

Resource Conservation District of Santa Cruz County

Basic Financial Statements and Independent
Auditors' Report

For the Year Ended June 30, 2022

Resource Conservation District of Santa Cruz County

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Resource Conservation District of Santa Cruz County
Capitola, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Resource Conservation District of Santa Cruz County, California (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position and the changes in cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
of the Resource Conservation District of Santa Cruz County
Capitola, California
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

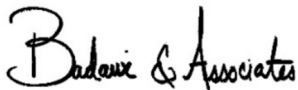
To the Board of Directors
of the Resource Conservation District of Santa Cruz County
Capitola, California
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and our report dated May 6, 2023 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Badawi and Associates, CPAs
Berkeley, California
May 30, 2023

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RESOURCE CONSERVATION DISTRICT OF SANTA CRUZ COUNTY
Management's Discussion and Analysis
June 30, 2022

Description of the Basic Financial Statements

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements, government-wide and governmental fund financial statements; notes to the financial statements; and required supplementary information (budgetary comparison schedules).

The basic government-wide and governmental fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required statements are: Statement of Net Position and Statement of Activities. The State of Net Position reports all assets, liabilities, and deferred inflow/outflow of resources with the difference reported as the net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the long-term financial position of the District is improving or deteriorating. The Statement of Activities presents information on how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is paid or received.

Governmental fund financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. The required financial statements are: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statements of Revenues, Expenditures, and Changes in Fund Balance reports revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

The government-wide and governmental fund financial statements show the results of the following Funds:

General Fund – The District's basic services are accounted for in this fund.

RESOURCE CONSERVATION DISTRICT OF SANTA CRUZ COUNTY
Management's Discussion and Analysis
June 30, 2022

Condensed Government-Wide Financial Data

	2022	2021
Current Assets	\$ 2,441,756	\$ 2,078,960
Non-current Assets	7,367	1,100
Capital Assets	-	2,230
Total Assets	\$ 2,449,123	\$ 2,082,290
Current Liabilities	\$ 1,283,497	\$ 1,221,669
Non-current Liabilities	41,982	43,076
	1,325,479	1,264,745
Net Position		
Net Invested in Capital Assets	-	2,230
Unrestricted	1,123,644	815,315
Total Net Position	1,123,644	817,545
Total Liabilities and Net Position	\$ 2,449,123	\$ 2,082,290
Expenses	\$ 3,515,172	\$ 3,125,268
Revenues		
Program Revenues - Operating Grants and Contributions		
Aid from Other Government Agencies	\$ 182	\$ 185
Other Taxes - District Augmentation Fund	41,289	41,289
Donations and Other Income	1,743,285	902,985
Grants	1,990,445	2,497,826
Subtotal Program Revenues	3,775,201	3,442,285
General Revenues		
Property Tax	40,433	38,479
Interest Income	5,637	3,428
Subtotal General Revenues	46,070	41,907
Total Revenues	\$ 3,821,271	\$ 3,484,192
Change in Net Position	\$ 306,099	\$ 358,924

RESOURCE CONSERVATION DISTRICT OF SANTA CRUZ COUNTY
Management's Discussion and Analysis
June 30, 2022

Financial Analysis of the District as a Whole

The District's net position increased by \$306,099 for the fiscal year ended June 30, 2022 to a total of \$1,123,644. Of the \$1,123,644 in net position, \$0 is invested in capital assets (net of accumulated depreciation). The increase in net position compared to the prior year was mainly attributable to decreased expenses as several grants ended from Coastal Conservancy for various projects including the Integrated Watershed Restoration Program Phase 5 and the Climate Ready grant program, as revenue increased from several grants beginning in FY2022 including those from Coastal Conservancy, CalFIRE, and California Department of Food and Agriculture for projects related to restoration planning, irrigation and nutrient management, as well as forest health, fire resiliency and preparedness.

Financial Analysis of the District's Funds

Governmental fund balances increased by \$232,509 for the fiscal year ended June 30, 2022. The main reason for the difference between the increase in District net position and the increase in fund balances is the difference in recording revenue between the government-wide financial statements and governmental fund financial statements.

Budgetary Highlights

Budgets are based on current and expected expenditures related to grant funding and the day-to-day activities of the District under government fund accounting. For the fiscal year ending June 30, 2022, the District budgeted all dollars as available to spend, or a net zero budget, based on fund balance of \$920,623 and budgeted revenues of \$6,501,631 and budgeted expenses of \$6,501,631. Variances between budget and actual were due to the timing of one or more of the major programs funded with grant revenue. For line item variances, see the budgetary comparisons schedule presented as required supplementary information (modified accrual basis).

