



Financial Statements
with Independent Auditor's Report

Year Ended June 30, 2017



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Resource Conservation District of the Santa Monica Mountains

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Year Ended June 30, 2017**

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Resource Conservation District of the Santa Monica Mountains

**Board of Directors
June 30, 2017**

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Steven Rosentsweig	Vice President
Nancy Helsley	Treasurer
Beth Burnam	Director
Glenn Bailey	Associate Director
Dennis Washburn	Associate Director

Clark Stevens
Executive Officer



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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

Independent Auditor's Report

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To the Board of Directors
Resource Conservation District of the Santa Monica Mountains
Topanga, 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 Resource Conservation District of the Santa Monica Mountains (the 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, and have issued our report thereon dated November 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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.

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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 major funds of the District 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, as well as accounting systems prescribed by the California State Controller's office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Proportionate Share of the District's Net Pension Liability and Related Ratios as of the Measurement Date, and Schedule of Plan Contributions, as listed 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 of the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2017 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 21, 2017

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis Year Ended June 30, 2017

This section of the Resource Conservation District of the Santa Monica Mountains' (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall revenues were \$1,208,967. District revenues consist of contract and grant revenues, which are monies pledged to complete a particular project like habitat restoration or native species monitoring; fee for service payments, monies paid for a service the District provides like consulting or education programs; property taxes; contributions; and interest on deposited funds.
- The total cost of basic programs increased 5% to \$841,380. The main source of the increase is legal fees, which is related to conservation easement negotiations with two partners.
- The District leveraged \$328,794 in property tax revenues this fiscal year to bring in \$880,173 in other revenue for projects and programs, or approximately 2.7 times return on the property tax investment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - 1) Management's Discussion and Analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that report the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using an accrual basis of accounting and economic resources measurement focus. Consequently, the statement of net position includes all of the District's assets and liabilities, as well as deferred inflows and outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis Year Ended June 30, 2017

GOVERNMENT-WIDE STATEMENTS (continued)

The two government-wide statements report the District's net position and how it has changed. Net position is essentially the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and is one way to measure the District's financial health. Over multiple years, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively. Annual increases and decreases in net position should be viewed in the context of short-term factors, such as grant funding changes, that may have an outsized impact on any one year. To assess overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, availability of grants for environmental restoration and monitoring, and the overall state of the economy.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by granting agencies.
- The District establishes other funds to control and manage money for particular purposes (i.e. funding a specific program) or to show that it is properly using certain revenues (like federal grants).

Governmental funds - All of the District's basic services are included in the governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental fund statements that explains the relationship (or differences) between them.

The District currently maintains two governmental funds:

- General Fund – the District uses the general fund to record transactions of the District's primary operations.
- Grants Special Revenue Fund – the District uses the grants fund to record transactions for grant funded resource conservation projects.

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased in fiscal year 2017 (See Table A-1). The increase was largely due to the following factors: 1) Endowment received for a conservation easement from Las Virgenes Unified School District and 2) a decrease in actuarially determined pension related expenses.

Table A-1: Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Dollar Change	Percentage Change
Assets				
Current and other assets	\$1,225,142	\$ 821,736	\$ 403,406	49%
Capital assets	3,760	6,332	(2,572)	(41%)
Total assets	<u>1,228,902</u>	<u>828,068</u>	<u>400,834</u>	<u>48%</u>
Deferred Outflows of Resources				
Pension related	<u>145,343</u>	<u>102,269</u>	<u>43,074</u>	<u>42%</u>
Liabilities				
Unearned revenue	350,327	314,040	36,287	12%
Other liabilities	180,622	130,315	50,307	39%
Total liabilities	<u>530,949</u>	<u>444,355</u>	<u>86,594</u>	<u>19%</u>
Deferred Inflows of Resources				
Pension related	<u>29,557</u>	<u>39,830</u>	<u>(10,273)</u>	<u>(26%)</u>
Net Position				
Investment in capital assets	3,760	6,332	(2,572)	(41%)
Restricted	288,853	9,681	279,172	100%
Unrestricted	521,126	430,139	90,987	21%
Total net position	<u>\$ 813,739</u>	<u>\$ 446,152</u>	<u>\$ 367,587</u>	<u>82%</u>

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in Net Position

The District's total revenue increased by 45% to \$1,208,967 (See Table A-2). Contract and grant revenues (66%) and property taxes (27%) accounted for most of the District's revenue. (See Figure A-1.) The remainder of the revenue was from charges for services, contributions, and interest income.

The total cost of all programs and services increased 5% to \$841,380. Payroll (67%) is the largest District expense, followed by contractor expenses (11%) (See Figure A-2). A significant contributor to the higher costs was legal fees, which is related to negotiation of two conservation easements, the one from Las Virgenes Unified School District being completed in this fiscal year.

