

Resource Conservation District of Tehama County

FINANCIAL STATEMENTS

AUDIT REPORT

June 30, 2020



October 30, 2020

Resource Conservation District of Tehama County

Red Bluff, CA

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Resource Conservation District of Tehama County as of and for the year-ended June 30, 2020, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 applicable to financial audits contained in Governmental 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 of 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resource Conservation District of Tehama County as of June 30, 2020, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and Budget VS. Actual comparison 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 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 principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with managements 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

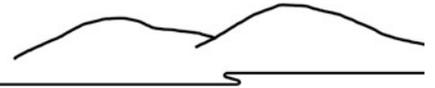
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Resource Conservation District of Tehama County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated **October 30, 2020**, on our consideration of the Resource Conservation District of Tehama County's internal control



over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Zach Pehling, CPA

Resource Conservation District of Tehama County

**Audit Report
June 30, 2020**

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Resource Conservation District of Tehama County
Management's Discussion and Analysis
For the Year-Ended June 30, 2020

Our discussion and analysis of the financial activities for the fiscal year-ended June 30, 2020. Please review it in conjunction with the District's basic financial statements.

Financial Highlights

The District has shown a pattern of increasing revenues over the past years, primarily from grant awards on resource conservation.

2012	713,474
2013	952,113
2014	842,148
2015	918,961
2016	1,045,410
2017	1,364,111
2018	1,537,161
2019	1,609,513
2020	6,008,919

Revenues

Combined revenues for the fiscal year totaled \$6,008,919 and \$4,471,837 for the statement on activities and statement of revenues, expenditures and change in fund balances consecutively.

Expenses

Combined expenses for the fiscal year totaled \$ 5,590,209.

Expenditures

Combined expenditures for the fiscal year totaled \$5,699,833.

Capital Expenditures

During fiscal year 2019/2020 the District purchased a new Ford Ranger, Ford F350, 2003 Dodge, Bobcat and Trailer.

Interest Earnings

Interest earnings for the year totaled \$6,311. Any interest income received by the District is acquired through investments made by the Lake County Treasurer and then apportioned to the District by the Lake County Auditor-Controller.

General and Administrative

Expenses for regular employees' salaries and wages increased due to several employees receiving regular wage increases and new employees.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four statements (1) Net Position, (2) Activities, (3) Fund Balance Sheet, (4) Revenues and Expenditures and Notes to the Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Resource Conservation District of Tehama County
Management's Discussion and Analysis
For the Year-Ended June 30, 2020

The District's financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

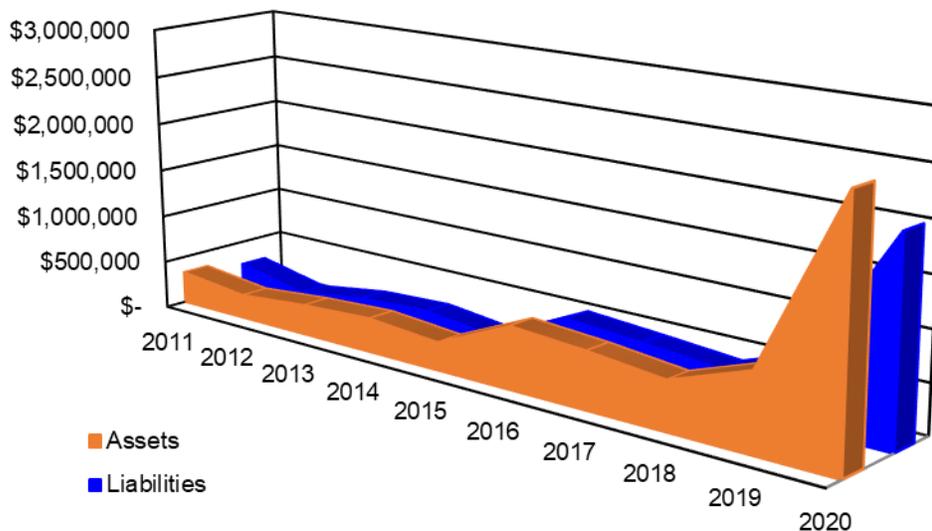
About 80% of the District's revenue is grant monies for projects required to meet the resource conservation need of the District, and 18% is monies for services provided to meet local resource conservation.

