

**TRINITY COUNTY RESOURCE  
CONSERVATION DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**JUNE 30, 2022**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Trinity County Resource Conservation District  
Weaverville, CA

### Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Trinity County Resource Conservation District as of June 30, 2022, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Trinity County Resource Conservation 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

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 Trinity County Resource Conservation 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.

### 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 generally accepted auditing standards in the United States of America and *Government Auditing Standards* 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, 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 Trinity County Resource Conservation 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 Trinity County Resource Conservation 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.

### **Other Matters**

#### Required Supplementary Information

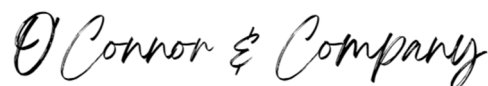
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not modified with respect to this matter.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, 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.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023 on our consideration of the Trinity County Resource Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Trinity County Resource Conservation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trinity County Resource Conservation District's internal control over financial reporting and compliance.



O'Connor & Company

Novato, California  
June 28, 2023

Trinity County Resource Conservation District  
STATEMENT OF NET POSITION  
 June 30, 2022

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 45,367
Grants receivable	<u>966,852</u>
Total current assets	<u>1,012,219</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	<u>175,220</u>
Total assets	<u>1,187,439</u>
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	666,614
Accrued liabilities	104,744
Line of credit	<u>128,450</u>
Total current liabilities	<u>899,808</u>
Noncurrent liabilities:	
Due within one year	40,945
Due in more than one year	<u>62,758</u>
Total noncurrent liabilities	<u>103,703</u>
Total liabilities	<u>1,003,511</u>
 <u>NET POSITION</u>	
Net investment in capital assets	117,383
Unrestricted net position	<u>66,545</u>
Total net position	<u>\$ 183,928</u>

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

Trinity County Resource Conservation District  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		Charges for	Operating	Revenues and
		Services	Grants and	Changes in Net
			Contributions	Position
<u>Governmental activities:</u>				
Natural resource conservation	\$ 3,439,342	\$ 117,003	\$ 3,174,400	\$ (147,939)
Total government activities	<u>\$ 3,439,342</u>	<u>\$ 117,003</u>	<u>\$ 3,174,400</u>	<u>(147,939)</u>
 <u>General revenues:</u>				
Rental income				5,470
Vehicles use fees				104,126
Other revenues				<u>199,453</u>
Total general revenues and special items				<u>309,049</u>
Change in net positions				161,110
Net position, beginning of period				<u>22,818</u>
Net position, ending of period				<u>\$ 183,928</u>

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

Trinity County Resource Conservation District  
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2022

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash investments	\$ 45,367
Grants receivable	966,852
Total assets	<u>\$ 1,012,219</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 666,614
Accrued liabilities	104,744
Line of credit	128,450
Total liabilities	<u>899,808</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable resources	<u>149,859</u>
<u>FUND BALANCE</u>	
Unassigned fund balances	<u>(37,448)</u>
Total fund balances	<u>(37,448)</u>
Total liabilities and fund balances	<u>\$ 1,012,219</u>

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

Trinity County Resource Conservation District  
RECONCILIATION OF THE  
GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2022

Fund balances-total government funds	\$	(37,448)
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Amounts reported in the Statement of Net Positions are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital assets, at cost	\$ 533,559		
Accumulated depreciation	<u>(358,339)</u>		175,220

Revenues from grants and contracts that are not collective within 90 days after year-end are deferred as unavailable revenues in deferred outflows of resources in the governmental funds balance sheet. However, these grants are earned and reported as revenue in the government-wide statement of activities.			149,859
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Long-term liabilities are not due and payable in the current period and, therefore are not reported in governmental funds.

Compensated absences	(45,866)		
Capital lease	<u>(57,837)</u>		<u>(103,703)</u>

Total net position of governmental activities	\$	<u>183,928</u>
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The accompanying notes are an integral part of these financial statements.



