

NEVADA COUNTY
RESOURCE CONSERVATION DISTRICT

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2008

ROBERT W. JOHNSON
Certified Public Accountant

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Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Nevada County Resource Conservation District (the "District") as of June 30, 2008, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Nevada County Resource Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Nevada County Resource Conservation District as of June 30, 2007 were audited by other auditors whose report dated January 23, 2008 expressed an unqualified opinion.

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 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 Nevada County Resource Conservation District as of June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Nevada County Resource Conservation District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
March 19, 2009

**Nevada County Resource Conservation District
Management Discussion and Analysis
Fiscal Year Ended June 30, 2008**

The following discussion and analysis of the Nevada County Resource Conservation District (“the District”) and its financial performance provides an overview of the District’s financial activities, prepared by its management for the year ending June 30, 2008. This discussion and analysis should be read in conjunction with the District financial statements and accompanying notes, which follow in this section.

History

The Nevada County Resource Conservation District is located in Grass Valley, Nevada County California and operates under California’s Public Resource Code Division Nine, Special Districts. The District was formed in 1943 to provide assistance to landowners for the conservation of natural resources such as soil, water, air, plants, animals and the human interaction factor. Currently the District’s jurisdiction is Nevada County and the western portion of Sierra County. In 2007/2008 fiscal year, there were 2-3 employees; District Manager, Administrative Asst/ Event Coordinator for part of the year and a Watershed Coordinator for part of the year. The District has a five member Board of Directors which are now appointed by the Nevada County Board of Supervisors and these board members are not paid. The District has historically shared an office with the USDA Natural Resource Conservation Service and continues to do so today. An Annual Report is published each year which demonstrates the work the District does and the type of projects and partners we collaborate with.

Financial Highlights

Total net assets were \$536,169 as of June 30th, 2008. There were no Accounts Receivables which are typically derived from invoices from grants. The District has no long term liabilities.

District staff wrote three grants in the fall of 2007 and was awarded the “Environmental Benefits of Grazing educational tour project” grant from the Sierra Nevada Conservancy in February 2008 for \$68,000. In addition, the District was awarded in April 2008 another grant from the Sierra Nevada Conservancy for the “Nevada County Community Shaded fuelbreak project” for \$406,000 over three years. The District was awarded the Bear River Watershed Coordinator grant from the California Department of Conservation for \$235,000 over three years. At the time of this management discussion and analysis letter, all of our State of California grants were suspended as of December 17, 2008 due to the State of California’s budget crisis.

The District purchased two HP computers and Samsung monitors for \$2,465 and a SONY camcorder camera for \$1,559.

Economic Outlook

While property tax from land values is just a part of the Districts overall revenue, there is concern in the current economic downturn regarding property values. The uncertain State and Federal budgets are closely followed as they relate to future grant funding. The District will continue to operate very lean and efficiently and remain committed to sound fiscal management practices to deliver the highest quality service.

Request for Information

This management report is designed to provide a general overview of the financial activity and condition of the Nevada County Resource Conservation District. Questions concerning this report or any additional information should be directed to Lesa Osterholm, NCRCD District Manager at 113 Presley Way, Suite One, Grass Valley, CA. 95945 and phone number 530-272-3417.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2008

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash (Note 3)	\$ 517,386	\$ -	\$ 517,386
Accounts receivable	17,720	-	17,720
Capital assets (Note 4)	-	47,858	47,858
Less, accumulated depreciation	<u>-</u>	<u>(32,118)</u>	<u>(32,118)</u>
Total assets	<u>\$ 535,106</u>	<u>\$ 15,740</u>	<u>\$ 550,846</u>
LIABILITIES			
Accounts payable	\$ 6,147	\$ -	\$ 6,147
Accrued payroll taxes	2,968	-	2,968
Accrued vacation	<u>5,562</u>	<u>-</u>	<u>5,562</u>
Total liabilities	<u>14,677</u>	<u>-</u>	<u>14,677</u>
FUND BALANCE/NET ASSETS			
Fund balances:			
Unreserved	<u>520,429</u>	<u>(520,429)</u>	<u>-</u>
Total fund balances	<u>520,429</u>	<u>(520,429)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 535,106</u>		
Net assets:			
Invested in capital assets, net of related debt		15,740	15,740
Unrestricted		<u>520,429</u>	<u>520,429</u>
		<u>\$ 536,169</u>	<u>\$ 536,169</u>

See notes to financial statements

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Conservation services	\$ 186,427	\$ -	\$ 186,427
Administrative	7,455	-	7,455
Capital outlay	2,465	(2,465)	-
Depreciation	<u>-</u>	<u>3,833</u>	<u>3,833</u>
Total program expenditures/expenses	<u>196,347</u>	<u>1,368</u>	<u>197,715</u>
Program revenues:			
Operating grants	18,219	-	18,219
Charges for services	<u>1,259</u>	<u>-</u>	<u>1,259</u>
Total program revenues	<u>19,478</u>	<u>-</u>	<u>19,478</u>
General revenues:			
Property taxes	213,444	-	213,444
Contributions	140	-	140
Interest income	<u>19,863</u>	<u>-</u>	<u>19,863</u>
Total general revenues	<u>233,447</u>	<u>-</u>	<u>233,447</u>
Excess of revenues over expenditures/ changes in net assets (carried forward)	56,578	(1,368)	55,210

See notes to financial statements

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES, continued
for the year ended June 30, 2008

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Excess of revenues over expenditures/changes in net assets (brought forward)	\$ 56,578	\$(1,368)	\$ 55,210
Beginning fund balances/ Net assets	463,851	12,411	476,262
Add – prior year long-term provision for vacation	<u>-</u>	<u>4,697</u>	<u>4,697</u>
Ending fund balances/net assets	<u>\$ 520,429</u>	<u>\$ 15,740</u>	<u>\$ 536,169</u>