The grant projects included work in the County areas of Manton and the foothills of western Tehama County, as well as countywide projects. The type of work included: creating continuous fuel breaks that provide defensible space where a wildfire could be contained; managing the residential fire hazard fuel load reduction of subdivisions; monitoring rangeland and vernal pool health; evaluations of irrigation systems in a 5 county area along with an educational program to increase knowledge of irrigation scheduling; and production of CEQA documents for various countywide projects.

The following graphs depict the financial information from our financial statements of the District. A discussion and analysis of the graphs of our financial information is as follows:

Statement of Net Position

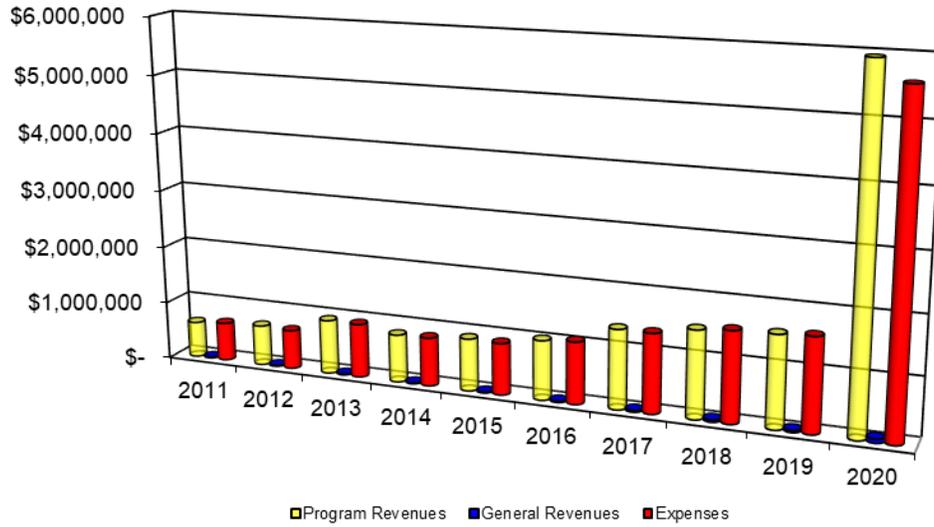
Analyzing the flow of all of the assets and liabilities of the District over this time period.



Resource Conservation District of Tehama County
Management's Discussion and Analysis
For the Year-Ended June 30, 2020

Statement of Activities

Matching the revenue and the expenses of the District by the fiscal year.