Capital Assets

As of June 30, 2022, the District had invested \$0 consisting of electronic equipment, which is net of accumulated depreciation. Additional information of the District's capital assets can be found in Note 4.

Long-Term Liabilities

At year-end the District had no long-term liabilities, except for liabilities related to compensated absences described in Note 3.

RESOURCE CONSERVATION DISTRICT OF SANTA CRUZ COUNTY
Management's Discussion and Analysis
June 30, 2022

Economic Factors and Net Year's Budget

The District's main source of revenue is grant revenue.

For the fiscal year 2022-2023, the District budgeted all dollars as available to spend, or a net zero budget, based on fund balance of \$1,326,116, budgeted revenues of \$9,375,009 and budgeted expenses of \$9,375,009.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Resource Conservation District of Santa Cruz County
Statement of Net Position
June 30, 2022
with Summarized Totals as of June 30, 2021

ASSETS	2022	2021
Current assets:		
Cash	\$ 966,783	\$ 550,439
Accounts receivable	1,474,973	1,528,521
Total current assets	<u>2,441,756</u>	<u>2,078,960</u>
Noncurrent assets:		
Prepaid items	7,367	1,100
Capital assets:		
Furniture and equipment	52,064	52,064
Less: accumulated depreciation	(52,064)	(49,834)
Total capital assets	<u>-</u>	<u>2,230</u>
Total noncurrent assets	<u>7,367</u>	<u>3,330</u>
Total assets	<u>2,449,123</u>	<u>2,082,290</u>
LIABILITIES		
Current liabilities		
Accounts payable - claims	819,202	655,959
Accounts payable - payroll	16,050	29,903
Grant funds received in advance	448,245	535,807
Total current liabilities	<u>1,283,497</u>	<u>1,221,669</u>
Noncurrent liabilities		
Compensated absences	41,982	43,076
Total noncurrent liabilities	<u>41,982</u>	<u>43,076</u>
Total liabilities	<u>1,325,479</u>	<u>1,264,745</u>
NET POSITION		
Net investment in capital assets	-	2,230
Unrestricted	1,123,644	815,315
Net position	<u>\$ 1,123,644</u>	<u>\$ 817,545</u>

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FUND FINANCIAL STATEMENTS

Resource Conservation District of Santa Cruz County
Balance Sheet - Governmental Funds
June 30, 2022
with Summarized Totals as of June 30, 2021

	General Fund	
	2022	2021
ASSETS		
Cash	\$ 966,783	\$ 550,439
Accounts receivable	1,474,973	1,528,521
Prepaid items	7,367	1,100
Total assets	\$ 2,449,123	\$ 2,080,060
LIABILITIES		
Accounts payable - claims	\$ 819,202	\$ 655,959
Accounts payable - payroll	16,050	29,903
Grant funds received in advance	448,245	535,807
Total liabilities	1,283,497	1,221,669
DEFERRED INFLOW OF RESOURCES		
Unavailable revenue	1,036,900	962,174
Total deferred inflow of resources	1,036,900	962,174
FUND BALANCES		
Nonspendable:		
Prepaid items	7,367	1,100
Unassigned	121,359	(104,883)
Total fund balances	128,726	(103,783)
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,449,123	\$ 2,080,060

Resource Conservation District of Santa Cruz County
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
For the year ended June 30, 2022
with Summarized Totals as of June 30, 2021

	2022	2021
Fund Balances of Governmental Funds	\$ 128,726	\$ (103,783)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the Government-wide financial statements, the cost of assets are capitalized and depreciated over the estimated useful lives of the assets and reported as depreciation expense. The capital assets, net of depreciation, are:</p>	-	2,230
<p>Certain revenues in the government-wide are not available to pay for current obligations and therefore are deferred in the governmental funds statements</p>	1,036,900	962,174
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore they are not reported in the governmental funds.</p> <p style="padding-left: 20px;">Compensated absences</p>	(41,982)	(43,076)
Net Position of Governmental Activities	\$ 1,123,644	\$ 817,545

Resource Conservation District of Santa Cruz County
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2022
with Summarized Totals for the year ended June 30, 2021

	General Fund	
	2022	2021
REVENUES:		
Property taxes	\$ 40,433	\$ 38,479
Use of money and property	5,637	3,428
Aid from other governmental agencies	1,939,266	2,478,064
Miscellaneous revenues	1,761,209	960,272
Total revenues	3,746,545	3,480,243
EXPENDITURES:		
Salaries and benefits	1,113,160	1,003,212
Services and supplies	2,400,876	2,127,344
Total expenditures	3,514,036	3,130,556
Net change in fund balances	232,509	349,687
FUND BALANCES:		
Beginning of year	(103,783)	(453,470)
End of year	\$ 128,726	\$ (103,783)

