

**COASTAL SAN LUIS RESOURCE
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

June 30, 2023

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
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FINANCIAL SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coastal San Luis Resource Conservation District
Morro Bay, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coastal San Luis Resource Conservation District, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Coastal San Luis 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 each major fund of the Coastal San Luis Resource Conservation District, as of June 30, 2023, and the respective changes in financial position thereof for the fiscal 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 the Coastal San Luis 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 the Coastal San Luis 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 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 the 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 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 the Coastal San Luis 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 the Coastal San Luis 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 24, 2024, on our consideration of the Coastal San Luis Resource Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Moss, King & Hurlbain LLP

Santa Maria, California
June 24, 2024

**COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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, 2023. 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 increase of \$104,149 during the fiscal year 2022-2023. 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, 2023</u>	<u>June 30, 2022</u>
Capital assets, net	\$ 1,426,618	\$ 1,435,611
Current and other assets	<u>644,217</u>	<u>531,075</u>
Total Assets	<u>2,070,835</u>	<u>1,966,686</u>
 Liabilities		
Other liabilities	<u>334,560</u>	<u>186,906</u>
Total liabilities	<u>334,560</u>	<u>186,906</u>
 Net Position		
Net investment in		
Capital assets	1,426,618	1,435,611
Restricted	170,193	170,193
Unrestricted	<u>139,464</u>	<u>173,976</u>
Total Net Position	<u>1,736,275</u>	<u>1,779,780</u>
 Total Liabilities and Net Position		
	\$ <u>2,070,835</u>	\$ <u>1,966,686</u>

Capital Assets

The District's investments include land and equipment.

Current and Other Assets

Current and other assets were \$644,217 and \$531,075, respectively for June 30,2023 and 2022, an increase of \$113,142. Cash increased \$45,045 and accounts receivable increased \$130,206.

Liabilities

Total liabilities increased \$147,654 from June 30, 2022 to June 30, 2023. Accounts payable increased \$153,115.

CHANGES IN NET POSITION

	FYE 6/20/23	FYE 6/30/22
Revenues		
Federal agencies	\$ 257,248	\$ 460,895
State agencies	836,281	565,120
Local agencies	81,969	70,355
Non-governmental grants	133,610	267,811
In-Kind Revenue	570,197	644,899
Interest income	48	168
Miscellaneous revenue	400	0
Total Revenues	<u>1,879,753</u>	<u>2,009,248</u>
Expenses		
Resource conservation	1,605,970	1,790,246
General administration	<u>317,288</u>	<u>226,199</u>
Total Expenses	<u>1,923,258</u>	<u>2,016,445</u>
 Net change in fund balance	 (43,505)	 (7,197)
 Net position-beginning of year	 <u>1,779,780</u>	 <u>1,786,977</u>
 Net position-end of year	 <u>\$ 1,736,275</u>	 <u>\$ 1,779,780</u>

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 decreased \$129,775 from June 30, 2022 to June 30, 2023. In-kind revenue decreased \$74,702.

Analytical Review of Expenses

Total resource conservation expenses decreased \$184,276 from June 30, 2022 to June 30, 2023. The District’s principal expenses are for professional services of contractors, materials for conservation projects, and for salaries of District staff. Professional services decreased \$197,981, materials increased \$84,417, salaries and related costs increased \$102,288, and project mileage increased \$213. General administration expense increased \$91,089 from June 30, 2022 to June 30, 2023.

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 Amounts	Actual Amounts	Variance
Total Revenues	\$ 1,839,631	\$ 1,309,556	\$ (530,075)
Total Expenditures	<u>1,512,283</u>	<u>1,344,667</u>	<u>167,616</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>327,348</u>	\$ <u>(35,111)</u>	\$ <u>(362,459)</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
June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 154,465
Accounts receivable	452,848
Deposits	1,300
Right to use asset, net of amortization	35,604
Capital assets:	
Land	1,394,107
Depreciable, net	<u>32,511</u>
 Total assets	 <u>2,070,835</u>
LIABILITIES	
Accounts payable	202,480
Accrued payroll	54,615
Unearned revenue	22,043
Noncurrent liabilities:	
Lease payable	37,521
Compensated absences	<u>17,901</u>
 Total liabilities	 <u>334,560</u>
NET POSITION	
Net investment in capital assets	1,426,618
Restricted for:	
Chorro Flats reserve	167,712
Dixson Ranch stewardship endowment	2,481
Unrestricted	<u>139,464</u>
 Total net position	 <u>\$ 1,736,275</u>

