

**GUADALUPE-COYOTE RESOURCE
CONSERVATION DISTRICT**

AUDIT REPORT

YEARS ENDED JUNE 30, 2016 AND 2015

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Years Ended June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 February 27, 2017, 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.

Patel & Associates, LLP

Patel and Associates, LLP
San Jose, California
February 27, 2017

Management's Discussion and Analysis
(Required Supplementary Information)

GUADALUPE – COYOTE RESOURCE CONSERVATION DISTRICT

Management’s Discussion and Analysis

Years Ended June 30, 2016 and 2015

This section of Guadalupe-Coyote Resource Conservation District (the “District”) annual financial report presents a discussion and analysis of the District’s financial performance for the year ended June 30, 2016. The District’s financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

At June 30, 2016, the District’s net position decreased to \$346,143 from \$429,644 in 2015. This is due to the Board of Director’s decision to increase use of its unallocated revenues from previous tax years for resource and wildlife conservation initiatives. Changes to net position resulted from the changes in the following items shown in the Statement of Activities.

- Property taxes revenues increased by \$10,541 while operating expenses increased by \$90,452.
- General revenues increased by \$3,194 which was the result of increased property taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the District’s activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *statement of net position* provides information about the financial position of the District as a whole, including all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position and reported on the full accrual basis, similar to that used by corporations. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

GUADALUPE – COYOTE RESOURCE CONSERVATION DISTRICT

Management’s Discussion and Analysis

Years Ended June 30, 2016 and 2015

The *statement of activities*, which is on the full accrual basis, provides information about all the District’s revenues and all its expenses, with the emphasis on measuring net revenues or expenses of each of the District’s’ programs. The statement of activities explains in detail, the change in net position for the year.

All of the District’s activities are grouped into governmental-activities. These services are supported by the general District’s revenues.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are classified as governmental funds.

Governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements—i.e. the District’s basic services are reported in the governmental fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities. The government fund financial statements provide detailed information about each of the District’s most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District’s activities.

For the fiscal year ended June 30, 2016, the District’s only fund is the general fund.

GUADALUPE – COYOTE RESOURCE CONSERVATION DISTRICT
Management’s Discussion and Analysis
Years Ended June 30, 2016 and 2015

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$346,143 at the close of the fiscal year.

Net Position

	<u>Governmental Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current assets	\$366,427	\$429,644	(\$63,217)	(14.7%)
Total assets	<u>366,427</u>	<u>429,644</u>	<u>(63,217)</u>	<u>(14.7%)</u>
Liabilities:				
Current liabilities	<u>20,284</u>	-	<u>20,284</u>	-
Total liabilities	<u>20,284</u>	-	<u>20,284</u>	-
Net position	<u>\$346,143</u>	<u>\$429,644</u>	<u>(\$83,501)</u>	<u>(19.4%)</u>

This schedule is prepared from the District’s Statement of Net Position, which is presented on the accrual basis of accounting whereby assets are capitalized and depreciated. Currently, the District has no non-current assets or liabilities.

Net position at June 30, 2016, decreased to \$346,143 from \$429,644 in 2015. The 19.4% decrease is a result of the District Board of Directors decision to increase expenditures related to program activities, and a decrease in current year grant reimbursements related to multi-year grants.

GUADALUPE – COYOTE RESOURCE CONSERVATION DISTRICT
Management’s Discussion and Analysis
Years Ended June 30, 2016 and 2015

Analysis of Changes in Net Position

Change in Net Position

	<u>Governmental Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues				
Property taxes	\$214,270	\$203,729	\$10,541	5.2%
Grants	2,248	10,000	(7,752)	(77.5%)
Miscellaneous income	405	-	405	-
Total revenues	<u>216,923</u>	<u>213,729</u>	<u>3,194</u>	1.5%
Operating expenses				
Salaries and benefits	139,572	129,875	9,697	7.5%
Services and supplies	37,233	25,623	11,610	45.3%
Programs and projects	<u>123,619</u>	<u>54,474</u>	<u>69,145</u>	126.9%
Total expenses	<u>300,424</u>	<u>209,972</u>	<u>90,452</u>	43.1%
Change in net position	(83,501)	3,757	(87,258)	(2,322%)
Net position, beginning	<u>429,644</u>	<u>425,887</u>	<u>3,757</u>	0.9%
Net position, ending	<u>\$346,143</u>	<u>\$429,644</u>	<u>(\$83,501)</u>	(19.4%)

In fiscal year 2016, property taxes increased by \$10,541 due to an increase in assessed values. Salaries and benefits show an increase from FY2015 to FY2016 due to pro-rated costs for the full time executive in FY15, and a negative balance for workers compensation insurance in FY15.

