

**TEHAMA COUNTY RESOURCE CONSERVATION DISTRICT**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**Fiscal Year Ended June 30, 2010**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and those charged with governance of the  
Tehama County Resource Conservation District  
Red Bluff, California

I have audited the accompanying financial statements of the governmental activities of Tehama County Resource Conservation District as of and for the year then ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tehama County Resource Conservation District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with government auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Tehama County Resource Conservation District as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 21, 2010, on my consideration of the Tehama County Resource Conservation District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

The District has not presented the Management's Discussion and Analysis (MD&A), which the Governmental Accounting Standards Board has determined is required supplementary information, although not required to be part of the basic financial statements.

The budgetary comparison information on pages 15 and 16 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Charles W. Pillon, CPA

Redding, California

October 21, 2010

**TEHAMA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Statement of Net Assets and Governmental Fund Balance Sheet**  
**June 30, 2010**

	<u>Governmental Fund Types General Fund</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 84,823	\$ -	\$ 84,823
Due from other governments	60,705	22,773 1	83,478
Prepaid expenses	3,517	-	3,517
Other capital assets being depreciated, net	<u>-</u>	<u>7,568 2</u>	<u>7,568</u>
Total assets	<u>\$ 149,045</u>	<u>\$ 30,341</u>	<u>\$ 179,386</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 42,442	\$ -	\$ 42,442
Payroll wages payable	11,870	-	11,870
Deferred revenue	59,265	-	59,265
Non-current liabilities:			
Due within one year		500 3	500
Due in more than one year		<u>13,437 3</u>	<u>13,437</u>
Total liabilities	<u>113,577</u>	<u>13,937</u>	<u>127,514</u>
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Unreserved, undesignated	<u>35,468</u>	<u>(35,468)</u>	<u>-</u>
Total fund balance	<u>35,468</u>	<u>(35,468)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 149,045</u>		
<b><u>NET ASSETS</u></b>			
Investment in capital assets, net of related debt		7,568	7,568
Unrestricted		<u>44,304</u>	<u>44,304</u>
Total net assets		<u>\$ 51,872</u>	<u>\$ 51,872</u>

**TEHAMA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Reconciliation of Total Governmental Fund Balances**  
**To The Government-Wide Statement of Net Assets**  
**June 30, 2010**

<b>Total Governmental Fund Balances</b>		<b>\$ 35,468</b>
1. Under the modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent available resources.		
	Due from other governments	22,773
2. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.		
	Other capital assets being depreciated, net	7,568
3. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not paid with expendable available financial resources.		
	Loan payable	(500)
	Compensated absences payable	<u>(13,437)</u>
<b>Net Assets of Governmental Activities</b>		<b><u>\$ 51,872</u></b>

**TEHAMA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Statement of Activities and Governmental Fund**  
**Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2010**

	<u>Governmental Fund Types General Fund</u>	<u>GASB 34 Adjustments</u>		<u>Statement of Activities</u>
<b><u>EXPENDITURES/EXPENSES</u></b>				
Salaries and benefits	\$ 406,522	\$ 2,646	1	\$ 409,168
Utilities	3,138	-		3,138
Insurance	3,599	-		3,599
Supplies	1,590	-		1,590
Meetings/conferences	1,036	-		1,036
Office	8,104	-		8,104
Memberships	1,055	-		1,055
Professional services	144,701	-		144,701
Dues & publications	115	-		115
Rents and leases	12,450	-		12,450
Transportation and travel	10,701	-		10,701
Miscellaneous	365	-		365
Interest costs	1,135	-		1,135
Capital expenditures	8,892	(5,749)	2	3,143
Depreciation	-	2,903	3	2,903
	<u>603,403</u>	<u>(200)</u>		<u>603,203</u>
<b><u>PROGRAM REVENUES</u></b>				
Operating Grants and Contributions:				
State and local agencies	212,484	(6,333)	3	206,151
Federal agencies	204,289	955		205,244
Other	36,883	(4,262)	3	32,621
Charges for services	<u>117,415</u>	<u>4,367</u>	3	<u>121,782</u>
	<u>571,071</u>	<u>(5,273)</u>		<u>565,798</u>
Net program (deficit)		<u>(5,073)</u>		<u>(37,405)</u>
<b><u>GENERAL REVENUES</u></b>				
Donations	15,217	-		15,217
Use of money	<u>495</u>	<u>-</u>		<u>495</u>
	<u>15,712</u>	<u>-</u>		<u>15,712</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Proceeds from borrowing	500	(500)		-
Repayments of debt obligations	<u>(30,000)</u>	<u>30,000</u>		<u>-</u>
	(29,500)	29,500		-
Excess of revenues (under) expenditures/ Changes in net assets	(46,120)	24,927		(21,693)
Fund balance/net assets - Beginning of year	<u>81,588</u>	<u>(8,023)</u>		<u>73,565</u>
Fund balance/net assets - End of year	<u>\$ 35,468</u>	<u>\$ 16,904</u>		<u>\$ 51,872</u>

