

Coastal San Luis Resource Conservation District

Financial Statements

June 30, 2020

Coastal San Luis Resource Conservation District

June 30, 2020

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Kenneth J Filipponi
CERTIFIED PUBLIC ACCOUNTANT

Independent Audit Report

Board of Directors
Coastal San Luis Resource Conservation District

Morro Bay, California

I have audited the accompanying financial statements of the governmental activities of Coastal San Luis Resource Conservation District as of and for the year ended June 30, 2020, which collectively comprise the district's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

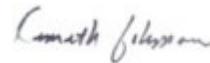
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Coastal San Luis Resource Conservation District as of June 30, 2020 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenue, expenditures and changes in fund balance - budget and actual (budgetary basis) - general fund 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audits of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 18, 2020 on my consideration of the district's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the district's internal control over financial reporting and compliance.



Kenneth J Filipponi
Certified Public Accountant

December 18, 2020

**COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

This section of the Coastal San Luis Resource Conservation District (the District) annual financial report presents our discussion and analysis of the District's financial activities and performance during the fiscal year that ended on June 30, 2020. Please read this section in conjunction with the District's financial statements which immediately follow this section.

The Coastal San Luis Resource Conservation District was organized in 1953 as a Soil Conservation District. It operates under Division 9 of the Public Resources Code of the State of California. Division 9 authorizes resource conservation districts to be formed for the purpose of addressing local resource conservation needs. Particular emphasis is placed upon the conservation of soil and water resources. The Coastal San Luis Resource Conservation District is governed by a board of seven directors. In 1978-79 the District annexed 137,000 acres along the central coast of San Luis Obispo County and now encompasses more than 465,000 acres.

Funding for the District's operation is provided almost exclusively by grants secured by the Board and Staff from government agencies and sometimes from private foundations. Usually these grants are for the execution of specific conservation projects or types of conservation projects most often on private lands at the request of landowners within the district.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including infrastructure) as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include *Governmental Funds*, which are prepared using the current resources measurement focus and modified accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Coastal San Luis Resource Conservation District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities and Changes in Fund Balances

The *Statement of Net Position and the Statement of Activities and Changes in Fund Balances* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and change in net position. Net position is the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District.

ANALYSIS OF THE DISTRICT'S FINANCIAL POSITION

The Coastal San Luis Resource Conservation District's net position showed a decrease of \$28,424 during the fiscal year 2019-2020. Revenues and expenditures reflected a decrease in conservation activity from the prior year. As in all recent years, revenues from grants and interest income were used to pay all operating expenses.

Changes in the District's net position indicate the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

NET POSITION

Assets	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Capital assets, net	\$ 1,459,637	\$ 1,441,444
Current and other assets	<u>435,677</u>	<u>485,429</u>
Total Assets	<u><u>1,895,314</u></u>	<u><u>1,926,873</u></u>
 Liabilities		
Deferred inflows	5,862	17,068
Other liabilities	<u>68,118</u>	<u>60,047</u>
Total liabilities	<u>73,980</u>	<u>77,115</u>
 Net Position		
Net investment in		
Capital assets	1,459,637	1,441,444
Restricted	178,335	182,292
Unrestricted	<u>183,362</u>	<u>226,022</u>
Total Net Position	<u><u>1,821,334</u></u>	<u><u>1,849,758</u></u>
 Total Liabilities and Net Position	 \$ <u><u>1,895,314</u></u>	 \$ <u><u>1,926,873</u></u>

CHANGES IN NET POSITION

	FYE 6/30/20	FYE 6/30/19
Revenues		
Federal agencies	\$ 4,931	\$ 95,108
State agencies	535,755	517,277
Local agencies	50,841	52,678
Non-governmental grants	308,295	142,407
Technical services	-0-	5,650
Gain (Loss) disposition of asset		
In-Kind Revenue	67,573	24,330
Interest income	1,301	1,394
Other income	-0-	54
Total Revenues	<u>968,696</u>	<u>838,998</u>
Expenses		
Resource conservation	923,101	815,608
General administration	<u>74,019</u>	<u>57,565</u>
Total Expenses	997,120	873,173
Increase (decrease) in net position	(28,424)	(34,175)
Net position-beginning of year	1,849,758	1,883,933
Prior period adjustment	<u>-0-</u>	<u>-0-</u>
Net position-end of year	<u>\$ 1,821,334</u>	<u>\$1,849,758</u>

Capital Assets

The District's investments include land and equipment.

