
GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

HARSHWAL & COMPANY, LLP
Certified Public Accountants
7677 Oakport Street, Suite 460
Oakland, CA 94621
(510) 452-5051

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT

TABLE OF CONTENTS

JUNE 30, 2018 AND 2017

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information).....	4 - 7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	9
Statement of Activities.....	10
Statement of Cash Flows.....	11
Notes to the Financial Statements.....	12 - 16
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	18 - 19

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and general fund of the Guadalupe-Coyote Resource Conservation District (the "District"), as of and for the years ended June 30, 2018 and 2017, 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 general fund of the District as of June 30, 2018 and 2017, and the respective changes in financial position and 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 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2019, 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 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* in considering the District’s internal control over financial reporting and compliance.

**Harshwal & Company LLP
Certified Public Accountants**

Harshwal & Company LLP

**Oakland, California
July 26, 2019**

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

**GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2018 AND 2017**

This section of Guadalupe-Coyote Resource Conservation District (the "District") financial report presents a discussion and analysis of the District's financial performance for the year ended June 30, 2018. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

The District's total net position of \$273,459 as of June 30, 2018, represents an increase of \$402 from the FY2017 total of \$273,057. Changes to net position resulted from the changes in the following items shown in the table of *Change in Net Position*.

- Operating revenues totaled \$313,097 in FY2018, which is an improvement of \$8,890 over FY2017's amount of \$304,207. Most notable was an increase in property taxes and assessments revenue of \$13,759.
- Operating expenses totaled \$314,402 in FY2018. The two most significant categories are *Programs and Projects* and *Salaries and Benefits* comprising 44% and 45% respectively. The operating expenses represent a decrease of \$60,212 from the FY2017 total of \$374,614.
- For FY2018 and FY2017, non-operating revenues include interest income. Interest income represents an increase of \$406 in FY2018 compared to FY2017. There are no non-operating expenses for either fiscal year.

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 two components: (1) **Government-wide** financial statements and (2) **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 (UNAUDITED)
YEARS ENDED JUNE 30, 2018 AND 2017**

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 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 grants and contracts and property taxes and assessments revenues.

For the fiscal year ended June 30, 2018, the District's only fund is the general fund.

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 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 \$273,459 at the close of the fiscal year 2018.

	<u>Net Position</u>			
	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Assets				
Current assets	\$ 304,589	\$ 317,364	\$ (12,775)	(4.0)%
Total assets	<u>304,589</u>	<u>317,364</u>	<u>(12,775)</u>	<u>(4.0)%</u>
Liabilities				
Current liabilities	19,592	35,812	(16,220)	(45.3)%
Non-current liabilities	<u>11,538</u>	<u>8,495</u>	<u>3,043</u>	<u>35.8 %</u>
Total liabilities	<u>31,130</u>	<u>44,307</u>	<u>(13,177)</u>	<u>(29.7)%</u>
Net Position	<u>\$ 273,459</u>	<u>\$ 273,057</u>	<u>\$ 402</u>	<u>0.1 %</u>

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

Net position at June 30, 2018, increased to \$273,459 from \$273,057 in 2017. The 0.10% an increase is a result of the District Board of Directors decision to increase current year grant reimbursements related to multi-year grants.

**GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2018 AND 2017**

Change in Net Position

	<u>Governmental Activities</u>			
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
<i>OPERATING REVENUES</i>				
Grants and contracts	\$ 76,048	\$ 80,745	\$ (4,697)	(5.8)%
Property taxes and assessments	236,681	222,922	13,759	6.2 %
Other revenue	<u>368</u>	<u>540</u>	<u>(172)</u>	<u>(31.9)%</u>
Total operating revenues	<u>313,097</u>	<u>304,207</u>	<u>8,890</u>	<u>2.9 %</u>
<i>OPERATING EXPENSES</i>				
Salaries and benefits	141,151	143,469	(2,318)	(1.6)%
Services and supplies	33,681	41,242	(7,561)	(18.3)%
Programs and projects	<u>139,570</u>	<u>189,903</u>	<u>(50,333)</u>	<u>(26.5)%</u>
Total operating expenses	<u>314,402</u>	<u>374,614</u>	<u>(60,212)</u>	<u>(16.1)%</u>
Operating income/(loss)	<u>(1,305)</u>	<u>(70,407)</u>	<u>69,102</u>	<u>(98.1)%</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>				
Interest income	<u>1,707</u>	<u>1,301</u>	<u>406</u>	<u>31.2 %</u>
Total nonoperating revenues (expenses)	<u>1,707</u>	<u>1,301</u>	<u>406</u>	<u>31.2 %</u>
<i>CHANGE IN NET POSITION</i>	<u>402</u>	<u>(69,106)</u>	<u>69,508</u>	<u>(100.6)%</u>
<i>NET POSITION, BEGINNING OF YEAR</i>	273,057	346,143	(73,086)	(21.1)%
<i>NET POSITION - RESTATEMENT (NOTE 7)</i>	<u>-</u>	<u>(3,980)</u>	<u>3,980</u>	<u>(100.0)%</u>
<i>NET POSITION - BEGINNING, RESTATED</i>	<u>273,057</u>	<u>342,163</u>	<u>(69,106)</u>	<u>(20.2)%</u>
<i>NET POSITION, END OF YEAR</i>	<u>\$ 273,459</u>	<u>\$ 273,057</u>	<u>\$ 402</u>	<u>0.1 %</u>

In the fiscal year 2018, Property taxes increased by \$13,759 due to an increase in assessed values and programs and projects expenses show a decrease of \$50,333 from FY2017 to FY2018 due to mainly a decrease in professional and contractual services.

