

HUMBOLDT COUNTY  
RESOURCE CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT  
June 30, 2017

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June 30, 2017

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## **INTRODUCTORY SECTION**

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**LIST OF APPOINTED OFFICIALS**

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June 30, 2017

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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

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, 2017, 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, 2017, 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

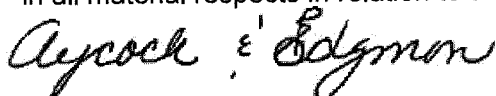
### Required Supplementary Information

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 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  
February 14, 2019

**MANAGEMENT DISCUSSION AND ANALYSIS**

Fiscal Year Ended June 30, 2017

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, 2017 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, 2017, the District earned \$1,206,635 under cost-reimbursement contracts for restoration projects.
- The net assets of the District decreased by \$3,399, a 7% 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, 2017

**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 \$45,880 at the end of the most recent fiscal year.

The District's assets are comprised of cash and revenue and retention receivables of \$94,822 and \$645,383, respectively. The increase in assets of 19% is primarily as a result of an increase in revenue and retention receivable of \$204,932 and a corresponding decrease in cash of \$321,387.

The District's liabilities are primarily comprised of payables to its contractors as a current accounts payable and deferred revenue and are 87% of the total liabilities. The accounts payable of \$558,710 increased by \$65,309, or by 13%. The deferred revenue increased by \$25,106 for a total deferred at year end of \$50,021.

The following table reflects the condensed Statement of Net Position.

Condensed Statement of Net Position  
June 30,

	Governmental Activities		Increase (Decrease)
	2017	2016	
Current Assets	\$ 740,205	\$ 621,141	\$ 119,064
Total Assets	<u>\$ 740,205</u>	<u>\$ 621,141</u>	<u>\$ 119,064</u>
Current Liabilities	\$ 694,325	\$ 437,663	\$ 256,662
Total Liabilities	<u>694,325</u>	<u>437,663</u>	<u>256,662</u>
Net Position			
Restricted	-	-	-
Unrestricted	45,880	49,567	(3,687)
Total Net Position	<u>\$ 45,880</u>	<u>\$ 49,567</u>	<u>\$ (3,687)</u>

**MANAGEMENT DISCUSSION AND ANALYSIS**

Fiscal Year Ended June 30, 2017

**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 \$3,026,423, or 71%.

The significant expenditures of the district are comprised of consultants and contractors and direct project costs and total \$886,150, or 72% of the total expenditures. Payroll and related expenditures total \$293,759 and is 24% of the total expenditures.

The decrease in net position of \$3,686 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)
	2017	2016	
Revenues			
Program Revenues			
Charges for services	\$ 6,294	\$ 3,958	\$ 2,336
Operating grants and contributions	1,207,135	4,239,708	(3,032,573)
General Revenue			
Investment earnings	-	27	(27)
Other income	6,599	869	5,730
	<u>1,220,028</u>	<u>4,244,562</u>	<u>(3,024,534)</u>
Expenses			
General government	30,258	88,709	(58,451)
Resource conservation	1,193,169	4,173,945	(2,980,776)
	<u>1,223,427</u>	<u>4,262,654</u>	<u>(3,039,227)</u>
Increase (Decrease) in Net Position	(3,399)	(18,092)	14,693
Beginning Net Position	49,567	67,659	(18,092)
Prior Period Adjustment	(288)	-	(288)
Ending Net Position	<u>\$ 45,880</u>	<u>\$ 49,567</u>	<u>\$ (3,687)</u>

**MANAGEMENT DISCUSSION AND ANALYSIS**

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Fiscal Year Ended June 30, 2017

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**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 2017, involving the restoration of approximately 5 miles of historic river channel that has filled with sediment. The full implementation of Phase 2 is expected to take an additional two to 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.

As the implementation of SRERP Phase 2 nears completion and hydrologic function is restored to the Salt River, opportunities for restoration elsewhere in the Salt River watershed, including tributaries to Salt River, will become possible. Thus, the District has acquired funding to begin analyzing restoration alternatives to address the hydrologic dysfunction of Salt River's largest tributary, Williams Creek. 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. As such, the SRERP and associated projects within the watershed will continue to consume a large portion of available staff resources in the coming years to administer, fund-raise, implement, manage, monitor, and maintain. Although the allocation of staff resources to the SRERP 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 a contract with Humboldt County to address the regulatory requirements imposed by California's recent Sustainable Groundwater Management Act; and building internal capacity, increasing collaboration, and providing technical assistance to producers through a Department of Conservation RCD Funding Assistance Program.

Funding through the District's projects, including the multi-million dollar SRERP, 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 a history of positive audits and completion of the District's first A-133 Federal Audit (Single Audit) in Fiscal Year 15/16.