Trinity County Resource Conservation District  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
June 30, 2022

	<u>General Fund</u>
Revenues	
Charges for services	\$ 117,003
Grants and contracts	3,379,417
Use of money and property	109,596
Other revenue	199,453
Total revenues	3,805,469
Expenditures	
Current:	
Salaries and employees benefits	1,825,160
Services and supplies	1,518,576
Capital outlay	140,244
Debt services:	
Principal	32,692
Interest	12,792
Total expenditures	3,529,464
Excess of revenues over (under) expenditures	276,005
Fund balances, beginning of the year	(313,453)
Fund balances, end of the year	\$ (37,448)

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

Trinity County Resource Conservation District  
RECONCILIATION OF THE  
STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE  
STATEMENT OF ACTIVITIES  
June 30, 2022

Net change in fund balance - total governmental funds \$ 276,005

The changes in net position reported for governmental activities in the statement of activities is different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Additions to capital assets	140,244
Depreciation expense	(73,918)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principle is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Principal paid for capital leases	32,692
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Revenues from grants and contracts that are not collective within 90 days after year-end are deferred as unavailable revenues in deferred outflows of resources in the governmental funds balance sheet. However, these grants are earned and reported as revenue in the government-wide statement of activities.	(205,017)
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In the Statement of Activities, compensated absences are measured by the amount earned during year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year, vacation earned exceeded the amounts used.	<u>(8,896)</u>
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Changes in net position of governmental activities	<u>\$ 161,110</u>
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The accompanying notes are an integral part of these financial statements.

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Trinity County Resource Conservation District (the District) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the U.S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District was established to assist people in protecting, managing, conserving and restoring the natural resources of Trinity County through information, education, technical assistance and project implementation programs within the County of Trinity (the County).

The financial reporting entity consists of the primary government, the District. The District has evaluated whether any other entity should be included in these financial statements using the criteria established by GASB which requires local governments to report: (a) organizations for which the primary government is financially accountable, and (b) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the District has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the District.

No entities have met the definition of a component unit as defined above.

C. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund of activities. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as 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 are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (concluded)

Fund Financial Statements

The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for each governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District has one major operating fund, the General Fund. The General Fund is the general operating fund of the District. It is used to account for all financial resources of the District.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Revenue is accrued when its receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. Intergovernmental revenues, charges for services and interest earnings are considered susceptible to accrual. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources. Under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. 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.

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (concluded)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 90 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements 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 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. Under the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period; for example, prepaid items and deferred charges.

Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period; for example, unavailable resources and advance collections. As of June 30, 2022, the District reported \$149,859 as deferred inflows of resources in the General Fund for unavailable resources, meaning a receivable was recorded for grants that will not be received until 90 days after year end.

Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These budgets are revised by the District's governing board during the year to give consideration to unanticipated revenues and expenditures. The original and final revised budgets for the General Fund is presented as Required Supplementary Information.

Formal budgetary integration was employed as a management control device during the year for the General Fund. The District employs budget control by major object. All unencumbered appropriations lapse at the end of each fiscal year. General fund expenditures exceeded appropriations by \$57,634 for fiscal year ended June 30, 2022.

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Equity

Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation. All District-directed investments are governed by California Government Code. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities.

Grants Receivable

The District believes the grants receivable to be fully collectible and accordingly no allowance for doubtful accounts is necessary.

Capital Assets

Capital assets have been acquired for general District purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives of 5 to 15 years in the government-wide statements.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded as a deferred inflow to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. District employees are entitled to certain compensated absences based on their length of employment which will be paid to them upon separation from the District.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Fund Balance Policy and Classifications

The District does not have a written fund balance policy. In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. The District does not have a policy for committed fund balances.

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Assets, Liabilities, and Equity (concluded)

- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The District does not have a policy for assigned fund balances.
- Unassigned includes positive fund balances within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is exposed to various risks of loss related to general liability and workers' compensation. Insurance for the District is secured through commercial insurance for both general liability and workers' compensation.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage in the last three years.

Accounting Estimates

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

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2022 is as follows:

Cash Account	\$ 45,117
Petty Cash	250
Total Cash and Investments	\$ 45,367

Cash and Banks in Revolving Funds

Cash balances in banks are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within a financial institution. As of June 30, 2022, the bank balances of the District's accounts of \$45,711 were fully insured by FDIC.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The valuation method used for rental properties is the Leased Fee Market method, which is dependent on the income generated from the rental properties.

