	3,087	37,273	-	-	-
Retention receivables	1,609	21,059	9,622	2,361	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	14
Total Assets	\$ 34,947	\$ 72,824	\$ 10,663	\$ 5,448	\$ 37,273	\$ -	\$ -	\$ 14
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable	837	18,333	5,586	900	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	14
Due to other funds	34,110	54,491	5,077	4,548	37,273	-	-	-
Total Liabilities	\$ 34,947	\$ 72,824	\$ 10,663	\$ 5,448	\$ 37,273	\$ -	\$ -	\$ 14
FUND BALANCES								
Reserved	-	-	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 34,947	\$ 72,824	\$ 10,663	\$ 5,448	\$ 37,273	\$ -	\$ -	\$ 14

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

PROJECT NUMBER		106	112	110	97	117	125	111	98
		State Coastal Conservancy	US Department of Commerce NOAA	US Department of Agriculture NRCS	US Department of Interior Fish and Wildlife Services		National Assoc Conservation Districts	West Coast Watershed	Humboldt County Farm Bureau
		White Slough Wetlands Enhancement Project Phase II	Restoring Critical Ecosystem Function to the Eel River Delta	Cooperative Agreement	PMEP Salt River Monitoring	White Slough Unit Restoration	EQIP Technical Assistance	North Coast Irrigation Water & Fertigation Management Plan	Redwood Meat Project
ASSETS									
Cash and investments	\$	-	\$	-	\$	-	-	\$	\$
Receivables									
Revenue receivables		7,942	10,737	448	-	-	-	354	79
Retention receivables		5,346	-	-	-	-	-	-	-
Due from other funds		-	947	-	-	-	6,939	-	-
Total Assets	\$	13,288	11,684	448	\$	\$	6,939	354	79
LIABILITIES									
Accounts payable	\$	-	\$	-	\$	-	-	-	\$
Retention payable		1,395	11,684	-	-	-	-	-	-
Deferred revenue		-	-	-	-	-	6,939	-	-
Due to other funds		11,893	-	448	-	-	-	354	79
Total Liabilities		13,288	11,684	448	-	-	6,939	354	79
FUND BALANCES									
Reserved		-	-	-	-	-	-	-	-
Total Fund Balances		-	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$	13,288	11,684	448	\$	\$	6,939	354	79

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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2018

PROJECT NUMBER	121	122	123	127	
	State of California		State of California		
	Department of Conservation		Department of Food and Agriculture		
	Division of Land Resource Protection				
	RCD Support	Del Norte RCD Support	Alternative Manure Management	Health Soils Technical Assistance	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments Receivables	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue receivables	6,595	-	-	2,706	155,365
Retention receivables	-	-	-	-	39,997
Due from other funds	-	-	-	-	7,900
Total Assets	\$ 6,595	\$ -	\$ -	\$ 2,706	\$ 203,262
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable	-	-	-	-	38,735
Deferred revenue	-	-	-	-	6,953
Due to other funds	6,595	-	-	2,706	157,574
Total Liabilities	6,595	-	-	2,706	203,262
FUND BALANCES					
Reserved	-	-	-	-	-
Total Fund Balances	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 6,595	\$ -	\$ -	\$ 2,706	\$ 203,262

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, 2018

PROJECT NUMBER	124	88	115	118	120	103	104	105
	State of California, Natural Resources Agency							
	Department of Fish and Wildlife							
	Department of Water Resources		Ocean Protection Council		Watershed Restoration Grant Program		Fisheries Restoration Grant Program	
	Salt River Ecosystem Upper Project Redesign	Salt River Ecosystem Restoration Project	Restoring Stream Flow & Fish Passage Eel River Delta	Connecting a Tributary in the Salt River Watershed	Developing Restoration Strategies Williams Creek	Salt River Monitoring	Restoring Salt River Fish Passage	Salt River Large Wood Debris
REVENUES								
Intergovernmental	34,948	\$ 49,898	\$ 124,471	22,775	\$ 100,519	\$ 2,466	\$ 15,190	\$ -
Fee for service	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total Revenues	34,948	49,898	124,471	22,775	100,519	2,466	15,190	-
EXPENDITURES								
Current								
Labor and benefits	12,775	1,181	9,728	12,870	13,070	2,347	9,384	-
Administrative expense	-	-	-	-	1,330	114	1,517	-
Advertising	1,479	-	-	-	-	-	-	-
Conference and workshops	-	-	-	-	-	-	-	-
Consultants and contractors	18,232	48,313	111,816	9,200	85,897	-	4,252	-
Direct project costs	-	-	2,545	-	-	-	-	-
Dues and subscriptions	-	-	-	3	-	-	-	-
Field supplies	-	-	-	-	13	-	-	-
Insurance and taxes	144	314	-	78	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Office expense	108	21	42	66	-	-	-	-
Permit fees	1,984	-	-	-	-	-	-	-
Rent and utilities	226	53	340	495	-	-	-	-
Travel	-	16	-	63	209	5	37	-
Total Expenditures	34,948	49,898	124,471	22,775	100,519	2,466	15,190	-
Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-
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, 2018