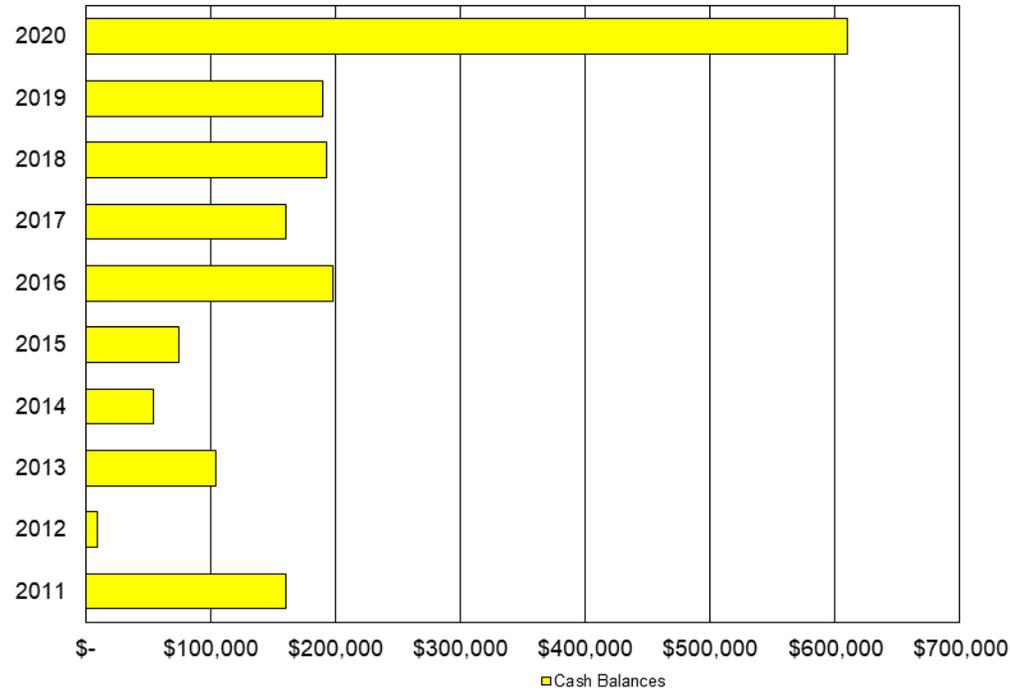


Statement of Cash Flows

Observing the cash balance at the District's year-end shows the funds available to meet current operating needs, pay current liabilities, and meet the amount of current deferred revenue resulting

**Resource Conservation District of Tehama County
Management's Discussion and Analysis
For the Year-Ended June 30, 2020**

from grant receipts prior to the grant or project completion.



Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all citizens, taxpayers, customers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to **Resource Conservation District of Tehama County, 2 Sutter Street, Suite D Red Bluff, California 96080**

Resource Conservation District of Tehama County

Balance Sheet

June 30, 2020

ASSETS

Cash	610,095
Accounts Receivable	1,760,306
Deposits & Prepaid	6,082
	<hr/>
TOTAL ASSETS	2,376,483

DEFERRED OUTFLOW

	-
	<hr/>
TOTAL DEFERRED OUTFLOW	-
	<hr/>
TOTAL ASSETS & DEFERRED OUTFLOWS	2,376,483

LIABILITIES & FUND BALANCES

Liabilities:

Accrued Liabilities	85,364
Accounts Payable	1,574,369
Unearned Revenue	267,162
Total Current Liabilities	1,926,895
	<hr/>

Total Liabilities	1,926,895
	<hr/>

DEFERRED INFLOW

Unavailable revenue	1,537,082
	<hr/>
TOTAL DEFERRED INFLOW	1,537,082
	<hr/>

TOTAL LIABILITIES AND DEFERRED INFLOWS	3,463,977
	<hr/>

Fund Balances:

Unassigned	(1,087,494)
Assigned	-
	<hr/>
Total Fund Balance	(1,087,494)
	<hr/>

TOTAL LIABILITIES & FUND BALANCE

	\$ 2,376,483
	<hr/> <hr/>

Fund Balance	(1,087,494)
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Amounts reported for governmental activities on the Statement of Net Assets are different because:

Other Assets are not current financial resources and therefore are not reported in the funds statements

Capital Assets are not current financial resources and therefore are not reported in the funds statement

	162,480
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The accompanying notes are an integral part of these financial statements

Accrued liabilities are not due in the current period and therefore are not reported in the funds statement (37,117)

Deferred Inflows reported as unavailable revenues are not available in the current period and therefore are reported as a deferred inflow in the governmental funds; while in the Government-Wide Statement of Net Position does not report them. Deferred Inflows at June 30 was: 1,537,082

Long-term liabilities, including bonds payable are not due in the current period and therefore are not reported in the funds statement. (48,915)

Net Assets of governmental activities \$ 526,036

Resource Conservation District of Tehama County
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year-Ended
June 30, 2020

REVENUES

Interest Income	6,311
Grant Income	3,998,493
Donations	53,660
Other Income	6,418
Charges for Services	406,955

TOTAL REVENUES	4,471,837
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EXPENDITURES

Salaries and Employee Benefits	759,797
Professional and Specialized Services	4,244,680
Interest Expense	3,305
Services & Supplies	137,927
Travel & Training	27,692
Rents	297,552
Principal	38,819
Utilities	8,506
Capital Expenditure	125,001
Repairs & Maintenance	56,554

TOTAL EXPENDITURES	5,699,833
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Excess (Deficit) of Revenues Over Expenditures	(1,227,996)
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Other Financing Sources Transfer In / (Transfer Out)	-
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<u>NET CHANGE IN FUND BALANCE</u>	(1,227,996)
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<u>FUND BALANCE, BEGINNING OF YEAR</u>	140,502
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<u>FUND BALANCE, END OF YEAR</u>	\$ (1,087,494)
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Reconciliation of net change in Fund Balance	\$ (1,227,996)
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To the change in net position reported for governmental activities in the statement of activities is different because:
Governmental funds report capital outlays as expenditures.
However in the statement of activities, the cost of those assets are allocated over their estimated lives and reported as depreciation expense. This is the amount which capital outlays exceed depreciation in the current period.