The District did not have any investments subject to the recurring fair value measurements as of June 30, 2022.

Policies and Practices

The District is authorized under California Government Code (or the District's investment policy where more restrictive) to invest in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligation	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable CDs	5 years	30%	None
Repurchase agreements	1 years	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	None
Mutual/money market funds	5 years <sup>(1)</sup>	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	15%
Time deposits	5 Years	None	None
Local Agency Investment Fund (LAIF)	5 years <sup>(1)</sup>	None	None

(1) The five year maximum maturity can be extended by the Board of Directors. Also, the maximum maturity can be extended if the funds are reserved for bond, COP or note payments to coincide with the required repayments.



Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

NOTE 2 - CASH AND INVESTMENTS (concluded)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District had no investments exposed to interest rate risk as of June 30, 2022.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District had no investments exposed to credit risk as of June 30, 2022.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. California Government code requires that a financial institution secure deposit made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. See above for deposits in excess of FDIC.

Concentration of Credit Risk

The District did not have any investments subject to concentration rules as of June 30, 2022.

NOTE 3 - GRANTS RECEIVABLE

Grant receivable consisted of the following as of June 30, 2022:

Bureau of Land Management	\$ 42,471
Bureau of Reclamation	13,539
California Department of Conservation	129,604
California Department of Forestry and Fire Protection	311,767
California Department of Parks and Recreation	575
California Department of Transportation	26,190
California Fire Safe Council	7,700
National Fish and Wildlife Foundation	146,721
Northwest California Resource Conservation & Development	25
Solano Resource Conservation District	943
Sustainable Forestry Initiative, Inc.	6,412
The Watershed Research and Training Center	85,463
Trinity County	9,187
University States Forest Service	168,821
University of California Cooperative Extension	300
Wildlife Conservation Board	17,136
Total Grants Receivable	<u>\$ 966,852</u>

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2022 were as follows:

	<u>Balance as of July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2022</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 154,095	\$ 140,244	\$ 5,334	\$ 289,005
Vehicles	<u>244,554</u>	<u>-</u>	<u>-</u>	<u>244,554</u>
Total capital assets, being depr.	398,649	140,244	5,334	533,559
Less accumulated depreciation	<u>(289,755)</u>	<u>(73,918)</u>	<u>(5,334)</u>	<u>(358,339)</u>
Total capital assets, net	<u>\$ 108,894</u>	<u>\$ 66,326</u>	<u>\$ -</u>	<u>\$ 175,220</u>

Depreciation expense totaling \$-0- was charged to the natural resource conservation program during the fiscal year ended June 30, 2022.

NOTE 5 - LINE OF CREDIT

As of June 30, 2022, the District had a \$130,000 line of credit with Tri Counties Bank that is available for drawdown with an interest rate of 5.25% and a balance owed of \$128,450.

NOTE 6 - LONG-TERM LIABILITIES

	<u>Balance as of July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2022</u>	<u>Due Within One Year</u>
Capital leases	\$ 90,529	\$ -	\$ 32,692	\$ 57,837	\$ 28,312
Compensated absences	<u>36,970</u>	<u>8,896</u>	<u>-</u>	<u>45,866</u>	<u>12,633</u>
Total long-term liabilities	<u>\$ 127,499</u>	<u>\$ 8,896</u>	<u>\$ 32,692</u>	<u>\$ 103,703</u>	<u>\$ 40,945</u>

Compensated absences and capital leases were paid from the General Fund.

Capital Leases

During the fiscal year ended June 30, 2018, the District financed the purchase of a \$41,677 Ford F250 Crew Cab truck through a capital lease at 4.84% simple interest over five years. The total amount financed was \$44,736.

During the fiscal year ended June 30, 2019, the District financed the purchase of a \$33,975 Ford F250 Crew Cab truck through a capital lease at 5.99% simple interest over five years. The total amount financed was \$36,764.