Current and Other Assets

Current and other assets were \$435,677 and \$485,429, respectively for June 30, 2020 and 2019, a decrease of \$49,752. Cash decreased \$72,482 and accounts receivable increased \$26,345.

Liabilities

Total liabilities increased \$8,071 from June 30, 2019 to June 30, 2020. Accounts payable increased \$11,991. Advance payment receipts from exchange transactions decreased \$11,206 as income was recognized for completed services.

Analytical Review of Revenues

The Coastal San Luis Resource Conservation District’s principal source of revenue is from state and federal grants for conservation projects. Program revenues from grants for resource conservation projects increased \$92,252 from June 30, 2019 to June 30, 2020. In-kind revenue increased \$43,243 and technical support decreased \$5,650 with no technical revenue in 2020.

Analytical Review of Expenses

Total resource conservation expenses increased \$107,493 from June 30, 2019 to June 30, 2020. The District’s principal expenses are for professional services of contractors, materials for conservation projects, and for salaries of District staff. Professional services increased \$64,544, materials increased \$11,984, salaries and related costs increased \$1,506, and project mileage increased \$1,715. General administration expense increased \$16,454 from June 30, 2019 to June 30, 2020.

Budgetary Highlights

The District’s governing board adopts an annual budget on a basis consistent with generally accepted accounting principles. The budgeted amounts in the following schedules are both the original and final budget.

	Revised Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	<u>Variance</u>
Total Revenues	\$ 1,025,479	\$ 1,010,690	\$ (14,789)
Total Expenditures	<u>1,016,238</u>	<u>1,024,613</u>	(8,375)
Excess of Revenues Over (Under) Expenditures	\$ <u>9,241</u>	\$ <u>(13,923)</u>	\$ <u>(23,164)</u>

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the District’s finances and to show accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the Coastal San Luis Resource Conservation District, 1203 Main Street, Suite B, Morro Bay, CA 93442, (805) 772-4391.

Coastal San Luis Resource Conservation District

Statement of Net Position and Governmental Fund Balance Sheet

June 30, 2020

	Governmental Fund Types General Fund	GASB 34 Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 253,603	\$	\$ 253,603
Accounts receivable	174,110		174,110
Prepaid expenditures/expenses	6,664		6,664
Deposits	1,300		1,300
Other capital assets being depreciated, net		65,530	65,530
Land		1,394,107	1,394,107
Total Assets	435,677	1,459,637	1,895,314
Liabilities and Fund Balance			
Accounts payable	17,749		17,749
Compensated absences payable		13,272	13,272
Accrued payroll	37,097		37,097
Total Liabilities	54,846	13,272	68,118
Deferred Inflows of Resources			
Advance payment receipts from exchange transactions	5,862		5,862
Unavailable revenue - operating grants	8,113	(8,113)	
Total Deferred Inflows of Resources	13,975	(8,113)	5,862
Total Liabilities and Deferred Inflows of Resources	68,821	5,159	73,980

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Statement of Net Position and Governmental Fund Balance Sheet

June 30, 2020

	Governmental Fund Types General Fund	GASB 34 Adjustments	Statement of Net Assets
Fund Balance/Net Position (Deficit)			
Nonspendable:			
Prepaid expenditures	6,664	(6,664)	
Restricted:			
Chorro Flats reserve	168,440		
Dixson Ranch stewardship endowment	3,230		
Corbett Creek easement	1		
Unassigned	188,521		
Total fund balance	366,856	(6,664)	
Total Liabilities, Deferred Inflow of Resources and Fund Balance	435,677	(6,664)	

