

**RESOURCE CONSERVATION DISTRICT  
OF GREATER SAN DIEGO COUNTY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2017**

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
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## **INTRODUCTORY SECTION**



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA

Aubrey W. King, CPA  
Kevin A. Sproul, CPA

## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Resource Conservation District  
of Greater San Diego County  
Lakeside, California**

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Resource Conservation District of Greater San Diego County (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 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 and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 judgment, 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 District'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 District'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 respective financial position of the governmental activities and the aggregate remaining fund information of Resource Conservation District of Greater San Diego County as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Resource Conservation District of Greater San Diego County's basic financial statements. The financial statements and other supplementary information 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2018 on our consideration of Resource Conservation District of Greater San Diego County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Resource Conservation District of Greater San Diego County's internal control over financial reporting and compliance.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
July 9, 2018



***Resource Conservation District of Greater San Diego County***

11769 Waterhill Road; Lakeside, CA 92040

Phone: 619-562-0096; Fax: 619-562-4799

Website: [www.rcdsandiego.org](http://www.rcdsandiego.org)

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2017**

This discussion and analysis of the Resource Conservation District of Greater San Diego County's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also reference notes to the auditor's basic financial statements to enhance their understanding of the District's financial performance.

Note: The District is an independent special purpose non-enterprise district (local government) formed under Division 9 of the California Public Resources Code; as such, complies with all pertinent regulations and requirements thereto. As a local governmental entity, the District is tax-exempt under IRS rules. The District conducts annual financial audits by an independent auditing firm. The audit firm selected by the District to conduct the audit for fiscal year 2016-2017 was Wilkinson Hadley King & Co. LLP. District programs, projects, and services are primarily funded by local, state, and federal grants and donations.

**USING THESE FINANCIAL STATEMENTS**

This report consists of a series of financial statements and the notes to those statements. These statements are organized so that the reader can understand the District as a complex financial entity. These statements then proceed to provide an increasingly detailed look at specific activities. All figures are supported by the annual audit as completed by the firm Wilkinson Hadley King & Co. LLP.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016-2017 are as follows:

- Total net position is \$2,577,825.
- Net position not invested in buildings, land or equipment (i.e., unrestricted) is \$639,983.
- Total tax assessment dollars deposited to the District were \$309,536.
- Expenditures of the District totaled \$728,576 the majority of which will be reimbursed to the District from multiple grant sources in the 2016-2017 fiscal year:
  - USFS, Fuel Reduction Program
  - SRA State of CA Fuel Breaks
  - USDA Cleveland National Forest
  - USDA NRCS
  - County of San Diego NRP
  - San Diego Unified Port District, Stormwater Education Outreach
  - USFWS
  - SDG&E – Defensible Space Program
  - Tijuana River Valley Community Gardens Plots



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The following figures show comparative key financial highlights for FY 2015-16 and 2016-17:

<b>FY 2015-2016</b>		<b>FY 2016-2017</b>	
Total net position	\$2,536,832	Total net position	\$2,577,825
Total assets	\$2,596,177	Total assets	\$2,673,590
Net position not invested in buildings, land or equipment (i.e., unrestricted assets)	\$1,519,390	Net position not invested in buildings, land or equipment (i.e., unrestricted assets)	\$639,983
Total tax assessment dollars deposited to the District	\$293,457	Total tax assessment dollars deposited to the District	\$309,536
Reimbursements receivable for programs of the District, the majority of which will be reimbursed to the District from multiple grant sources in the 2015-2016 fiscal year (includes payroll and grant direct costs). Significant funding sources are derived from:	\$162,166	Reimbursements receivable for programs of the District, the majority of which will be reimbursed to the District from multiple grant sources in the 2016-2017 fiscal year (includes payroll and grant direct costs). Significant funding sources are derived from:	\$391,269
❖ US Forest Service Fuel Reduction		❖ USDA Cleveland National Forest	
❖ San Diego, Unified Port District, Stormwater Education		❖ SRA Sunrise Fuel Break	
❖ DSAP, Defensible Space Program SDG&E		❖ Tijuana River Valley Community Garden Plot Leases	
❖ Tijuana River Valley Community Garden Plot Leases			
❖ San Diego Foundation			





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**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual audit report consists of the following:

