

**NEVADA COUNTY
RESOURCE CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2004**

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Financial Statements
For the Year Ended June 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditor’s Report.....	1-2
Statement of Net Assets and Governmental Funds Balance Sheet	3
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	4
Notes to Financial Statements	5-10
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	11
Note to the Required Supplementary Information	12
<u>Other Report</u>	
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14

Bartig, Basler & Ray

A Professional Corporation

Certified Public Accountants and Management Consultants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nevada County Resource Conservation District
Grass Valley, California

We have audited the accompanying basic financial statements of Nevada County Resource Conservation District (District), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 29, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Nevada County Resource Conservation District
Grass Valley, California

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). The management of the District has elected to omit this information for this financial reporting year.

BARTIG, BASLER & RAY, CPAs, INC.

December 29, 2004
Roseville, CA

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies**

A. **Reporting Entity**

The Nevada County Resource Conservation District was established, pursuant to Division 9 of the California public Resources. Since 1943, the NCRCD has worked with willing landowners, government agencies and other organizations to facilitate the conservation and restoration of Nevada and Sierra county's natural resources. Their vision is to assist educated and responsible landowners and land managers to establish a balance between rural environment, a biologically diverse landscape, and a healthy economy for the community.

B. **Basis of Presentation and Accounting**

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (District). These statements include the financial activities of the overall District.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activity. Direct expenses are those that are specifically associated with the District. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the District. Revenues that are not classified as program revenues, including all taxes and investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

B. **Basis of Presentation and Accounting** (continued)

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District reports the following major governmental fund:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

C. **Implementation of Governmental Accounting Standards Board Statements**

GASB Statement Nos. 33 and 36

In December 1998 and in April 2000, the Governmental Accounting Standards Board (GASB) issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues – an amendment of GASB Statement No. 33*, respectively. These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations).

GASB Statement Nos. 34 and 37

In June 1999 and in June 2001, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*, respectively. These statements provide for the most significant change in governmental financial reporting in over twenty years.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

C. Implementation of Governmental Accounting Standards Board Statements
(continued)

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt.

GASB Interpretation No. 6

In March 2000, the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

As required, the District has elected to implement GASB Statement Nos. 33, 34, 36, 37 and 38 and Interpretation No. 6 and these statements are presented according to those requirements.

GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. These statements require the presentation of net assets rather than retained earnings and also established new formats for both the balance sheet and the statement of revenues and expenses. The District adopted these statements for the year ended June 30, 2004.

D. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide statement of net assets.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2004

Note 1: **Summary of Significant Accounting Policies** (continued)

E. **Compensated Absences**

District employees accrue vacation at varying amounts based on length of service and sick leave at a rate of .462 hours for each schedule work hour. An employee's annual vacation leave earned in one fiscal year of continuous service shall be used prior to the end of the following fiscal year of continuous service. Sick leave hours not used during the period are carried forward to the following years with no limit to the number of hours that can be accumulated. Employees are compensated for accrued but unused sick leave upon termination of employment at 50% of the equivalent hourly pay rate.

F. **Capital Assets**

Capital assets have been acquired for general District purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives of 5 to 10 years in the government-wide statements.

Note 2: **Reconciliation of the Government-Wide and Fund Financial Statements**

A. **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of: \$ 31,844

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. 7,015

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2004

Note 2: **Reconciliation of the Government-Wide and Fund Financial Statements** (continued)

B. **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets	\$	--	
Less: current year depreciation		<u>(5,657)</u>	\$ (5,657)

Changes in compensated absences payable reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

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Note 3: **Cash**

In addition, the District maintains a deposit of \$163,872 with the Treasurer of Nevada County. The Nevada County Treasurer pools all monies that it holds and allocates investment earnings and expenses based upon average daily cash balances. The County is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. At June 30, 2004, the District's investments are recorded at fair value. However, the value of the pool shares in the County which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2004

Note 4: **Capital Assets**

A summary of changes in Capital Assets for the year ended June 30, 2004, is as follows:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	Balance <u>June 30, 2004</u>
Capital assets, being depreciated:					
Buildings and improvements	\$ --	\$ --	\$ --	\$ --	\$ --
Equipment and vehicles	<u>35,341</u>	<u> </u>	<u> </u>	<u>10,052</u>	<u>45,393</u>
Total capital assets, being Depreciated	<u> </u>	<u> </u>	<u> </u>	<u>10,052</u>	<u>45,393</u>
Less accumulated depreciation for:					
Buildings and improvements	--	--	--	--	--
Equipment and vehicles	<u> </u>	<u>(5,657)</u>	<u> </u>	<u>(7,892)</u>	<u>(13,548)</u>
Total accumulated depreciation	<u> </u>	<u>(5,657)</u>	<u> </u>	<u>(7,892)</u>	<u>(13,548)</u>
Total capital assets, net	<u>\$ 35,341</u>	<u>\$ (5,657)</u>	<u>\$ --</u>	<u>\$ (7,892)</u>	<u>\$ 31,844</u>

Note 5: **Deer Creek Grant**

The District's only involvement with this grant was receipt of grant funding and the functioning as a pass through entity. District actions included administration of funds for reimbursement of expenses made and approved by the Friends of Deer Creek.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2004

BUDGET AND BUDGETARY REPORTING

The District is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the budget unit (departmental) level. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

OTHER REPORT

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

Board of Directors
Nevada County Resource Conservation District
Grass Valley, California

We have audited the general-purpose financial statements of the Nevada County Resource Conservation District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 29, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Compliance

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

Board of Directors
Nevada County Resource Conservation District
Lincoln, California

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

December 29, 2004
Roseville, California