During the fiscal year ended June 30, 2020, the District financed the purchase of a \$39,312 Ford F250 Crew Cab truck and a \$53,113 Ford F250 Crew Cab truck through a capital lease at 5.90% and 5.99% simple interest respectively over five years. The total amount financed was \$79,773.

The minimum annual lease payments of the capital lease were as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 28,312	\$ 2,012	\$ 30,324
2024	<u>29,518</u>	<u>682</u>	<u>30,200</u>
Totals	<u>\$ 57,830</u>	<u>\$ 2,694</u>	<u>\$ 60,524</u>

Trinity County Resource Conservation District  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Litigation

The District may be subject to various claims involving the District during the normal course of business. However, based on consultation with legal counsel, management was not aware of any matters that would have a material adverse effect on the District's financial position or results of operations.

Federal and State Allowances, Awards and Grants

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed by management that any required reimbursement will not be material.

NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The District has experienced significant deficit spending and ended the year with a deficit general fund balance of \$37,448. The deficit fund balance was due to timing differences related to the collection of grant funding versus the related grant expenditures paid and incurred. These circumstances have raised substantial doubt about the District's ability to continue as a going concern.

The District has been going through significant transition over the past several years, both in management staffing and moving from being primarily funded by federal grants to a more equal balance of state and federal funding sources. This has caused instability in the timing of cash flow as state funding agencies are notoriously slow in issuing reimbursement payments. Due to turn over in almost all of the District's administrative positions since 2015, it has seen a significant rise in unbillable administrative expenses in training new staff and having to hire contract specialists to fill gaps. As the District has secured an increasing percentage of its budget through state funding sources, revenue from indirect cost reimbursement has also dropped as very few state funding sources will pay administrative overhead at the District's approved Indirect Cost rate.

To address these shortfalls, the District has implemented several changes in order to reduce indirect expenses. A top administrative position that was vacated in the fall of 2017 and was funded with approximately 40% indirect revenues will go unfilled indefinitely. Administrative staff that had previously not assigned hours to billable grants for tasks that could have been directly expensed to a grant, have started doing so on agreements that will allow such expenses, and will be written into future grant proposals for such tasks. The District has also taken measures to increase its revenue from fee-for-service projects, as these can be far more lucrative than standard time and materials projects.

A significant portion of the District's indirect expenses has come from vehicle and equipment maintenance. The District has implemented a plan to replace its aging fleet of vehicles which will greatly reduce maintenance expenses. The District has secured and is seeking new funding sources to replace depreciable equipment such as chippers, water trailers, etc., which will reduce maintenance expenses for those items. Old and/or replaced equipment and vehicles will be sold to recuperate operational expenses.

REQUIRED SUPPLEMENTARY INFORMATION

Trinity County Resource Conservation District  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
June 30, 2022  
(Unaudited)

	<u>Budget Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Charges for services	\$ 120,600	\$ 11,140	\$ 117,003	\$ 105,863
Grants and contracts	2,460,961	3,465,076	3,379,417	(85,659)
Use of money and property	-	82,718	109,596	26,878
Other revenues	8,600	180,476	199,453	18,977
Total Revenues	<u>2,590,161</u>	<u>3,739,410</u>	<u>3,805,469</u>	<u>66,059</u>
Expenditures:				
Current:				
Salaries and benefits	1,511,922	1,916,491	1,825,160	91,331
Services and supplies	983,360	1,555,339	1,518,576	36,763
Capital outlay	-	-	140,244	(140,244)
Debt services:				
Principal	-	-	32,692	(32,692)
Interest expense	-	-	12,792	(12,792)
Total expenditures	<u>2,495,282</u>	<u>3,471,830</u>	<u>3,529,464</u>	<u>(57,634)</u>
Excess of revenue over (under) expenditures	<u>94,879</u>	<u>267,580</u>	<u>276,005</u>	<u>8,425</u>
Fund balance, beginning of the year	<u>(313,453)</u>	<u>(313,453)</u>	<u>(313,453)</u>	<u>-</u>
Fund balance, end of the year	<u>\$ (218,574)</u>	<u>\$ (45,873)</u>	<u>\$ (37,448)</u>	<u>\$ 8,425</u>