



Financial Statements
with Independent Auditor's Report

Year Ended June 30, 2022

Resource Conservation District of the Santa Monica Mountains

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Resource Conservation District of the Santa Monica Mountains

**Board of Directors
June 30, 2022**

<u>MEMBER</u>	<u>OFFICE</u>
R.C. Brody	President
Steven Rosentsweig	Vice President
Nancy Helsley	Treasurer
Beth Burnam	Director
Lauire Price	Director
Deborah Klein Lopez	Associate Director
Dennis Washburn	Associate Director

Clark Stevens
Executive Officer

Independent Auditor's Report

Board of Directors
Resource Conservation District of the Santa Monica Mountains
Topanga, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Resource Conservation District of the Santa Monica Mountains (the District) as of and for the year ended June 30, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, and State Controller's *Minimum Audit Requirements for California Special Districts*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2025 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
April 7, 2025

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis For the Year Ended June 30, 2022

This section of the Resource Conservation District of the Santa Monica Mountains' (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall revenues were \$2,026,257. District revenues consist of contract and grant revenues, which are monies pledged to complete a particular project like habitat restoration or native species monitoring; fee for service payments, monies paid for a service the District provides like consulting or education programs; property taxes; contributions; and interest on deposited funds.
- The total cost of basic programs increased 32% to \$1,852,899. The main source of the increase is contractor and payroll expense, which is a result of the increase in contract and grant project work.
- The District leveraged \$416,563 in property tax revenues this fiscal year to bring in \$1,609,694 in other revenue for projects and programs, or approximately 3.7 times return on the property tax investment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - 1) Management's Discussion and Analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that report the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using an accrual basis of accounting and economic resources measurement focus. Consequently, the statement of net position includes all of the District's assets and liabilities, as well as deferred inflows and outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis For the Year Ended June 30, 2022

GOVERNMENT-WIDE STATEMENTS (continued)

The two government-wide statements report the District's net position and how it has changed. Net position is essentially the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and is one way to measure the District's financial health. Over multiple years, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively. Annual increases and decreases in net position should be viewed in the context of short-term factors, such as grant funding changes, that may have an outsized impact on any one year. To assess overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, availability of grants for environmental restoration and monitoring, and the overall state of the economy.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by granting agencies.
- The District establishes other funds to control and manage money for purposes (i.e., funding a specific program) or to show that it is properly using certain revenues (like federal grants).

Governmental funds - All of the District's basic services are included in the governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental fund statements that explains the relationship (or differences) between them.

The District currently maintains two governmental funds:

- General Fund – the District uses the General Fund to record transactions of the District's primary operations.
- Grants Special Revenue Fund – the District uses the Grants Fund to record transactions for grant funded resource conservation projects.

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis For the Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased in fiscal year 2022 (See Table A-1). The increase was largely due to the following factors: 1) an increase in revenues primarily from operating grants and contributions and property taxes and 2) maintaining expenses below the budget.

Table A-1: Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Dollar Change	Percentage Change
Assets				
Cash and investments	\$ 851,218	\$ 927,229	\$ (76,011)	(8%)
Other current assets	691,341	494,036	197,305	40%
Capital assets	40,587	6,829	33,758	494%
Total assets	<u>1,583,146</u>	<u>1,428,094</u>	<u>155,052</u>	<u>11%</u>
 Deferred Outflows of Resources				
Pension related	<u>119,475</u>	<u>106,719</u>	<u>12,756</u>	<u>12%</u>
 Liabilities				
Unearned revenue	213,766	149,217	64,549	43%
Other liabilities	257,493	225,101	32,392	14%
Net pension liability	<u>33,874</u>	<u>164,761</u>	<u>(130,887)</u>	<u>(79%)</u>
Total liabilities	<u>505,133</u>	<u>539,079</u>	<u>(33,946)</u>	<u>(6%)</u>
 Deferred Inflows of Resources				
Pension related	<u>29,571</u>	<u>1,175</u>	<u>28,396</u>	<u>2417%</u>
 Net Position				
Net investment in capital assets	40,587	6,829	33,758	494%
Restricted	219,645	275,251	(55,606)	(20%)
Unrestricted	<u>907,685</u>	<u>712,479</u>	<u>195,206</u>	<u>27%</u>
Total net position	<u>\$ 1,167,917</u>	<u>\$ 994,559</u>	<u>\$ 173,358</u>	<u>17%</u>

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis For the Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in Net Position

The District's total revenue increased by 39% to \$2,026,257 (See Table A-2). Contract and grant revenues (73%) and property taxes (20%) accounted for most of the District's revenue. (See Figure A-1.) The remainder of the revenue was from charges for services, contributions, and interest income.

The total cost of all programs and services increased 32% to \$1,852,899. Payroll (49%) is the largest District expense, followed by contractor expenses (42%). (See Figure A-2).

