

**FEATHER RIVER RESOURCE
CONSERVATION DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023**

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FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2023

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INTRODUCTORY SECTION

- **List of Officials**

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FEATHER RIVER RESOURCE CONSERVATION DISTRICT

List of Officials

For the Year Ended June 30, 2023

Board of Directors

| | |
|--------------|----------------|
| Nils Lunder | President |
| Russell Reid | Vice President |
| James Wilson | Treasurer |
| Jon Dvorak | Director |
| Gary Parque | Director |

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feather River Resource Conservation District
Quincy, California

Report on the Audit of the Financial Statements**Opinions**

We have audited the accompanying financial statements of the governmental activities and the major fund of Feather River Resource Conservation District, California (District), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Feather River Resource Conservation District
Quincy, California

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

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

To the Board of Directors
Feather River Resource Conservation District
Quincy, California

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information 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 obtain 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.

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

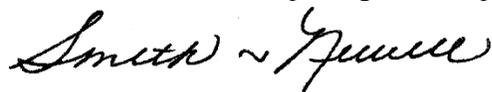
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
December 14, 2023

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Basic Financial Statements

- **Government-Wide Financial Statements**

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FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Statement of Net Position
June 30, 2023

| | Total Governmental Activities |
|----------------------------------|--|
| ASSETS | |
| Cash and investments | \$ 1,915,146 |
| Receivables: | |
| Intergovernmental | 1,194,330 |
| Prepaid costs | 1,928 |
| Security deposits | 1,140 |
| Capital assets: | |
| Depreciable, net | 95,809 |
| Total capital assets | <u>95,809</u> |
| Total Assets | <u>3,208,353</u> |
| LIABILITIES | |
| Accounts payable | 1,341,173 |
| Unearned revenue | 706,376 |
| Long-term liabilities: | |
| Due within one year | 19,658 |
| Due in more than one year | <u>18,445</u> |
| Total Liabilities | <u>2,085,652</u> |
| NET POSITION | |
| Net investment in capital assets | 64,556 |
| Restricted for: | |
| General government | 430,968 |
| Unrestricted | <u>627,177</u> |
| Total Net Position | <u>\$ 1,122,701</u> |

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

FEATHER RIVER RESOURCE CONSERVATION DISTRICT

Statement of Activities

For the Year Ended June 30, 2023

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u> | |
|--------------------------------------|---------------------|---------------------------------|---|--|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | | |
| General government | \$ 6,014,899 | \$ 59,453 | \$ 6,333,940 | \$ 6,565 | \$ 385,059 |
| Total Governmental Activities | <u>6,014,899</u> | <u>59,453</u> | <u>6,333,940</u> | <u>6,565</u> | <u>385,059</u> |
| Total | <u>\$ 6,014,899</u> | <u>\$ 59,453</u> | <u>\$ 6,333,940</u> | <u>\$ 6,565</u> | <u>385,059</u> |
| General Revenues: | | | | | |
| | | | | | 10,296 |
| | | | | | (13,893) |
| | | | | | <u>(3,597)</u> |
| | | | | | 381,462 |
| | | | | | <u>741,239</u> |
| | | | | | <u>\$ 1,122,701</u> |

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

Basic Financial Statements

- **Fund Financial Statements**

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FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Balance Sheet
Governmental Fund
June 30, 2023

| | General |
|---|---------------------|
| ASSETS | |
| Cash and investments | \$ 1,915,146 |
| Receivables: | |
| Intergovernmental | 1,194,330 |
| Prepaid costs | 1,928 |
| Security deposits | 1,140 |
| Total Assets | \$ 3,112,544 |
| LIABILITIES | |
| Accounts payable | \$ 1,341,173 |
| Unearned revenues | 706,376 |
| Total Liabilities | 2,047,549 |
| FUND BALANCE | |
| Restricted | 430,968 |
| Unassigned | 634,027 |
| Total Fund Balance | 1,064,995 |
| Total Liabilities and Fund Balance | \$ 3,112,544 |

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

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Reconciliation of the Governmental Fund Balance
Sheet to the Government-Wide Statement of
Net Position - Governmental Activities
For the Year Ended June 30, 2023

| | |
|---|---------------------|
| Total Fund Balance - Total Governmental Fund | \$ 1,064,995 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet. | 95,809 |
| Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | |
| Leases on right to use assets | (31,253) |
| Compensated absences | (6,850) |
| | (38,103) |
| Net Position of Governmental Activities | \$ 1,122,701 |