Table A-2: Condensed Statements of Activities

	June 30, 2017	June 30, 2016	Dollar Change	Percentage Change
Revenues:				
Operating grants and contributions	\$ 812,905	\$ 467,942	\$ 344,963	74%
Charges for services	65,638	58,912	6,726	11%
General revenues	330,424	304,917	25,507	8%
Total revenues	<u>1,208,967</u>	<u>831,771</u>	<u>377,196</u>	<u>45%</u>
Expenditures:				
General government	348,972	336,156	12,816	4%
Natural resource conservation	492,408	460,166	32,242	7%
Total expenditures	<u>841,380</u>	<u>796,322</u>	<u>45,058</u>	<u>6%</u>
Change net position	<u>\$ 367,587</u>	<u>\$ 35,449</u>	<u>\$ 332,138</u>	<u>937%</u>

Resource Conservation District of the Santa Monica Mountains

**Management's Discussion and Analysis
Year Ended June 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Figure A-1: Revenues for Fiscal Year 2017

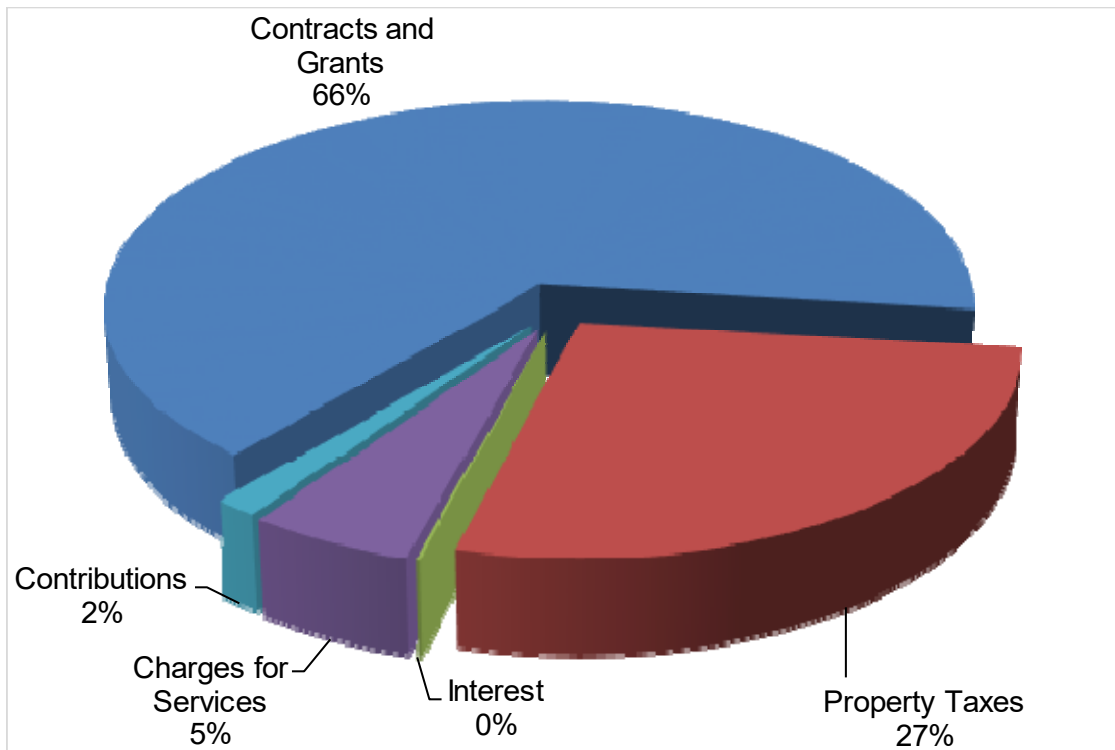
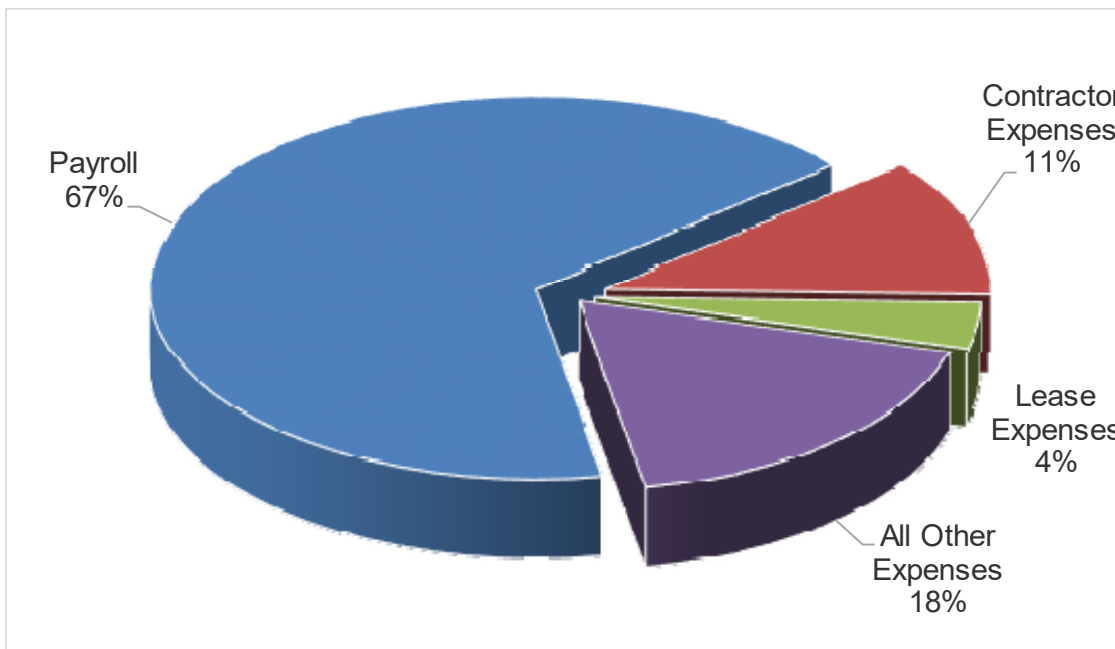