Table A-2: Condensed Statements of Activities

	For The Years Ended			
	June 30, 2022	June 30, 2021	Dollar Change	Percentage Change
Revenues:				
Operating grants and contributions	\$1,540,218	\$ 858,769	\$ 681,449	79%
Charges for services	89,172	190,113	(100,941)	(53%)
General revenues	396,867	405,274	(8,407)	(2%)
Total revenues	<u>2,026,257</u>	<u>1,454,156</u>	<u>572,101</u>	<u>39%</u>
Expenditures:				
General government	459,556	501,593	(42,037)	(8%)
Natural resource conservation	1,393,343	901,865	491,478	54%
Total expenditures	<u>1,852,899</u>	<u>1,403,458</u>	<u>449,441</u>	<u>32%</u>
Change net position	<u>\$ 173,358</u>	<u>\$ 50,698</u>	<u>\$ 122,660</u>	<u>242%</u>

Resource Conservation District of the Santa Monica Mountains

**Management's Discussion and Analysis
For the Year Ended June 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Figure A-1: Revenues for Fiscal Year 2022

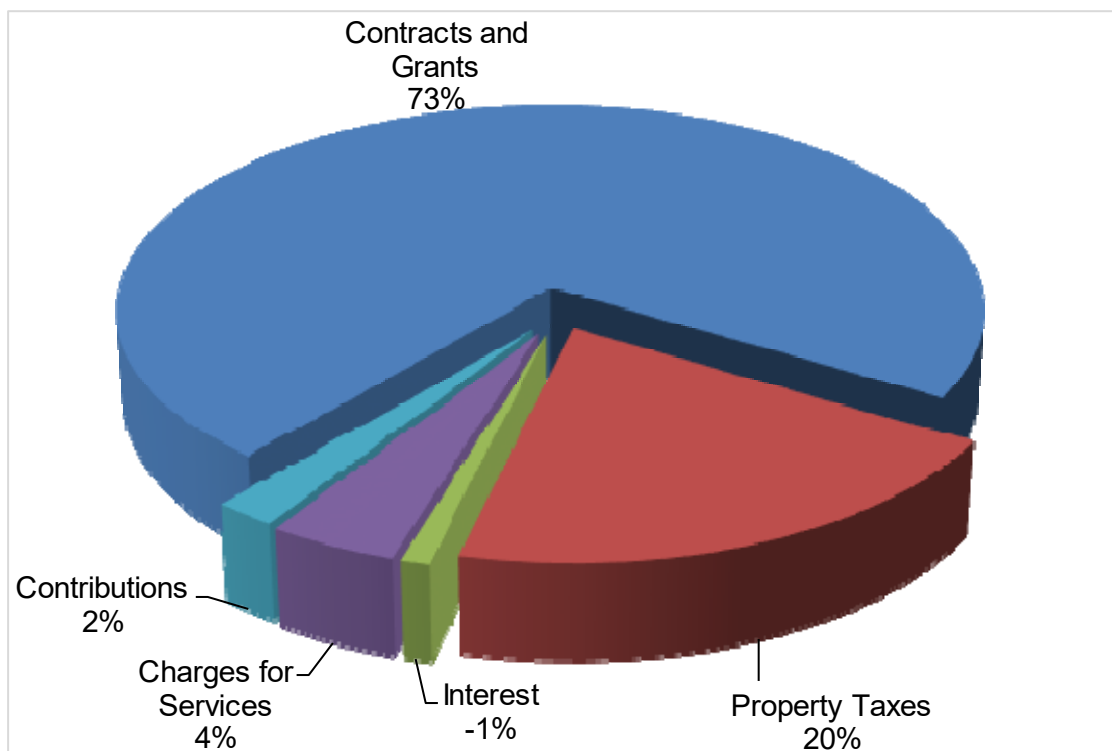
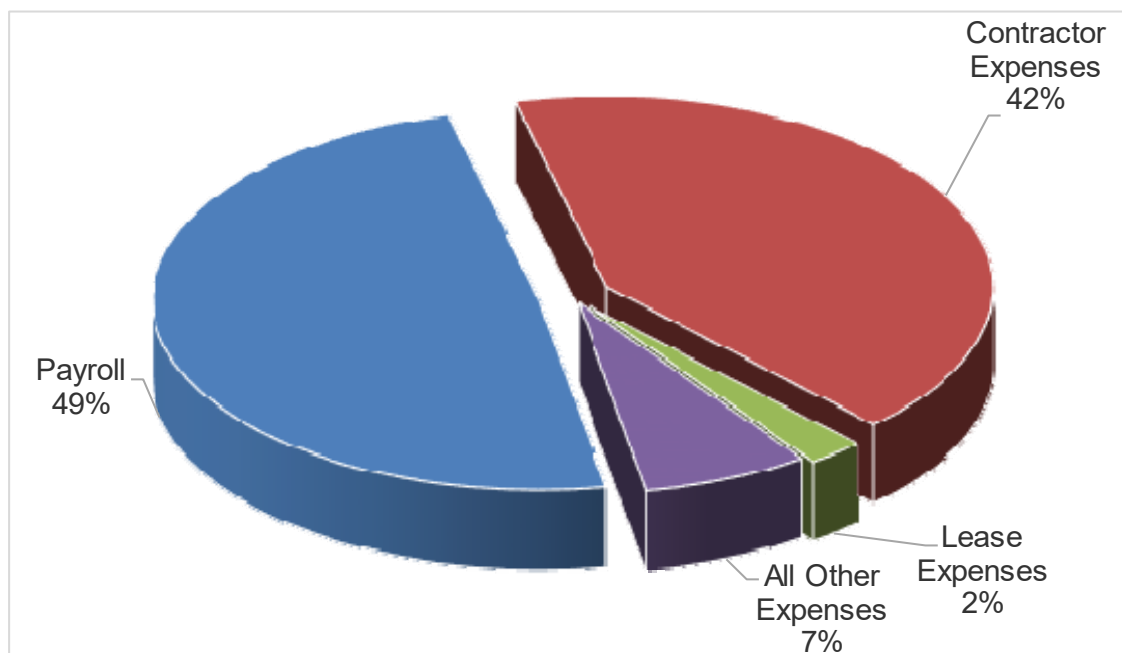


