



COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT
REPORT ON REVIEW OF
FINANCIAL STATEMENTS
For the Fiscal Year Ended
June 30, 2022
(With Comparative Amounts as of June 30, 2021)

NIGRO
& NIGRO^{PC}

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

For the Year Ended June 30, 2022

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Financial Section



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Coachella Valley Resource Conservation District
Indio, California

We have reviewed the accompanying financial statements of the governmental activities and general fund of Coachella Valley Resource Conservation District (District) as of and for the fiscal 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Change in Accounting Principle

As described in Notes 1 and 3 to the financial statements, as of July 1, 2021, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our report is not modified with respect to this matter.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund is to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our review 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which such partial information was derived.



Murrieta, California
December 28, 2022

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Statement of Net Position

June 30, 2022

(With comparative information as of June 30, 2021)

ASSETS	Governmental Activities	
	2022	Restated 2021
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,023,039	\$ 1,160,170
Accrued interest receivable	2,458	819
Property taxes receivable	5,913	6,013
Grant receivable	3,422	3,000
Other receivable	743	6,633
Lease receivable (Note 3)	45,990	63,514
Prepaid items	12,407	8,479
Total current assets	1,093,972	1,248,628
Non-current assets:		
Lease receivable (Note 3)	54,436	88,381
Capital assets – not being depreciated (Note 4)	220,189	220,189
Capital assets – being depreciated, net (Note 4)	389,633	415,036
Total non-current assets	664,258	723,606
Total assets	1,758,230	1,972,234
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	7,400	13,257
Customer deposits	6,646	8,175
Compensated absences (Note 5)	10,023	8,356
Total liabilities	24,069	29,788
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to leases (Note 3)	86,328	151,895
Total deferred inflows of resources	86,328	151,895
NET POSITION		
Investment in capital assets	609,822	635,225
Unrestricted	1,038,011	1,155,326
Total net position	\$ 1,647,833	\$ 1,790,551

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT*Statement of Activities**For the Year Ended June 30, 2022**(With comparative information for the year ended June 30, 2021)*

	Governmental Activities	
	2022	2021
EXPENSES:		
Resource conservation:		
Operations	\$ 256,383	\$ 231,376
Depreciation expense	25,403	25,403
Total expenses	281,786	256,779
PROGRAM REVENUES:		
Operating and capital grant funding	13,418	6,584
Total program revenues	13,418	6,584
Net program expense	(268,368)	(250,195)
NON-OPERATING REVENUES(EXPENSES):		
Property taxes	237,457	221,256
Rental income	67,673	66,610
Investment earnings	(4,480)	811
Desert Healthcare District MOU (Note 7)	(175,000)	-
Total general revenues	125,650	288,677
Change in net position	(142,718)	38,482
NET POSITION:		
Beginning of year	1,790,551	1,752,069
End of year	\$ 1,647,833	\$ 1,790,551

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT
Balance Sheet – Governmental Fund
June 30, 2022

	<u>General Fund</u>
<u>ASSETS</u>	
Assets:	
Cash and cash equivalents	\$ 1,023,039
Accrued interest receivable	2,458
Property taxes receivable	5,913
Grant receivable	3,422
Other receivable	743
Lease receivable	100,426
Prepaid items	<u>12,407</u>
Total assets	<u>\$ 1,148,408</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable and accrued expenses	\$ 7,400
Customer deposits	<u>6,646</u>
Total liabilities	<u>14,046</u>
Deferred inflows of resources	
Deferred inflows of resources	<u>86,328</u>
Total liabilities	<u>86,328</u>
Fund balance: (Note 6)	
Nonspendable	12,407
Unassigned	<u>1,035,627</u>
Total fund balance	<u>1,048,034</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,148,408</u>

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

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

Fund balance of governmental fund	<u>\$ 1,048,034</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet. However, the statement of net position includes those assets as capital assets.	609,822
In the governmental funds, only current liabilities are reported. In the statement of net position, all compensated absences are reported.	<u>(10,023)</u>
Total adjustments	<u>599,799</u>
Net position of governmental activities	<u><u>\$ 1,647,833</u></u>

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
For the Year Ended June 30, 2022*

	General Fund
REVENUES:	
Property taxes	\$ 237,457
Operating and capital grant funding	13,418
Rental income	67,673
Investment earnings	(4,480)
Total revenues	<u>314,068</u>
EXPENDITURES:	
Current operations:	
Salaries and wages	143,295
Employee benefits	24,049
Materials and services	87,372
Desert Healthcare District MOU (Note 7)	175,000
Total expenditures	<u>429,716</u>
Change in fund balance	(115,648)
FUND BALANCE:	
Beginning of year	<u>1,163,682</u>
End of year	<u>\$ 1,048,034</u>

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

*Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities*

For the Year Ended June 30, 2022

Net change in fund balance of governmental fund \$ (115,648)