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

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

| | General |
|-----------------------------------|---------------------|
| REVENUES | |
| Intergovernmental | \$ 6,340,505 |
| Use of money | 10,296 |
| Charges for services | 59,453 |
| Total Revenues | 6,410,254 |
| EXPENDITURES | |
| Current general government: | |
| Salaries and benefits | 729,475 |
| Services and supplies | 5,242,000 |
| Debt service: | |
| Principal | 14,454 |
| Interest | 78 |
| Capital outlay | 6,565 |
| Total Expenditures | 5,992,572 |
| Net Change in Fund Balance | 417,682 |
| Fund Balance - Beginning | 647,313 |
| Fund Balance - Ending | \$ 1,064,995 |

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

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2023

| | |
|---|-------------------|
| Net Change in Fund Balance - Total Governmental Fund | \$ 417,682 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Expenditures for capital outlay | 6,565 |
| Less current year depreciation/amortization | (40,911) |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the net cost of the capital assets disposed. Proceeds from the sale of capital assets were \$0. | |
| | (13,893) |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position, Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | |
| Principal retirements on right to use assets | 14,454 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | |
| Change in compensated absences payable | (1,498) |
| Adjustment to implement GASB 87 | (937) |
| Change in Net Position of Governmental Activities | \$ 381,462 |

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Feather River Resource Conservation District is a special district within the County of Plumas governed by a five-member Board of Directors appointed by the Plumas County Board of Supervisors.

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report on the governmental activities of the District, which are normally supported by intergovernmental revenues. The District had no business-type activities at June 30, 2023.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. The fund of the District is organized into the governmental category and is treated as a major fund.

The District reports the following major governmental fund:

- The General fund is used to account for all revenue and expenditures necessary to carry out basic governmental activities of the District.

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Under the accrual basis, revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Operating grants and use of money and property are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

E. Cash and Investments

Cash consists of cash held in checking and savings accounts, the State of California Local Agency Investment Fund (LAIF), and cash on hand. State statutes authorize the District to invest its cash surplus in obligations of the U.S. Treasury agencies and instrumentalities, corporate bonds, medium-term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements and LAIF.

F. Receivables

Receivables for governmental activities consists mainly of amounts due from other agencies. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets are defined by the District as assets with a cost of \$5,000 or more. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Capital assets used in operations are depreciated or amortized using the straight-line method over the estimated useful life of the asset in the government-wide financial statements. The range of estimated useful lives by type of assets is as follows:

| <u>Depreciable Asset</u> | <u>Estimated Lives</u> |
|--------------------------|------------------------|
| Equipment | 3 to 7 years |

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the result of operations.

I. Unearned Revenue

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings processes complete, those assets are offset by a corresponding and liability for unearned revenue.

J. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation leave. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. At June 30, 2023, the District did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2023, the District did not have any deferred inflows of resources.

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 91, Conduit Debt Obligations. This statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.

Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The definition and uniform guidance will result in greater consistency in practice.

Statement No. 99, Omnibus 2022. This statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

N. Future Accounting Pronouncements

Statement No. 99 “Omnibus 2022” The requirements of this statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 100 “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62” The requirements of this statement are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 101 “Compensated Absences” The requirements of this statement are effective for fiscal years beginning after December 15, 2023. (FY 24/25)

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2023, the District's cash and investments consisted of the following:

| | |
|-------------------------------------|---------------------|
| Cash: | |
| Cash on hand | \$ 211 |
| Deposits (less outstanding checks) | <u>1,468,579</u> |
| Total Cash | <u>1,468,790</u> |
| Investments: | |
| Local Agency Investment Fund (LAIF) | <u>446,356</u> |
| Total Investments | <u>446,356</u> |
| Total Cash and Investments | <u>\$ 1,915,146</u> |

B. Cash

At year end, the carrying amount of the District's cash deposits (including amounts in checking and savings accounts) was \$1,468,579 and the bank balance was \$1,473,720. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$211.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of \$250,000 insured is uncollateralized.