80,917

The accompanying notes are an integral part of these financial statements

Resource Conservation District of Tehama County
Statement of Revenues, Expenditures and Changes in Fund Balances
Continued
For the Year-Ended
June 30, 2020

The issuance of long term debt provides current resources to governmental funds, while the payment of the principle consumes resources. This amount is the net effect of the differences in the treatment of long-term debt.	38,819
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures.	(10,112)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenue.	<u>1,537,082</u>
Change in Net Position of Governmental Activities	<u><u>\$ 418,710</u></u>

The accompanying notes are an integral part of these financial statements

Resource Conservation District of Tehama County
Statement of Net Position
June 30, 2020

<u>ASSETS</u>	
Current Assets:	
Cash on Hand and in Banks	610,095
Accounts Receivable	1,760,306
Prepaid Assets	6,082
Total Current Assets	2,376,483
Fixed Assets:	
Equipment	392,966
Less: Accumulated Depreciation	(230,486)
Total Fixed Assets	162,480
TOTAL ASSETS	2,538,963
 <u>DEFERRED OUTFLOW</u>	
	-
TOTAL DEFERRED OUTFLOW	-
TOTAL ASSETS & DEFERRED OUTFLOWS	2,538,963
 <u>LIABILITIES</u>	
Current Liabilities:	
Accrued Payroll	37,117
Accounts Payable	1,574,369
Accrued Expenses	85,364
Unearned Revenue	267,162
Notes Payable - Current Portion	10,274
Total Current Liabilities	1,974,286
Long-Term Liabilities:	
Line of Credit	-
Notes Payable	38,641
Total Long-Term Liabilities	38,641
TOTAL LIABILITIES	2,012,927
 <u>NET POSITION</u>	
Net Investment in Fixed Assets	113,565
Unrestricted	412,471
Restricted	-
TOTAL NET POSITION	\$ 526,036

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

Resource Conservation District of Tehama County
Statement of Activities
For the Year-Ending
June 30, 2020

EXPENSES

Program Expenses:

Salaries and Employee Benefits	\$ 769,967
Repairs	56,554
Professional Fees	4,244,680
Rental	297,552
Travel	27,692
Interest	3,305
Services and Supplies	138,422
Utilities	8,506
Depreciation	43,531

TOTAL EXPENSES	5,590,209
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REVENUES

Program Revenues:

Grants and Contributions	5,535,575
Charges for Services	406,955

Total Program Revenues	5,942,530
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General Revenues:

Donations	53,660
Other Revenue	6,418
Investment Earnings	6,311

Total General Revenues	66,389
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TOTAL REVENUES	6,008,919
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<u>NET CHANGE IN NET POSITION</u>	418,710
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<u>NET POSITION, BEGINNING OF YEAR</u>	107,326
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<u>NET POSITION, END OF YEAR</u>	\$ 526,036
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The accompanying notes are an integral part of these financial statements.

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

NOTE 1: SUMMARY OF GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

A. General

The District was re-organized on July 1, 1987 as a consolidation of Corning, Cottonwood, and Lassen View Resource Conservation Districts under Division 9 of the Public Resource Code of the State of California to assist land owners 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 a governed entity administered by a Board of Directors (the Board) that acts as the authoritative and legislative body of the entity.

The Board appoints the Chair (person) of the Board from existing board members. The Chair's responsibilities are to preside at all meetings of the Board; perform all duties commonly incident to the position of presiding officer of a Board.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that 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 Accounting/Measurement Focus

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, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental 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.

C. Government-Wide Financial Statements

The District Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in two categories: 1) charges for services, 2) grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The District's governmental-wide balance is classified in the following categories:

Net Investment in Capital Assets - Includes amount of the fund balance that is invested in capital assets net of any related debt.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by a formal action of the government's highest level of decision-making authority, external resource providers, constitutionally, or through enabling legislation.