Figure A-2: Expenses for Fiscal Year 2017



Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis Year Ended June 30, 2017

GOVERNMENTAL ACTIVITIES

The District continues the work it has done for over 15 years with southern steelhead trout while nearing the construction phase of the Liberty Canyon Highway 101 Passage Improvements projects. In addition, the District worked to understand and manage the recent invasive beetle infestation which is causing trees to die in the Mountains, developed a conservation plan for 2400 acres of linkage habitat and received a grant to develop an innovative educational experience at Malibu Lagoon. Following are a few of the highlights:

- Topanga/Malibu/Arroyo Sequit Creeks Southern Steelhead Trout Monitoring (California Department of Fish and Wildlife - \$282,113, \$197,016, \$321,221 and \$255,487): four grants to fund tagging of trout in Topanga Creek to understand growth, migration and habitat requirements in a designated focal reference stream, and to monitor distribution and abundance of trout in Topanga Creek and Malibu Creek through snorkel and redd surveys and use of a Didson camera for underwater images.
- Highway 101 Wildlife Crossings (CA Wildlife Conservation Board - \$650,000: Los Angeles County 3rd District Supervisor Zev Yaroslavsky - \$200,000; Mountains Recreation and Conservation Association - \$15,500; and National Wildlife Federation - \$5,000): funding to enhance the habitat around and in the existing undercrossing of the highway at the Liberty Canyon interchange in the short term, and to design a vegetated bridge to span the highway and adjacent Agoura Road in the long term to provide habitat linkage for genetically-compromised local mountain lion population and other wildlife in the Santa Monica Mountains.
- Malibu Lagoon – Who Lives Here? (State Coastal Conservancy - \$44,966): the grant provides hands-on marine ecology field programs for Title 1 LAUSD 4th and 5th graders that will generate student-initiated content to be incorporated into a web application available to all visitors to Malibu Lagoon.
- Conservation Planning, Private Property Conservation Easement (Private landowner - \$75,000): the RCD contracted with a private landowner to provide conservation planning services to design a conservation easement and monitoring plan for a 2400 acre ecologically critical property within the District.
- LA County Tree Study (Los Angeles County 3rd District Supervisor Sheila Kuehl - \$40,800): the District continued its study to identify containment options and develop management strategies to effectively respond to the non-native, invasive beetle infestations that are killing local native trees.

The cost of all governmental activities in fiscal year 2017 was \$841,380. Some of that cost, \$83,413, was financed by private donations and by the users of the District's programs through service fees. Other than the contract and grant funds mentioned above, the remainder of the District's expenses were financed by property taxes (\$328,794) and investment earnings (\$1,630).

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$817,329.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District produces and maintains a budget for the General Fund, which covers the District's administration, operations and basic services, and for each program and project. The District's General Fund final budget projected that revenues would exceed expenditures by \$8,780, while the actual results for the year show a \$67,960 increase in fund balance.

CAPITAL ASSETS

The District's investment in capital assets includes computers, office furniture and equipment, field equipment, and Mobile-Mini and Tuff Sheds used as a lab and for file and equipment storage. The District did not invest in any new capital assets during the year. Total depreciation expense for the year was \$2,572. More detailed information about capital assets can be found in Note 5 to the financial statements.

Table A-3: Condensed Schedule of Capital Assets

	June 30, 2017	June 30, 2016	Dollar Change	Percentage Change
Equipment	\$ 3,564	\$ 3,564	\$ -	0%
Improvements	16,361	16,361	-	0%
	<u>19,925</u>	<u>19,925</u>	<u>-</u>	<u>0%</u>
Accumulated Depreciation	<u>(16,165)</u>	<u>(13,593)</u>	<u>(2,572)</u>	<u>19%</u>
Net Capital Assets - Ending	<u>\$ 3,760</u>	<u>\$ 6,332</u>	<u>\$ (2,572)</u>	<u>(41%)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives to those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the District's Executive Officer at 818-597-8627 or by email at info@rcdsmm.org.

