

**NEVADA COUNTY
RESOURCE CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2007**

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Financial Statements
For the Year Ended June 30, 2007

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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, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2007, 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 our report dated {DATE}, on our consideration of the District'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 District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

Roseville, California
{DATE}

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Statement of Net Assets
June 30, 2007

ASSETS

Cash in County treasury	\$	440,207
Accounts receivable		30,770
Capital assets:		
Depreciable, net		<u>17,108</u>
Total Assets	\$	<u><u>488,085</u></u>

LIABILITIES

Accounts payable	\$	950
Accrued salaries and benefits		6,176
Long-term liabilities:		
Portion due or payable within one year:		
Compensated absences		2,211
Portion due or payable after one year:		
Compensated absences		<u>2,486</u>
Total Liabilities		<u>11,823</u>

NET ASSETS

Invested in capital assets, net of related debt		17,108
Unrestricted		<u>459,154</u>
Total Net Assets		<u>476,262</u>
Total Liabilities and Net Assets	\$	<u><u>488,085</u></u>

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Statement of Activities
For the Fiscal Year Ended June 30, 2007

Expenses:	
Salaries and employee benefits	\$ 113,438
Services and supplies	49,905
Equipment	1,559
Depreciation	3,422
Total Program Expenses	<u>168,324</u>
Program Revenues:	
Operating grants and contributions	74,105
Charges for services	400
Total Program Revenues	<u>74,505</u>
Net Program Expense	<u>(93,819)</u>
General Revenues:	
Property taxes	195,645
Unrestricted interest and investment earnings	14,636
Miscellaneous revenues	7,038
Total General Revenues	<u>217,319</u>
Change in Net Assets	123,500
Net Assets - Beginning of Year	<u>352,762</u>
Net Assets - End of Year	<u><u>\$ 476,262</u></u>

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Balance Sheet
Governmental Fund - General Fund
June 30, 2007

ASSETS

Cash in County treasury	\$	440,207
Accounts receivable		<u>30,770</u>
Total Assets	\$	<u><u>470,977</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$	950
Accrued salaries and benefits		<u>6,176</u>
Total Liabilities		<u>7,126</u>

Fund Balance:

Unreserved:		
Undesignated		<u>463,851</u>
Total Fund Balance		<u>463,851</u>
Total Liabilities and Fund Balance	\$	<u><u>470,977</u></u>

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2007

Fund Balance - total governmental funds (page 5)	\$ 463,851
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.	17,108
Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.	
Compensated absences	<u>(4,697)</u>
Net assets of governmental activities (page 3)	<u>\$ 476,262</u>

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Statement of Revenues, Expenditures and
Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2007

Revenues:	
Taxes	\$ 195,645
Revenue from use of money and property	14,636
Aid from other governments	74,105
Charges for services	400
Other	<u>7,038</u>
Total Revenues	<u>291,824</u>
Expenditures:	
Salaries and employee benefits	111,124
Services and supplies	<u>51,464</u>
Total Expenditures	<u>162,588</u>
Net Change in Fund Balances	129,236
Fund Balance - Beginning of Year	<u>334,615</u>
Fund Balance - End of Year	<u>\$ 463,851</u>

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2007

Net change to fund balance - total governmental funds (page 7)	\$ 129,236
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.	
Less current year depreciation	(3,422)
Some expenses 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.	
Change in compensated absences	<u>(2,314)</u>
Change in net assets of governmental activities (page 4)	<u><u>\$ 123,500</u></u>

The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2007

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

A. **Reporting Entity**

The Nevada County Resource Conservation District (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 includes all activities (operations of its administrative staff and District management) considered to be a part of the District. The District reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the District is financially accountable for other entities. The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of that entity.

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.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2007

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

B. Basis of Presentation and Accounting (continued)

Government-Wide Statements (continued)

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.

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. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) value in exchange, include grants, entitlements and donations. On a modified accrual basis, 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.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2007

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

C. **Assets, Liabilities and Net Assets or Equity**

Cash in County Treasury

The District maintains all of its cash and investments with the Nevada County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada's Auditor-Controller's office at 950 Maidu Avenue, Nevada City DA. The Nevada County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Compensated Absences

The District's policy is to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Capital Assets

Capital assets which include equipment and vehicles, are reported in the government-wide financial statements. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2007

Note 2: **Cash**

Cash at June 30, 2007 consisted of the following:

Cash held in Nevada County treasury \$ 440,207

The District maintains all of its cash and investments with the Nevada County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada's Auditor-Controller's office at 950 Maidu Avenue, Nevada City DA. The Nevada County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the District's deposit and investment risks at June 30, 2007, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Note 3: **Capital Assets**