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Statement of Net Position and Governmental Fund Balance Sheet

June 30, 2020

	Governmental Fund Types General Fund	GASB 34 Adjustments	Statement of Net Assets
Net Position (Deficit)			
Net investment in capital assets			1,459,637
Restricted for:			
Chorro Flats reserve			168,440
Corbett Creek easement			1
Stewardship endowment (nonexpendable)			3,230
Prepaid expenses		6,664	6,664
Unrestricted			183,362
Total Net Position (Deficit)	\$	\$	\$ 1,821,334

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Reconciliation of Total Governmental Fund Balances to the Government-Wide Statement of Net Position

June 30, 2020

Fund balances - governmental funds	\$ 366,856
In the fund financial statements, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Net other capital assets being depreciated consist of:	
Other capital assets being depreciated, net of accumulated depreciation of \$99,737	65,530
Capital assets not being depreciated that are used in governmental activities are not financial resources and therefore are not reported in the funds	1,394,107
Certain revenues reported in the statement of activities will not be collected for more than 60 days after the District's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds	8,113
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not paid with expendable available financial resources: The liability for compensated absences is not recorded in the governmental funds, but is reported in the statement of net position	(13,272)
Net Position of Governmental Activities	\$ 1,821,334

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2020

	Governmental Fund Types General Fund	GASB 34 Adjustments	Statement of Activities
Expenditures/Expenses			
Capital costs	\$ 31,107	\$ (31,107)	\$
Depreciation		12,914	12,914
Education and training	5,272		5,272
In-kind expenditures	67,573		67,573
Insurance	28,979		28,979
Interest and bank charges	35		35
Memberships	1,948		1,948
Miscellaneous	64		64
Office	10,859		10,859
Professional services	352,342		352,342
Rents and leases	29,575		29,575
Salaries and benefits	454,523	(9,300)	445,223
Supplies	16,571		16,571
Travel	4,513		4,513
Utilities	4,065		4,065
Vehicle	17,187		17,187
Total Expenditures/Expenses	1,024,613	(27,493)	997,120
Program Revenues			
Operating Grants and Contributions:			
Federal agencies	4,931		4,931
State agencies	579,873	(44,118)	535,755
Local agencies	51,296	(455)	50,841
Non-governmental grants	305,716	2,579	308,295
Total Program Revenues	941,816	(41,994)	899,822
General Revenues			
In-kind revenue	67,573		67,573
Interest income	1,301		1,301
Total General Revenues	68,874		68,874
Total Revenues	1,010,690	(41,994)	968,696
Revenues over (under) expenditures/Changes in net position	(13,923)	(14,501)	(28,424)

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2020

	Governmental Fund Types General Fund	GASB 34 Adjustments	Statement of Activities
Fund Balance/Net Position - Beginning	380,779		1,849,758
Fund Balance/Net Position - Ending	\$ 366,856	\$	\$ 1,821,334

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities

For the Year Ended June 30, 2020

Net change in fund balances - governmental funds	\$ (13,923)
<p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures and changes in fund balances because:</p> <p>Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Change in compensated absences payable	9,300
In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition	31,107
In the statement of activities, depreciation of capital assets is recorded as an allocated expense, with accumulated depreciation reflected in the statement of net position	(12,914)
In the fund, some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures	
<p>Certain revenues received after sixty days from the end of the fiscal year are recorded as deferred inflows in the funds and as revenues in the government wide statement. This activity is reconciled as follows:</p>	
Prior year deferred inflows - unavailable revenue recognized in fund statement	(50,107)
Current year deferred inflows - unavailable revenue	8,113
Change in Net Position of Governmental Activities	\$ (28,424)