Resource Conservation District of Santa Cruz County
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2022
with Summarized Totals for the year ended June 30, 2021

	<u>2022</u>	<u>2021</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 232,509	\$ 349,687
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Depreciation expense	(2,230)	(2,315)
<p>Certain revenues in the government-wide statement of activities are not available to pay for current expenditures and are not reported as revenue in the governmental funds.</p>		
	74,726	3,949
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	<u>1,094</u>	<u>7,603</u>
Change in Net Position of Governmental Activities	<u>\$ 306,099</u>	<u>\$ 358,924</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Resource Conservation District of Santa Cruz County (District) have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

A. *Description of Reporting Entity*

The Santa Cruz County Resource Conservation District (the "District") was organized on January 1, 1978, in conformity with Santa Cruz County Board of Supervisors Resolution 744-77. This resolution authorized consolidation of the Pajaro Resource Conservation District and the Redwood Conservation District to form the Santa Cruz County Resource Conservation District. The District is comprised of the land areas of the former Pajaro and Redwood Resource Conservation Districts.

In September of 2007, the Santa Cruz County Resource Conservation District was renamed Resource Conservation District of Santa Cruz County. The mission of the District is to help people protect, conserve, and restore natural resources through information, education, and technical assistance programs.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether it exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters). The District has determined that no outside entity meets the above criteria, and therefore no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

B. *Basis of Accounting/Masurement 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.

Government - Wide Financial Statements - The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the District.

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government.

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with the District. Program revenues include contributions from other governmental agencies that are restricted for meeting the operational or capital requirements of the District. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

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.

Certain eliminations have been made in regards to interfund activities. All internal balances (transfers in and out) in the Statement of Net Position have been eliminated.

The government-wide, proprietary, and fiduciary financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) associated with their activities are reported. Fund equity is classified as net position.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used.

Governmental Fund Financial Statements - Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. The District has no proprietary or fiduciary funds.

The District reports the following governmental fund:

General Fund - The General Fund accounts for all of the financial resources of the District.

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of funds available for financial resources during a given period. The fund balance is used as the measure of available financial resources at the end of the period.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences which are reported when due.

C. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute "available spendable resources."

D. Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture office equipment and computers	3 years
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Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements of the assets.

Restricted Net Position - This amount is restricted by external creditors.

Unrestricted Net Position - This amount is all net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables, and other current assets, less its liabilities.

F. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in the funds can be spent. As of June 30, 2022, fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid items, and long-term loans receivable.

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

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Directors by passage of a resolution. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally. The District does not have any committed fund balances.

Assigned Fund Balance - comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The District has not designated any level of authority for assigning fund balance, therefore, the Board of Directors can assign fund balance.

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

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Property tax

Assessed values are determined annually by the County Assessor as of March 1, and become a lien on real property as of that date. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the District under the state authorized method of apportioning taxes, whereby all local agencies, including special districts, receive from the County their respective shares of the amount of ad valorem taxes collected.

H. Cash in County Treasury

The Districts cash is held in the Santa Cruz County (the "County") Treasury Pool, which is not rated by national credit rating agencies. See Note 2 to these financial statements for information regarding the Pools investments, interest rate risk, concentration of credit risk and custodial credit risk. The County Treasurer pools cash with other County and Special District funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the County's investment pool. The County routinely reviews its investment policy. The estimated fair value of investments in the pool is based on quoted market prices. The fair value of the District's position in the pool is the same as the value of the pool shares. The value of the pool shares may be withdrawn at any time based on an amortized cost basis, which is different than the fair value of the District's position in the pool. Information regarding the investments within the pool, including related risks, can be found in the County of Santa Cruz's Comprehensive Annual Financial Report.

I. Accounts receivable

Management believes all accounts receivable to be collectable and are shown without any allowance for uncollectible accounts. All receivables which have been remitted within 60 days subsequent to fiscal year end are considered measurable and available and recognized as income in the government- fund financial statements.

J. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Estimates

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

L. New Accounting Pronouncements

The District adopted the following accounting pronouncements during the year:

GASB Statement No. 87, Leases – The objective of this statement is to recognize in the financial statements certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement did not apply to the District.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objective this statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. There was no impact on net position as a result of implementation of this statement.

GASB Statement No. 92, Omnibus 2020 – The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement did not apply to the District.

