

**HONEY LAKE VALLEY
RESOURCE CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Honey Lake Valley Resource Conservation District
Susanville, California

We have audited the financial statements of Honey Lake Valley Resource Conservation District (the "District") as of June 30, 2011, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Honey Lake Valley Resource Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Honey Lake Valley Resource Conservation District as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

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

Robert W. Johnson, An Accountant, Corporation

Citrus Heights, California

June 2, 2012

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
 June 30, 2011

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash (Note 3)	\$ 274,003	\$ -	\$ 274,003
Watermaster fees receivable	6,717	-	6,717
Capital assets (Note 4)	-	37,411	37,411
Less, accumulated depreciation	<u>-</u>	<u>(6,855)</u>	<u>(6,855)</u>
Total assets	<u>\$ 280,720</u>	<u>\$ 30,556</u>	<u>\$ 311,276</u>
LIABILITIES			
Accounts payable	\$ 1,800	\$ -	\$ 1,800
Payroll taxes payable	1,001	-	1,001
Deferred Watermaster income (Note 5)	<u>144,510</u>	<u>-</u>	<u>144,510</u>
Total liabilities	<u>147,311</u>	<u>-</u>	<u>147,311</u>
FUND BALANCES/NET ASSETS			
Fund balances:			
Unassigned	<u>133,409</u>	<u>(133,409)</u>	<u>-</u>
Total fund balances	<u>133,409</u>	<u>(133,409)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 280,720</u>		
Net assets:			
Invested in capital assets, net of related debt		30,556	30,556
Unrestricted		<u>133,409</u>	<u>133,409</u>
		<u>\$ 163,965</u>	<u>\$ 163,965</u>

See notes to financial statements

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
GENERAL OPERATION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Direct costs	\$ 29,907	\$ -	\$ 29,907
Capital expenditures	385,053	-	385,053
Administrative	2,640	-	2,640
Capital outlay	12,219	(12,219)	-
Depreciation	<u>-</u>	<u>4,728</u>	<u>4,728</u>
Total program expenditures/ expenses	<u>429,819</u>	<u>(7,491)</u>	<u>422,328</u>
Program revenues:			
Grant income	373,827	-	373,827
Management fees	<u>66,696</u>	<u>-</u>	<u>66,696</u>
Total program revenues	<u>440,523</u>	<u>-</u>	<u>440,523</u>
General revenues:			
Interest income	387	-	387
Other	<u>56</u>	<u>-</u>	<u>56</u>
Total general revenues	<u>443</u>	<u>-</u>	<u>443</u>
Excess of revenues (expenditures)/ changes in net assets	11,147	7,491	18,638
Beginning fund balances/ net assets	<u>122,262</u>	<u>22,317</u>	<u>144,579</u>
Ending fund balances/net assets	<u>\$ 133,409</u>	<u>\$ 29,808</u>	<u>\$ 163,217</u>

See notes to financial statements

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
WATERMASTER OPERATION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Operations	\$ 152,773	\$ -	\$ 152,773
Administrative	-	-	-
Surplus carryover	144,510	-	144,510
Capital outlay	846	(846)	-
Depreciation	<u>-</u>	<u>98</u>	<u>98</u>
Total program expenditures/ expenses	<u>298,129</u>	<u>(748)</u>	<u>297,381</u>
Program revenues:			
Watermaster fees	<u>298,129</u>	<u>-</u>	<u>298,129</u>
Excess of revenues (expenditures)/ net assets	-	748	748
Beginning fund balances/net assets	<u>-</u>	<u>-</u>	<u>-</u>
Ending fund balances/net assets	<u>\$ -</u>	<u>\$ 748</u>	<u>\$ 748</u>

See notes to financial statements

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
GENERAL OPERATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Grant income:			
Swat Arra	\$ -	\$ 39,868	\$ 39,868
Buffalo Skedad	-	333,959	333,959
Other	30,000	-	(30,000)
Management fees:			
Grants	-	36,883	36,883
Watermaster (Note 5)	-	29,813	29,813
Interest income	-	387	387
Other income	<u>-</u>	<u>56</u>	<u>56</u>
Total revenues	<u>30,000</u>	<u>440,966</u>	<u>410,966</u>
Expenditures:			
Clerical and office	21,000	23,588	(2,588)
Liability insurance	1,980	1,315	665
Office supplies	350	2,640	(2,290)
Equipment	750	12,219	(11,469)
Audit	2,000	-	2,000
Contingency	500	-	500
Membership dues	920	209	711
Conferences meetings and mileage	2,500	1,963	537
Grant expenditures	-	385,053	(385,053)
Legal	-	2,789	(2,789)
Donations	<u>-</u>	<u>43</u>	<u>(43)</u>
Total expenditures	<u>30,000</u>	<u>429,819</u>	<u>(399,819)</u>
Excess of revenues (expenditures)	<u>\$ -</u>	<u>\$ 11,147</u>	<u>\$ 11,147</u>