- Management's Discussion and Analysis
- Basic financial statements
- Other required supplementary information

The financial statements include notes which explain in detail some of the information included in the basic financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and are reported using a full accrual basis of accounting. The Statement of Net Position includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Activities identifies the District's revenues and expenses for the fiscal year ended June 30, 2017. These statements provide information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through contract (program) reimbursements and other charges.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The Statement of Net Position, Statement of Activities, Balance Sheet of Governmental Funds, and Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds provide an indication of the District's financial condition and also indicate the financial condition during the last fiscal year. The District's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

**FIXED ASSETS**

At the end of the 2016-2017 fiscal year, the District's fixed assets were:

- 2010 Toyota Rav 4 utilized to conduct programmatic business.
- 2016 Subaru Forester utilized to conduct programmatic business.
- Real property located at 11769 Waterhill Road, Lakeside, CA 92040, which was acquired by the District in fiscal year 2007-08 utilizing the District's reserve funds, includes land, buildings, and improvements. In addition, the District owned \$45,849 in furniture assets.



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**REVENUES**

The primary source of revenue for the District is local, state and federal program grants, miscellaneous fees from sales of books and videos, and tax apportionment dollars. All figures are taken from audit reports.

REVENUES 2015-2016		REVENUES 2016-2017	
o Interest income	\$4,355	o Interest income	\$8,531
o Miscellaneous revenue	\$11,600	o Miscellaneous revenue	\$1,303
o Grant revenue	\$391,974	o Grant revenue	\$835,725
o Tax assessments	\$293,459	o Tax assessments	\$309,536
o Total revenues on hand, including grant program reimbursements, tax assessment dollars, interest and miscellaneous income	\$701,388	o Total revenues on hand, including grant program reimbursements, tax assessment dollars, interest and miscellaneous income	\$1,155,095
o		o	

**FINANCIAL ASSISTANCE**

The District received financial assistance for fiscal year 2016-2017 in conjunction with programs for stormwater education presentations (Port of San Diego and municipalities), fuel reduction programs (USFS), County of San Diego Fuel Reduction, DSAP, SDG&E Defensible Space, and The State of CA SRA. These programs are primarily reimbursable contractual programs requiring that the District invoice the funding entities for program expenditures; occasional pre-reimbursement dollars are advanced toward selected programs and are recorded as such. Fees for service were derived from the Tijuana River Valley Community Gardens program plot leases.

**CONTACTING THE EXECUTIVE DIRECTOR**

The financial report is designed to provide our taxpayers and citizens with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact Sheryl Landrum, Executive Director, 11769 Waterhill Road, Lakeside, CA 92040. Email: [sheryl.landrum@rcdsandiego.org](mailto:sheryl.landrum@rcdsandiego.org). Website: [www.rcdsandiego.org](http://www.rcdsandiego.org) and [www.firesafesdcounty.org](http://www.firesafesdcounty.org).

**FINANCIAL SECTION**

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

<b>ASSETS</b>		
Cash in Local Agency Investment Fund	\$	1,015,248
Cash In Bank and On Hand		271,349
Accounts Receivable		391,269
Capital Assets:		
Land		110,000
Buildings		505,000
Building Improvements		572,982
Vehicles		68,140
Furniture and Equipment		45,849
Less: Accumulated Depreciation		<u>(306,247)</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>2,673,590</u></b>
 <b>LIABILITIES</b>		
Accounts Payable	\$	9,523
Compensated Absences		17,158
Unearned Revenues		<u>69,084</u>
<b>TOTAL LIABILITIES</b>		<b><u>95,765</u></b>
 <b>NET POSITION</b>		
Invested in Capital Assets		995,724
Restricted		942,118
Unrestricted		<u>639,983</u>
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u><u>2,577,825</u></u></b>

The accompanying notes are an integral part of this statement

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2017**

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>					
Governmental Activities:					
Program Services	\$ 728,576	\$ -	\$ 835,725	\$ -	\$ 107,149
General Administration	348,201	-	-	-	(348,201)
Depreciation - Unallocated	37,325	-	-	-	(37,325)
Total Governmental Activities	<u>\$ 1,114,102</u>	<u>\$ -</u>	<u>\$ 835,725</u>	<u>\$ -</u>	<u>(278,377)</u>