Basic Financial Statements

Resource Conservation District of the Santa Monica Mountains

**Statement of Net Position
June 30, 2017**

ASSETS

Cash and investments	\$ 1,057,582
Accounts receivable	162,560
Security deposit	5,000
Capital assets, net of depreciation	<u>3,760</u>
Total assets	<u>1,228,902</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related	<u>145,343</u>
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LIABILITIES

Accounts payable	53,843
Accrued expenses	3,643
Unearned revenue	350,327
Compensated absences payable	25,413
Capitalized copier lease	1,528
Net pension liability	<u>96,195</u>
Total liabilities	<u>530,949</u>

DEFERRED INFLOWS OF RESOURCES

Pension related	<u>29,557</u>
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NET POSITION

Net investment in capital assets	3,760
Restricted	288,853
Unrestricted	<u>521,126</u>
Total net position	<u>\$ 813,739</u>

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

Resource Conservation District of the Santa Monica Mountains

**Statement of Activities
Year Ended June 30, 2017**

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 348,972	\$ 44,477	\$ 60,811	\$ (243,684)
Natural resource conservation	492,408	21,161	752,094	280,847
Total governmental activities	<u>\$ 841,380</u>	<u>\$ 65,638</u>	<u>\$ 812,905</u>	<u>37,163</u>
General Revenues:				
Property taxes				328,794
Investment earnings				<u>1,630</u>
Total general revenues				<u>330,424</u>
Change in net position				367,587
Net position - beginning				<u>446,152</u>
Net position - ending				<u>\$ 813,739</u>

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

Resource Conservation District of the Santa Monica Mountains

**Balance Sheet
Governmental Funds
June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund Grants Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 517,700	\$ 539,882	\$ 1,057,582
Accounts receivable	11,225	151,335	162,560
Security deposit	5,000	-	5,000
	<u>533,925</u>	<u>691,217</u>	<u>1,225,142</u>
Total assets	<u>\$ 533,925</u>	<u>\$ 691,217</u>	<u>\$ 1,225,142</u>
LIABILITIES			
Accounts payable	\$ 1,806	\$ 52,037	\$ 53,843
Accrued expenses	3,643	-	3,643
Unearned revenue	-	350,327	350,327
	<u>5,449</u>	<u>402,364</u>	<u>407,813</u>
Total liabilities	<u>5,449</u>	<u>402,364</u>	<u>407,813</u>
FUND BALANCES			
Restricted	-	288,853	288,853
Unassigned	528,476	-	528,476
	<u>528,476</u>	<u>288,853</u>	<u>817,329</u>
Total fund balances	<u>528,476</u>	<u>288,853</u>	<u>817,329</u>
Total liabilities and fund balances	<u>\$ 533,925</u>	<u>\$ 691,217</u>	<u>\$ 1,225,142</u>

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

Resource Conservation District of the Santa Monica Mountains

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2017**

Total governmental fund balances \$ 817,329

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

Capital assets net of depreciation have not been included
in governmental fund activity:

Capital assets	19,925	
Accumulated depreciation	<u>(16,165)</u>	3,760

Compensated absences payable are not payable from
financial resources and, therefore, are not reported in the
funds. (25,413)

The capital lease is not payable from current financial
resources and, therefore, is not reported in the funds. (1,528)

Pension related deferred outflows and inflows of resources
are not reported in the governmental funds:

Deferred outflows of resources - pension related	145,343
Deferred inflows of resources - pension related	(29,557)

The net pension liability is not payable from current financial
resources and, therefore, is not reported in the funds. (96,195)

Net position of governmental activities \$ 813,739

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

Resource Conservation District of the Santa Monica Mountains

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017**

	General Fund	Special Revenue Fund Grants Fund	Total Governmental Funds
REVENUES			
Contracts and grants	\$ 59,636	\$ 735,494	\$ 795,130
Property taxes	328,794	-	328,794
Interest earnings	154	1,476	1,630
Direct public support	1,175	16,600	17,775
Fees for services	12,471	9,836	22,307
Education program fees	31,908	11,325	43,233
Other revenue	98	-	98
	<u>434,236</u>	<u>774,731</u>	<u>1,208,967</u>
EXPENDITURES			
General government	369,427	-	369,427
Natural resource conservation	-	492,408	492,408
	<u>369,427</u>	<u>492,408</u>	<u>861,835</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>64,809</u>	<u>282,323</u>	<u>347,132</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,151	-	3,151
Transfers out	-	(3,151)	(3,151)
	<u>3,151</u>	<u>(3,151)</u>	<u>-</u>
Net change in fund balances	67,960	279,172	347,132
Fund balances - beginning	<u>460,516</u>	<u>9,681</u>	<u>470,197</u>
Fund balances - ending	<u>\$ 528,476</u>	<u>\$ 288,853</u>	<u>\$ 817,329</u>

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

Resource Conservation District of the Santa Monica Mountains

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ 347,132

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

Governmental funds report capital outlays 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.

Depreciation expense (2,572)

Governmental funds report all contributions in relation to annual required contribution (ARC) for pension expenditures, however, in the statement of activities, pension expense is actuarially determined.