Figure A-2: Expenses for Fiscal Year 2022



Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis For the Year Ended June 30, 2022

GOVERNMENTAL ACTIVITIES

2021-22 was a year of growth. For instance, wildfire is one of the most important and dangerous issues facing the Santa Monica Mountains, so the District responded by creating a new department, Community Resilience, to assist residents with wildfire education and safety. The department secured almost \$1.7 million in fiscal year 2021-22 for the restoration of the environment renewal and permit coordination for Topanga Creek and Lagoon. In fiscal year 2022-23, another \$4,946,000 will be coming to the District for the Topanga Lagoon project. This project will develop the technical studies, the environmental review and outreach necessary to restore the Topanga Lagoon on approximately 58 acres of land commonly known as Topanga Lagoon.

The Education Department continued to adapt to virtual learning, partnering with school districts and non-profits to bring standards-based science education to students learning remotely. One pioneering program, Place Based Journaling (PBJ), helped students learn science through studying their environment wherever they are. Guided lessons in the journal teach concepts and methods while allowing students to express their observations and learning in a way that is comfortable to them. With generous funding from donors and foundations, the District also developed and led virtual core curriculum and enrichment classes for LAUSD and Oak Park USD. The Education Department reached more students and classes than ever before at a lower cost to schools.

Finally, the Research and Restoration Department continued their many vital programs. Biologists monitored the endangered southern steelhead trout, tidewater gobies and amphibians; planted and cared for oak seedlings to replace those lost to drought and beetle infestation; monitored the local native turtle population; and planned and oversaw the removal of tens of thousands of non-native crayfish from local creeks, among other projects. Additionally, the Topanga Lagoon restoration progressed with further public input on design alternatives and the initiation of various studies required for the restoration permits. The Department continues to secure funding for the later stages of this restoration as well as to save the dwindling population of southern steelhead trout.

Following are a few of the largest grants the District has obtained:

- Topanga Creek and Lagoon Restoration (Department of Fish & Wildlife - \$1,642,410): The objectives of this project were to remove the fill, expand the potential wetted area for the Topanga Lagoon, and restore the Topanga Creek corridor by replacing invasive and exotic species with native wetland, riparian, and transitional upland species.
- Topanga Lagoon Coordination Design (CA Department of Parks and Recreation - \$540,000): This project designed alternative visitor services during the Topanga Lagoon Restoration project.

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis For the Year Ended June 30, 2022

GOVERNMENTAL ACTIVITIES, (continued)

- Defensible Space Learning Center (Department of Forestry and Fire Protection - \$389,740): This project looked to minimize and mitigate the natural but destructive effects of wildfires to homeowners by providing proper education and planning through creating a virtual library of how-to and informational videos to increase visibility and impact of the information in an effort to protect more homes and create more habitats.
- Southern California Steelhead Assessment (Department of Fish and Wildlife - \$342,977): This project developed the Southern California Steelhead Distinct Population Segment Action Plan (SCSDPSAP) which included a Conservation Technical Memo that reviewed data of the Southern California Steelhead population, performed a literature review of conservation strategies, assessed strengths & weaknesses for implementation conservation strategies, defined a process to establish a gene bank program and developed cost estimates for implementation of recommendations.

The cost of all governmental activities in fiscal year 2022 was \$1,852,899. Other than the contract and grant funds mentioned above, the cost was financed by private donations (\$43,670) by the users of the District's programs through service fees (\$89,172), by property taxes (\$416,563) and a loss on investment earnings (\$19,696).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$762,473.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District produces and maintains a budget for the General Fund, which covers the District's administration, operations and basic services, and for each program and project. The District's General Fund final budget projected an increase of accumulated fund balance of \$5, while the actual results for the year show a \$81,447 increase in fund balance.

Resource Conservation District of the Santa Monica Mountains

Management's Discussion and Analysis For the Year Ended June 30, 2022

CAPITAL ASSETS

The District's investment in capital assets includes computers, office furniture and equipment, field equipment, and Mobile-Mini and Tuff Sheds used as a lab and for file and equipment storage. Total depreciation expense for the year was \$3,724. More detailed information about capital assets can be found in Note 5 to the financial statements.

Table A-3: Condensed Schedule of Capital Assets

	As of			
	June 30, 2022	June 30, 2021	Dollar Change	Percentage Change
Equipment	\$ 3,564	\$ 3,564	\$ -	0%
Improvements	55,219	17,737	37,482	211%
	<u>58,783</u>	<u>21,301</u>	<u>37,482</u>	<u>176%</u>
Accumulated Depreciation	<u>(18,196)</u>	<u>(14,472)</u>	<u>(3,724)</u>	<u>26%</u>
Net Capital Assets	<u><u>\$ 40,587</u></u>	<u><u>\$ 6,829</u></u>	<u><u>\$ 33,758</u></u>	<u><u>494%</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives to those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the District's Executive Officer at 818-597-8627 or by email at info@rcdsmm.org.