General Revenues:	
Tax Assessments	309,536
Donations and Miscellaneous	1,303
Interest and Investment Earnings	<u>8,531</u>
Total General Revenues	<u>319,370</u>
Change in Net Position	40,993
Net Position - Beginning	<u>2,536,832</u>
Net Position - Ending	<u>\$ 2,577,825</u>

The accompanying notes are an integral part of this statement

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

		General
<b>ASSETS</b>		
Cash in Local Agency Investment Fund	\$	1,015,248
Cash In Bank and On Hand		271,349
Accounts Receivable		391,269
		1,677,866
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>1,677,866</b>
<b>LIABILITIES</b>		
Accounts Payable	\$	9,523
Compensated Absences		17,158
Unearned Revenues		69,084
		95,765
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>95,765</b>
<b>FUND BALANCE</b>		
Committed Fund Balances:		
Operations Reserve	\$	780,000
Fleet Reserve		50,000
Capital Improvements Reserve		71,314
Computer Reserve		14,279
Discretionary Project Reserve		26,525
Unassigned Fund Balance		639,983
		1,582,101
<b>TOTAL FUND BALANCE</b>		<b>1,582,101</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>1,677,866</b>

The accompanying notes are an integral part of this statement

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET** \$ 1,582,101

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

Capital Assets. In governmental funds, only current assets are reported. In the statement of net position, all assets are reported including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost:	1,301,971	
Accumulated depreciation:	(306,247)	
Net:		995,724

**NET GOVERNMENTAL POSITION - STATEMENT OF NET POSITION** \$ 2,577,825

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	General
<b>REVENUES</b>	
Tax Assessments	\$ 309,536
USFS Fuel Reduction and Fire Prevention	178,827
State of California Sunrise Fuel Break	107,425
Defensible Space SDG&E	53,920
USDA Cleveland National Forest	229,807
County of San Diego Neighborhood Reinvestment Program	72,437
USDA Natural Resources Conservation Service	41,975
San Diego Unified Port District	20,000
Other Federal Revenues	29,713
Redevelopment Funds	13,325
Other State Revenues	6,447
Other Local Grants and Entitlements	62,130
TJRV Garden Plots	19,719
Donations and Miscellaneous	1,303
Investment Income	8,531
	<b>TOTAL REVENUES</b>
	<b>\$ 1,155,095</b>
<b>EXPENDITURES</b>	
Salaries and Benefits	\$ 212,617
Payroll Taxes	9,261
Dues and Subscriptions	7,480
Professional Fees	7,938
Travel and Conference	10,486
Accounting and Legal Fees	5,416
Insurance	8,335
Conservation and Education	3,565
Maintenence and Repairs	9,653
Landscaping	15,791
Utilities and Telephone	13,238
Office Expenses	6,950
Scholarships and Awards	5,829
Miscellaneous Expenses	8,167
Discretionary Project Expenses	23,475
Direct Grant Expenses	728,576
Capital Outlay	15,607
	<b>TOTAL EXPENDITURES</b>
	<b>1,092,384</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>62,711</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,519,390</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,582,101</b>

The accompanying notes are an integral part of this statement



**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2017**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 62,711

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	15,607	
Depreciation expense	(37,325)	
Net		(21,718)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES** \$ 40,993

The accompanying notes are an integral part of this statement

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**A. Organization:**

The Resource Conservation District of Greater San Diego County (District) was formed on May 8, 1995 by the merging of the Resource Conservation District of Central San Diego and the Greater Mountain Empire Resource Conservation District. The District's purpose is to provide soil, water and related resource conservation information and assistance in San Diego County.

**B. Summary of Significant Accounting Policies:**

*Reporting Entity*

The District operates under a locally elected Board form of government and provides conservation services as mandated by the state as a special district. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District.

*Component Units*

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that the exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB Statements 14, 39, and 61.

*Basis of Presentation and Accounting*

**Government-wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The District has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**B. Summary of Significant Accounting Policies: (Continued)**

The District reports the following major governmental funds:

General Fund: This 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 has no other funds.