**TEHAMA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Government-Wide**  
**Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2010**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (46,120)</b>
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 the governmental funds:		
1. Change in compensated absences payable		(2,646)
2. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.		5,749
3. In the statement of activities, depreciation of capital assets is recorded as an allocated expense, with accumulated depreciation reflected in the Statement of Net Assets.		(2,903)
Some revenues reported in the statement of activities will not be collected for several months after the District's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds:		
4. Change in due from other governments receivable	22,773	
4. Change in prior year due from other governments receivable	(28,046)	(5,273)
In the fund financial statements, the face amount of short-term debt used in governmental fund operations is accounted for as other financing sources (uses) of the governmental fund upon securing the debt.		
5. Debt repayments	30,000	
5. Proceeds from debt borrowings	(500)	<u>29,500</u>
<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$ (21,693)</u></u></b>

Tehama County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Tehama County Resource Conservation District (District) was re-organized on July 1, 1987 as a consolidation of Corning, Cottonwood and Lassen View Resource Conservation District's under Division 9 of the Public Resource Code of the State of California to assist landowners and managers within Tehama County in an effort to solve resource problems. The District's purpose is to develop and carry out natural resource conservation programs and administer grants and contracts. The District is governed by a Board of Directors that is selected pursuant to Government Code Section 1780. The Board of Directors performed managerial duties. The basic operations of the District are financed by federal and state pass-through grants. In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, these operations are reflected in the General Fund.

The District has adopted the financial reporting provisions of GASB Statement No. 34, but has elected not to present the Management's Discussion and Analysis (MD&A) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either 1) the District's ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the District. Using these criteria, the District has no component units.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government (District). For the most part, the effect of interfund activity has been removed from these statements. The District only uses governmental activities, which normally are supported by Federal and State pass-through grants or cost-reimbursement contracts.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues consist of Federal and State pass-through grants or cost-reimbursement contracts and charges for services rendered by the District. Interest from investments and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's funds are organized into one major category: governmental and reflect those funds through which all of the governmental functions of the District are financed. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.



Tehama County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The following is the District's major governmental fund type:

- The General Operating Fund of the District, accounts for all financial resources of the District that are not required to be accounted for in another fund.

C. Measurement Focus and Basis of Accounting

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.

The current financial resources measurement focus and the modified accrual basis of accounting are used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District's revenues, charges for services, operating grants and use of money are accrued when their receipt occurs within sixty (60) days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

The major source of revenue for the District is from non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including Federal and State grants as discussed below:

Federal and State Grant Revenue

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

The district reports deferred revenue on its combined balance sheet per GASB 33. As revenue is recognized monthly based on program expenditures, the liability for deferred revenue is removed from the balance sheet. This process prevents the District from recognizing revenue that would possibly have to be returned to the agency at the end of the grant period.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

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

D. Cash and Investments

The District cash is in a checking account with the County of Tehama. The Tehama County Treasury is an external investment pool for the District and the District is considered an involuntary participant. State statutes authorize the District and County to invest its cash surplus in obligations of the U.S. Treasury, agencies, and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Tehama County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Participant's equity in the investment pool is determined by the dollar amount of participant's deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the District's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

E. Due from Other Governments

In the government-wide statements, due from other governments consist of all federal and state grants and awards revenue earned at year-end and not yet received as of June 30, 2010. Allowance for uncollectible receivables, if any, are based upon historical trends and the periodic aging of receivables.

In the fund financial statements, material receivables in the governmental funds include revenue accruals since they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

F. Reservations/Designations of Ending Fund Balance

Reservations of the ending fund balance indicate the portions of fund equity that are not available for appropriation, or the amounts that are legally segregated for a specific future use.

Designated fund balance indicates that portion of the fund balance that is identified by management for utilization in a future period, but that intent is subject to change.