Amount reported for governmental activities in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:

Net change in compensated absences (1,667)

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 outlay -
Depreciation expense (25,403)

Total adjustments (27,070)

Change in net position of governmental activities \$ (142,718)

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Coachella Valley Resource Conservation District (District) was formed in accordance with the provisions of Division No. 9 of the Public Resource Code, as approved by the Governor of California on July 1, 1955, for the purpose of promoting proper land use and providing technical assistance to local landowners. The District was formed by an election on November 27, 1956. The District is governed by a 5-member Board of Directors. Board members are nominated by local landowners and appointed by the Riverside County Board of Supervisors. The District is an independent local agency and not governed, administered or managed by county government. The District's Board of Directors represent the local community and is responsible to assess local conservation issues and to develop programs to address those issues.

The District is provided office working space in the United States Department of Agriculture (USDA) Natural Resource Conservation Service (NRCS) Indio Service Center building in the City of Indio, California.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities.

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.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements, if any.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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 government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. The District reports the following major fund:

Governmental Fund:

General Fund – is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

3. 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. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount.

2. Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

3. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investment, short-term leases, de minimis leases, and leases that transfer ownership of the underlying asset. As lessor, the leased right-to-use asset underlying the lease is not recognized. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

4. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment and furniture and fixtures. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Description	Estimated Lives
Buildings and Improvements	5-20 years
Equipment	5-7 years
Vehicles	5 years

5. Compensated Absences

The District's policy is to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

6. Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising assessments and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

7. Net Position

Net position is classified into two components: investment in capital assets and unrestricted. These classifications are defined as follows:

Investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

8. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Riverside Assessor's Office assesses all real and personal property within the County each year.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The County of Riverside Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

F. New Pronouncements - Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2022, the District has implemented a new pronouncement as follows:

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed its effective date by 18 months due to the COVID-19 pandemic and its effect on the audit/accounting industry. The District adopted the Statement as of July 1, 2021. See Note 3 for the effect of this Statement.

G. Budgetary Accounting

An annual unappropriated budget, which establishes the total spending authority for the General Fund, is adopted by the Board of Directors just prior to the beginning of the District's fiscal year. Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year. Expenditures cannot legally exceed appropriations at the fund level. Appropriations for the General Fund lapse at the end of the fiscal year. The Board of Directors may authorize amendments to the budget during the year as deemed necessary. Budgeted amounts were not amended for the fiscal year ended June 30, 2022.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2022, consisted of the following:

<u>Description</u>	<u>Balance</u>
Demand deposits held with financial institutions	\$ 203,046
Local Agency Investment Fund (LAIF)	819,993
Total cash and cash equivalents	<u>\$ 1,023,039</u>

Demand Deposits

At June 30, 2022, the carrying amount of the District's demand deposits was \$203,046 and the financial institution balance was \$203,046. There was no difference representing outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured upto \$250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2022, the District held \$819,993 in LAIF.

NOTE 3 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District's lease receivable is as follows:

Description	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Rental property No. 1	\$ 43,507	\$ -	\$ (34,098)	\$ 9,409
Rental property No. 2	108,388	-	(17,371)	91,017
	<u>151,895</u>	<u>-</u>	<u>(51,469)</u>	<u>100,426</u>

The District is reporting a total lease receivable of \$100,426 and a total related deferred inflows of resources of \$86,328 for the year ending June 30, 2022. Also, the District is reporting total lease revenue of \$63,514 and interest revenue of \$2,459 related to lease payments received.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered "volatile leases." Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 3 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES - LEASES (continued)

The Included Leases are summarized as follows:

Rental Property No. 1

The District, on September, 1, 2017, signed a 60 month lease as lessor for the use of commercial property. An initial lease receivable was recorded in the amount of \$43,507. As of June 30, 2022, the value of the lease receivable was \$9,409. The lease is required to make monthly fixed payments of \$3,147. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2% to discount the lease revenue to the net present value. The value of the deferred inflow of resource was \$6,215 as of June 30, 2022. The District recognized lease revenue of \$37,230 and interest revenue of \$530 during the fiscal year. Only the initial lease period has been recognized as lessee did not exercise option to renew lease for an additional term.

Rental Property No. 2

The District, on May, 1, 2020, signed a 60 month lease as lessor for the use of commercial property. An initial lease receivable was recorded in the amount of \$108,388. As of June 30, 2022, the value of the lease receivable was \$91,017. The lease is required to make monthly fixed payments of \$2,339 for the first 12 months, then increasing 3.0% per year. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2% to discount the lease revenue to the net present value. The value of the deferred inflow of resource was \$80,113 as of June 30, 2022. The District recognized lease revenue of \$26,284 and interest revenue of \$1,929 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of the original lease period. Since this is considered a volatile lease only the initial lease period has been recognized.