Basic Financial Statements

Resource Conservation District of the Santa Monica Mountains

Statement of Net Position June 30, 2022

ASSETS

Cash and investments	\$ 851,218
Accounts receivable	666,322
Prepaid expenses	18,019
Security deposit	7,000
Capital assets, net of depreciation	<u>40,587</u>
Total assets	<u>1,583,146</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related	<u>119,475</u>
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LIABILITIES

Accounts payable	101,170
Accrued expenses	110,349
Unearned revenue	213,766
Compensated absences payable	45,974
Net pension liability	<u>33,874</u>
Total liabilities	<u>505,133</u>

DEFERRED INFLOWS OF RESOURCES

Pension related	<u>29,571</u>
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NET POSITION

Net investment in capital assets	40,587
Restricted	219,645
Unrestricted	<u>907,685</u>
Total net position	<u>\$ 1,167,917</u>

The accompanying notes are an integral part of these financial statements.

Resource Conservation District of the Santa Monica Mountains

Statement of Activities For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 459,556	\$ 11,164	\$ 201,856	\$ (246,536)
Natural resource conservation	1,393,343	78,008	1,338,362	23,027
Total governmental activities	<u>\$ 1,852,899</u>	<u>\$ 89,172</u>	<u>\$ 1,540,218</u>	<u>(223,509)</u>
General Revenues:				
Property taxes				416,563
Investment earnings				<u>(19,696)</u>
Total general revenues				<u>396,867</u>
Change in net position				173,358
Net position - beginning				<u>994,559</u>
Net position - ending				\$ 1,167,917

The accompanying notes are an integral part of these financial statements.

Resource Conservation District of the Santa Monica Mountains

**Balance Sheet
Governmental Funds
June 30, 2022**

	General Fund	Special Revenue Fund Grants Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 637,452	\$ 213,766	\$ 851,218
Accounts receivable	14,997	651,325	666,322
Prepaid expenses	18,019	-	18,019
Security deposit	2,000	5,000	7,000
Due from other funds	339,084	-	339,084
	<u>339,084</u>	<u>-</u>	<u>339,084</u>
Total assets	<u>\$ 1,011,552</u>	<u>\$ 870,091</u>	<u>\$ 1,881,643</u>
LIABILITIES			
Accounts payable	\$ 3,574	\$ 97,596	\$ 101,170
Accrued expenses	110,349	-	110,349
Unearned revenue	-	213,766	213,766
Due to other funds	-	339,084	339,084
	<u>-</u>	<u>339,084</u>	<u>339,084</u>
Total liabilities	<u>113,923</u>	<u>650,446</u>	<u>764,369</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable grant revenue	-	354,801	354,801
	<u>-</u>	<u>354,801</u>	<u>354,801</u>
FUND BALANCES (DEFICIT)			
Nonspendable	18,019	-	18,019
Unassigned	879,610	(135,156)	744,454
	<u>879,610</u>	<u>(135,156)</u>	<u>744,454</u>
Total fund balances	<u>897,629</u>	<u>(135,156)</u>	<u>762,473</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,011,552</u>	<u>\$ 870,091</u>	<u>\$ 1,881,643</u>

The accompanying notes are an integral part of these financial statements.

Resource Conservation District of the Santa Monica Mountains

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position June 30, 2022

Total governmental fund balances	\$ 762,473
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Amounts reported in governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been included in governmental fund activity:

Capital assets	\$ 58,783	
Accumulated depreciation	<u>(18,196)</u>	40,587

Compensated absences payable are not payable from financial resources and, therefore, are not reported in the funds.	(45,974)
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Pension related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows of resources - pension related	119,475
Deferred inflows of resources - pension related	(29,571)

The net pension liability is not payable from current financial resources and, therefore, is not reported in the funds.	(33,874)
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Receivables that are measurable but not available are as deferred inflows of resources under the modified basis of accounting.	<u>354,801</u>
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Net position of governmental activities	<u><u>\$1,167,917</u></u>
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The accompanying notes are an integral part of these financial statements.

Resource Conservation District of the Santa Monica Mountains**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022**

	General Fund	Special Revenue Fund Grants Fund	Total Governmental Funds
REVENUES			
Contracts and grants	\$ 195,384	\$ 946,363	\$ 1,141,747
Property taxes	416,563	-	416,563
Investment earnings	87	(19,783)	(19,696)
Direct public support	6,472	37,198	43,670
Education program fees	9,467	77,060	86,527
Other revenue	1,697	948	2,645
Total revenues	629,670	1,041,786	1,671,456
EXPENDITURES			
General government	607,073	-	607,073
Natural resource conservation	-	1,393,343	1,393,343
Total expenditures	607,073	1,393,343	2,000,416
Excess (Deficiency) of Revenue Over (Under) Expenditures	22,597	(351,557)	(328,960)
OTHER FINANCING SOURCES (USES)			
Transfers in	58,850	-	58,850
Transfers out	-	(58,850)	(58,850)
Total transfers	58,850	(58,850)	-
Net change in fund balances	81,447	(410,407)	(328,960)
Fund balances - beginning	816,182	275,251	1,091,433
Fund balances (deficit) - ending	\$ 897,629	\$ (135,156)	\$ 762,473

The accompanying notes are an integral part of these financial statements.

Resource Conservation District of the Santa Monica Mountains

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ (328,960)

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

Governmental funds report capital outlays 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.

Capital asset addition	37,482
Depreciation expense	(3,724)

Governmental funds report all contributions in relation to annual required contribution (ARC) for pension expenditures, however, in the statement of activities, pension expense is actuarially determined.

Net change in pension related items	115,247
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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 governmental funds.