PROJECT NUMBER	106	112	110	97	117	125	111	98
	State Coastal Conservancy	US Department of Commerce NOAA	US Department of Agriculture NRCS	US Department of Interior Fish and Wildlife Services	White Slough Unit Restoration	National Assoc Conservation Districts	West Coast Watershed	Humboldt County Farm Bureau
	White Slough Wetlands Enhancement Project Phase II	Restoring Critical Ecosystem Function to the Eel River Delta	Cooperative Agreement	PMEP Salt River Monitoring		EQIP Technical Assistance	North Coast Irrigation Water & Fertigation Management Plan	Redwood Meat Project
REVENUES								
Intergovernmental	\$ 29,774	\$ 136,416	\$ -	\$ 4,023	\$ 98,952	\$ 18,062	\$ -	\$ -
Fee for service	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total Revenues	\$ 29,774	\$ 136,416	\$ -	\$ 4,023	\$ 98,952	\$ 18,062	\$ -	\$ -
EXPENDITURES								
Current								
Labor and benefits	7,011	29,011	-	556	-	3,017	-	-
Administrative expense	-	-	-	-	-	-	-	-
Advertising	1,834	-	-	-	-	566	-	-
Conference and workshops	-	-	-	-	-	-	-	-
Consultants and contractors	20,162	99,827	-	3,467	98,952	14,445	-	-
Direct project costs	-	1,930	-	-	-	-	-	-
Dues and subscriptions	121	54	-	-	-	-	-	-
Field supplies	-	287	-	-	-	-	-	-
Insurance and taxes	303	45	-	-	-	20	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Office expense	68	1,382	-	-	-	-	-	-
Permit fees	-	2,075	-	-	-	-	-	-
Rent and utilities	265	1,224	-	-	-	14	-	-
Travel	10	581	-	-	-	-	-	-
Total Expenditures	\$ 29,774	\$ 136,416	\$ -	\$ 4,023	\$ 98,952	\$ 18,062	\$ -	\$ -
Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018

PROJECT NUMBER	121	122	123	127	
	State of California		State of California		
	Department of Conservation		Department of Food and Agriculture		
	Division of Land Resource Protection				
	RCD	Del Norte RCD	Alternative	Health Soils	Total
	Support	Support	Manure	Technical	Nonmajor
			Management	Assistance	Governmental
					Funds
REVENUES					
Intergovernmental					
Fee for service	\$ 28,175	\$ 11,952	\$ 8,632	\$ 2,706	\$ 688,959
Other revenue	-	-	-	-	-
Total Revenues	28,175	11,952	8,632	2,706	688,959
EXPENDITURES					
Current					
Labor and benefits	22,820	-	8,290	2,458	134,518
Administrative expense	3,047	1,025	-	-	7,033
Advertising	-	-	-	-	3,879
Conference and workshops	1,060	-	15	66	1,141
Consultants and contractors	-	-	60	21	514,644
Direct project costs	-	10,927	-	-	15,402
Dues and subscriptions	-	-	-	-	178
Field supplies	-	-	-	-	300
Insurance and taxes	-	-	-	-	904
Miscellaneous	-	-	-	-	-
Office expense	-	-	25	18	1,730
Permit fees	-	-	-	-	4,059
Rent and utilities	-	-	207	74	2,898
Travel	1,248	-	35	69	2,273
Total Expenditures	28,175	11,952	8,632	2,706	688,959
Revenues Over	-	-	-	-	-
(Under) Expenditures	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

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