The District had no reservations or designations of fund balance at June 30, 2010.

G. Capital Assets

Capital assets purchased by governmental funds are recorded at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at estimated fair market value on the date donated. The district capitalizes assets with an original cost or donated fair market value of \$1,000 or more and an estimated useful life of more than two years.

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. Depreciation of capital assets is computed and recorded by the straight-line method as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Computer Equipment	3 years
Office Furniture	10 years
Field Equipment	5-10 years

Tehama County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. Unearned Revenue

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue.

I. Leave Policies/Compensated Absences and Post-Employment Benefits

The District's policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as a non-current liability in the government-wide statements.

J. Allocation of Employee Benefits and Indirect Costs

The District's Employee Benefits and Indirect Costs are allocated based upon actual expenditures to all grants in accordance with the Office of Management and Budget Circular A-87 or A-121. The District's employee benefits are allocated to grant projects as a percentage of the District's direct labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of total allowable direct costs charged to grant projects. Contributions to indirect costs represent revenues that offset certain costs included in the Indirect Cost Pool.

K. 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.

L. Net Assets/Fund Balance

In the government-wide statements, Net Assets are the difference between assets and liabilities. Net assets invested in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted.

Governmental fund equity is classified as fund balance.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments of the District at June 30, 2010 consisted of the following:

Tehama County Treasurer's Pool	<u>\$ 84,823</u>
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Tehama County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2010

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Other capital assets being depreciated:				
Computer & Technical Equipment	\$ 11,757	\$ 5,749	\$ -	\$ 17,506
Office Furniture	1,160	-	-	1,160
Total other capital assets being depreciated	<u>12,917</u>	<u>5,749</u>	<u>-</u>	<u>18,666</u>
Less: accumulated depreciation for:				
Computer & Technical Equipment	8,093	2,787	-	10,880
Office Furniture	102	116	-	218
Total accumulated depreciation	<u>8,195</u>	<u>2,903</u>	<u>-</u>	<u>11,098</u>
Total other capital assets being depreciated, net	<u>\$ 4,722</u>	<u>\$ 2,846</u>	<u>\$ -</u>	<u>\$ 7,568</u>

NOTE 4 – CHANGES IN NON-CURRENT LIABILITIES

A summary of the non-current debt transactions for the year ended June 30, 2010, is presented below:

	Balance July 1, 2009	Increases	Reductions	Balance June 30, 2010	Due in one year
Due from Other Governments	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ -
Loan Payable	-	500	-	500	500
Compensated Absences	<u>10,791</u>	<u>2,646</u>	<u>-</u>	<u>13,437</u>	<u>-</u>
Total	<u>\$ 40,791</u>	<u>\$ 3,146</u>	<u>\$ 30,000</u>	<u>\$ 13,937</u>	<u>\$ 500</u>

At fiscal year-end the District's loan payable consisted of a short-term revolving credit note (i.e. line of credit) with U.S. Bank in the amount of \$50,000, dated February 19, 2010, and is due in full no later than January 31, 2011 together with the final interest payment. Interest is payable beginning March 15, 2010 and payable monthly thereafter at a variable interest rate equal to 1% plus prime rate, adjusted each time the prime rate changes, but will not be less than 4%. The District may borrow from the Bank for working capital purposes up to the maximum amount of the loan. The balance at June 30, 2010 was \$ 500, which consisted of a one-time closing fee.

Debt service requirements at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	<u>\$ 500</u>	<u>\$ 21</u>	<u>\$ 521</u>
Totals	<u>\$ 500</u>	<u>\$ 21</u>	<u>\$ 521</u>

Tehama County Resource Conservation District  
Notes to the Financial Statements  
June 30, 2010

NOTE 4 – CHANGES IN NON-CURRENT LIABILITIES (Continued)

Compensated absences consist of accrued vacation at June 30, 2010. The District's full-time employees accrue vacation hours every two weeks based on actual hours worked. The District's part-time employees' accrual is pro-rated based on the number of hours worked. The compensated absences accrual for the fiscal year ending June 30, 2010 is \$13,437.

NOTE 5 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The District contribution to the plan for the year ended June 30, 2010 was \$5,888.

NOTE 6 – CONTINGENT LIABILITIES

The District has received federal, state, and other local government grants for specific purposes that are subject to review and audit by the federal and state governments. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

NOTE 7 – CASH OVERDRAFT

The District is permitted to borrow up to \$30,000 from Tehama County at the same interest rate paid to local governments who pool their deposits with the County. The ability to borrow funds is effective from July 1 to April 1 of each fiscal year.