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

a. Reporting Entity

The Coastal San Luis Resource Conservation District was organized in 1953 as a Soil Conservation District. It operates under Section 9074 et. Seq. of the Public Resources Code of the State of California and is governed by a board of seven directors. The district's purpose is to develop and carry out natural resource conservation programs and administer grants and contracts. The basic operations of the district are financed by federal and state pass-through grants. In the statement of activities and governmental fund revenues, expenditures and changes in fund balance, these operations are reflected in the general fund. In 1978-79 the district annexed 137,000 acres along the central coast of San Luis Obispo County and now encompasses more than 465,000 acres. On May 27, 2015, the district acquired an additional 82 acres, known as the Los Osos Wetland Reserve, for open space preservation, natural resource conservation, and habitat conservation purposes. On May 25, 2017, the district acquired the Corbett Creek 15 acre conservation easement.

b. Accounting Policies

The accounting policies of the district conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The accounts and records of the district are maintained in accordance with accounting principles generally accepted in the United States of America and the uniform system of accounts recommended by the California State Controller's Office. General ledger accounts are properly classified and provide adequate information for reporting purposes.

The district has no component units.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on the primary government (district).

The government-wide statements are prepared using the economic resources measurement. This approach 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.

For the most part, the effect of interfund activity has been removed from these statements. The district only uses governmental activities, which normally are supported by federal and state pass-through grants or cost-reimbursement contracts.

The government-wide statement of activities present a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues consist of federal and state grants or cost-reimbursement contracts and charges for services rendered by the district. Interest from investments and other items not properly included among program revenues are reported instead as general revenues. Direct expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. The district does not allocate indirect expenses to functions in the statement of activities.

In accordance with GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", the District reports "Net Position" in the Government-Wide Statement of Net Position as the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources.

Fund Financial Statements

Fund financial statements report detailed information about the district's funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. The government fund is 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 the fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The district's funds are organized into one major category: governmental and reflect those funds through which all of the governmental functions of the district are financed. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

c. Government-Wide and Fund Financial Statements

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund is at least 5 percent of the corresponding total for all governmental funds.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

d. Measurement Focus Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues 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. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

Revenue sources susceptible to accrual include program revenues and investment income. In general, other revenues are recognized when cash is received.

Non-exchange transactions, in which the district receives value without directly giving equal value in return. Under the accrual basis, revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements including 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 cost-reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be measurable and available before it is recognized.

A liability arises when assets are received before revenue recognition criteria have been satisfied. Revenue received before eligibility requirements are met are recorded as advance payment receipts (deferred inflows of resources).

On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period are recorded as unavailable revenue (deferred inflows of resources).

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, 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.

The district has implemented Governmental Accounting Standards Board Statement No. 34 “Basic Financial Statements and Management’s Discussions and Analysis for State and Local Governments” – July 1, 2002.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

e. Use of Estimates

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

f. Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets is reduced by accumulated depreciation and the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Investments in capital assets are reported as restricted when there are legal limitations imposed on their use by creditors, grantors, laws or regulations of other governments.

For financial reporting purposes, the district would include in this report all funds of all agencies and boards that are controlled by, or dependent upon, the district's legislative body. Criteria of control is determined on the basis of financial accountability, imposition of will, and financial benefit or burden. There are no agencies or boards of such nature.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

g. Fund Balances

The accounts of the district are organized on the basis of funds, each of which is considered to be 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. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The district's accounts are organized in the general fund, the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure. These amounts are not available for appropriation and expenditure at the balance sheet date.

Fund balance is divided into five classifications based primarily on the extent to which the district is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the district board. Those committed amounts cannot be used for any other purpose unless district board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to a fund balance that is restricted by externally imposed means, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the district board, and therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance can also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The district has no committed fund balance.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the district for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the district board or a district official delegated that authority by district charter. The district has no assigned fund balance.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

g. Fund Balances

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The district has established a policy for its use of unrestricted fund balance amounts in accordance with GASB Statement No. 54, that requires the district to consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

h. Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental fund.

The board of directors reviews the proposed budget at regularly scheduled meetings, which are open to the public. Prior to July 1, the budget is adopted through the passage of a resolution.

From the effective date of the budget, the amounts stated therein, as proposed expenditures become appropriations. The board of directors may amend the budget by motion during the fiscal year.