The notes to basic financial statements are an integral part of this statement.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

	<u>Program Revenues</u>			Net (Expense)	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Revenue and Changes in Net Position</u>	
Governmental activities:					
Soil and water conservation	\$ 1,923,258	\$ -	\$ 1,879,305	\$ -	\$ (43,953)
Total governmental activities	<u>\$ 1,923,258</u>	<u>\$ -</u>	<u>\$ 1,879,305</u>	<u>\$ -</u>	<u>(43,953)</u>
General Revenues:					
Miscellaneous revenue					400
Use of money and property					<u>48</u>
Total general revenues					<u>448</u>
Change in net position					(43,505)
Net position, beginning of fiscal year					<u>1,779,780</u>
Net position, end of fiscal year					<u>\$ 1,736,275</u>

The notes to basic financial statements are an integral part of this statement.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
 June 30, 2023

	General Fund
ASSETS	
Cash and investments	\$ 154,465
Accounts receivable	452,848
Deposits	<u>1,300</u>
Total assets	<u><u>\$ 608,613</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 202,480
Accrued payroll	54,615
Unearned revenue	<u>22,043</u>
Total liabilities	<u>279,138</u>
Fund Balance:	
Restricted:	
Chorro Flats reserve	167,712
Dixson Ranch stewardship endowment	2,481
Unassigned	<u>159,282</u>
Total fund balance	<u>329,475</u>
Total liabilities and fund balance	<u><u>\$ 608,613</u></u>

The notes to basic financial statements are an integral part of this statement.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total Fund Balance - governmental fund \$ 329,475

Amounts reported for governmental activities in the statement of net position are different because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets, accumulated depreciation, right to use assets and accumulated amortization

Capital assets at historical cost	\$	1,572,454
Accumulated depreciation		(145,836)
Lease assets at historical cost		95,674
Accumulated amortization		<u>(60,070)</u>

Net 1,462,222

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	\$	(17,901)
Lease payable		<u>(37,521)</u>

Total (55,422)

Total net position - governmental activities \$ 1,736,275

The notes to basic financial statements are an integral part of this statement.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2023

	<u>General Fund</u>
Revenues:	
Federal revenue	\$ 257,248
State revenue	836,281
Local revenue	81,969
Non-governmental grant	133,610
Interest income	48
Miscellaneous revenue	<u>400</u>
 Total revenues	 <u>1,309,556</u>
Expenditures:	
Salaries and benefits	695,210
Education and training	4,800
Insurance	28,623
Bank charges	-
Memberships	6,144
Miscellaneous expense	471
Office expense	16,820
Professional services	277,728
Permits and licenses	1,370
Supplies	244,930
Travel	4,582
Utilities	4,434
Vehicle expenses	17,459
Debt service:	
Principal	31,326
Interest	1,774
Capital outlay	<u>8,996</u>
 Total expenditures	 <u>1,344,667</u>
 Net change in fund balance	 (35,111)
 Fund balance - July 1	 <u>364,586</u>
 Fund balance - June 30	 <u>\$ 329,475</u>

The notes to basic financial statements are an integral part of this statement.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

Net Change in Fund Balance - governmental fund	\$ (35,111)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense was more than additions to capital assets in the period.</p>	(8,993)
<p>Right to use assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the length of the lease. This is the amount by which additions to right to use assets of \$0 is less than amortized expenses of \$28,729.</p>	(31,341)
<p>The issuance of lease payables provides current financial resources to governmental funds, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable and related items.</p>	31,326
<p>In the statement of activities, donation of non-cash services are recognized as revenue and a corresponding expenditure. The amount of donated services for the fiscal year was \$570,197.</p>	
<p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid). This fiscal year, vacation used exceeded the amounts earned by \$614.</p>	<u>614</u>
Change in net position - governmental activities	<u>\$ (43,505)</u>

The notes to basic financial statements are an integral part of this statement.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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. Reporting Entity

The reporting entity is the Coastal San Luis Resource Conservation District. There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

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 all of the non-fiduciary activities of the District. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Basis of Presentation

Government-wide financial statements:

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

The government-wide financial 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 which 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.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

Government-wide financial statements (Continued):

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Fund financial statements:

Fund financial statements report detailed information about 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 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 Balance 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.