Unrestricted - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

D. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities demonstrating the degree to which the direct expenses of a given project are offset by project revenues. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

Particular function or segment. Program revenues include (1) charges paid by the recipients of services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes are presented instead as general revenues.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental assets and liabilities is reported as fund balance. The District reports using the major governmental fund of General Fund. The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California and the bylaws of the District.

Exchange and Non-Exchange Transactions of Revenues – 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. Non-exchange transactions, in which the District receives value without directly giving value in return, includes taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. The assessor of the County determines the assessed valuations of such property and the tax collector of the County collects the taxes. On an accrual basis, revenue from grants and donations 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, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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 decreases 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.

The District's fund balance is classified in the following categories:

Nonspendable - Includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

Committed - Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government take the same formal action that imposed the constraint originally.

Assigned - Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates authority.

Unassigned - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

E. Budgets and Budgetary Accounting

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 for the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for the General Fund. The level of control (level at which expenditures may not exceed budget) is the fund. Unused appropriations for all the above annually budgeted funds lapse at the end of the fiscal year. Budgeted amounts are the final authorized amount as revised during the year. Actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items to the General Fund.

F. Cash

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, To maximize investment opportunities, the District participates in a pooling of cash and investment income with other local agencies. Each fund may liquidate its equity in the pool on demand. Investments are recorded at fair value; Fair value is based on quoted market prices.

As of June 30, 2020, the District had the following investments:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Cash in County Treasury	\$610,095	Unrated	NA

Interest rate risk. - As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives of the investment activities, in priority order, shall be:

3035.4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of Resource Conservation District of Tehama County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

3035.4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable Resource Conservation District of Tehama County to meet all operating requirements which might be reasonably anticipated.

3035.4.3 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Credit risk. - The Resource Conservation District of Tehama County is empowered by California Government Code §53601, et seq., to invest in the following:

3035.8.1 Bonds issued by the Resource Conservation District of Tehama County.

3035.8.2 United State Treasury Bills, Notes & Bonds.

3035.8.3 Registered state warrants or treasury notes or bonds issued by the State of California.

3035.8.4 Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

3035.8.5 Obligations issued by agencies or instrumentalities of the United States Government.

3035.8.6 Bankers' acceptances with a term not to exceed 270 days. Not more than 40% of surplus funds can be invested in bankers' acceptances and no more than 30% of surplus funds can be invested in the bankers acceptances of any single commercial bank.

3035.8.7 Prime commercial paper of U.S. corporations with assets greater than \$500 million, with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P). Commercial paper cannot exceed 15% of total surplus funds, provided that, if the average maturity of all commercial paper does not exceed 31 days, up to 30% of surplus funds can be invested in commercial paper.

3035.8.8 Negotiable certificates of deposit issued by federally or state chartered banks or associations. Not more than 30% of surplus funds can be invested in certificates of deposit.

3035.8.9 Repurchase/reverse repurchase agreements of any securities authorized by this section. Securities purchased under these agreements shall be no less that 102% of market value. (See special limits in CGC §53601.i.)

3035.8.10 Medium term notes (not to exceed 5 years) of U.S. corporations rated "A" or better by Moody's or S&P. Not more than 30% of surplus funds can be invested in medium term notes.

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

3035.8.11 Shares of beneficial interest issued by diversified management companies (money market mutual funds) investing in the securities and obligations authorized by this Section. Such funds must carry the highest rating of at least two of the three largest national rating agencies. Not more than 15% of surplus funds can be invested in money market mutual funds.

3035.8.12 Funds held under the terms of a trust indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.

3035.8.13 Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations.

3035.8.14 Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in this category must be rated AA or better by a nationally recognized rating service. Not more than 30% of surplus funds may be invested in this category of securities.

3035.8.15 Any other investment security authorized under the provisions of CGC §5922 and

3035.8.15.1 Prohibited Investments. Under the provisions of CGC §53601.6 and §53631.5, Resource Conservation District of Tehama County shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

Custodial credit risk. -The District's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. All security transactions entered into by the Resource Conservation District of Tehama County shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to Resource Conservation District of Tehama County by book entry, physical delivery or by third party custodial agreement as required by CGC §53601.