See notes to financial statements

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$ 185,000	\$ 213,444	\$ 28,444
Operating grants	23,500	18,219	(5,281)
Interest income	9,500	19,863	10,363
Wildlife Project	300	140	(160)
No-Till Drill rental	500	250	(250)
Other income	<u>500</u>	<u>1,009</u>	<u>509</u>
 Total revenues	 <u>219,300</u>	 <u>252,925</u>	 <u>33,625</u>
Expenditures:			
Salaries	110,000	107,101	2,899
Payroll taxes	10,000	8,205	1,795
Group insurance	11,825	9,691	2,134
WC	1,300	653	647
CAL PERS	13,000	10,611	2,389
Miscellaneous	-	-	-
Supplies	4,000	79	3,921
Educational materials	500	149	351
Communications	1,100	1,215	(115)
Insurance and bonds	3,700	3,128	572
Maintenance equipment	500	-	500
Memberships	3,500	2,400	1,100
Office expenses	7,500	3,250	4,250
Professional services	23,800	32,336	(8,536)
Public and legal	500	-	500
Special events	5,500	4,494	1,006
Travel/training	1,000	358	642
Travel/conference	5,000	4,121	879
Travel general expense	2,500	1,806	694
Taxes and assessments	4,000	4,205	(205)
Wildlife Project	300	-	300
Workshop expenses	300	80	220
Office equipment/maintenance	3,000	2,465	535
No-Till Drill expense	<u>500</u>	<u>-</u>	<u>500</u>
 Total expenditures (carried forward)	 <u>213,325</u>	 <u>196,347</u>	 <u>16,978</u>

See notes to financial statements

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES, continued
BUDGET AND ACTUAL
for the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Total expenditures (carried forward)	\$ <u>213,325</u>	\$ <u>196,347</u>	\$ <u>16,978</u>
Excess of revenues (expenditures)	\$ <u><u>5,975</u></u>	\$ <u><u>56,578</u></u>	\$ <u><u>50,603</u></u>

See notes to financial statements

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Nevada County Resource Conservation District (the “District”) was established, pursuant to Division 9 of the California Public Resources Code. Since 1943, the District has worked with willing landowners, government agencies and other organizations to facilitate the conservation and restoration of Nevada County’s and Sierra County’s natural resources. The District’s 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. The District’s financial and administrative functions are governed by a five member Board of Directors appointed (at District’s request) by the Nevada County Board of Supervisors.

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District’s significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

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

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting, continued

Governmental funds 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. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease is included in depreciation. Equipment are depreciated using the straight-line method over their estimated useful lives, which range from three to ten years.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final balanced budget for each fiscal year.

Compensated Absences

Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability. Sick pay is not vested

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Cash

The District maintains a cash balance with the Treasurer of Nevada County in an interest-bearing pooled investment account. All cash invested is within the State statutes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

3. Cash:

The District had the following cash balances at June 30, 2008:

Petty cash	\$	26
Cash with County		<u>517,360</u>
	\$	<u>517,386</u>

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Changes in Capital Assets:

	Balance, beginning <u>of year</u>	<u>Additions</u>	<u>Disposals</u>	Balance, end of <u>year</u>
Equipment	\$ <u>45,393</u>	\$ <u>2,465</u>	\$ <u>-</u>	\$ <u>47,858</u>

5. Retirement Plan:

The District's policy is to fund retirement benefits with the State of California Public Employees' Retirement System (CALPERS). The amount of pension contributions by the District to CALPERS is actuarially determined under a program wherein contributions plus earnings of the retirement system are to provide the necessary funds to pay retirement benefits when due. The District relies on the competency of the State in determining the funding method, the adequacy of funding, and the spreading of actuarial gains and losses which is currently on a four-year basis.

A. Plan Description

The Nevada County Resource Conservation District contributes to the California Public Employees Retirement System (CALPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. CALPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Nevada County Resource Conservation District. The financial report may be obtained by writing to CALPERS Actuarial Office, P.O. Box 942709, Sacramento, CA 94229-2709.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

5. Retirement Plan (continued):

Pooled Report Format

Since the District's plan has less than 100 active members, it is required to participate in a risk pool.

Miscellaneous – 2 ½ % at 55 Risk Pool.

Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plans:

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	16 years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of Employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Retirement Plan, continued:

**Risk Pool's History of Funded Status and Funding Progress
(Miscellaneous Plan)**

<u>Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
06/30/2005	\$ 579,276,103	\$ 500,388,523	\$ 78,887,580	86.4%	\$129,379,492	61.0%
06/30/2006	\$ 912,988,585	\$ 787,758,909	\$125,229,676	86.3%	\$200,320,145	62.5%
06/30/2007	\$1,315,454,361	\$1,149,247,298	\$166,207,063	87.4%	\$289,090,187	57.5%

Annual employee contributions for active plan members, calculated as a % of covered salary, consist of:

Miscellaneous plan	8%
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The District pays half of the employees' share of contributions. The District is required to contribute additional amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS Actuaries and Actuarial Consultants and adopted by the Board of Administration. For the year ended June 30, 2008 the District paid total contributions of \$10,611.

6. Risk of Loss

Nevada County Resource Conservation District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2008 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

SUPPLEMENTAL DATA

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

David Vertin	President
Robert Ingram	Vice-President
David Gallino	
Eric Carr	
Ken Roberts	

Operations:

Lesa Osterholm	District Manager
Janet Blake	Administrative Assistant