Change in compensated absences payable	(1,488)
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Certain revenues in the governmental funds are deferred inflows of resources because they are measurable but not available under the modified accrual basis of accounting. However, the revenues are included on the accrual basis used in the government-wide statements.

Change in unavailable grant revenue	<u>354,801</u>
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Change in net position of governmental activities	<u><u>\$ 173,358</u></u>
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The accompanying notes are an integral part of these financial statements.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 1: Nature of Activities and Significant Accounting Policies

District History

The Resource Conservation District of the Santa Monica Mountains (the District) is a local government body established to assist landowners in conserving natural resources and to educate the public about conservation issues. The District was originally organized as the Topanga Soil Conservation District in accordance with Division 9 of the California Public Resources Code. The formation election was held on January 10, 1961; the vote was certified, and the District was declared to be formally organized by resolution of the Los Angeles County Board of Supervisors on January 24, 1961; and on February 8, 1961, the Board of Directors of the new district met for the first time. In 1971, the State of California officially changes the name "Soil Conservation District" to "Resource Conservation District" to reflect the expanded mission of all state districts to include wildlife and habitat conservation. The Topanga Las Virgenes Resource Conservation District officially changed its name to the Resource Conservation District of the Santa Monica Mountains by resolution of the Board of Directors on January 9, 1995.

Reporting Entity

The basic financial statements of Resource Conservation District of the Santa Monica Mountains include the accounts of all of the activities of the District. The District was formed as an independent special district to assist landowners in conserving natural resources and to educate the public about conservation issues. The District's board of directors is appointed by the Board of Supervisors of Los Angeles County in lieu of direct election.

The District encompasses 168,000 acres of land in Los Angeles and Ventura Counties and serves wildlands and developed areas located in the Santa Monica Mountains, Simi Hills and San Fernando Valley.

Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. *Governmental activities* are supported by taxes and intergovernmental revenues.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

Separate financial statements for governmental funds are presented after the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Currently, the District has two major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources. Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All "other revenue" items are considered to be measurable and available only when the District receives the cash. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District has two major governmental funds.

General Fund

The General Fund is the government's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Grants Fund

The Grants Special Revenue Fund is used to account for activities related to grants funded projects.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are recorded at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced liquidation sale.

Accounts Receivable

No allowance for doubtful accounts has been established since management believes that substantially all amounts are collectible.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, furniture and fixtures, equipment, and vehicles, are reported in the government-wide financial statements. The District defines capital assets as: assets that have an estimated useful life of two or more years and a cost of more than \$5,000, and all capital projects and contributed assets with a fair market value of \$5,000 or more on the date of contribution. Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at estimated acquisition value at the date of donation. The District does not possess any infrastructure.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Capital Assets (continued)

Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements	15 – 40 years
Equipment	5 – 7 years

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District may report pension related deferred outflows of resources on the statement of net position.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District may report pension related deferred inflows of resources on the statement of net position, and unavailable revenue on the balance sheet. Unavailable revenue in the governmental funds is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Accumulated vacation and sick pay are recorded as an expense and liability as the benefits are earned. Compensated absences are recorded as a liability of the District. While there is no cap on the accumulation of sick time, District policy states that no employee shall have over 240 hours of accumulated vacation time. Upon leaving the District's employment, the employee will be paid for all of his or her accumulated vacation time and half of his or her accumulated sick time. The amount due will be determined using salary and wage rates in effect at the time of leave.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Pension Plans

For the purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov.

Generally accepted accounting principles requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants, donations and property taxes. On an accrual basis, revenue from grants, donations and property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Property Taxes

Secured property taxes are levied in two equal installments, November 1st and February 1st. They become delinquent with penalties on December 10th and April 10th, respectively. The lien date is January 1st of each year. Unsecured property taxes are due on the March 1st lien date and become delinquent with penalties on August 31st. Los Angeles and Ventura Counties bill and collect the taxes for the District.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes. The District receives an allocated share of the property taxes levied in Los Angeles and Ventura Counties.

The District has chosen to participate in the Teeter Alternative Method of Tax Distribution. Under this method, the secured property tax allocation is 100% guaranteed, adjusted by current roll changes only. The other categories of property taxes are distributed as received including penalties.

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.

Fund Balance Policy

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in the general fund.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fund Balance Policy (continued)

The District Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed. It is also the District's policy to consider committed or assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Stewardship, Compliance and Accountability

Budgetary information

A budget is prepared on the modified accrual basis of accounting for the General Fund. A budget is not adopted for the Grants Fund. The Board must approve amendments or transfers of appropriations between budget line items. The budget is adjusted in January of each year, to reflect the current knowledge and circumstances, which were unavailable at the original adoption.

Note 2: Cash and Investments

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Cash and investments	<u>\$ 851,218</u>
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Cash and investments as of June 30, 2022 consisted of the following:

Deposits with financial institutions	\$ 288,380
Pooled investments	<u>562,838</u>
Total cash and investments	<u>\$ 851,218</u>

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 2: Cash and Investments (continued)

Investment in External Investment Pools

Los Angeles County Investment Pool

The District is a voluntary participant in the Los Angeles County Investment Pool that is regulated by the California Government Code under the oversight of the Treasurer of the County of Los Angeles. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by Los Angeles County for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by Los Angeles County, which are recorded on an amortized cost basis.

Investment Trust of California

The District voluntarily participates in the Investment Trust of California (CalTRUST), a Joint Powers Authority (JPA), established by public agencies in California for the purpose of pooling and investing local agency funds, operating reserves, and bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policymakers of the public agency members.