Operating Expenses

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Administrative	\$176,805	\$181,225	(\$4,420)	(2.4%)
Resource Conservation Activities	<u>123,619</u>	<u>28,747</u>	<u>94,872</u>	330%
Total	<u>\$300,424</u>	<u>\$209,972</u>	<u>\$90,452</u>	43.1%

GUADALUPE – COYOTE RESOURCE CONSERVATION DISTRICT
Management’s Discussion and Analysis
Years Ended June 30, 2016 and 2015

Operating expenses increased by \$90,452 in FY2016 because the District Board of Directors chose to expand its program activities now that it had a full-time executive director to manage programs and secure additional funding sources.

CAPITAL ASSETS

The District does not currently own any capital assets.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

In considering the District’s budget for fiscal year 2016-2017, the Governing Board and management used the following key assumptions:

- It is anticipated that real estate valuations, upon which tax revenues are based, will continue to increase, albeit slowly, based on increased valuations of existing properties and renewed development activity.
- Existing grant funding has been carried over from the 2015-16 budget.
- The District’s Board of Directors wishes to continue to expend previously unallocated prior year tax revenues in order to expand agricultural and resource conservation program reach.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Guadalupe - Coyote Resource Conservation District – 888 North First Street, Suite 204, San Jose, CA 95112., or by sending an email to gcrd@gcrd.org.

Financial Statements

**GUADALUPE - COYOTE RESOURCE
CONSERVATION DISTRICT**
Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash held by the County and on hand	\$ 366,427	\$ 429,125
Accounts receivable	<u>-</u>	<u>519</u>
TOTAL ASSETS	<u>\$ 366,427</u>	<u>\$ 429,644</u>
LIABILITIES AND NET POSITION		
Accounts payable	\$ 14,410	\$ -
Accrued expenses	<u>5,874</u>	<u>-</u>
Total current liabilities	<u>20,284</u>	<u>-</u>
TOTAL LIABILITIES	\$ 20,284	\$ -
Unrestricted net position	<u>346,143</u>	<u>429,644</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 366,427</u>	<u>\$ 429,644</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Property taxes and assessments	\$ 212,076	\$ 202,012
Interests on investments	2,194	1,717
Other revenue	<u>2,653</u>	<u>10,000</u>
Total revenues	<u>216,923</u>	<u>213,729</u>
EXPENDITURES		
Salaries	131,922	122,598
Payroll taxes	7,650	7,277
Worker's compensation	8,749	29,909
Contract services	-	5,256
Watershed capital project	4,739	2,409
Property tax admin fee	2,197	1,986
Professional fees	12,462	4,015
Printing and reproduction	342	607
Communications	2,505	2,545
Grants - Special Districts	106,966	16,900
Insurance	2,375	2,382
Office supplies	1,347	835
Lease - Building and and improvements	13,050	11,400
Membership dues	2,523	100
Transportation and travel	1,399	56
Food and refreshments	825	465
Bank services	446	575
Miscellaneous	<u>927</u>	<u>657</u>
Total expenditures	<u>300,424</u>	<u>209,972</u>
Change in net position	(83,501)	3,757
Net Position, Beginning	<u>429,644</u>	<u>425,887</u>
Net Position, Ending	<u>\$ 346,143</u>	<u>\$ 429,644</u>

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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Fees	\$ 212,076	\$ 202,012
Payment to employees	(131,922)	(122,598)
Payment to contractors/suppliers	<u>(142,852)</u>	<u>(75,817)</u>
Net cash (used) provided by operating activities	<u>(62,698)</u>	<u>3,597</u>
NET INCREASE (DECREASE) IN CASH	(62,698)	3,597
CASH, BEGINNING OF YEAR	<u>429,125</u>	<u>425,528</u>
CASH, END OF YEAR	<u>\$ 366,427</u>	<u>\$ 429,125</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (83,501)	\$ 3,757
Adjustments to reconcile change in net position to net cash (used) provided by operating activities		
Accounts receivable, net	519	(160)
Accounts payable	14,410	-
Accrued expenses	<u>5,874</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>\$ (62,698)</u>	<u>\$ 3,597</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, 2016 and 2015

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 uses 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, 2016 and 2015

NOTE 2. 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 27, 2017.

NOTE 3. CASH AND INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Cash with County Treasurer common pool	\$330,637	\$365,848
Cash in bank	<u>35,791</u>	<u>63,277</u>
Total	<u>\$366,427</u>	<u>\$429,125</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 is 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 the FDIC up to a maximum of \$250,000.

NOTE 4. UNRESTRICTED NET POSITION

Unrestricted net position as of June 30, 2016 and 2015 was \$346,143 and \$429,644, 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, 2016 and 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2017.

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.

Patel & Associates, LLP

Patel and Associates, LLP
San Jose, California
February 27, 2017

**Schedule of Findings
and
Responses**

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Schedule of Findings and Responses
Years Ended June 30, 2016 and 2015

None reported.

**Summary Schedule of
Prior Audit Findings**

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
Summary Schedule of Prior Audit Findings
Years Ended June 30, 2016 and 2015

None reported.