**STATEMENT OF NET POSITION**

June 30, 2017

	<u>Total Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and investments	\$ 94,822
Receivables	
Revenue receivable	592,056
Retention receivable	<u>53,327</u>
Total Assets	<u>\$ 740,205</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 558,710
Retention payable	45,015
Line of credit payable	18,750
Payroll and payroll benefits payable	21,829
Deferred revenue	<u>50,021</u>
Total Liabilities	<u>694,325</u>
<b>NET POSITION</b>	
Restricted	-
Unrestricted	<u>45,880</u>
Total Net Position	<u>\$ 45,880</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, 2017

Functions / Programs	Net (Expenses) Revenue and Changes in Net Position				
	Expenses	Indirect Expense Allocation	Program Revenues	Operating Grants and Contributions	Governmental Activities
<b>GOVERNMENT ACTIVITIES</b>					
General government	\$ 30,258	\$ -	\$ 6,294	\$ 13,966	\$ (9,998)
Resource conservation programs	1,193,169	-	-	1,193,169	-
Total Government Activities	<u>\$ 1,223,427</u>	<u>\$ -</u>	<u>\$ 6,294</u>	<u>\$ 1,207,135</u>	<u>\$ (9,998)</u>
<b>GENERAL REVENUES</b>					
Interest income					-
Other income					<u>6,599</u>
Total General Revenues					<u>6,599</u>
<b>TRANSFERS - NET</b>					<u>-</u>
<b>CHANGE IN NET POSITION</b>					<u>(3,399)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>					<u>49,567</u>
<b>PRIOR PERIOD ADJUSTMENT</b>					<u>(288)</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 45,880</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, 2017

	Major Funds							Total Governmental Funds
	General Fund	Salt River Ecosystem Restoration Project	Restoring Ecosystem Function to Eel River Delta	Restoring Stream Habitat and Agriculture Viability	Restoring Fish Migration Connectivity	Other Governmental Funds		
<b>ASSETS</b>								
Cash and investments	\$ 94,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$	94,822
Receivables								
Revenue receivable	2,503	97,650	239,192	43,266	154,261	55,184		592,056
Retention receivable	-	10,983	-	9,249	-	33,095		53,327
Employee receivable	-	-	-	-	-	-		-
Due from other funds	567,485	-	-	-	-	25,683		593,168
Total Assets	\$ 664,810	\$ 108,633	\$ 239,192	\$ 52,515	\$ 154,261	\$ 113,962	\$	1,333,373
<b>LIABILITIES</b>								
Accounts payable	\$ 558,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$	558,710
Retention payable	-	4,879	11,684	4,856	3,807	19,789		45,015
Line of credit	18,750	-	-	-	-	-		18,750
Payroll and benefits payable	21,829	-	-	-	-	-		21,829
Deferred revenue	19,641	-	-	-	-	30,380		50,021
Due to other funds	-	103,754	227,508	47,659	150,454	63,793		593,168
Total Liabilities	618,930	108,633	239,192	52,515	154,261	113,962		1,287,493
<b>FUND BALANCES</b>								
Reserved	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-
Undesignated	45,880	-	-	-	-	-		45,880
Total Fund Balances	45,880	-	-	-	-	-		45,880
Total Liabilities and Fund Balances	\$ 664,810	\$ 108,633	\$ 239,192	\$ 52,515	\$ 154,261	\$ 113,962	\$	1,333,373

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, 2017

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 45,880
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>\$ 45,880</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, 2017

	Major Fund						
	General Fund	Salt River Ecosystem Restoration Project	Restoring Ecosystem Function to Eel River Delta	Restoring Stream Habitat and Agriculture Viability	Restoring Fish Migration Connectivity	Other Governmental Funds	Total Governmental Funds
REVENUES							
Intergovernmental	\$ 13,466	\$ 140,230	\$ 345,508	\$ 177,265	\$ 316,915	\$ 213,251	\$ 1,206,635
Investment income	-	-	-	-	-	-	-
Contributions	500	-	-	-	-	-	500
Fee for service	6,294	-	-	-	-	-	6,294
Miscellaneous income	6,599	-	-	-	-	-	6,599
Total Revenues	26,859	140,230	345,508	177,265	316,915	213,251	1,220,028
EXPENDITURES							
Current							
Labor and benefits	10,390	47,477	86,971	17,011	53,820	78,089	293,758
Administrative expense	-	-	-	-	5,708	442	6,150
Advertising	237	350	350	350	-	824	2,111
Conferences and workshops	166	-	146	350	110	75	847
Consultants and contractors	4,845	55,276	251,168	153,832	220,921	126,846	812,888
Contributions	-	-	-	-	-	-	-
Direct project costs	7,800	32,256	-	-	33,205	-	73,261
Dues and subscriptions	564	-	-	-	-	-	564
Field supplies	726	-	44	-	169	34	973
Insurance and taxes	1,116	140	140	140	-	697	2,233
Miscellaneous expense	15	-	-	-	-	-	15
Office expense	1,266	393	595	186	211	501	3,152
Permit fees	-	1,739	1,000	3,961	2,000	2,021	10,721
Rent and utilities	2,670	1,867	3,435	745	-	2,892	11,609
Travel	463	732	1,659	690	771	830	5,145
Total Expenditures	30,258	140,230	345,508	177,265	316,915	213,251	1,223,427
Revenues Over (Under) Expenditures	(3,399)	-	-	-	-	-	(3,399)
Change in Fund Balance	(3,399)	-	-	-	-	-	(3,399)
Fund Balance - Beginning of Year	49,567	-	-	-	-	-	49,567
Prior Period Adjustment	(288)	-	-	-	-	-	(288)
Fund Balance - End of Year	\$ 45,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,880