Operating expenses

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase /(Decrease)</u>	<u>Percent Change</u>
Administrative	\$ 174,832	\$ 184,711	\$ (9,879)	(5.3)%
Resource Conservation Activities	<u>139,570</u>	<u>189,903</u>	<u>(50,333)</u>	<u>(26.5)%</u>
Total	<u>\$ 314,402</u>	<u>\$ 374,614</u>	<u>\$ (60,212)</u>	<u>(16.1)%</u>

**GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2018 AND 2017**

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 the fiscal year 2018-2019, 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 2017-18 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.

BASIC FINANCIAL STATEMENTS

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 285,331	\$ 238,652
Accounts receivable (Note 4)	<u>19,258</u>	<u>78,712</u>
Total current assets	<u>304,589</u>	<u>317,364</u>
Total assets	<u>304,589</u>	<u>317,364</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities:		
Accounts payable	19,592	35,803
Accrued payroll and benefits	<u>-</u>	<u>9</u>
Total current liabilities	<u>19,592</u>	<u>35,812</u>
Non-current liabilities:		
Compensated absences payable (Note 5)	<u>11,538</u>	<u>8,495</u>
Total non-current liabilities	<u>11,538</u>	<u>8,495</u>
Total liabilities	<u>31,130</u>	<u>44,307</u>
NET POSITION		
Unrestricted net position (Note 8)	<u>273,459</u>	<u>273,057</u>
Total net position	<u>273,459</u>	<u>273,057</u>
Total liabilities and net position	<u>\$ 304,589</u>	<u>\$ 317,364</u>

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

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<i>OPERATING REVENUES</i>		
Grants and contracts	\$ 76,048	\$ 80,745
Property taxes and assessments	236,681	222,922
Other revenue	368	540
Total operating revenues	313,097	304,207
<i>OPERATING EXPENSES</i>		
Salaries	129,876	129,771
Payroll taxes	8,075	8,127
Vacation leave	3,043	4,515
Worker's compensation	157	1,056
Watershed capital project	39,798	34,809
Professional and contractual services	32,475	75,056
Printing and reproduction	-	264
Communications	1,729	1,786
Grants - Special Districts	75,016	99,023
Insurance	2,454	2,433
Office supplies	238	384
Lease - Building and improvements	13,800	12,600
Membership dues	1,445	1,574
Transportation and travel	4,631	784
Food and refreshments	467	777
Bank services	16	60
Security services	550	-
Miscellaneous	632	1,595
Total operating expenses	314,402	374,614
Operating income/(loss)	(1,305)	(70,407)
<i>NON-OPERATING REVENUES (EXPENSES)</i>		
Interest income	1,707	1,301
Total nonoperating revenues (expenses)	1,707	1,301
<i>CHANGE IN NET POSITION</i>	402	(69,106)
<i>NET POSITION, BEGINNING OF YEAR</i>	273,057	346,143
<i>NET POSITION - RESTATEMENT (NOTE 7)</i>	-	(3,980)
<i>NET POSITION - BEGINNING, RESTATED</i>	273,057	342,163
<i>NET POSITION, END OF YEAR</i>	\$ 273,459	\$ 273,057

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

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<u>Cash Flows From Operating Activities</u>		
Grants and contracts	\$ 136,103	\$ 3,010
Property taxes and assessments	236,681	222,922
Other operating revenue	668	240
Payment to contractors/suppliers for goods and services	(189,619)	(210,808)
Payment to employees	<u>(137,960)</u>	<u>(143,763)</u>
Net cash provided (used) by operating activities	<u>45,873</u>	<u>(128,399)</u>
<u>Cash Flows From Investing Activities</u>		
Cash received from interest on cash and cash equivalents	<u>806</u>	<u>624</u>
Net cash provided (used) by investing activities	<u>806</u>	<u>624</u>
Net increase/(decrease) in cash and cash equivalents	46,679	(127,775)
Cash and cash equivalents – beginning of year	<u>238,652</u>	<u>366,427</u>
Cash and cash equivalents – end of year	<u><u>\$ 285,331</u></u>	<u><u>\$ 238,652</u></u>
<u>Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities</u>		
Operating income/(loss)	\$ (1,305)	\$ (70,407)
Adjustments to reconcile operating income/(loss) to net cash provided (used) by operating activities:		
Accounts receivable:		
Grants and contracts	60,055	(77,735)
Other	300	(300)
Accounts payable	(16,211)	21,393
Accrued payroll and benefits	(9)	(5,865)
Compensated absences payable	<u>3,043</u>	<u>4,515</u>
Net cash provided (used) by operating activities	<u><u>\$ 45,873</u></u>	<u><u>\$ (128,399)</u></u>