GASB Statement No. 99, Omnibus 2022 – The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement did not apply to the District.

GASB Statement No. 98, The Annual Comprehensive Financial Report – The objective of this statement is to address references in authoritative literature to the term *comprehensive annual financial report*. There was no impact on net position as a result of implementation of this statement.

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS

The District maintains cash and investments as summarized below:

County of Santa Cruz Investment Pool	\$ 966,783
Total cash and investments	<u>\$ 966,783</u>

A. Investment with Santa Cruz County Investment Pool

\$966,783 at June 30, 2022 is part of the common investment pool of the Santa Cruz County Investment Pool. It is the policy of the Treasurer-Tax Collector of Santa Cruz County to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands, or liquidity needs of the treasury pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. In addition, it is the Treasurer-Tax Collectors' policy to invest all funds in strict conformance with all state statutes governing the investment of public monies.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investment in the Santa Cruz County Investment Pool is exempt from levelling disclosure.

B. Interest Rate Risk

At June 30, 2022, the District had the following investment maturities.

County of Santa Cruz Investment Pool	\$ 966,783
Total cash and investments	<u>\$ 966,783</u>

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

C. Concentration of Credit Risk

At June 30, 2022, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following schedule is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2022.

Investments Type	Standard & Poor's	Moody's	% of Portfolio
Local Agency Bonds	A	Aa3	2.83%
U.S Treasury Securities	AA+	Aaa	31.90%
Federal Agency Securities	AA+	Aaa	20.82%
Medium-Term Notes	A/AAA	A+	12.18%
Money Market Mutual Funds	Unrated	Unrated	6.38%
Local Agency Investment Fund (LAIF)	Unrated	Unrated	7.56%
Certificates of Deposit	A1	P1	11.03%
Investment Agreements	Unrated	Unrated	1.39%
Supranational	AAA	Aaa	5.91%
Total			100.00%

3. COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences for the District for the year ended June 30, 2022 are as follows:

	Balance at July 1, 2021	Addition	Deletion	Balance at June 30, 2022
Accumulated unpaid compensated absences	\$ 43,076	\$ 86,553	\$ (87,647)	\$ 41,982

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

4. CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended June 30, 2022:

	2022			Balance at June 30, 2022
	Balance at July 1, 2021	Addition	Deletion	
Furniture, office equipment and computers	\$ 52,064	\$ -	\$ -	\$ 52,064
Total depreciable assets	<u>52,064</u>	<u>-</u>	<u>-</u>	<u>52,064</u>
Less accumulated depreciation:				
Furniture, office equipment and computers	(49,834)	(2,230)	-	\$ (52,064)
Total accumulated depreciation	<u>(49,834)</u>	<u>(2,230)</u>	<u>-</u>	<u>(52,064)</u>
Total capital assets, net	<u>\$ 2,230</u>	<u>\$ (2,230)</u>	<u>\$ -</u>	<u>\$ -</u>

5. LONG-TERM DEBT LIABILITIES

The District had no long-term debt as of June 30, 2022.

6. INSURANCE

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements.

Liability Insurance: The District is insured through the Special District Risk Management Association.

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. INSURANCE, Continued

Liability insurance: The District is insured through the Special District Risk Management Association

General Liability

Bodily Injury: per occurrence	\$ 2,500,000
Property Damage	\$ 2,500,000
Public Officials Personal	\$ 500,000
Employment Benefits	\$ 2,500,000
Employee/Public Officials E & O	\$ 2,500,000
Employment Practices Liability	\$ 2,500,000
Employee/Public Officials Dishonesty (Crime)	\$ 1,000,000

Auto Liability

Non-owned Auto Bodily Injury	\$ 2,500,000
Non-owned Auto Property Damage	\$ 2,500,000
Uninsured Motorist	Limits on File

Property

Property	\$ 1,000,000,000
Boiler & Machinery	\$ 100,000,000
Pollution	\$ 2,000,000
Cyber	Limits on File
Catastrophic Loss (Replacement cost for scheduled property)	\$ 1,000,000,000

Mobile Equipment

Mobile/Contractors Equipment: per occurrence (Actual cash value for Scheduled Property)	\$ 1,000,000,000
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Workers' Compensation

Employers Liability	\$ 5,000,000
Worker's Compensation	Statutory

7. LEASES

The District leases office space in Capitola, California under a lease agreement with an original expiration date of July 31, 2018. An extension and amendment of lease agreement became effective on August 1, 2021 with a minimum rental of \$3,143 per month, expiring on July 31, 2022. Total rent expense for the fiscal year ended June 30, 2022 was \$37,716, respectively.