E. 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. Governmental funds use the modified accrual basis of accounting.

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 60 days after fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when 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 non-exchange transactions must also be available before it can be recognized.

Unearned revenues:

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

Expenses/expenditures:

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, debt

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting (Continued)

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.

F. Fund Accounting

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. The District's 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 into one major fund, as follows:

The *General Fund* is 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.

G. Budgets and Budgetary Accounting

The District adopts an annual budget on a basis consistent with U.S. Generally Accepted Accounting Principles and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures and encumbrances (reserved portions of appropriations for which commitments have been made) are charged against the budgeted appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures as they do not constitute expenditures or liabilities.

H. Investments

Investments are stated at fair value.

I. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized by the District.

J. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial individual cost of more than \$500.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations. The estimated useful lives are as follows:

Equipment	3 to 7 years
Vehicles	5 years

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

L. Prepaid Items

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

M. Fund Balances

Fund balances of the governmental funds are classified as follows:

Non-spendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid expenditures) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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. The 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 revenues, expenditures, and changes in fund balance.

O. 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.

P. Right to Use Assets

The District has recorded right to use lease assets as a result of implementing GASB Statement No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Q. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – CASH AND INVESTMENTS

On June 30, 2023, the District had the following cash and investments:

Cash in checking account	\$ 4,349
Cash in money market accounts	116,944
Certificate of deposit	<u>33,172</u>
Total cash and investments	<u>\$ 154,465</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	<u>\$ 154,465</u>
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The District categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District did not have any investments measured under Level 1, 2 or 3.

Disclosures Relating to 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 changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits 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 fair value of the pledged securities in the collateral pool trust equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Nondepreciable capital assets:				
Land	\$ 1,394,107	\$ -	\$ -	\$ 1,394,107
Total nondepreciable capital assets	<u>\$ 1,394,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394,107</u>
Depreciable capital assets:				
Computer and technical equipment	\$ 132,002	\$ 8,996	\$ -	\$ 140,998
Automotive equipment	42,849		5,500	37,349
Total depreciable capital assets	<u>174,851</u>	<u>8,996</u>	<u>5,500</u>	<u>178,347</u>
Less accumulated depreciation	133,347	17,989	5,500	145,836
Net depreciable capital assets	<u>\$ 41,504</u>	<u>\$ (8,993)</u>	<u>\$ -</u>	<u>\$ 32,511</u>
Net capital assets	<u>\$ 1,435,611</u>	<u>\$ (8,993)</u>	<u>\$ -</u>	<u>\$ 1,426,618</u>

NOTE 4 – RIGHT TO USE ASSET

Right to use asset activity for the District for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1	Additions	Reductions	Balance June 30
Right to use assets				
Leased office	\$ 95,674	\$ -	\$ -	\$ 95,674
Total right to use assets	<u>95,674</u>			<u>95,674</u>
Less accumulated amortization for:				
Leased office	28,729	31,341		60,070
Total accumulated amortization	<u>28,729</u>	<u>31,341</u>		<u>60,070</u>
Right to use assets, net	<u>\$ 66,945</u>	<u>\$ (31,341)</u>	<u>\$ -</u>	<u>\$ 35,604</u>

NOTE 5 – 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.

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 5 – CONSERVATION EASEMENT DEVELOPMENT RIGHTS (Continued)

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.

