

Coachella Valley Resource Conservation District

Indio, California

Annual Financial Report

For the Year Ended June 30, 2017

Coachella Valley Resource Conservation District
Annual Financial Report
For the Year Ended June 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Coachella Valley Resource Conservation District
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Coachella Valley Resource Conservation District (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. 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 entity'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 entity'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 general fund of the Coachella Valley Resource Conservation District as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Coachella Valley Resource Conservation District
Indio, California
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Required Supplementary Information

Management has not presented the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund on page 29 is to 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2016, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 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* and should be read in conjunction with this report in considering the results of our audit.



Palm Desert, California
December 31, 2017



**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of the Coachella Valley Resource Conservation District
Indio, 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 general fund of the Coachella Valley Resource Conservation District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 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 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 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*.

To the Board of Directors
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Indio, California
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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.

A handwritten signature in black ink that reads "The Peris Group, LLP". The signature is written in a cursive, flowing style.

Palm Desert, California
December 31, 2017

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Coachella Valley Resource Conservation District
Statement of Net Position
June 30, 2017
(With Comparative Amounts as of June 30, 2016)

	Governmental Activities	
	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents (Note 2)	\$ 890,856	\$ 870,569
Property taxes receivable	6,425	6,259
Grant receivable	12,117	4,823
Other receivable	49	-
Prepaid items	5,461	4,812
Capital assets – not being depreciated (Note 3)	208,939	208,939
Capital assets – being depreciated, net (Note 3)	444,426	454,099
Total assets	1,568,273	1,549,501
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	3,687	12,075
Accrued payroll and related liabilities	4,061	4,463
Customer deposits	8,175	3,600
Compensated absences (Note 4)	-	14,502
Total liabilities	15,923	34,640
<u>NET POSITION</u>		
Investment in capital assets	653,365	663,038
Unrestricted	898,985	851,823
Total net position	\$ 1,552,350	\$ 1,514,861

Coachella Valley Resource Conservation District
Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Amounts as of June 30, 2016)

	Governmental Activities	
	2017	2016
EXPENSES:		
Resource conservation:		
Operations	\$ 205,251	\$ 243,621
Depreciation expense	16,673	266,259
Total expenses	<u>221,924</u>	<u>509,880</u>
PROGRAM REVENUES:		
Operating and capital grant funding	31,380	16,055
Total program revenues	<u>31,380</u>	<u>16,055</u>
Net program expense	<u>(190,544)</u>	<u>(493,825)</u>
GENERAL REVENUES:		
Property taxes	186,589	182,627
Rental income	39,711	41,774
Investment earnings	70	68
Other income	1,663	1,310
Total general revenues	<u>228,033</u>	<u>225,779</u>
Operating gain (loss) before special items	<u>37,489</u>	<u>(268,046)</u>
SPECIAL ITEMS:		
Insurance recovery (Note 6)	-	145,697
Sale of capital assets, net (Note 7)	-	479,738
Total special items	<u>-</u>	<u>625,435</u>
Change in net position	37,489	357,389
NET POSITION:		
Beginning of year	1,514,861	1,157,472
End of year	<u>\$ 1,552,350</u>	<u>\$ 1,514,861</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Coachella Valley Resource Conservation District
Balance Sheet - Governmental Funds
June 30, 2017

	General Fund
<u>ASSETS</u>	
Assets:	
Cash and cash equivalents	\$ 890,856
Property taxes receivable	6,425
Grant receivable	12,117
Other receivable	49
Prepaid items	5,461
Total assets	\$ 914,908
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable and accrued expenses	\$ 3,687
Accrued payroll and related liabilities	4,061
Customer deposits	8,175
Total liabilities	15,923
Fund balance: (Note 5)	
Nonspendable	5,461
Unassigned	893,524
Total fund balance	898,985
Total liabilities and fund balance	\$ 914,908

Coachella Valley Resource Conservation District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position of Governmental Activities
June 30, 2017

Fund balance of governmental funds	\$ 898,985
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet. However, the statement of net position includes those assets as capital assets.	<u>653,365</u>
Total adjustments	<u>653,365</u>
Net position of governmental activities	<u><u>\$ 1,552,350</u></u>

Coachella Valley Resource Conservation District
Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds
For the Year Ended June 30, 2017

	General Fund
REVENUES:	
Property taxes	\$ 186,589
Operating and capital grant funding	31,380
Rental income	39,711
Investment earnings	70
Other income	1,663
Total revenues	259,413
EXPENDITURES:	
Current operations:	
Salaries and wages	112,428
Employee benefits	12,709
Materials and services	94,616
Capital outlay	7,000
Total expenditures	226,753
Change in fund balance	32,660
FUND BALANCE:	
Beginning of year	866,325
End of year	\$ 898,985

Coachella Valley Resource Conservation District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balance of governmental funds	<u>\$ 32,660</u>
Amount reported for governmental activities in the statement of activities are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences	14,502
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:	
Capital outlay	7,000
Depreciation expense	<u>(16,673)</u>
Total adjustments	<u>4,829</u>
Change in net position of governmental activities	<u><u>\$ 37,489</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Coachella Valley Resource Conservation District (District) was formed in accordance with the provisions of Division No. 9 of the Public Resource Code, as approved by the Governor of California on July 1, 1955, for the purpose of promoting proper land use and providing technical assistance to local landowners. The District was formed by an election on November 27, 1956. The District is governed by a 5-member Board of Directors. Board members are nominated by local landowners and appointed by the Riverside County Board of Supervisors. The District is an independent local agency and not governed, administered or managed by county government. The District's Board of Directors represent the local community and is responsible to assess local conservation issues and to develop programs to address those issues.