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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,399)

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.

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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (3,399)

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

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

**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, 2017

**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 Critical Ecosystem Function to the Eel River Delta* is a special revenue fund created to account for revenue earned under Award #NA16NMF4630011 that is funded by the U.S. Department of Commerce, National Oceanic and Atmospheric Administration (NOAA). The agreement provides funding for restoration projects to the Eel River Delta..

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, State Department of Fish and Wildlife. The agreement provides funding to restore fish migration connectivity to the Salt River Coastal Watershed.

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, 2017

**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, 2017 consisted of the following:

Cash and Cash Equivalents

Cash on hand and in banks

\$ 94,822

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

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 \$146,613 as of June 30, 2017. 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, 2016 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, 2017, the balance on the line of credit was \$18,750. The agreement was renewed for an annual term at its maturity date of October 27, 2017.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

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>
Restoring Stream Flow and Fish Passage Project	General Fund	<u>\$ 25,683</u>
General Fund	Salt River Ecosystem Restoration Project	\$ 103,754
	Restoring Ecosystem Function to Eel River Delta	227,508
	Restoring Stream Habitat & Agriculture Viability	47,659
	Restoring Fish Migration Connectivity	150,454
	White Slough Wetlands Enhancement Project	8,197
	Salt River Ecosystem Restoration Project	25,490
	Connecting a Tributary in the Salt River Watershed	837
	Salt River Wetlands Restoration Phase II Project	8,190
	Salt River Monitoring	400
	Salt River Fish Passage	653
	Reconnecting Stream Flows Lower Eel River Delta	9,828
	Cooperative Agreement	7,517
	PMEP Salt River Monitoring	362
	Eel River Valley Groundwater Basin Assessment	207
	RCD Support	1,873
	Del Norte RCD Support	<u>240</u>
		<u>\$ 593,169</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**

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June 30, 2017

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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, 2017

PROJECT NUMBER	106	88	115	118	100	103	104	105
	State	State of California	State of California	State of California	State of California, Department of Fish and Wildlife			
	State Coastal	Water Resource	Natural Resources	Fisheries Restoration				
	Conservancy	Control Board	Agency	Grant Program				
	White Slough	Salt River	Restoring Stream	Connecting a	Salt River	Salt River	Salt River	Salt River
	Wetlands	Ecosystem	Flow & Fish	Tributary in the	Wetlands	Fish	Large Wood	Debris
	Enhancement	Restoration	Passage	Salt River	Restoration Phase II	Passage		
	Project Phase II	Project	Eel River Delta	Watershed	Project	Monitoring		
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Cash and investments	-	-	-	-	-	-	-	-
Receivables								
Revenue receivables	4,497	23,223	-	753	8,190	400	653	-
Retention receivables	4,392	18,349	4,697	84	910	-	-	-
Due from other funds	-	-	25,683	-	-	-	-	-
Total Assets	\$ 8,889	\$ 41,572	\$ 30,380	\$ 837	\$ 9,100	\$ 400	\$ 653	\$ -
LIABILITIES								
Accounts payable	-	-	-	-	-	-	-	-
Retention payable	692	16,083	-	-	910	-	-	-
Deferred revenue	-	-	30,380	-	-	-	-	-
Due to other funds	8,197	25,489	-	837	8,190	400	653	-
Total Liabilities	\$ 8,889	\$ 41,572	\$ 30,380	\$ 837	\$ 9,100	\$ 400	\$ 653	\$ -
FUND BALANCES								
Reserved	-	-	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 8,889	\$ 41,572	\$ 30,380	\$ 837	\$ 9,100	\$ 400	\$ 653	\$ -