The budget is revised by the district's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the general fund in the required supplementary information.

i. Accounts Receivable

The district has not recorded an allowance for doubtful accounts because management believes that accounts receivable are collectible.

j. Prepaid Expenditures

The district has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The district has chosen to report the expenditure during the benefiting period.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

k. Conservation Easements and Development Rights Extinguished

A conservation easement is a legal agreement between a landowner and a qualified conservation organization (i.e., the district) that permanently limits a property's use in order to protect its conservation values. Conservation easements, either purchased or donated, are initially valued at their appraised value. Once the development rights for a specific conservation easement are extinguished, generally immediately after acquisition, the value of the conservation easement is reduced to \$1. This value reflects the lack of marketability related to the easement. The reduction in value due to extinguishment of development rights is reflected as a program expense in the statement of activities and conservation easement valuation expense in the statement of functional expenses.

l. Property Held for Conservation Purposes

The district's property consists of parcels of land in San Luis Obispo county acquired at various times. The district owns all residual rights associated with these properties. Any donated property is recorded as revenue and other assets at the time the property is received. The basis of the donation is the fair value of the property as of the date donated as determined by the most recent appraisal prepared by an independent qualified appraiser.

m. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$500 or more and 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Office Equipment	Computers	3-5
Capital Equipment	Water Quality Sensor	3-7
Capital Equipment	Automotive	5

n. Advance Payment Receipts from Exchange Transactions

Cash received for special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Advance payment receipts from exchange transactions are recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

1. Significant Accounting Policies

o. Compensated Absences Payable

In accordance with the provisions of FASB topic *ASC Expenses, Compensation*, a liability is recorded for the estimated amounts of compensation for future absences. The district accrues a liability for employees' compensation for future absences if all of the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered,
- b. The obligation relates to rights that vest or accumulate,
- c. Payment of the compensation is probable, and
- d. The amount can be reasonably estimated.

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

2. Cash and Investments

Interest Rate Risk - The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating Organizations. The district has no investment policy that would further limit its investment choices.

The district places no limit on the amount it may invest in any one issuer. All of the district's investments are in financial institutions. The district's investments are classified as insured or collateralized with securities held by the entity or by its agent in the entity's name.

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The district may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Effective July 21, 2010, the FDIC limit was permanently increased to \$250,000. Effective November 9, 2010, the FDIC established unlimited coverage for public funds held in a noninterest-bearing account until December 31, 2012, after which they will be aggregated with any interest-bearing deposits for combined total coverage of up to \$250,000. The district maintains its cash and investments at more than one financial institution with balances less than the FDIC insurance coverage available.

Cash and investments at June 30 consisted of the following:

	2020
Cash	\$ 8,729
Money market accounts	139,323
Certificates of deposit	105,551
Total	\$ 253,603

3. Receivables - Governmental Agencies

	2020
Grants	
Federal agencies	\$ 15,485
State agencies	108,568
Local agencies	16,280
Total	\$ 140,333

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

4. Conservation Easement Development Rights

Development rights typically are donated through the gift of a conservation easement. The donation of a perpetual conservation easement which preserves the conservation values of a property deemed to be in the public benefit, such as agricultural land, scenic views, wetlands, forests and unique wildlife habitats, is recognized in the federal tax code and may result in substantial income and estate tax benefits to the donor/landowner.

In situations where charitable tax benefits do not provide sufficient incentives, development rights are purchased rather than donated. This is often the case with farmland preservation programs. The amount paid to and/or donated by the landowner is determined by an appraisal of the fair market value of the subject land. Other costs, such as appraisals, surveys, title work and personnel expenditures for securing the easement, are expensed.

When the district receives a conservation easement, it takes on the permanent responsibility and legal right to enforce the terms of the easement. The district monitors easements by inspecting the land regularly and maintaining communications with the landowner about future plans in order to avoid conflict with the easement.