*Measurement Focus*

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using 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. Nonexchange 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: 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. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

*Budget and Budgetary Accounting*

The District's budget for the general fund is adopted on a modified accrual basis. The Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1, the budget is legally enacted through Board action, if the expenditures exceed the appropriations the Administrator is authorized to transfer budgeted amounts between line items within any fund; however, any revisions that alter the total expenditures of any division or department must be approved by the Board of Directors. Supplemental appropriations were made during the year.

*Use of Estimates*

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates. Actual results could differ from those estimates.

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**B. Summary of Significant Accounting Policies: (Continued)**

*Encumbrances*

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

*Property Taxes*

General property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

*Compensated Absences*

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

*Income Taxes*

The District is a governmental organization exempt from federal and state income taxes.

*Funding Sources*

Significantly all of the District's primary funding sources come from grants and contracts entered into with various federal, state and local agencies.

*Capital Assets*

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-50 years
Building improvements	20-50 years
Vehicles	5 years
Furniture and equipment	5-10 years

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**B. Summary of Significant Accounting Policies: (Continued)**

*Unearned Revenue*

Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

*Fund Balance Reserves and Designations*

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. The governing board has designated management to be authorized to make such assignments. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.



**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**B. Summary of Significant Accounting Policies: (Continued)**

Minimum Fund Balance Policy – The District maintains a minimum operational reserve which is sustained during periods of economic uncertainty. Minimal operational reserves shall be accrued to ensure three years of minimal facility and administrative functions at a rate of \$260,000 annually with the maximum amount set at \$780,000. When the annual accumulation would increase the operational reserve beyond \$780,000, only the amount required to reach the maximum will be reserved. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

*Deferred Inflows and Deferred Outflows of Resources*

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. As of year ended June 30, 2017, the District did not have any deferred inflows of resources or deferred outflows of resources.

*Fair Value Measurements*

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

*Compliance and Accountability*

Finance-Related Legal and Contractual Provisions: In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

Violation-None Reported. Action Taken-Not Applicable

Deficit Fund Balance or Fund Net Position of Individual Funds: Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits.

Fund Name-None Reported. Deficit Amount-Not Applicable. Remarks-Not Applicable

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**C. Cash and Investments:**

*Cash in LAIF - State Treasury*

The District maintains cash in the State Treasury Investment Pool – Local Agency Investment Fund (LAIF) as part of the common investment pool (\$1,015,248 as of June 30, 2017). The fair value of the District’s portion of this pool as of that date, as provided by the pool sponsor was \$1,015,248. In general, this pool is used by most special districts and contains cash deposits and various securities permitted for local public agencies as specified in the Government Code of The State of California and the governing board approved investment policy. Interest earnings in this pool are allocated on a pro-rata basis, based on the fund balances of each district.

In accordance with Governmental Accounting Standards Board (GASB) No. 31, investments in the State Treasury Investment Pool – Local Agency Investment Fund should be recorded at fair value. However, the District determined that the fair market value approximates cost; therefore, no adjustment was made to reflect the difference.

The LAIF is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the LAIF acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition the LAIF is audited annually by an independent auditor.

*Cash on Hand and Banks*

Cash balances on hand and in banks (\$271,349 as of June 30, 2017) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

*Analyst of Specific Deposit and Investment Risks*

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State funds are restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurers repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The LAIF Investment Pool is rated A+ by Standard and Poors with a Moody’s rating of Aa3.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**C. Cash and Investments: (Continued)**

The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2017, the District's bank balances (including petty cash) of \$271,349 was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the LAIF pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

*Investment Accounting Policy*

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-bearing investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.



**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**C. Cash and Investments: (Continued)**

*Investments Authorized by the California Government Code and the District's Investment Policy*

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**D. Accounts Receivable:**

Accounts receivable represents amounts due to the District as of June 30, 2017 on current grants and contracts. There were no receivables which are not scheduled for collection within one year of year end. At June 30, 2017 accounts receivable consisted of the following:

Federal Government:		
USDA Cleveland National Forest	\$	220,964
Other Federal Programs		51,391
State Government:		
SRA Sunrise Fuel Break		107,425
Other State Programs		6,360
Local Sources:		
Tijuana River Valley		3,657
Other Local Sources		1,472
Total	\$	391,269

**E. Capital Assets:**

A summary of changes in capital asset activity is as follows:

	Balance July 1, 2016	Net Change in Capital Assets	Balance June 30, 2017
Capital Assets Not Being Depreciated:			
Land	\$ 110,000	\$ -	\$ 110,000
Total Capital Assets Not Being Depreciated	110,000	-	110,000
Capital Assets Being Depreciated:			
Buildings	505,000	-	505,000
Building Improvements	561,046	11,936	572,982
Vehicles	68,140	-	68,140
Furniture and Equipment	42,178	3,671	45,849
Total Capital Assets Being Depreciated	1,176,364	15,607	1,191,971
Less Accumulated Depreciation For:			
Buildings	(92,801)	(12,949)	(105,750)
Building Improvements	(102,716)	(14,488)	(117,204)
Vehicles	(33,671)	(9,213)	(42,884)
Furniture and Equipment	(39,734)	(675)	(40,409)
Total Accumulated Depreciation	(268,922)	(37,325)	(306,247)
Net Capital Assets	\$ 1,017,442	\$ (21,718)	\$ 995,724

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**F. Accounts Payable:**

Accounts payable at June 30, 2017 consisted of:

Vendor payables	\$ 9,523
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**G. Unearned Revenue:**

Unearned revenue at June 30, 2017 consisted of:

Federal Programs	\$ 7,941
Neighborhood Reinvestment Program	33,725
Other Local Sources	27,418
Total	\$ 69,084

**H. Operating Lease:**

The Organization leases a copier under an operating lease agreement expiring through June 2019. The agreement does not contain a purchase option and does not meet the requirements for capitalization. Minimum future rental payments due under this lease is as follows:

Year Ending June 30,	
2018	\$ 3,141
2019	2,094
Total	\$ 5,235

**I. Deferred Compensation:**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) on a voluntary basis upon date of hire. The plan is currently under an investment group contract with Lincoln Financial Group. The plan requires a minimum bi-weekly contribution of \$10 to be allocated for each option preference. The maximum amount that can be deferred under this plan is the lesser of 100% of the participant's includible compensation or \$18,000 (\$24,000 if age 50 or older) for the calendar year 2016. The District does not fund or contribute any matching employer contributions to the plan.

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
**(Continued)**

**I. Deferred Compensation (Continued):**

The District also provides pension benefits for all its eligible employees in lieu of social security through the plan as of the date of hire. Employees voluntarily select a contribution plan that is qualified under Section 401 (a) and 501 (a) under the Internal Revenue Code whereby the District makes quarterly contributions at the minimum social security rate (7.5%) based on continuous service until termination, retirement, death, or unforeseeable emergency.

The District also provides pension benefits for all its eligible employees in lieu of medical benefits as of the date of hire per voluntary request. Employees covered under a personal health plan have the option to contribute waived District medical benefits to their deferred compensation plan. For the fiscal year ended June 30, 2017 the total District contribution to the plan for all participating employees was \$15,020.

**J. Risk Management:**

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a non-insurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property and liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above. The District is insured under a plan with the Special Districts Risk Managements Association (self-funded trust pool), for commercial, general liability, and errors and omissions in the amount of \$1,000,000 in addition to workers' compensation insurance in statutory amounts. There have been no significant changes or reductions in coverage from the prior year. No claims have been asserted during the year and there are no unpaid claims. No settlements have exceeded coverage in the past three years.