NOTE 6 – LONG TERM LIABILITIES

A schedule of long-term liabilities for the fiscal year ended June 30, 2023 is shown below:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Governmental activities:				
Compensated absences	\$ 18,515	\$ 65,292	\$ 65,906	\$ 17,901
Lease payable	68,847		31,326	37,521
	<u>\$ 87,362</u>	<u>\$ 65,292</u>	<u>\$ 97,232</u>	<u>\$ 55,422</u>

NOTE 7 – LEASE PAYABLE

On September 1, 2021, the District entered into a 3 year lease agreement for office space at 148 N. 13th Street Suite 200 in Grover Beach, CA commencing October 1, 2021 and ending on September 30, 2024. The lease requires monthly payments of \$825 in the first year, \$865 for the second year, and \$910 for the third year. The lease liability is measured at a discount rate of 3%, which is the US Treasury bill interest rate. As a result of the lease, the District recorded a right to use asset of \$31,351.

On July 15, 2020, the District entered into 2 year lease agreement for office space at 1203 Main Street in Morro Bay, CA commencing August 1, 2020 and ending on July 31, 2022. The lease was extended to end on July 31, 2024. Monthly payments of \$1,800 was required until July 31, 2022, subsequently the amount was increased to \$1,900 until the end of the lease. The lease liability is measured at a discount rate of 3%, which is the US Treasury bill interest rate. As a result of the lease, the District recorded a right to use asset of \$64,323.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 32,910	\$ 675	\$ 33,585
2025	4,611	19	4,630
	<u>\$ 37,521</u>	<u>\$ 694</u>	<u>\$ 38,215</u>

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 8 – NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

NOTE 9– COMMITMENTS AND CONTINGENCIES

Litigation

According to the District’s staff, no contingent liabilities or lawsuits are pending of any financial consequence as of June 30, 2023.

State and Federal Allowances, Awards, and Grants

The District receives grant monies as reimbursements for specific costs incurred in certain projects it administers that may be subject to review and audit by the reimbursing agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 10 – RELATED PARTY TRANSACTIONS

There were no related party transactions reported for the fiscal year ended June 30, 2023.

NOTE 11 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations, are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Salaries and benefits	\$ 112,873
Education and training	1,328
Memberships	1,144
Miscellaneous expense	471
Office expense	7,670
Supplies	151,642
Utilities	574
Vehicle expenses	982
Debt Service:	
Principal	140
Capital outlay	1,996

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 – 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 \$9,782 in matching Simple IRA contributions for the fiscal year ended June 30, 2023. All contributions are fully vested and nonforfeitable.

REQUIRED SUPPLEMENTARY INFORMATION

COASTAL SAN LUIS RESOURCE CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal revenue	\$ 500,926	\$ 500,926	\$ 257,248	\$ (243,678)
State revenue	1,124,833	1,124,833	836,281	(288,552)
Local revenue	80,071	80,071	81,969	1,898
Non-governmental grant	132,301	132,301	133,610	1,309
Interest income	1,500	1,500	48	(1,452)
Miscellaneous revenue			400	400
Total revenues	1,839,631	1,839,631	1,309,556	(530,075)
Expenditures:				
Salaries and benefits	582,337	582,337	695,210	(112,873)
Education and training	3,472	3,472	4,800	(1,328)
Insurance	46,163	46,163	28,623	17,540
Memberships	5,000	5,000	6,144	(1,144)
Miscellaneous expense			471	(471)
Office expense	9,150	9,150	16,820	(7,670)
Professional services	660,882	660,882	277,728	383,154
Permits and licenses	43,000	43,000	1,370	41,630
Supplies	93,288	93,288	244,930	(151,642)
Travel	8,694	8,694	4,582	4,112
Utilities	3,860	3,860	4,434	(574)
Vehicle expenses	16,477	16,477	17,459	(982)
Debt service:				
Principal	31,194	31,194	31,326	(132)
Interest	1,766	1,766	1,774	(8)
Capital outlay	7,000	7,000	8,996	(1,996)
Total expenditures	1,512,283	1,512,283	1,344,667	167,616
Net change in fund balance	327,348	327,348	(35,111)	(362,459)
Fund balance, beginning of fiscal year	364,586	364,586	364,586	
Fund balance, end of fiscal year	\$ 691,934	\$ 691,934	\$ 329,475	\$ (362,459)