Minimum future lease receipts for the next three fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 45,990	\$ 2,007	\$ 47,997
2024	29,106	824	29,930
2025	25,330	233	25,563
Total	100,426	\$ 3,064	\$ 103,490
Current	(45,990)		
Long-term	\$ 54,436		

Changes in the District's deferred inflows of resources related to leases is as follows:

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Rental property No. 1	\$ 43,507	\$ -	\$ (37,292)	\$ 6,215
Rental property No. 2	108,388	-	(28,275)	80,113
	<u>\$ 151,895</u>	<u>\$ -</u>	<u>\$ (65,567)</u>	<u>\$ 86,328</u>

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 3 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

The amounts reported as deferred inflows of resources related to the leases for the year ended June 30, 2022, will be amortized in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred Inflows</u> <u>of Resources</u>
2023	\$ 34,490
2024	28,275
2025	23,563
Total	<u>\$ 86,328</u>

NOTE 4 – CAPITAL ASSETS

Capital assets as of the end of the fiscal year consisted of the following:

<u>Description</u>	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions /</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
Non-depreciable assets:				
Land	\$ 208,939	\$ -	\$ -	\$ 208,939
Construction-in-progress	11,250	-	-	11,250
Total non-depreciable assets	<u>220,189</u>	<u>-</u>	<u>-</u>	<u>220,189</u>
Depreciable assets:				
Buildings	487,524	-	-	487,524
Building improvements	30,851	-	-	30,851
Vehicles	35,478	-	-	35,478
Total depreciable assets	<u>553,853</u>	<u>-</u>	<u>-</u>	<u>553,853</u>
Accumulated depreciation:				
Buildings	(115,111)	(16,251)	-	(131,362)
Building improvements	(4,784)	(2,056)	-	(6,840)
Vehicles	(18,922)	(7,096)	-	(26,018)
Total accumulated depreciation	<u>(138,817)</u>	<u>(25,403)</u>	<u>-</u>	<u>(164,220)</u>
Total depreciable assets, net	<u>415,036</u>	<u>(25,403)</u>	<u>-</u>	<u>389,633</u>
Total capital assets, net	<u>\$ 635,225</u>	<u>\$ (25,403)</u>	<u>\$ -</u>	<u>\$ 609,822</u>

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 5 – COMPENSATED ABSENCES

Compensated absences as of the end of the fiscal year consisted of the following:

<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
\$ 8,356	\$ 10,217	\$ (8,550)	\$ 10,023

NOTE 6 – FUND BALANCES

Fund balances as of the end of the fiscal year consisted of the following:

<u>Description</u>	<u>Balance</u>
Nonspendable:	
Prepaid items	\$ 12,407
Unassigned	<u>1,035,627</u>
Total fund balances	<u>\$ 1,048,034</u>

NOTE 7 – DESERT HEATHCARE DISTRICT MOU

The District entered into a Memorandum of Understanding (MOU) with the Desert Healthcare District (DHD) to invest \$175,000 for the purchase, retrofit, and operation of a mobile medical unit to provide healthcare to the underserved population in the Coachella Valley with an emphasis on agricultural workers in response to the COVID-19 pandemic and future healthcare demands within the District and DHD service area boundaries.

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE 8 – RISK MANAGEMENT (continued)

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials' personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2022, 2021, and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021, and 2020.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 28, 2022, the date which the financial statements were available to be issued.

Required Supplementary Information

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT*Budgetary Comparison Schedule – General Fund**For the Year Ended June 30, 2022*

	Adopted Original Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	\$ 216,300	\$ 237,457	\$ 21,157
Operating and capital grant funding	34,000	13,418	(20,582)
Rental income	66,300	67,673	1,373
Investment earnings	2,900	(4,480)	(7,380)
Total revenues	<u>319,500</u>	<u>314,068</u>	<u>(5,432)</u>
EXPENDITURES:			
Current operations:			
Salaries and wages	139,800	143,295	(3,495)
Employee benefits	23,800	24,049	(249)
Materials and services	174,800	87,372	87,428
Other Expenditures	-	175,000	(175,000)
Capital outlay	53,000	-	53,000
Total expenditures	<u>391,400</u>	<u>429,716</u>	<u>(38,316)</u>
Change in fund balance	<u>\$ (71,900)</u>	<u>(115,648)</u>	<u>\$ (43,748)</u>
FUND BALANCE:			
Beginning of year		<u>1,163,682</u>	
End of year		<u>\$ 1,048,034</u>	

COACHELLA VALLEY RESOURCE CONSERVATION DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Other Independent Auditors' Reports



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Coachella Valley Resource Conservation District
Indio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Coachella Valley Resource Conservation District (District) as of and for the fiscal 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 December 28, 2022.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Compliance and Other Matters

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

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.



Murrieta, California
December 28, 2022