If a future owner or someone else violates the easement, for example by erecting a building that the easement does not allow, the district will take action to have the violation corrected, including going to court if necessary. These permanent responsibilities are a long-term cost to the district.

From its inception, the total value of development rights acquired was estimated to be \$510,000 of which \$509,999 was extinguished development rights.

5. Endowment

The district's endowment is established for a specific purpose by its donor – for the purpose of monitoring and enforcing the Dixson Ranch Conservation Easement. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, the endowment net assets totaled \$3,230.

For the year ended June 30, the changes in endowment net assets were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Beginning endowment net assets	\$	\$ 3,230	\$	\$ 3,230
Contributions				
Transfer to preserve donor restrictions				
Expenditures				
Ending endowment net assets	\$	\$ 3,230	\$	\$ 3,230

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

5. Endowment

Interpretation of Relevant Law

The Board of Directors of the district has interpreted California's Uniform Management of Institutional Funds Act (CUMIFA) as not requiring the indefinite preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the district classifies as temporarily restricted net assets (a) the original value of gifts donated to the temporary stewardship endowment, and (b) accumulations to the temporary stewardship endowment made in accordance with the direction of the donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund classified as temporarily restricted net assets will be expended by the district in a manner consistent with the standard of prudence prescribed by CUMIFA. In accordance with CUMIFA, the district considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the district and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the district
7. The investment policies of the district.

Funds with Deficiencies

There were no deficiencies of this nature as of June 30.

Return Objectives and Risk Parameters

The district has adopted investment and spending policies for endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that provides a moderate level of investment risk. The district expects its endowment funds, over time, to provide an average rate of return of approximately .5% annually (including inflation). Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the district relies on investment returns achieved through current yield (interest).

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

5. Endowment

Spending Policy

The district has a policy of appropriating for distribution each year as much of its stewardship endowment fund (principal and interest earned), as considered necessary by its board, to accomplish the donor’s intent.

6. Deferred Inflows of Resources

Deferred inflows of resources in governmental funds arise when potential revenue does not meet the “available” criteria for recognition in the current period. Deferred inflows of resources (deferred revenue in accrual based statements) also arise when resources are received by the district before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

7. Changes in Capital Assets

a. A summary of changes in capital assets for the year ended June 30 are as follow:

	Balance Beginning	Additions	Deletions	Balance Ending
Capital assets not being depreciated:				
Land	\$ 1,394,107	\$	\$	\$ 1,394,107
Total Capital assets not being depreciated	1,394,107			1,394,107
Capital assets being depreciated:				
Computer and technical equipment	107,969	14,449		122,418
Automotive equipment	26,191	16,658		42,849
Total other capital assets being depreciated	134,160	31,107		165,267
Less: accumulated depreciation for:				
Computer and technical, and automotive equipment	86,823	12,914		99,737
Total accumulated depreciation	86,823	12,914		99,737
Total capital assets being depreciated, net	47,337	18,193		65,530
Governmental activities capital assets, net	\$ 1,441,444	\$ 18,193	\$	\$ 1,459,637

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

8. Commitments and Contingencies

The district leases its office building at 1203 Main Street, Suite B, Morro Bay, California under a two-year lease agreement that expires on July 31, 2020 and includes common area maintenance. The first year (August 1, 2018 through July 31, 2019), a total rental of \$18,000, payable in monthly installments of \$1,500. The second year (August 1, 2019 through July 31, 2020), a total rental of \$20,400, payable in monthly installments of \$1,700.

The district leases its office building at 148 N. 13th Street, Grover Beach, California under a lease agreement that expires on December 31, 2020. The lease period January 1, 2019 through December 31, 2019 for a total rental of \$9,000. The lease period January 1, 2020 through December 31, 2020 for a total rental of \$9,300.

The district received substantial support from state and federal funds for the administration and implementation of its projects. A significant reduction in the level of support, if this were to occur, may have an effect on the district's program and activities.

The district has received funds for specific purposes that are subject to review and audit by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds or a disallowance of expenditures under terms of the grants. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time. The district believes that these amounts, if any, will not be material.