C. Investments

Investments are selected based on safety, liquidity, and yield. The District's investment policy is more restrictive than the California Government Code. Under the provisions of the District's investment policy and the California Government Code, the District may invest or deposit in the following:

- Bonds issued by the Feather River Resource Conservation District
- United States Treasury bills, notes, and bonds
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency bonds
- Local Agency Investment Fund (LAIF)
- Local Agency obligations
- Bankers' Acceptance
- Commercial paper
- Negotiable Certificates of Deposits
- Repurchase/Reverse Agreements
- Medium-Term Notes
- Money Market Mutual Funds
- Trust Indentures
- Collateralized bank deposits
- Pass-through Securities

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investments in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2023, the District had the following recurring fair value measurements:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Fair Value Measurements Using</u> | | |
|--|-------------------|--------------------------------------|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investments by Fair Value Level | | | | |
| None | \$ - | \$ - | \$ - | \$ - |
| Total Investments Measured at Fair Value | - | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments in External Investment Pool | | | | |
| LAIF | <u>446,356</u> | | | |
| Total Investments | <u>\$ 446,356</u> | | | |

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations.

Credit Risk - 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 a rating by a national recognized statistical rating organization. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2023, the District's investments were all held in LAIF, which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's investment policy contains limitations on the amount that can be invested in any one issuer. As of June 30, 2023, all investments of the District are in LAIF, which contains a diversification of investments.

D. Investments in External Pool

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. At June 30, 2023, the District's investment in LAIF valued at amortized cost was \$446,356 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$178.3 billion. Of that amount, 98.54 percent is invested in non-derivative financial products and 1.46 percent in structured notes and asset-backed securities.

NOTE 3: CAPITAL ASSETS

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

| | <u>Balance</u> <u>July 1, 2022</u> | <u>Additions</u> | <u>Adjustments/ Retirements</u> | <u>Balance</u> <u>June 30, 2023</u> |
|---|---------------------------------------|--------------------|-------------------------------------|--|
| Capital Assets, Being Depreciated/Amortized: | | | | |
| Equipment | \$ 157,279 | \$ 6,565 | (\$ 28,608) | \$ 135,236 |
| Right to use building | <u> -</u> | <u> -</u> | <u>59,291</u> | <u>59,291</u> |
| Total Capital Assets, Being Depreciated/Amortized | <u>157,279</u> | <u>6,565</u> | <u>30,683</u> | <u>194,527</u> |
| Less Accumulated Depreciation/Amortization For: | | | | |
| Equipment | (58,001) | (26,391) | 14,715 | (69,677) |
| Right to use building | <u> -</u> | <u>(14,520)</u> | <u>(14,521)</u> | <u>(29,041)</u> |
| Total Accumulated Depreciation/Amortization | <u>(58,001)</u> | <u>(40,911)</u> | <u>194</u> | <u>(98,718)</u> |
| Total Capital Assets, Being Depreciated/Amortized, Net | <u>\$ 99,278</u> | <u>(\$ 34,346)</u> | <u>\$ 30,877</u> | <u>\$ 95,809</u> |

Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities as follows:

| | |
|---|-------------------------|
| Health and Sanitation | \$ <u>40,911</u> |
| Total Depreciation/Amortization Expense | \$ <u><u>40,911</u></u> |

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 4: UNEARNED REVENUE

At June 30, 2023, the components of unearned revenue were as follows:

| | Unearned |
|---|------------|
| California Department of Forestry and Fire Protection State grants received in advance | \$ 428,440 |
| Sierra Nevada Conservancy State grants received in advance | 41,012 |
| Mohawk Forest Health State grants received in advance | 232,356 |
| Department of Public Works State grants received in advance | 4,568 |
| Total | \$ 706,376 |

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

| Type of Indebtedness | Balance July 1, 2022 | Adjustments/ Additions | Retirements | Balance June 30, 2023 | Amounts Due Within One Year |
|-------------------------------|-------------------------|---------------------------|-------------|--------------------------|-----------------------------------|
| Leases on right to use assets | \$ - | \$ 45,707 | (\$ 14,454) | \$ 31,253 | \$ 14,520 |
| Compensated absences | 5,352 | 10,564 | (9,066) | 6,850 | 5,138 |
| Total | \$ 5,352 | \$ 56,271 | (\$ 23,520) | \$ 38,103 | \$ 19,658 |

NOTE 6: 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** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

FEATHER RIVER RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2023

NOTE 7: FUND BALANCES

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

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The fund balance for the governmental fund as of June 30, 2023, was distributed as follows:

| | General Fund |
|---|-------------------------|
| Restricted for: | |
| CALTRANS Crescent Mills Wetland Conservation Area | \$ 430,968 |
| Unassigned | <u>634,027</u> |
| Total | <u>\$ 1,064,995</u> |

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 7: FUND BALANCES (CONTINUED)

Fund Balance Policy

The Board of Directors has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures.