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

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund. A fund is a self-balancing set of accounts. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

B. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include revenues from grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. When such funds are received, they are reported as unearned revenue until the earnings process is complete. Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of property taxes and assessments and grants and contracts. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

B. Basis of Accounting - (Cont'd)

Operating expenses include the cost of resource conservation activities, administrative expenses, and depreciation of capital assets (Currently, the District does not have any own capital assets). When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash held in a bank checking account, and cash pooled in the County of Santa Clara (County) Treasurer's pool. Investment in the County pool is available on demand.

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less and amounts held in the County pool to be cash and cash equivalents.

D. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables consist mainly of amounts of grants and contracts receivable.

E. Compensated Absences

An employee's accrual of vacation and sick leave benefits (Temporary employees are not eligible for sick leave benefits) during any given pay period shall be pro-rated based upon his or her actual work rate (which includes the utilization of previously accrued leave) for that period for employees working more than 20 hours per week. Work rate is a percentage of the equivalent to fulltime employment and may not exceed 100%.

Accrued vacation hours may be taken from the date of hire, with the dates approved in advance by the immediate supervisor. Earned vacation time may be accrued up to 240 hours of vacation. Time beyond 240 hours may be accrued only at the approval of the President. Upon termination, an employee will be compensated for vacation time accrued through his or her last day on the payroll.

Vacation leave is earned based on years of employment. Accrual rates are as follows:

<u>Length of Service</u>	<u>Yearly Rate</u>
0-4 years	10 days
5+ years	15 days

F. 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.

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

F. Budgets and Budgetary Accounting - (Cont'd)

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

G. 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.

H. 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.

I. Subsequent Events

Pursuant to management’s evaluation, there were no material subsequent events through July 26, 2019.

NOTE 3: CASH AND CASH EQUIVALENTS

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

	2018	2017
Cash with County Treasurer Common Pool at fair market value	\$ 221,670	\$ 254,183
Cash in bank	63,661	(15,531)
Total	\$ 285,331	\$ 238,652

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. In March 1997, the Government Accounting Standards Board (GASB) issued Statement No. 31 “Accounting and Financial Reporting for Certain Investments and for External Investment Pools”. This statement established accounting and financial reporting standards for investments and related investment income. Investments made by the County’s Controller-Treasurer Department for the District are specifically covered by these guidelines. The District’s portions of the fair value of the County’s commingled pool at June 30, 2018 and 2017 are based on cash positions as of June 30, 2018 and 2017, respectively, in proportion to the entire cash held in the commingled pool.

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3: CASH AND CASH EQUIVALENTS - (CONT'D)

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: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Grants and contracts receivable	\$ 17,680	\$ 77,735
Interest and other receivable	<u>1,578</u>	<u>977</u>
Total	<u>\$ 19,258</u>	<u>\$ 78,712</u>

NOTE 5: COMPENSATED ABSENCES

The following changes occurred during the years ended June 30:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 8,495	\$ 3,980
Additions	4,996	4,996
Reductions	<u>(1,953)</u>	<u>(481)</u>
Ending balance	<u>\$ 11,538</u>	<u>\$ 8,495</u>

NOTE 6: OPERATING LEASE

The District and Civic Enterprises, Civic Office Building entered into the original Office Building Lease, dated October 23, 2012 for the lease of, including a load factor, approximately 880 rentable square feet of office space at the premises known as Suites 204-210 located at 888 North First Street, San Jose, California and The term of this lease amended to add an additional Five (5) year term commencing December 1, 2017 and ending November 30, 2022.

Future minimum lease payments including additional utilities, and in the aggregate, under this lease with remaining terms of one year or more consist of the following:

<u>Year ended June 30,</u>	<u>Amount</u>
2019	\$ 14,400
2020	15,100
2021	15,600
2022	16,650
2023	<u>7,250</u>
Total	<u>\$ 69,000</u>

GUADALUPE-COYOTE RESOURCE CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7: NET POSITION RESTATEMENT

A prior period adjustment of \$3,980 has been reflected in the District's statement of activities to record the vacation leave liability and net position in accordance to GASB Statement No. 16.

NOTE 8: UNRESTRICTED NET POSITION

The District's financial policy obliges to establish and maintain a minimum unrestricted net position balance in the general fund equal to six months of annual revenue. Unrestricted net position as of June 30, 2018 and 2017 was \$273,459 and \$273,057, respectively.

COMPLIANCE SECTION

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 of
Guadalupe-Coyote Resource Conservation District
San Jose, 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 business-type activities and general fund of the Guadalupe-Coyote Resource Conservation District (the "District"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 26, 2019.

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) 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 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. 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 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 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 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.

**Harshwal & Company LLP
Certified Public Accountants**

Harshwal & Company LLP

**Oakland, California
July 26, 2019**