Concentration of credit risk. - Resource Conservation District of Tehama County will diversify its investments by security type and institution. It is the policy of the Resource Conservation District of Tehama County to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

3035.11.1 Portfolio maturities shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.

3035.11.2 Maturities selected shall provide for stability of income and liquidity.

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

3035.11.3 Disbursement and payroll dates shall be covered through maturities investments, marketable U.S. Treasury bills or other cash equivalent instruments such as money market mutual funds.

G. Accounts Receivable

On an accrual basis, revenues from charges for services are recognized in the fiscal year in which the services are rendered. Receivables are resources provided to the District on a reimbursement basis.

H. Prepaid Items

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

I. Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capitalization threshold for equipment has been set at \$5,000.

J. Accounts Payable

On an accrual basis, expenses/ expenditures are recognized in the fiscal year in which the services or supplies are received.

K. Accrued Payroll Liabilities

On an accrual basis, expenses/expenditures are recognized in the fiscal year in which the services are received. Liabilities consist of compensated absences.

L. Accrued Liabilities

On an accrual basis, expenses/expenditures are recognized in the fiscal year in which the services are received. Liabilities consist of accrued payroll and payable associated with the Ishi camp and salt creek crews.

M. Unearned Revenue

Unearned revenue is reported in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

N. Line of credit

Resource Conservation District of Tehama County has not drawn on its line of credit from US Bank. The line of credit requires monthly interest only payments based on a variable rate. As of the date of the financial statements \$0 is outstanding.

O. Net Position

The District's net position represents the difference between its assets and liabilities in the statement of net position. Net position is reported as restricted when there are legal limitations imposed on their use by their source. Portions of the unreserved net assets or fund balance may be designated to indicate tentative plans for financial resources utilization in a future period, such as for general contingencies, purchase of capital assets, or debt service. Such plans or intent are subject to change and may never be legally authorized or result in expenditures

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: USE OF RESTRICTED/UNRESTRICTED ASSETS

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted assets first.

NOTE 3: COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 4: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the District contracted with private insurance for liability, property, crime damage, and employee and director insurances.

NOTE 5: NOTE PAYABLE

The District has an installment agreement with Municipal finance corporation for the purchase of a Bobcat with an interest rate of 4.75%. Payment details below:

Resource Conservation District of Tehama County
Notes to Financial Statements
June 30, 2020

<u>PAYMENT</u> <u>DATE</u>	<u>BEGINNING</u> <u>BALANCE</u>	<u>SCHEDULED</u> <u>PAYMENT</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>ENDING</u> <u>BALANCE</u>
<u>4/5/2020</u>	<u>\$59,789.60</u>	<u>\$13,714.59</u>	<u>\$10,874.58</u>	<u>\$2,840.01</u>	<u>\$48,915.02</u>
<u>5/5/2020</u>	<u>\$48,915.02</u>	<u>\$13,714.59</u>	<u>\$11,391.13</u>	<u>\$2,323.46</u>	<u>\$37,523.89</u>
<u>6/5/2020</u>	<u>\$37,523.89</u>	<u>\$13,714.59</u>	<u>\$11,932.21</u>	<u>\$1,782.38</u>	<u>\$25,591.68</u>
<u>7/5/2020</u>	<u>\$25,591.68</u>	<u>\$13,714.59</u>	<u>\$12,498.99</u>	<u>\$1,215.60</u>	<u>\$13,092.70</u>
<u>8/5/2020</u>	<u>\$13,092.70</u>	<u>\$13,714.59</u>	<u>\$12,470.80</u>	<u>\$621.90</u>	<u>\$0.00</u>

NOTE 6: CONTIGENCIES

As of June 30, 2020, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through **October 30, 2020**, the date the financial statements were available to be issued.