NOTE 8 – DONATED EXPENSES

The Natural Resource Conservation Service (NRCS) provides office space and vehicles to the District without charge. The fair market value of the donated office space is \$10,800 and value for the use of the vehicles is \$3,600 for the year ended June 30, 2010.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TEHAMA COUNTY RESOURCE CONSERVATION DISTRICT**  
**Budgetary Comparison Schedule**  
**Governmental Activities - General Fund**  
**For the Year Ended June 30, 2010**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b><u>REVENUES</u></b>				
Intergovernmental revenues	\$ 706,448	\$ 869,787	\$ 453,656	\$ (416,131)
Charges for services	137,587	126,772	117,415	(9,357)
Interest	300	300	495	195
Donations	16,300	16,300	15,217	(1,083)
Other revenues	15,000	10,416	-	(10,416)
Other financing sources	-	-	500	500
<b>Total revenues</b>	<b>875,635</b>	<b>1,023,575</b>	<b>587,283</b>	<b>(436,292)</b>
<b><u>EXPENDITURES</u></b>				
Salaries and benefits	324,048	430,479	406,522	23,957
Utilities	2,010	2,349	3,138	(789)
Insurance	3,665	3,655	3,599	56
Supplies	9,175	9,670	1,590	8,080
Meetings/conferences	520	520	1,036	(516)
Office	12,568	16,489	8,104	8,385
Memberships	6,285	6,671	1,055	5,616
Professional services	432,647	458,370	144,701	313,669
Dues & publications	-	-	115	(115)
Advertising	10,800	10,807	12,450	(1,643)
Agriculture	-	5,000	-	5,000
Transportation and travel	6,000	10,483	10,701	(218)
Equipment	34,000	37,726	8,892	28,834
Interest costs	2,000	2,000	1,135	865
Debt repayments	-	-	30,000	(30,000)
Miscellaneous	-	-	365	(365)
<b>Total expenditures</b>	<b>843,718</b>	<b>994,219</b>	<b>633,403</b>	<b>360,816</b>
Excess (deficiency) of revenues over (under) expenditures	31,917	29,356	(46,120)	(75,476)
Fund balance, beginning of year	81,588	81,588	81,588	-
Fund balance, end of year	<u>\$ 113,505</u>	<u>\$ 110,944</u>	<u>\$ 35,468</u>	<u>\$ (75,476)</u>

Tehama County Resource Conservation District  
Note to the Required Supplementary Information  
June 30, 2010

**A. BUDGETARY BASIS OF ACCOUNTING**

The District follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The Board of Directors reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the proposed budget to obtain comments from interested persons.
2. Prior to July 1, the budget is adopted through the passage of a resolution.
3. From the effective date of the budget, the amounts stated therein, as proposed expenditures become appropriations. The Board of Directors may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for the General Fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America.

The District does not use encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

**B. VARIANCE EXPLANATIONS**

The District offers the following explanations for large variances between budget and actual figures:

1. Intergovernmental revenues and professional services – the District had three grants that were budgeted for but delayed due to circumstances beyond the control of the District. This caused a negative variance (i.e. under budget in revenue) in intergovernmental revenues and a positive variance (i.e. under budget in expenses) in professional services. These projects are being planned for fiscal year 2010-2011.
2. Equipment – The District budgeted for the purchase of a chipper that was delayed until after fiscal year-end. This was purchased in July 2010.
3. Debt repayments – For the fund accounting purposes the District did not budget for this item leading to a negative variance.



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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**

To the Board of Directors and those charged with governance of the  
Tehama County Resource Conservation District  
Red Bluff, California

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tehama County Resource Conservation District as of and for the year then ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued my report thereon dated October 21, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing my audit, I considered Tehama County Resource Conservation District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tehama County Resource Conservation District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Tehama County Resource Conservation District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tehama County Resource Conservation District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tehama County Resource Conservation District's financial statements that is more than inconsequential will not be prevented or detected by the Tehama County Resource Conservation District's internal control.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tehama County Resource Conservation District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Tehama County Auditor-Controller, and federal awarding agencies and pass-through entities (if applicable) and is not intended to be and should not be used by anyone other than these specified parties.

Charles W. Pillon, CPA

Redding, California  
October 21, 2010