9. In-Kind Contributions

a. **In-kind contributions for the year ended June 30 consisted of the following:**

	2020
Landowner services	\$ 5,080
Professional services	62,493
Total	\$ 67,573

Coastal San Luis Resource Conservation District

Notes to the Financial Statements

For the Year Ended June 30, 2020

10. Insurance

Insurance for Conservation Districts is provided through a public agency private insurance carrier. The insurance in effect at June 30 was as follows:

Commercial general liability:

Each occurrence:	\$2,500,000
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Automobile liability:

Each occurrence:	\$2,500,000
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Public officials and management liability:

Each occurrence:	\$2,500,000
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11. Simple IRA Retirement Plan

The district sponsors a Simple IRA retirement plan covering qualified employees, as defined. Employees who receive salary of at least \$5,000 are eligible to participate in the plan. The district matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. The district contributed \$8,038 in matching Simple IRA contributions for the year ended June 30, 2020. All contributions are fully vested and nonforfeitable.

12. Subsequent Events

The district's management has evaluated its subsequent events through the report date, the date the financial statements were available to be issued.

Coastal San Luis Resource Conservation District

Required Supplementary Information

Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (GAAP)

For the Year Ended June 30, 2020

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual (GAAP) Basis	Variance Positive (Negative)
Revenues					
Federal agencies	\$	\$	\$	\$ 4,931	\$ 4,931
State agencies	514,733		514,733	579,873	65,140
Local agencies	67,300		67,300	51,296	(16,004)
Non-governmental grants	346,640	(3,420)	343,220	305,716	(37,504)
In-kind revenue	99,226		99,226	67,573	(31,653)
Interest income	1,000		1,000	1,301	301
Total Revenues	1,028,899	(3,420)	1,025,479	1,010,690	(14,789)
Expenditures					
Salaries and benefits	452,771		452,771	454,523	(1,752)
Capital outlay	15,500		15,500	31,107	(15,607)
Education and training	5,860	4,000	9,860	5,272	4,588
Miscellaneous				64	(64)
Professional services	298,191		298,191	352,342	(54,151)
Office	6,622		6,622	10,859	(4,237)
Membership fees	2,300		2,300	1,948	352
In-kind expenditures	99,226		99,226	67,573	31,653
Travel	12,449		12,449	4,513	7,936
Insurance	35,451		35,451	28,979	6,472
Interest				35	(35)
Project costs	40,563		40,563	16,571	23,992
Rents and leases	29,350		29,350	29,575	(225)
Utilities	3,705		3,705	4,065	(360)
Vehicles	10,250		10,250	17,187	(6,937)
Total Expenditures	1,012,238	4,000	1,016,238	1,024,613	(8,375)
Revenues Over (Under) Expenditures	16,661	(7,420)	9,241	(13,923)	(23,164)

See independent auditor's report and notes to the basic financial statements.

Coastal San Luis Resource Conservation District

Required Supplementary Information

Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (GAAP)

For the Year Ended June 30, 2020

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual (GAAP) Basis	Variance Positive (Negative)
Fund Balances - Beginning	781,641		781,641	380,779	(419,203)
Fund Balances - Ending	\$ 798,302	\$ (7,420)	\$ 790,882	\$ 366,856	\$ (442,367)

See independent auditor's report and notes to the basic financial statements.



Kenneth J Filipponi
CERTIFIED PUBLIC ACCOUNTANT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Coastal San Luis Resource Conservation District

Morro Bay, California

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Coastal San Luis Resource Conservation District as of and for the year then ended June 30, 2020, which collectively comprise the district's basic financial statements and have issued my report thereon dated December 18, 2020. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

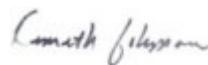
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coastal San Luis Resource Conservation District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the governing body, California State Controller, San Luis Obispo County Auditor-Controller, governmental awarding agencies and pass-through entities (if applicable) and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth J Filipponi
Certified Public Accountant

December 18, 2020