See notes to financial statements

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
WATERMASTER OPERATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
for the year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Watermaster fees	\$ <u>281,910</u>	\$ <u>298,129</u>	\$ <u>16,219</u>
Total revenues	<u>281,910</u>	<u>298,129</u>	<u>16,219</u>
Expenditures:			
Watermaster contract	120,000	109,236	10,764
Liability insurance	3,000	908	2,092
Office supplies	1,500	1,450	50
Equipment	7,500	846	6,654
Clerical support	12,500	-	12,500
Accounting & audit	2,500	-	2,500
Interest	2,000	392	1,608
Legal fees	100,000	10,974	89,026
Fees in arrears	18,445	-	18,445
Management fees	-	29,813	(29,813)
Operating fund	<u>14,465</u>	<u>-</u>	<u>14,465</u>
Total expenditures	<u>281,910</u>	<u>153,619</u>	<u>128,291</u>
Excess revenues	-	144,510	144,510
Deduct – carryover to 2012	<u>-</u>	<u>144,510</u>	<u>(144,510)</u>
Excess of revenues (expenditures)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See notes to financial statements

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Honey Lake Valley Resource Conservation District (the "District") is a special district established in 1954 by the State of California Public Resource Code. The District was appointed as Watermaster effective January 1, 2007.

The mission of the Honey Lake Valley Resource Conservation District is to conserve, restore and sustain local resources, to provide a viable economy for current and future generations by seeking and coordinating available technical, educational and financial resources.

The District's financial and administrative functions are governed by a five member Board of Directors appointed by the Lassen County Board of Supervisors.

2. Summary of Significant Accounting Policies:

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

Measurement Focus and Basis of Accounting

The District reports, as follows:

General Operation – to account for all financial resources except those required or designated by the Board of Directors to be accounted for separately.

Watermaster Operation – to account for the administration and management of Water Master Service, which was transferred from the Department of Water Resources (DWR).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting, continued

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

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

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease is included in depreciation. Equipment is depreciated using the straight-line method over the estimated useful lives of the related assets.

Budgets

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

Cash

The District maintains a bank checking account, savings account and certificate of deposit. All cash invested is within the State statutes.

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Revenue Recognition

The District's principal source of revenue is derived from cost reimbursement contracts. Revenue is recognized as expenditures are incurred. Expenditures in excess of cash receipts are recorded as accounts receivable. Cash receipts in excess of expenditures are recorded as refundable advances (agency trust funds).

Use of Estimates

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

3. Cash:

At year-end the carrying amount of the District's deposit was \$222,799 and the bank balance was \$221,566. All of the bank balance was covered by Federal depository insurance.

Checking	\$ 221,439
Savings	1,360
Certificates of deposit	<u>51,204</u>
	<u>\$ 274,003</u>

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Changes in Capital Assets:

Changes in capital assets for the year ended June 30, 2011 are as follows:

	Balance, July 1, 2010	Additions	Disposals	Balance, June 30, 2011
Equipment - RCD	\$ 24,346	\$ 784	\$ -	\$ 25,130
Vehicles - RCD	-	11,435	-	11,435
Equipment - Water Master	<u>-</u>	<u>846</u>	<u>-</u>	<u>846</u>
	<u>\$ 24,346</u>	<u>\$ 13,065</u>	<u>\$ -</u>	<u>\$ 37,411</u>

5. Watermaster Operation:

Revenues	\$ 298,129
Expenditures	<u>153,619</u>
Excess revenues (carried over to 2012 as deferred income)	<u>\$ 144,510</u>
Management fee charged to Watermaster Operation: 10% of revenues of \$298,129	<u>\$ 29,813</u>

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Risk of Loss

Honey Lake Valley Resource Conservation District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2011 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

7. Subsequent Events:

Management has evaluated subsequent events through June 2, 2012, the date these June 30, 2011 financial statements were available to be issued.

8. Contingency:

The District's governmental and other funding are for specific purposes and, as such, are subject to review and audit by the various grantor and governmental agencies. These audits, if they were to occur, could generate expenditure disallowances under terms of the grants, which would require reimbursements by the District. The ultimate results of such audits and potential expenditure disallowances, if any, cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

SUPPLEMENTAL DATA

HONEY LAKE VALLEY RESOURCE CONSERVATION DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

Robert Anton	Chairman
Jeff Pudlicki	Vice-Chair and Watershed Rep.
John Bentley	Treasurer
Dave Schroeder	Director
Larry Cabodi	Director and WAC Rep.
Barbara Howe	Alternate Director
John Richards	Alternate Director

Staff:

Scott Phillips	Engineer
Merry Wheeler	Secretary
Leslie Woods	Advisor