For the CalTRUST Short-Term, Medium-Term, and Long-Term Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. The District invests in the Medium-Term Accounts, with targeted investment durations from 1.5 to 3.5 years.

CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust and leveraging within the Trust's portfolios is prohibited. Separate CalTRUST financial statements are available from the Trustee on the Internet at www.caltrust.org.

Fair Value Measurement

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The District does not hold any investments that are subject to measurement under the fair value hierarchy.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 2: Cash and Investments (continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (and the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
Federal Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$75 million
Investment Trust of California (CalTRUST)	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

At June 30, 2022, the District does not hold investments that are highly sensitive to interest rate fluctuations.

Investment Type	Amount	Remaining Maturity	
		Less than 1 year	1 to 3 Years
Los Angeles County Investment Pool	\$ 10,251	\$ 10,251	\$ -
Investment Trust of California (CalTRUST)	552,587	-	552,587
Total	<u>\$ 562,838</u>	<u>\$ 10,251</u>	<u>\$ 552,587</u>

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 2: Cash and Investments (continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The carrying amounts of the District's demand deposits were \$288,380 at June 30, 2022. Bank balances at June 30, 2022, were \$394,220 which were fully insured or collateralized with securities held by the pledging financial institutions, but not in the District's name.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The market value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District may waive collateral requirements for cash deposits, which are fully insured by the Federal Deposit Insurance Corporation. The District, however, has not waived the collateralization requirements.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the minimum ratings required by, where applicable, the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Pooled investments	<u>\$ 562,838</u>	N/A	<u>\$ 562,838</u>
Total	<u><u>\$ 562,838</u></u>		<u><u>\$ 562,838</u></u>

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 3: Accounts Receivable

At June 30, 2022, the District's accounts receivable balance consisted of the following:

Grant related receivables	\$ 564,883
Retention receivable	86,443
Taxes receivable:	
Los Angeles County	13,089
Ventura County	<u>1,907</u>
Total	<u><u>\$ 666,322</u></u>

Note 4: Interfund Activity

The following represents the District's interfund activity for the fiscal year ended June 30, 2022.

Interfund Balances

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 339,084	Special Revenue Fund:	
		Grants Fund	<u>\$ 339,084</u>
	<u>\$ 339,084</u>		<u>\$ 339,084</u>

The loan from the General Fund to the Grants Special Revenue Fund are expected to be repaid shortly after the end of the year.

Interfund Transfers

	<u>Transfers In</u>
<u>Transfers Out:</u>	<u>General Fund</u>
Grants Special Revenue Fund	<u>\$ 58,850</u>

The Grants Special Revenue Fund transferred \$58,850 to the General Fund as part of closing out various grants.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 5: Capital Assets

Capital asset activity for year ended June 30, 2022 was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
<u>Cost</u>				
Improvements	\$ 3,564	\$ -	\$ -	\$ 3,564
Equipment	17,737	37,482	-	55,219
Total Cost	21,301	37,482	-	58,783
<u>Less accumulated depreciation for:</u>				
Improvements	(3,564)	-	-	(3,564)
Equipment	(10,908)	(3,724)	-	(14,632)
Total accumulated depreciation	(14,472)	(3,724)	-	(18,196)
Total Capital Assets, Net	<u>\$ 6,829</u>	<u>\$ 33,758</u>	<u>\$ -</u>	<u>\$ 40,587</u>

Depreciation expense was charged to governmental activities as follows:

General government	<u>\$ 3,724</u>
Total depreciation expense	<u>\$ 3,724</u>

Note 6: Compensated Absences

Changes in compensated absences during the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	<u>\$ 44,486</u>	<u>\$ 72,546</u>	<u>\$ (71,058)</u>	<u>\$ 45,974</u>

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District participates in two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan (continued)

General Information about the Pension Plan (continued)

The Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7 % @ 55	2 % @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-67+	52-67+
Monthly benefits, as		
a % of eligible compensation	2.0% to 2.7%	1.000% to 2.500%
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	10.34%	7.59%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2022 were \$69,501. The actual employer payments of \$63,899 made to CalPERS by the District during the measurement period ended June 30, 2021 differed from the District's proportionate share of the employer's contributions of \$44,054 by \$19,845, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan (continued)

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov

	Miscellaneous Plan
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Post Retirement Benefit Increase	Derived using CALPERS' membership data for all funds The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan (continued)

Net Pension Liability (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class¹	Assumed Asset Allocation	Real Return Years 1 - 10²	Real Return Years 11+³
Public equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)
Total	100%		

¹ In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

There were no changes of assumptions for measurement date June 30, 2021.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan (continued)

Net Pension Liability (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan (continued)

Proportionate Share of Net Pension Liability

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan's Total Pension Liability (a)	Plan's Fiduciary Net Position (b)	Plan's Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2020 (VD)	\$ 1,016,028	\$ 851,267	\$ 164,761
Balance at: 6/30/2021 (MD)	1,153,953	1,120,079	33,874
Net changes during 2020-21	<u>\$ 137,925</u>	<u>\$ 268,812</u>	<u>\$ (130,887)</u>

Valuation Date (VD), Measurement Date (MD).