Net change in pension related items 20,725

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 payable 697
Capital lease payments 1,605

Change in net position of governmental activities \$ 367,587

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

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 1: Nature of Activities and Significant Accounting Policies

District History

The Resource Conservation District of the Santa Monica Mountains (the District) is a local government body established to assist landowners in conserving natural resources and to educate the public about conservation issues. The District was originally organized as the Topanga Soil Conservation District in accordance with Division 9 of the California Public Resources Code. The formation election was held on January 10, 1961; the vote was certified and the District was declared to be formally organized by resolution of the Los Angeles County Board of Supervisors on January 24, 1961; and on February 8, 1961 the Board of Directors of the new district met for the first time. In 1971, the State of California officially changes the name "Soil Conservation District" to "Resource Conservation District" to reflect the expanded mission of all state districts to include wildlife and habitat conservation. The Topanga Las Virgenes Resource Conservation District officially changed its name to the Resource Conservation District of the Santa Monica Mountains by resolution of the Board of Directors on January 9, 1995.

Reporting Entity

The basic financial statements of Resource Conservation District of the Santa Monica Mountains (the District) include the accounts of all of the activities of the District. The District was formed as an independent special district to assist landowners in conserving natural resources and to educate the public about conservation issues. The District's board of directors is appointed by the Board of Supervisors of Los Angeles County.

The District encompasses 168,000 acres of land in Los Angeles and Ventura Counties and serves wildlands and developed areas located in the Santa Monica Mountains.

Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. *Governmental activities* are supported by taxes and intergovernmental revenues.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements for governmental funds are presented after the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Currently, the District has two major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources. Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All "other revenue" items are considered to be measurable and available only when the District receives the cash. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District has two major governmental funds.

General Fund

The General Fund is the government's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Grants Fund

The Grants Special Revenue Fund is used to account for activities related to grants funded projects.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are recorded at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced liquidation sale.

Accounts Receivable

No allowance for doubtful accounts has been established since management believes that substantially all amounts are collectible.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, furniture and fixtures, equipment, and vehicles, are reported in the government-wide financial statements. The District defines capital assets as: assets that have an estimated useful life of two or more years and a cost of more than \$5,000, and all capital projects and contributed assets with a fair market value of \$5,000 or more on the date of contribution. Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at estimated acquisition value at the date of donation. The District does not possess any infrastructure.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Capital Assets (continued)

Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements	15 – 40 years
Equipment	5 – 7 years

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District may report pension related deferred outflows of resources on the statement of net position.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District may report pension related deferred inflows of resources on the statement of net position, and unavailable revenue on the balance sheet. Unavailable revenue in the governmental funds is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Accumulated vacation and sick pay are recorded as an expense and liability as the benefits are earned. Compensated absences are recorded as a liability of the District. While there is no cap on the accumulation of sick time, District policy states that no employee shall have over 240 hours of accumulated vacation time. Upon leaving the District's employment, the employee will be paid for all of his or her accumulated vacation time and half of his or her accumulated sick time. The amount due will be determined using salary and wage rates in effect at the time of leave.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Pension Plans

For the purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website, at www.calpers.ca.gov.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants, donations and property taxes. On an accrual basis, revenue from grants, donations and property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Property Taxes

Secured property taxes are levied in two equal installments, November 1st and February 1st. They become delinquent with penalties on December 10th and April 10th, respectively. The lien date is January 1st of each year. Unsecured property taxes are due on the March 1st lien date and become delinquent with penalties on August 31st. Los Angeles and Ventura Counties bill and collect the taxes for the District.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes. The District receives an allocated share of the property taxes levied in Los Angeles and Ventura Counties.

The District has chosen to participate in the Teeter Alternative Method of Tax Distribution. Under this method, the secured property tax allocation is 100% guaranteed, adjusted by current roll changes only. The other categories of property taxes are distributed as received including penalties.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance Policy

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in the general fund.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fund Balance Policy (continued)

The District Board of Directors, establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed. It is also the District's policy to consider committed or assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Stewardship, Compliance and Accountability

Budgetary information

A budget is prepared on the modified accrual basis of accounting for the General Fund. A budget is not adopted for the Grants Fund. The Board must approve amendments or transfers of appropriations between budget line items. The budget is adjusted in January of each year, to reflect the current knowledge and circumstances, which were unavailable at the original adoption.

Note 2: Cash and Investments

Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Cash and investments	<u>\$ 1,057,582</u>
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Cash and investments as of June 30, 2017 consisted of the following:

Deposits with financial institutions	\$ 642,876
Pooled investments	<u>414,706</u>
Total cash and investments	<u>\$ 1,057,582</u>

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 2: Cash and Investments (continued)

Investment in External Investment Pools

Los Angeles County Investment Pool

The District is a voluntary participant in the Los Angeles County Investment Pool that is regulated by the California Government Code under the oversight of the Treasurer of the County of Los Angeles. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by Los Angeles County for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by Los Angeles County, which are recorded on an amortized cost basis.

Investment Trust of California

The District voluntarily participates in the Investment Trust of California (CalTRUST), a Joint Powers Authority (JPA), established by public agencies in California for the purpose of pooling and investing local agency funds, operating reserves, and bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

For the CalTRUST Short-Term, Medium-Term, and Long-Term Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. The District invests in the Medium-Term Accounts, with targeted investment durations from 1.5 to 3.5 years.

CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust, and leveraging within the Trust's portfolios is prohibited. Separate CalTRUST financial statements are available from the Trustee on the Internet at www.caltrust.org.