NOTE 8: DEFERRED COMPENSATION

The District provides permanent full-time employees with the ability to contribute to a 457 deferred compensation account. The District will contribute matching funds at a 100% match rate up to 4% of the employee's gross earning. At June 30, 2023, the District's expense for the benefits was \$13,858.

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases coverage from a commercial carrier. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2023 through December 14, 2023, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

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FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|-----------------------------------|----------------------------|-------------------------|---------------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 9,427,798 | \$ 11,149,496 | \$ 6,340,505 | \$ (4,808,991) |
| Use of money | 825 | 825 | 10,296 | 9,471 |
| Charges for services | - | - | 59,453 | 59,453 |
| Total Revenues | <u>9,428,623</u> | <u>11,150,321</u> | <u>6,410,254</u> | <u>(4,740,067)</u> |
| EXPENDITURES | | | | |
| Current general government: | | | | |
| Salaries and benefits | 628,120 | 786,671 | 729,475 | 57,196 |
| Services and supplies | 7,100,566 | 9,380,529 | 5,242,000 | 4,138,529 |
| Debt service: | | | | |
| Principal | - | - | 14,454 | (14,454) |
| Interest | - | - | 78 | (78) |
| Capital outlay | 504,083 | 10,000 | 6,565 | 3,435 |
| Total Expenditures | <u>8,232,769</u> | <u>10,177,200</u> | <u>5,992,572</u> | <u>4,184,628</u> |
| Net Change in Fund Balance | 1,195,854 | 973,121 | 417,682 | (555,439) |
| Fund Balances - Beginning | <u>647,313</u> | <u>647,313</u> | <u>647,313</u> | <u>-</u> |
| Fund Balances - Ending | <u>\$ 1,843,167</u> | <u>\$ 1,620,434</u> | <u>\$ 1,064,995</u> | <u>\$ (555,439)</u> |

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedule
For the Year Ended June 30, 2023

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the General fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (2) Prior to July 1, the budget is adopted through the passage of a resolution.
- (3) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations. The Board of Directors may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Management's Corrective Action Plan**

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**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
Feather River Resource Conservation District
Quincy, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of Feather River Resource Conservation District, California (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2023-001 that we consider to be a significant deficiency.

To the Board of Directors
Feather River Resource Conservation District
Quincy, California

Report on Compliance and Other Matters

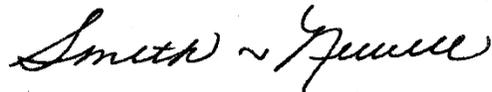
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Smith & Newell CPAs
Yuba City, California
December 14, 2023

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2023

2023-001 Audit Adjustments (Significant Deficiency)

Criteria

Government auditing standards require independent auditors to evaluate all unadjusted misstatements of financial statements.

Condition

At the time of our audit, we noted that the financial statements as presented to us for audit contained misstatements that required adjustment.

Cause

The District had not reconciled and adjusted accounts receivable and unearned revenues.

Effect

The financial statements as presented to us contained misstatements that required adjustment.

Questioned Cost

No questioned costs were identified as a result of our procedures.

Context

Not applicable.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that the District reconcile all accounts in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.

Views of Responsible Officials and Planned Corrective Action

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

FEATHER RIVER RESOURCE CONSERVATION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2023

2023-001 Audit Adjustments (Significant Deficiency)

We recommend that the District reconcile all accounts in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.

Management's Response: The District concurs with the finding.

Responsible Individual: Michael Hall, District Manager

Corrective Action Plan: The District Accountant and Feather River Resource Conservation District agree to reconcile A/R monthly and report any differences and adjustments in order to make timely changes.

Anticipated Completion Date: November 2023