A summary of changes in Capital Assets for the year ended June 30, 2007, is as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>
Capital assets, being depreciated:				
Equipment and vehicles	\$ 45,393	\$ --	\$ --	\$ 45,393
Total capital assets, being depreciated	<u>45,393</u>	<u>--</u>	<u>--</u>	<u>45,393</u>
Less accumulated depreciation for:				
Equipment and vehicles	<u>(24,863)</u>	<u>(3,422)</u>	<u>--</u>	<u>(28,285)</u>
Total accumulated depreciation	<u>(24,863)</u>	<u>(3,422)</u>	<u>--</u>	<u>(28,285)</u>
Total capital assets, net	<u>\$ 20,530</u>	<u>\$ (3,422)</u>	<u>\$ --</u>	<u>\$ 17,108</u>

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements
June 30, 2007

Note 4: **Long-Term Liabilities**

Changes in long-term liabilities during the fiscal year ended June 30, 2007, were as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 2,383	\$ 2,314	\$ --	\$ 4,697	\$ 2,211

Note 5: **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance. During the year ended June 30, 2007, the District did not reduce insurance coverage from coverage levels in place as of June 30, 2006. No settlements exceeded coverage levels in place during the year ended June 30, 2005, 2006 or 2007.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 195,645	\$ 45,645
Revenue from use of money and property	4,500	4,500	14,636	10,136
Aid from other governments	72,500	72,500	74,105	1,605
Charges for services	750	750	400	(350)
Miscellaneous revenue	3,000	3,000	7,038	4,038
Total Revenues	<u>230,750</u>	<u>230,750</u>	<u>291,824</u>	<u>61,074</u>
Expenditures:				
Salaries and employee benefits	153,042	153,042	111,124	41,918
Services and supplies	61,474	61,474	51,464	10,010
Equipment	--	--	--	--
Total Expenditures	<u>214,516</u>	<u>214,516</u>	<u>162,588</u>	<u>51,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 16,234</u>	<u>\$ 16,234</u>	129,236	<u>\$ 113,002</u>
Fund balance, beginning of year			<u>334,615</u>	
Fund balance, end of year			<u>\$ 463,851</u>	

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Note to the Required Supplementary Information
For the Year Ended June 30, 2007

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

**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 financial statements of the Nevada County Resource Conservation District (District) as of and for the year ended June 30, 2007, and have issued our report thereon dated {DATE}. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statement is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 07-FS-1.

Board of Directors
Nevada County Resource Conservation District

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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, LLP
A Gallina LLP Company

Roseville, California
{DATE}

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Schedule of Findings and Responses For the Year Ended June 30, 2007

<u>Finding/Program</u>	<u>Findings/Noncompliance</u>
Finding 07-FS-1	<p><i>SAS 112 – District’s Ability to Prepare Full Disclosure Financial Statements</i> <i>Reporting Requirement: Significant Deficiency</i></p> <p><u>Criteria</u> This past year, a new auditing standard, Statement on Auditing Standard No. 112, <i>Communicating Internal Control Related Matters Identified in a Audit</i> (SAS 112), was issued and applies to the District’s current year fiscal audit. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the District’s internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.</p> <p>The District should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the District must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.</p> <p><u>Condition</u> Currently, the District relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).</p> <p><u>Cause</u> Prior to the issuance of SAS 112, the District was able to rely on the external auditors to assist with the financial statements and related notes without being subject to control deficiencies.</p> <p><u>Effect or Potential Effect</u> The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity’s financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to ensure its</p>

NEVADA COUNTY RESOURCE CONSERVATION DISTRICT

Schedule of Findings and Responses
For the Year Ended June 30, 2007

Finding/Program

Findings/Noncompliance

Finding 07-FS-1
(continued)

Effect or Potential Effect (continued)

financial statements are in accordance with GAAP, the District is considering the external auditors a part of its internal controls over the preparation of the financial statements.

Recommendation

The District may consider the following possible actions:

- Obtaining guidance from the Nevada County accounting and administration staff to review audited financials for compliance with GAAP
- Providing training opportunities for its accounting staff that would enable them to become more familiar with the general disclosure requirements. This training should include, but is not limited to, the usage of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked
- Hiring an external Certified Public Accountant to confirm that the financial statements and related disclosures are in accordance with GAAP
- Take no action. The District may find that the costs outweigh the benefits to adhere to this standard. No action results in a significant deficiency in the District's internal controls over the preparation of the financial statements.

Management Response