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the miscellaneous Plan as of the June 30, 2020 and 2021 measurement dates was as follows:

Proportionate Share - June 30, 2020	0.00391%
Proportionate Share - June 30, 2021	<u>0.00178%</u>
Change - Increase (Decrease)	<u>(0.00213%)</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Net Pension Liability	<u>\$ 186,232</u>	<u>\$ 33,874</u>	<u>\$ (92,077)</u>

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan (continued)

Proportionate Share of Net Pension Liability (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Amortization of Deferred Outflows and Deferred Inflows of Resources (continued)

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2020), the District's net pension liability was \$164,761. For the measurement period ending June 30, 2021 (the measurement date), the District incurred a pension credit of \$45,747 for the Plan.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 7: Pension Plan (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

As of June 30, 2022, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,799	\$ -
Differences between Projected and Actual Investment Earnings	-	29,571
Differences between Employer's Contributions and Proportionate Share of Contributions	19,820	-
Change in Employer's Proportion	26,355	-
Pension Contributions Subsequent to Measurement Date	69,501	-
Total	<u>\$ 119,475</u>	<u>\$ 29,571</u>

These amounts above are net of outflows and inflow recognized in the 2020-21 measurement period expense. Contributions subsequent to the measurement date of \$69,501 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2023	\$ 15,998
2024	10,826
2025	1,752
2026	(8,173)
2027	-
Thereafter	-
	<u>\$ 20,403</u>

Payable to the Pension Plan

At June 30, 2022, the District did not report a payable to the pension plan required for the year ended June 30, 2022.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 8: Risk Management

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (the Authority). The Authority is a risk-pooling, self-insurance authority created under the provisions of California Government Code Section 6500 et. sec.

The Authority is governed by a board consisting of representatives from member agencies. The board controls the operations of the Authority including selection of CEO and approval of operating budgets. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Copies of the Authority's annual financial report may be obtained from their office at 1112 "I" Street, Suite 300, Sacramento, CA 95814. Copies are also available on the Member Plus Portal and mailed to members each year. At June 30, 2022 the District's participation in the self-insurance programs of the Authority was as follows:

Property loss: Insured up to replacement value with a \$1,000 deductible per occurrence for buildings, personal property and mobile equipment; the Authority is self-insured up to \$200,000 and has excess coverage in place through reinsurers for amounts exceeding the \$200,000. The risk pool has a \$1,000,000,000 limit.

Boiler and machinery coverage: Insured up to replacement value with a \$1,000 deductible per claim for sudden and accidental breakdown of fired and unfired pressure vessels, boilers, heating, air conditioning, machinery and equipment; the Authority is self-insured up to \$10,000 per occurrence and has purchased excess insurance coverage up to \$100,000,000 per occurrence.

General liability: Insured up to \$2,500,000 per occurrence (no aggregate) with a \$500 deductible per occurrence for property damage claims; the Authority is self-insured up to \$250,000 and excess insurance coverage has been purchased.

Employee and public officials' dishonesty coverage: Insured up to \$1,000,000 per occurrence.

Public officials and employee errors & omissions: Insured up to \$2,500,000 per occurrence.

Personal liability for board members: Insured up to \$500,000 per occurrence and in aggregate.

Vehicle physical damage: Insured for actual cash value at time of loss or actual cost to repair vehicle with a \$500 collision and a \$250 comprehensive deductible.

Workers' compensation: statutory. Premiums based on payroll and loss history.

Resource Conservation District of the Santa Monica Mountains

Notes to the Basic Financial Statements For the Year Ended June 30, 2022

Note 8: Risk Management (continued)

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the prior year.

Note 9: Operating Lease

The District entered into a non-cancelable operating lease agreement for office space on April 1, 2020. The lease is for sixty (60) months. Expenditures totaling \$43,584 were charged to operations during the year ended June 30, 2022 for rental payments.

Future minimum payments under non-cancelable operating lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2023	\$ 44,892
2024	<u>7,649</u>
Total	<u>\$ 52,541</u>

Note 10: Subsequent Events

There were no subsequent events that would materiality affect the results presented in these financial statements.

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Required Supplementary Information

Resource Conservation District of the Santa Monica Mountains**Required Supplementary Information
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2022**

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Contract and grants	\$ 182,500	\$ 202,500	\$ 195,384	\$ (7,116)
Property taxes	394,000	400,000	416,563	16,563
Investment earnings	100	100	87	(13)
Direct public support	5,000	5,000	6,472	1,472
Education program fees	3,000	3,500	9,467	5,967
Other revenue	100	27,330	1,697	(25,633)
Total revenues	<u>584,700</u>	<u>638,430</u>	<u>629,670</u>	<u>(8,760)</u>
EXPENDITURES				
General government	<u>573,055</u>	<u>613,425</u>	<u>607,073</u>	<u>6,352</u>
Total expenditures	<u>573,055</u>	<u>613,425</u>	<u>607,073</u>	<u>6,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,645</u>	<u>25,005</u>	<u>22,597</u>	<u>(2,408)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>11,000</u>	<u>25,000</u>	<u>58,850</u>	<u>33,850</u>
Net change in fund balance	645	5	81,447	31,442
Fund balance - beginning	<u>816,182</u>	<u>816,182</u>	<u>816,182</u>	<u>-</u>
Fund balance - ending	<u>\$ 816,827</u>	<u>\$ 816,187</u>	<u>\$ 897,629</u>	<u>\$ 31,442</u>

Note to Budgetary Comparison Schedule:

The District did not adopt a budget for the Grants Special Revenue Fund.