Fair Value Measurement

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The District does not hold any investments that are subject to measurement under the fair value hierarchy.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 2: 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 and the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (and the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	100%	None
U.S. Treasury Obligations	5 years**	100%	None
Federal Agency Obligations	5 years**	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper - Select Agencies	270 days	25%	10%
Commercial Paper - Other Agencies	270 days	40%	10%
Federal Agency Obligations	5 years**	30%	None
Non-negotiable Certificates of Deposits	5 years	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium Term Corporate Notes**	5 years	30%	None
Repurchase Agreements	1 year	100%	None
Reverse Purchase Agreements and Securities Lending Agreements	92 days***	20%	None
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	100%	None
Bank/Time Deposits	5 years	100%	None
Pooled Investment Funds	N/A	100%	None
Mortgage Pass-Through Securities	5 years	20%	None
Voluntary Investment Program Fund	N/A	100%	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$65 million

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

** Except when authorized by the District's legislative body in accordance with Government Code Section 53601

*** Except when the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse purchase agreement or securities agreement and the final maturity dates of the same security.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 2: Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market 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. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

At June 30, 2017, the District does not hold investments that are highly sensitive to interest rate fluctuations.

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity</u>	
		<u>Less than 1 year</u>	<u>1 to 3 Years</u>
Los Angeles County Investment Pool	\$ 5,138	\$ 5,138	\$ -
Investment Trust of California (CalTRUST)	409,568	-	409,568
Total	<u>\$ 414,706</u>	<u>\$ 5,138</u>	<u>\$ 409,568</u>

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The carrying amounts of the District's demand deposits were \$642,876 at June 30, 2017. Bank balances at June 30, 2017, were \$686,477 which were fully insured or collateralized with securities held by the pledging financial institutions, but not in the District's name.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The market value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 2: Cash and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the minimum ratings required by, where applicable, the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Pooled investments	<u>\$ 414,706</u>	N/A	<u>\$ 414,706</u>
Total	<u><u>\$ 414,706</u></u>		<u><u>\$ 414,706</u></u>

Note 3: Accounts Receivable

At June 30, 2017, the District's accounts receivable balance consisted of the following:

Grant related receivables	\$ 131,009
Retention receivable	20,326
Taxes receivable:	
Los Angeles County	9,035
Ventura County	<u>2,190</u>
Total	<u><u>\$ 162,560</u></u>

Note 4: Interfund Transactions

The District has the following transfers as of June 30, 2017:

<u>Transfers Out:</u>	<u>Transfers In</u>
Grants Special Revenue Fund	General Fund
<u>\$</u>	<u>3,151</u>

The Grants Special Revenue Fund transferred \$3,151 to the General Fund as part of closing out various grants.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 5: Capital Assets

Capital asset activity for year ended June 30, 2017 was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
<u>Cost</u>				
Improvements	\$ 3,564	\$ -	\$ -	\$ 3,564
Equipment	16,361	-	-	16,361
Total Cost	<u>19,925</u>	<u>-</u>	<u>-</u>	<u>19,925</u>
<u>Less accumulated depreciation for:</u>				
Improvements	(2,688)	(178)	-	(2,866)
Equipment	(10,905)	(2,394)	-	(13,299)
Total accumulated depreciation	<u>(13,593)</u>	<u>(2,572)</u>	<u>-</u>	<u>(16,165)</u>
Total Capital Assets, Net	<u>\$ 6,332</u>	<u>\$ (2,572)</u>	<u>\$ -</u>	<u>\$ 3,760</u>

Depreciation expense was charged to governmental activities as follows:

General government	<u>\$ 2,572</u>
Total depreciation expense	<u>\$ 2,572</u>

Note 6: Compensated Absences

Changes in compensated absences during the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	<u>\$ 26,110</u>	<u>\$ 22,443</u>	<u>\$ (23,140)</u>	<u>\$ 25,413</u>

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 7: Capital Lease

The District has entered into a long-term lease to finance the acquisition of a copy machine. The lease qualifies as a capital lease for accounting purposes and has been recorded at the fair market value when purchased. As of June 30, 2017, the future minimum lease payments to be made by the District’s General Fund are as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2018	<u>\$ 1,558</u>
Total minimum lease payments	1,558
Less amount representing interest	<u>(30)</u>
Net present value of minimum lease payments	<u>\$ 1,528</u>

The copy machine under capital lease had a net book value of \$1,284 at June 30, 2017 and related depreciation expense of \$1,540 was recorded for the year ended June 30, 2017.