The District is provided office working space in the United States Department of Agriculture (USDA) Natural Resource Conservation Service (NRCS) Indio Service Center building in the City of Indio, California.

Basis of Accounting and Measurement Focus

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

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 the liability is incurred, regardless of the timing of the 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.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government.

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.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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 government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major funds:

Governmental Funds:

General Fund – is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Riverside Assessor’s Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector’s Office bills and collects the District’s share of property taxes. The County of Riverside Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the District’s cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Prepaid Items

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

Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment and furniture and fixtures. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 20 years
Equipment	5 - 7 years
Vehicles	5 years

Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on assets reduced by liabilities and deferred inflows of resources use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of June 30, 2017 the District had no restricted net position.

Unrestricted – This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

Committed – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.

Unassigned – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Budgetary Accounting

An annual unappropriated budget, which establishes the total spending authority for the General Fund, is adopted by the Board of Directors just prior to the beginning of the District’s fiscal year. Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year. Expenditures cannot legally exceed appropriations at the fund level. Appropriations for the General Fund lapse at the end of the fiscal year. The Board of Directors may authorize amendments to the budget during the year as deemed necessary. Budgeted amounts were not amended for the fiscal year ended June 30, 2017.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents as of the end of the fiscal year consisted of the following:

Description	Balance
Demand deposits held with financial institutions	\$ 890,856

Demand Deposits

At June 30, 2017, the carrying amount of the District’s demand deposits was \$890,856 and the financial institution balance was \$890,856.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Cash Equivalents (Continued)

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

Note 3 – Capital Assets

Capital assets as of the end of the fiscal year consisted of the following:

Description	July 1, 2016	Additions	Deletions / Transfers	June 30, 2017
Non-depreciable assets:				
Land	\$ 208,939	\$ -	\$ -	\$ 208,939
Total non-depreciable assets	<u>208,939</u>	<u>-</u>	<u>-</u>	<u>208,939</u>
Depreciable assets:				
Buildings	487,524	-	-	487,524
Building improvements	500	7,000	-	7,500
Vehicles	36,013	-	-	36,013
Total depreciable assets	<u>524,037</u>	<u>7,000</u>	<u>-</u>	<u>531,037</u>
Accumulated depreciation:				
Buildings	(33,856)	(16,251)	-	(50,107)
Building improvements	(69)	(422)	-	(491)
Vehicles	(36,013)	-	-	(36,013)
Total accumulated depreciation	<u>(69,938)</u>	<u>(16,673)</u>	<u>-</u>	<u>(86,611)</u>
Total depreciable assets, net	<u>454,099</u>	<u>(9,673)</u>	<u>-</u>	<u>444,426</u>
Total capital assets, net	<u>\$ 663,038</u>	<u>\$ (9,673)</u>	<u>\$ -</u>	<u>\$ 653,365</u>

Note 4 – Compensated Absences

Compensated absences as of the end of the fiscal year consisted of the following:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
\$ 14,502	\$ 2,706	\$ (17,208)	\$ -

The District is in the process of reevaluating its compensated absence policy after the passing of its General Manager in fiscal year 2017. Therefore, all earned balances were taken or paid out by June 30, 2017.

Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Fund Balances

Fund balances as of the end of the fiscal year consisted of the following:

Description	Balance
Nonspendable:	
Prepaid items	\$ 5,461
Unassigned	893,524
Total fund balances	\$ 898,985

Note 6 – Insurance Recovery

The District, while in the process of selling its Bliss property (land and building), experienced a theft of the building's heating and air conditioning system and other various equipment. The District settled the claim with its insurance provider for \$145,697, net (\$146,697 less \$1,000 deductible).

Note 7 – Sale of Capital Assets

In September 2015, the District completed the sale of its Bliss property for \$575,000. Details of the transaction are as follows:

Description	Balance
Sale price of land and building	\$ 575,000
Sale of land	(64,415)
Cost of sale – commission and title transfer fees	(30,847)
Sale of capital assets, net	\$ 479,738

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2017, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

Coachella Valley Resource Conservation District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Risk Management (Continued)

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2017, 2016 and 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2017, 2016 and 2015.

Note 9 – Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Coachella Valley Resource Conservation District
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	Adopted Original Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	\$ 160,000	\$ 186,589	\$ 26,589
Operating and capital grant funding	41,000	31,380	(9,620)
Rental income	47,756	39,711	(8,045)
Investment earnings	100	70	(30)
Other income	780	1,663	883
Total revenues	249,636	259,413	9,777
EXPENDITURES:			
Current operations:			
Salaries and wages	140,750	112,428	28,322
Employee benefits	22,817	12,709	10,108
Materials and services	75,078	94,616	(19,538)
Capital outlay	7,600	7,000	600
Total expenditures	246,245	226,753	19,492
Change in fund balance	\$ 3,391	32,660	\$ 29,269
FUND BALANCE:			
Beginning of year		866,325	
End of year		\$ 898,985	

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