The grants and projects included in the Grants Special Revenue Fund each have their own budget, which is required by the funding agencies and maintained by the District throughout the life of the project.

Resource Conservation District of the Santa Monica Mountains

Schedule of the Proportionate Share of the District's Net Pension Liability and Related Ratios as of the Measurement Date Last 10 Years*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability ¹	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.00286%	\$ 70,619	\$ 448,078	15.76%	83.03%
6/30/2015	0.00093%	63,573	441,938	14.39%	87.11%
6/30/2016	0.00111%	96,195	406,397	23.67%	85.25%
6/30/2017	0.00123%	121,874	339,241	35.93%	82.98%
6/30/2018	0.00123%	118,637	343,422	34.55%	84.99%
6/30/2019	0.00139%	142,690	323,903	44.05%	83.54%
6/30/2020	0.00151%	164,761	469,786	35.07%	83.78%
6/30/2021	0.00063%	33,874	593,158	5.71%	97.06%

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Resource Conservation District of the Santa Monica Mountains

Required Supplementary Information Schedule of Plan Contributions Last 10 Years*

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014-15	\$ 44,354	\$ (44,354)	\$ -	\$ 441,938	10.04%
2015-16	31,293	(31,293)	-	406,397	7.70%
2016-17	28,622	(28,622)	-	339,241	8.44%
2017-18	29,740	(29,740)	-	343,422	8.66%
2018-19	33,035	(33,035)	-	323,903	10.20%
2019-20	47,962	(47,962)	-	469,786	10.21%
2020-21	63,899	(63,899)	-	593,158	10.77%
2021-22	69,501	(69,501)	-	637,583	10.90%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Notes to Schedule:

Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Supplementary Information

Resource Conservation District of the Santa Monica Mountains

Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance of the General Fund – Budget and Actual For the Year Ended June 30, 2022

	Final Budget	Actual	Variance With Final Budget
REVENUES			
Contract and grants	\$ 202,500	\$ 195,384	\$ (7,116)
Property taxes	400,000	416,563	16,563
Investment earnings	100	87	(13)
Direct public support	5,000	6,472	1,472
Education program fees	3,500	9,467	5,967
Other revenue	27,330	1,697	(25,633)
Total revenues	638,430	629,670	(8,760)
EXPENDITURES			
General government:			
Accounting	12,700	12,700	-
Advertsing	1,000	291	709
Dues and subscription	7,200	6,941	259
Insurance	7,000	7,255	(255)
Janitorial	3,120	2,891	229
Lease	43,585	43,584	1
Legal	2,000	1,174	826
Office supplies and expenses	28,500	34,235	(5,735)
Payroll	473,200	469,552	3,648
Postage and delivery	400	211	189
Printing and copying	100	832	(732)
Professional services	4,500	4,275	225
Repairs and maintenance	4,000	2,443	1,557
Telephone/internet	12,020	11,831	189
Travel and conventions	4,600	6,764	(2,164)
Utilities	1,650	1,788	(138)
Miscellaneous	7,850	306	7,544
Total expenditures	613,425	607,073	6,352
Excess (deficiency) of revenues over (under) expenditures	25,005	22,597	(2,408)
OTHER FINANCING SOURCES			
Transfers in	25,000	58,850	33,850
Net change in fund balance	5	81,447	31,442
Fund balance - beginning	816,182	816,182	-
Fund balance - ending	\$ 816,187	\$ 897,629	\$ 31,442

**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 Auditor's Report

To the Board of Directors
Resource Conservation District of the Santa Monica Mountains
Topanga, 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 Resource Conservation District of the Santa Monica Mountains (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 7, 2025.

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 District'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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, that we consider to be a significant deficiency.

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 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*.

The District's Response to Findings

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 Responses. 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 it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
April 7, 2025

Resource Conservation District of the Santa Monica Mountains

Schedule of Findings and Responses For the year ended June 30, 2022

Finding 2022-001: Lack of Supporting Documentation for Credit Card Transactions (significant deficiency)

Condition

During the audit testing of credit card transactions, the District was unable to provide receipts or appropriate documentation to support any of the credit card expenditures selected for testing.

Criteria

According to District's purchasing card policy, the entity is required to maintain and retain receipts or other appropriate documentation to support all credit card transactions. This documentation is essential for ensuring the validity and accuracy of expenses and for compliance with internal controls.

Cause

The District has not established adequate processes or controls to ensure that all credit card transactions are properly documented. This may be due to a lack of oversight, a breakdown in the document retention process, or insufficient training on proper documentation practices.

Effect

The inability to provide receipts or appropriate documentation for credit card transactions represents a significant deficiency in the District's internal control over financial reporting. This could result in the misstatement of expenses, non-compliance with financial reporting requirements, or the inability to verify the propriety of expenditures. Furthermore, it increases the risk of fraudulent activity going undetected.

Recommendation

It is recommended that the District strengthen its internal control processes to ensure that all credit card transactions are supported by valid receipts or other documentation. This could include implementing a more robust tracking system, providing training to staff on documentation requirements, and performing regular reconciliations to verify the completeness and accuracy of credit card records.

Management response:

During this period of growth, the RCDSMM was experiencing difficulties adjusting to the increased workload and thus had not implemented a system to track and file supporting documents for any credit transactions. Currently, RCDSMM has a better tracking system that includes prior requests for authorization to use credit cards, monthly reconciliations that require receipts for credit card transactions, and staff have been informed of digital locations to store all receipts and supporting documentation