Note 8: Pension Plan

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two Miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS’ website, at www.calpers.ca.gov.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 8: Pension Plan (continued)

General Information about the Pension Plan (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
	<u>Prior to January 1, 2013</u>	<u>On of after January 1, 2013</u>
Hire date		
Benefit formula	2 % @ 55	2 % @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-67+	52-67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.250%
Required employer contribution rates	8.377%	6.555%

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 8: Pension Plan (continued)

General Information about the Pension Plan (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Employer Contributions to the Plan for the fiscal year ended June 30, 2017 were \$28,622. The actual employer payments of \$31,293 made to CalPERS by the District during the measurement period ended June 30, 2016 differed from the District's proportionate share of the employer's contributions of \$20,705 by \$10,588, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 8: Pension Plan (continued)

Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

- (1) Annual increases vary by category, entry age, and duration of service
- (2) Net of pension plan investment and administrative expenses; includes inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Change of Assumptions

There were no changes of assumptions.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 8: Pension Plan (continued)

Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website, at www.calpers.ca.gov.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 8: Pension Plan (continued)

Net Pension Liability (continued)

Discount Rate (continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)
Total	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS’ audited financial statements, which are publicly available reports that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 8: Pension Plan (continued)

Proportionate Share of Net Pension Liability

The following table shows the Plan’s proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan's Total Pension Liability (a)	Plan's Fiduciary Net Position (b)	Plan's Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD)	\$ 493,204	\$ 429,631	\$ 63,573
Balance at: 6/30/2016 (MD)	652,200	556,005	96,195
Net changes during 2015-16	<u>\$ 158,996</u>	<u>\$ 126,374</u>	<u>\$ 32,622</u>

Valuation Date (VD), Measurement Date (MD).

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov.

The District’s proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

Proportionate Share - June 30, 2015	0.00232%
Proportionate Share - June 30, 2016	<u>0.00277%</u>
Change - Increase (Decrease)	<u>0.00045%</u>

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 8: Pension Plan (continued)

Proportionate Share of Net Pension Liability (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Net Pension Liability	\$ 184,002	\$ 96,195	\$ 23,627

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 8: Pension Plan (continued)

Proportionate Share of Net Pension Liability (continued)

Recognition of Gains and Losses (continued)

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Resource Conservation District of the Santa Monica Mountains

**Notes to the Basic Financial Statements
Year Ended June 30, 2017**

Note 8: Pension Plan (continued)

Proportionate Share of Net Pension Liability (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2015), the net pension liability for the plan was \$63,573. For the measurement period ending June 30, 2016 (the measurement date), the District incurred a pension expense of \$7,897 for the Plan. As of June 30, 2017, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,119	\$ (256)
Changes of Assumptions	-	(10,583)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	55,083	-
Change in Employer's Proportion	32,508	(18,718)
Difference in Actual vs Projected Contributions	28,011	-
Pension Contributions Subsequent to Measurement Date	28,622	-
Total	<u>\$ 145,343</u>	<u>\$ (29,557)</u>

These amounts above are net of outflows and inflow recognized in the 2015-16 measurement period expense. Contributions subsequent to the measurement date of \$28,622 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2018	\$ 25,652
2019	23,209
2020	24,036
2021	14,267
2022	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2017, the District reported a payable of \$3,262 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 9: Risk Management

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (the Authority). The Authority is a risk-pooling, self-insurance authority created under the provisions of California Government Code Section 6500 et. sec.

The Authority is governed by a board consisting of representatives from member agencies. The board controls the operations of the Authority including selection of CEO and approval of operating budgets. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Copies of the Authority's annual financial report may be obtained from their office at 1112 "I" Street, Suite 300, Sacramento, CA 95814. Copies are also available on the Member Plus Portal and mailed to members each year. At June 30, 2017 the District's participation in the self-insurance programs of the Authority was as follows:

Property loss: Insured up to replacement value with a \$1,000 deductible per occurrence for buildings, personal property and mobile equipment; the Authority is self-insured up to \$200,000 and has excess coverage in place through reinsurers for amounts exceeding the \$200,000. The risk pool has a \$1,000,000,000 limit.

Boiler and machinery coverage: Insured up to replacement value with a \$1,000 deductible per claim for sudden and accidental breakdown of fired and unfired pressure vessels, boilers, heating, air conditioning, machinery and equipment; the Authority is self-insured up to \$10,000 per occurrence and has purchased excess insurance coverage up to \$100,000,000 per occurrence.

General liability: Insured up to \$2,500,000 per occurrence (no aggregate) with a \$500 deductible per occurrence for property damage claims; the Authority is self-insured up to \$250,000 and excess insurance coverage has been purchased.

Employee and public officials dishonesty coverage: Insured up to \$1,000,000 per occurrence.

Public officials and employee errors & omissions: Insured up to \$2,500,000 per occurrence.

Personal liability for board members: Insured up to \$500,000 per occurrence and in aggregate.

Vehicle physical damage: Insured for actual cash value at time of loss or actual cost to repair vehicle with a \$500 collision and a \$250 comprehensive deductible.

Workers' compensation: statutory. Premiums based on payroll and loss history.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements Year Ended June 30, 2017

Note 9: Risk Management (continued)

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the prior year.

Note 10: Operating Lease

During the year ended December 1, 2014, the District entered into a non-cancelable operating lease agreement for office space. The lease is for sixty (60) months and has been subsequently extended by amendment through November 30, 2024. The lease will become cancelable at the completion of the extended term. Expenditures totaling \$30,950 were charged to operations during the year ended June 30, 2017 for rental payments.