Resource Conservation District of Tehama County

Supplemental Information

June 30, 2020

Resource Conservation District of Tehama County

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget vs. Actual
For the Year-Ended
June 30, 2020**

<u>REVENUES</u>	<u>Budget</u>	<u>General</u>	Variance Favorable (Unfavorable)
Interest Income	4,000	6,311	2,311
Grant Income	5,559,780	3,998,493	(1,561,287)
Donations	1,200	53,660	52,460
Other Income	23,913	6,418	(17,495)
Charges for Services	481,371	406,955	(74,416)
TOTAL REVENUES	6,070,264	4,471,837	(1,598,427)
<u>EXPENDITURES</u>			
Salaries and Employee Benefits	775,583	757,154	18,429
Professional and Specialized Services	4,168,058	4,244,680	(76,622)
Interest Expense	5,525	3,305	2,220
Services & Supplies	196,903	137,927	58,976
Travel & Training	46,502	27,692	18,810
Rents	322,013	297,552	24,461
Principal	-	38,819	(38,819)
Utilities	6,993	8,506	(1,513)
Capital Expenditure	92,000	124,946	(32,946)
Repairs & Maintenance	48,672	56,554	(7,882)
TOTAL EXPENDITURES	5,662,249	5,697,135	
Excess (Deficit) of Revenues Over Expenditures		<u>(1,225,298)</u>	
Other Financing Sources Transfer In / (Transfer Out)		<u>-</u>	
<u>NET CHANGE IN FUND BALANCE</u>		<u>(1,225,298)</u>	
<u>FUND BALANCE, BEGINNING OF YEAR</u>		<u>140,502</u>	
<u>FUND BALANCE, END OF YEAR</u>		<u><u>\$ (1,084,796)</u></u>	

Resource Conservation District of Tehama County

**Schedule of Expenditures of Federal Awards
For the Year-Ended June 30, 2020**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
USDA	10.695		\$ 27,760
USDA	10.698		45,219
Department of Transportation	20.205		118,270
US Dept of Interior	15.512		<u>1,025,347</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,216,596</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Resource Conservation District of Tehama County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.



October 30, 2020

Board of Directors
Resource Conservation District of Tehama County

Red Bluff, CA

INDEPENDENT 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

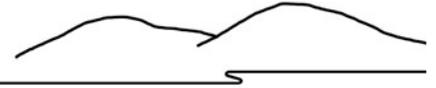
We have audited the financial statements of Resource Conservation District of Tehama County as of and for the year ended June 30, 2020, and have issued our report thereon dated **October 30, 2020**. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Resource Conservation District of Tehama County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Resource Conservation District of Tehama County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Resource Conservation District of Tehama County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

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 controls such 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.

Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.



**INDEPENDENT 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**
(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Resource Conservation District of Tehama County's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Zach Pehling, CPA



INDEPENDENT REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors
Resource Conservation District of Tehama County

Report on Compliance for Each Major Federal Program

We have audited Resource Conservation District of Tehama County's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Resource Conservation District of Tehama County's major federal programs for the year ended June 30, 2020. Resource Conservation District of Tehama County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Resource Conservation District of Tehama County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Resource Conservation District of Tehama County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Resource Conservation District of Tehama County's compliance.

Opinion on Each Major Federal Program

In our opinion, Resource Conservation District of Tehama County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



Report on Internal Control over Compliance

Management of Resource Conservation District of Tehama County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Resource Conservation District of Tehama County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Resource Conservation District of Tehama County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.²

Zach Pehling, CPA

October 30, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (UNIFORM GUIDANCE)

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified*.

Internal control over financial reporting:

Material weaknesses identified?	___ Yes	_x_ None Reported
Significant deficiencies identified?	___ Yes	_x_ None Reported
Noncompliance material to financial statements noted?	___ Yes	_x_ None Reported

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	___ Yes	_x_ None Reported
Significant deficiencies identified?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major federal programs: <i>unmodified</i> ,		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		
	___ Yes	_x_ None Reported
Identification of major federal programs:		
CFDA Number(s)	15.512 Central Valley Improvement Act	
Dollar threshold used to distinguish between type A and type B programs: \$ <u>750,000</u>		
Auditee qualified as a low-risk auditee?		
	___ Yes	_x_ No

Section II: Financial Statement Findings

None noted

Amount of Questioned Cost, How Computed and Prevalence

None noted

Section III: Federal Awards Findings

None noted

Internal Control - Significant Deficiencies that are not Material Weaknesses

None noted

Material Non-Compliance with Laws and Regulations

None noted

Non-Material Non-Compliance with Laws and Regulations

None noted