

**GUADALUPE-COYOTE RESOURCE
CONSERVATION DISTRICT**

AUDIT REPORT

YEARS ENDED JUNE 30, 2014 AND 2013



Vargas and Company

certified public accountants

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Years Ended June 30, 2014 and 2013

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Vargas and Company

certified public accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Guadalupe-Coyote Resource Conservation District
San Jose, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of the Guadalupe-Coyote Resource Conservation District (the "District") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of Guadalupe-Coyote Resource Conservation District as of June 30, 2014 and 2013, and the respective changes in financial position, and, where applicable cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

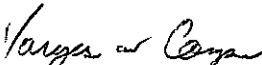
Other Matters

Required Supplementary Information

Management has omitted 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 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 is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, on our consideration of Guadalupe-Coyote Resource Conservation District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Guadalupe-Coyote Resource Conservation District's internal control over financial reporting and compliance.


Vargas and Company
San Jose, California
February 3, 2015

Financial Statements

**GUADALUPE - COYOTE RESOURCE
CONSERVATION DISTRICT**

Statements of Net Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash held by the County and on hand	\$ 425,528	\$ 304,922
Accounts receivable	<u>359</u>	<u>234</u>
TOTAL ASSETS	<u>\$ 425,887</u>	<u>\$ 305,156</u>
LIABILITIES AND NET POSITION		
TOTAL LIABILITIES	\$ -	\$ -
Unrestricted net position	<u>425,887</u>	<u>305,156</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 425,887</u>	<u>\$ 305,156</u>

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

**GUADALUPE - COYOTE RESOURCE
CONSERVATION DISTRICT**

Statements of Activities

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Property taxes and assessments	\$ 183,054	\$ 170,068
Interests on investments	1,284	1,179
Other revenue	300	14,839
	184,638	186,086
EXPENDITURES		
Salaries	-	28,250
Payroll taxes	-	2,161
Worker's compensation	111	1,017
Contract services	41,551	69,816
Watershed capital project	4,739	11,638
Property tax admin fee	2,197	2,001
Communications	2,505	2,255
Grants - Special Districts	-	100
Insurance	2,843	3,489
Office supplies	-	159
Lease - Building and and improvements	9,350	11,050
Membership dues	91	150
Transportation and travel	-	901
Food and refreshments	-	206
Bank services	520	559
Total expenditures	63,907	133,752
Change in net position	120,731	52,334
Net Position, Beginning	305,156	252,822
Net Position, Ending	\$ 425,887	\$ 305,156

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

**GUADALUPE - COYOTE RESOURCE
 CONSERVATION DISTRICT
 Statements of Cash Flows
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Fees	\$ 183,054	\$ 184,908
Payment to employees	(19,850)	(28,250)
Payment to contractors/suppliers	<u>(43,882)</u>	<u>(105,335)</u>
Net cash provided by operating activities	<u>119,322</u>	<u>51,323</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interests on investments	<u>1,284</u>	<u>1,179</u>
Net cash provided by financing activities	<u>1,284</u>	<u>1,179</u>
NET INCREASE IN CASH	120,606	52,502
CASH, BEGINNING OF YEAR	<u>304,922</u>	<u>252,420</u>
CASH, END OF YEAR	<u>\$ 425,528</u>	<u>\$ 304,922</u>

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

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
Years Ended June 30, 2014 and 2013

NOTE 1 **GENERAL INFORMATION**

The Guadalupe-Coyote Resource Conservation District (the "District") was originally established as the Evergreen Resource Conservation District under the authority of Section 35100 of the California Public Resources Code. In May of 1977 it annexed the Black Mountain Resource Conservation District and in February 1, 1993 it adopted its current name. The area of the District includes, partially or wholly, the cities of San Jose, Campbell, Los Gatos, Milpitas, Los Altos, New Almaden, Coyote and Saratoga.

The purpose of the District is to preserve the basic resources of the state, soil, water and air through the establishment of programs of soil and water conservation and related natural resource conservation; including, but not limited to, wildlife areas, watershed management, water quality, woodland, urban, agricultural and recreation areas.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation and Accounting

The District used the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and expenses are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the liability is incurred.

B. Budgets and Budgetary Accounting

The preliminary budget for the District is adopted by the Board of Directors for the District on or before June 30 for the ensuing year, and the final budget is adopted after notice and public hearing. The Board of Directors may amend the budget during the fiscal year. All appropriations lapse at the end of the fiscal year.

The budget is prepared on a cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

C. Use of Estimates

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

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Notes to the Financial Statements
Years Ended June 30, 2014 and 2013

NOTE 3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

D. Revenue Recognition

A major source of funding for the District is provided through taxes and assessments that are levied on parcels of land both developed and undeveloped. The taxes and assessments are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10. The County bills and collects the charges and deposits these into a common pool maintained by the County. The District then transfers funds to its bank account for operations.

E. Subsequent Events

Pursuant to management’s evaluation, there were no material subsequent events through February 3, 2015.

NOTE 4 **CASH AND INVESTMENTS**

Cash and cash equivalents consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Cash with County Treasurer common pool	\$394,140	\$261,823
Cash in bank	<u>31,388</u>	<u>43,099</u>
Total	<u>\$425,528</u>	<u>\$304,922</u>

The District participates in the common investment pool of the County for the purpose of increasing earnings through investments activities, which is subject to state legal restrictions, and additional restrictions prescribed by the County. The County’s common pool are insured or collateralized with securities held by the County or by its agent in the County’s name. Moreover, in September 2008 the District opened a bank account to pay for its operations. The District’s funds in the bank are secured by FDIC up to a maximum of \$250,000.00

NOTE 5 **UNRESTRICTED NET POSITION**

Unrestricted net position as of June 30, 2014 and 2013 were \$425,887 and \$305,156, respectively.

**Independent Auditors' 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**



**INDEPENDENT AUDITORS' 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 of
Guadalupe-Coyote Resource Conservation District
San Jose, California

We have audited, 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, the financial statements of the business-type activities and major fund of Guadalupe-Coyote Resource Conservation District (the "District") as of and for the years ended June 30, 2014 and 2013, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Guadalupe-Coyote Resource Conservation District's internal control over financial reporting (internal control) to determine the 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 Guadalupe-Coyote Resource Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Guadalupe-Coyote Resource Conservation District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. 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*.

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 the testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral 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.


Vargas and Company
San Jose, California
February 3, 2015

**Schedule of Findings
and
Questioned Costs**

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Schedule of Findings and Questioned Costs
Years Ended June 30, 2014 and 2013

None reported.

**Summary Schedule of
Prior Audit Findings**

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Summary Schedule of Prior Audit Findings
Years Ended June 30, 2014 and 2013

None reported.