**K. Commitments and Contingencies:**

*State and Federal Allowances, Awards, and Grants*

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under term of the grants, it is believed that any required reimbursements will not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Tax Assessments	\$ 270,000	\$ 309,536	\$ 39,536
USFS Fuel Reduction and Fire Prevention	200,000	178,827	(21,173)
State of California Sunrise Fuel Break	107,425	107,425	-
Defensible Space SDG&E	55,520	53,920	(1,600)
USDA Cleveland National Forest	277,651	229,807	(47,844)
CSD Neighborhood Reinvestment Program	106,162	72,437	(33,725)
USDA Natural Resources Conservation Service	45,195	41,975	(3,220)
San Diego Unified Port District	20,000	20,000	-
Other Federal Revenues	34,650	29,713	(4,937)
Redevelopment Funds	5,200	13,325	8,125
Other State Revenues	2,000	6,447	4,447
Other Local Grants and Entitlements	63,356	62,130	(1,226)
TJRV Garden Plots	20,010	19,719	(291)
Donations and Miscellaneous	740	1,303	563
Investment Income	3,030	8,531	5,501
<b>TOTAL REVENUES</b>	<b>\$ 1,210,939</b>	<b>\$ 1,155,095</b>	<b>\$ (55,844)</b>
<b>EXPENDITURES</b>			
Salaries and Benefits	\$ 239,704	\$ 212,617	\$ 27,087
Payroll Taxes	24,393	9,261	15,132
Dues and Subscriptions	7,000	7,480	(480)
Professional Fees	6,700	7,938	(1,238)
Travel and Conference	10,000	10,486	(486)
Accounting and Legal Fees	8,000	5,416	2,584
Insurance	6,180	8,335	(2,155)
Conservation and Education	3,600	3,565	35
Maintenance and Repairs	11,505	9,653	1,852
Landscaping	11,400	15,791	(4,391)
Utilities and Telephone	13,920	13,238	682
Office Expenses	4,880	6,950	(2,070)
Scholarships and Awards	5,600	5,829	(229)
Miscellaneous Expenses	6,890	8,167	(1,277)
Discretionary Project Expense	-	23,475	(23,475)
Direct Grant Expenses	816,822	728,576	88,246
Capital Outlay	15,607	15,607	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,192,201</b>	<b>\$ 1,092,384</b>	<b>\$ 99,817</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>18,738</b>	<b>62,711</b>	<b>43,973</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,519,390</b>	<b>1,519,390</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,538,128</b>	<b>\$ 1,582,101</b>	<b>\$ 43,973</b>

The accompanying notes are an integral part of this statement

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Note 1: Excess of Expenditures Over Appropriations**

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Dues and Subscriptions	\$ 480
Professional Fees	1,238
Travel and Conference	486
Insurance	2,155
Landscaping	4,391
Office Expenses	2,070
Scholarships and Awards	229
Miscellaneous Expenses	1,277
Discretionary Project Expense	23,475

The District underestimated the expenses in each category.

**OTHER SUPPLEMENTARY INFORMATION**



**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY  
BOARD OF DIRECTORS  
JUNE 30, 2017**

The Board of Directors for the fiscal year ended June 30, 2017 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Donald Butz	President	November 30, 2020
Marilyn Huntamer	Vice President	November 30, 2020
Nadine Scott	Secretary/Treasurer	November 30, 2018
Jim Thompson	Director	November 30, 2020
Jordan Gascon	Director	November 30, 2018
Kurt Streule	Director	November 30, 2018

**Administration**

Sheryl Landrum  
Executive Director

**OTHER INDEPENDENT AUDITOR'S REPORTS**

**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  
Resource Conservation District  
of Greater San Diego County  
Lakeside, California**

We have audited, in accordance with the 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, the financial statements of the governmental activities and the aggregate remaining fund information of Resource Conservation District of Greater San Diego County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Resource Conservation District of Greater San Diego County's basic financial statements, and have issued our report thereon dated July 9, 2018.

**Internal Control Over Financing Reporting**

In planning and performing our audit of the financial statements, we considered Resource Conservation District of Greater San Diego County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Resource Conservation District of Greater San Diego County's internal control. Accordingly, we do not express an opinion on the effectiveness of Resource Conservation District of Greater San Diego County's internal control.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Resource Conservation District of Greater San Diego County'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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
July 9, 2018

## **FINDINGS AND RECOMMENDATIONS**

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Type of auditor's report issued on compliance for major programs:	Not Applicable
Internal control over major programs:	
One or more material weaknesses identified?	Not Applicable
One or more significant deficiencies identified that are not considered to be material weaknesses?	Not Applicable
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Not Applicable
Identification of major programs:	<u>Name of Federal Program</u>
<u>CFDA Number</u>	
Not Applicable	Not Applicable
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Not Applicable

**Section II – Federal Award Findings and Questioned Costs**

Not Applicable

**Section III – Financial Statement Findings**

No Matters Reported

**RESOURCE CONSERVATION DISTRICT OF GREATER SAN DIEGO COUNTY  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

There were no findings or questioned costs reported in the audit for the fiscal year ended June 30, 2016.