Future minimum payments under non-cancelable operating lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2018	\$ 31,550
2019	32,150
2020	32,750
2021	33,350
2022	33,950
2023 - 2025	<u>49,050</u>
Total	<u>\$ 212,800</u>

Note 11: Subsequent Event

There were no subsequent events that would materially affect the results presented in this disclosure.

Required Supplementary Information

Resource Conservation District of the Santa Monica Mountains

**Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Contract and grants	\$ 60,000	\$ 57,400	\$ 59,636	\$ 2,236
Property taxes	313,000	313,000	328,794	15,794
Interest earnings	300	200	154	(46)
Direct public support	1,000	1,200	1,175	(25)
Fees for services	1,000	6,000	12,471	6,471
Education program fees	33,000	33,000	31,908	(1,092)
Other revenue	500	500	98	(402)
Total revenues	<u>408,800</u>	<u>411,300</u>	<u>434,236</u>	<u>22,936</u>
EXPENDITURES				
General government	<u>408,720</u>	<u>402,520</u>	<u>369,427</u>	<u>33,093</u>
Total expenditures	<u>408,720</u>	<u>402,520</u>	<u>369,427</u>	<u>33,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80</u>	<u>8,780</u>	<u>64,809</u>	<u>56,029</u>
OTHER FINANCING SOURCES				
Transfer in	<u>-</u>	<u>-</u>	<u>3,151</u>	<u>3,151</u>
Net change in fund balance	80	8,780	67,960	59,180
Fund balance - beginning	<u>460,516</u>	<u>460,516</u>	<u>460,516</u>	<u>-</u>
Fund balance - ending	<u>\$ 460,596</u>	<u>\$ 469,296</u>	<u>\$ 528,476</u>	<u>\$ 59,180</u>

Note to Budgetary Comparison Schedule:

The District did not adopt a budget for the Grants Special Revenue Fund.

Resource Conservation District of the Santa Monica Mountains

Schedule of the Proportionate Share of the District's Net Pension Liability and Related Ratios as of the Measurement Date Last 10 Years*

	Measurement Date 6/30/2014	Measurement Date 6/30/2015	Measurement Date 6/30/2016
Employer's Proportion of the Collective Net Pension Liability ¹	0.00286%	0.00232%	0.00277%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 70,619	\$ 63,573	\$ 96,195
Employer's Covered Payroll	\$ 448,078	\$ 438,938	\$ 406,217
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	15.76%	14.48%	23.68%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	87.11%	85.25%

¹ Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Measurement period 2013-14 was the 1st year of implementation, therefore, only three years are shown.

Resource Conservation District of the Santa Monica Mountains

Schedule of Plan Contributions Last 10 Years*

	Fiscal Year 2013-2014	Fiscal Year 2014-2015	Fiscal Year 2015-2016
Actuarially Determined Contributions (ADC)	\$ 39,855	\$ 40,688	\$ 31,293
Contributions in Relation to the ADC	(39,855)	(40,688)	(31,293)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 448,078	\$ 438,938	\$ 406,217
Contributions as a Percentage of Covered Payroll	8.89%	9.27%	7.70%

* Measurement period 2013-14 was the 1st year of implementation, therefore, only three years are shown.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

Supplementary Information

Resource Conservation District of the Santa Monica Mountains

**Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance of the
General Fund – Budget and Actual
Year Ended June 30, 2017**

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Contract and grants	\$ 57,400	\$ 59,636	\$ 2,236
Property taxes	313,000	328,794	15,794
Interest earnings	200	154	(46)
Direct public support	1,200	1,175	(25)
Fee for services	6,000	12,471	6,471
Education program fees	33,000	31,908	(1,092)
Other revenue	500	98	(402)
	<u>411,300</u>	<u>434,236</u>	<u>22,936</u>
Total revenues			
EXPENDITURES			
General government:			
Accounting	10,700	9,924	776
Advertsing	500	202	298
Dues and subscription	5,700	5,705	(5)
Insurance	5,600	5,592	8
Janitorial	3,120	3,120	-
Lease	32,650	32,662	(12)
Legal	3,000	2,973	27
Office supplies and expenses	9,300	10,238	(938)
Payroll	307,100	274,894	32,206
Postage and delivery	700	403	297
Printing and copying	300	490	(190)
Repairs and maintenance	2,000	2,809	(809)
Telephone/internet	6,700	6,046	654
Travel and conventions	9,300	6,523	2,777
Utilities	1,700	1,633	67
Miscellaneous	4,150	6,213	(2,063)
	<u>402,520</u>	<u>369,427</u>	<u>33,093</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	8,780	64,809	56,029
OTHER FINANCING SOURCES			
Transfers in	-	3,151	3,151
	<u>8,780</u>	<u>67,960</u>	<u>59,180</u>
Net change in fund balance			
Fund balance - beginning	460,516	460,516	-
	<u>\$ 469,296</u>	<u>\$ 528,476</u>	<u>\$ 59,180</u>
Fund balance - ending			



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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Resource Conservation District of the Santa Monica Mountains
Topanga, California

Report on the Financial Statements

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We have audited the accompanying financial statements of the governmental activities and the major funds of the Resource Conservation District of the Santa Monica Mountains (the 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 21, 2017