Resource Conservation District of Santa Cruz County
Notes to Basic Financial Statements
For the year ended June 30, 2022

8. RETIREMENT PLAN

The District's employees are able to participate in a 401(k) retirement plan after a one year probation period. Employees only need to work one hour per year to participate and interns and contract employees are excluded from the plan. In addition, there is a five year vesting period where the employee becomes 20% vested each year. The District makes dollar-for-dollar contributions on behalf of the employees up to 4.5% of the employees' wages. For the year ended June 30, 2022, the District contributed \$35,919 to the plan.

9. CONCENTRATION OF RISK

The District receives a substantial portion of its revenue from government grants. These grants represent a significant concentration of the District's support and revenue, which require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the management deems the contingency remote, since by accepting the grants and their terms; it has accommodated the objectives of the District to the provisions of the grant.

REQUIRED SUPPLEMENTARY INFORMATION

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Resource Conservation District of Santa Cruz County
Budget Comparison Schedule - Revenues
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes				
Current secured	\$ 36,822	\$ 36,822	\$ 36,170	\$ (652)
Current unsecured	-	-	668	668
Current secured - supplemental	-	-	1,190	1,190
Current unsecured - supplemental	-	-	15	15
Residual distribution	-	-	2,272	2,272
Prior years	-	-	104	104
In-lieu taxes other	-	-	14	14
Total property taxes	<u>36,822</u>	<u>36,822</u>	<u>40,433</u>	<u>3,611</u>
Use of money and property - interest	<u>4,176</u>	<u>4,176</u>	<u>5,637</u>	<u>1,461</u>
Aid from other governmental agencies				
Homeowners' property tax relief	-	-	182	182
Total aid from other governmental agencies	<u>-</u>	<u>-</u>	<u>182</u>	<u>182</u>
Grants				
State - Water Resources Control Board	201,486	192,021	114,082	(77,939)
State - other	3,511,251	3,353,521	1,633,919	(1,719,602)
Federal - other	<u>194,762</u>	<u>261,755</u>	<u>191,083</u>	<u>(70,672)</u>
Total grants	<u>3,907,499</u>	<u>3,807,297</u>	<u>1,939,084</u>	<u>(1,868,213)</u>
Other revenue				
Other funds - special district augmentation fund	39,225	39,225	41,289	2,064
Contributions and donations	-	3,300	12,298	8,998
RDA pass-throughs	-	-	100	100
Other revenue	<u>1,546,667</u>	<u>1,690,188</u>	<u>1,707,522</u>	<u>17,334</u>
Total other revenue	<u>1,585,892</u>	<u>1,732,713</u>	<u>1,761,209</u>	<u>28,496</u>
Total revenues	<u>\$ 5,534,389</u>	<u>\$ 5,581,008</u>	<u>\$ 3,746,545</u>	<u>\$ (1,834,463)</u>

Resource Conservation District of Santa Cruz County
Budget Comparison Schedule - Expenditure
Budget and Actual - General Fund
For the Year Ended June 30, 2022

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Salaries and employee benefits				
Regular pay	\$ 1,279,188	\$ 1,305,578	\$ 915,302	\$ 390,276
Social security	103,145	105,752	69,472	36,280
Employee insurance and benefits	230,254	232,450	113,779	118,671
Unemployment insurance	12,250	12,250	4,852	7,398
Workers' compensation	22,054	22,306	9,755	12,551
Total salaries and employee benefits	<u>1,646,891</u>	<u>1,678,336</u>	<u>1,113,160</u>	<u>565,176</u>
Services and supplies				
Telephone	10,800	10,800	9,086	1,714
Insurance	15,500	15,500	14,106	1,394
Memberships	6,200	6,200	5,456	744
Postage	1,000	1,000	249	751
Supplies	1,000	1,000	478	522
Accounting and auditing	33,000	33,000	32,240	760
Legal services	22,888	24,088	16,002	8,086
Professional services	4,044,721	4,046,391	2,149,822	1,896,569
Publication printing costs	1,850	1,850	-	1,850
Rents and leases - structures	41,016	41,016	37,869	3,147
Special district expense - services	260,485	260,485	125,152	135,333
Mileage	15,076	15,266	7,078	8,188
Utilities	3,300	3,300	2,887	413
Credit card fees	-	-	451	(451)
Total services and supplies	<u>4,456,836</u>	<u>4,459,896</u>	<u>2,400,876</u>	<u>2,059,020</u>
Appropriations for contingencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 6,155,845</u>	<u>\$ 6,165,107</u>	<u>\$ 3,514,036</u>	<u>\$ 2,624,196</u>