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, 2017

PROJECT NUMBER	116	110	97	111	119	98
	State of California Wildlife Conservation Board	US Department of Agriculture NRCS	US Department of Interior Fish & Wildlife Services	West Coast Watershed	County of Humboldt	Humboldt County
	Reconnecting Stream Flows Lower Eel River Delta	Cooperative Agreement	PMEP Salt River Monitoring	North Coast Irrigation Water & Fertigation Management Plan	Eel River Valley Groundwater Basin Assessment	Farm Bureau
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables						
Revenue receivables	7,269	7,517	362	-	207	-
Retention receivables	4,663	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total Assets	\$ 11,932	\$ 7,517	\$ 362	\$ -	\$ 207	\$ -
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retention payable	2,104	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	9,828	7,517	362	-	207	-
Total Liabilities	11,932	7,517	362	-	207	-
FUND BALANCES						
Reserved	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 11,932	\$ 7,517	\$ 362	\$ -	\$ 207	\$ -

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, 2017

PROJECT NUMBER	121	122			
	State of California				
	Department of Conservation				
	Division of Land Resource Protection				
	RCD Support	Del Norte RCD Support	Total Nonmajor Governmental Funds		
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -			
Receivables					
Revenue receivables	1,873	240		55,184	
Retention receivables	-	-		33,095	
Due from other funds	-	-		25,683	
Total Assets	\$ 1,873	\$ 240		\$ 113,962	
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -		19,789	
Retention payable	-	-		30,380	
Deferred revenue	-	-		63,793	
Due to other funds	1,873	240		113,962	
Total Liabilities	1,873	240			
<b>FUND BALANCES</b>					
Reserved	-	-		-	
Total Fund Balances	-	-		-	
Total Liabilities and Fund Balances	\$ 1,873	\$ 240		\$ 113,962	

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, 2017

PROJECT NUMBER	106	88	115	118	100	103	104	105
	State	State of California	State of California	State of California	State of California, Department of Fish and Wildlife			
	State Coastal	Water Resource	Natural Resources	Fisheries Restoration				
	Conservancy	Control Board	Agency	Grant Program				
	White Slough	Salt River	Restoring Stream	Connecting a	Salt River	Salt River	Restoring	Salt River
	Wetlands	Ecosystem	Flow & Fish	Tributary in the	Wetlands	Wetlands	Salt River	Large Wood
	Enhancement	Restoration	Passage	Salt River	Restoration Phase II	Project	Fish	Debris
	Project Phase II	Project	Eel River Delta	Watershed	Project	Monitoring	Passage	
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Intergovernmental	43,017	25,034	13,417	837	9,100	5,957	1,977	685
Investment income	-	-	-	-	-	-	-	-
Project match	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total Revenues	43,017	25,034	13,417	837	9,100	5,957	1,977	685
EXPENDITURES								
Current								
Labor and benefits	3,976	1,537	11,553	431	-	2,769	1,756	547
Administrative expense	-	-	-	-	-	138	180	124
Advertising	-	-	350	237	-	-	-	-
Conference and workshops	-	-	-	-	-	-	-	-
Consultants and contractors	38,708	23,108	335	10	9,100	2,990	-	-
Direct project costs	-	-	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-	-
Field supplies	-	-	-	-	-	-	-	-
Insurance and taxes	139	139	140	140	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Office expense	36	14	78	2	-	-	-	-
Permit fees	-	60	500	-	-	-	-	-
Rent and utilities	158	75	461	17	-	-	-	-
Travel and mileage reimbursement	-	101	-	-	-	60	41	14
Total Expenditures	43,017	25,034	13,417	837	9,100	5,957	1,977	685
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, 2017

PROJECT NUMBER	116	110	97	111	119	98
	State of California Wildlife Conservation Board	US Department of Agriculture NRCS	US Department of Interior Fish & Wildlife Services	West Coast Watershed	County of Humboldt	Humboldt County Farm Bureau
	Reconnecting Stream Flows Lower Eel River Delta	Cooperative Agreement	PMEP Salt River Monitoring	North Coast Irrigation Water & Fertigation Management Plan	Eel River Valley Groundwater Basin Assessment	Redwood Meat Project
REVENUES						
Intergovernmental	\$ 47,434	\$ 34,309	\$ 5,995	\$ 8,841	\$ 13,446	\$ 1,089
Investment income	-	-	-	-	-	-
Project match	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	47,434	34,309	5,995	8,841	13,446	1,089
EXPENDITURES						
Current						
Labor and benefits	1,590	30,494	2,525	6,470	12,221	119
Administrative expense	-	-	-	-	-	-
Advertising	237	-	-	-	-	-
Conference and workshops	-	75	-	-	-	-
Consultants and contractors	43,930	1,803	3,470	2,278	151	963
Direct project costs	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-
Field supplies	139	34	-	-	-	-
Insurance and taxes	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Office expense	7	149	-	53	161	1
Permit fees	1,461	-	-	-	-	-
Rent and utilities	70	1,425	-	40	640	6
Travel and mileage reimbursement	-	329	-	-	273	-
Total Expenditures	47,434	34,309	5,995	8,841	13,446	1,089
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**

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