

**EAST STANISLAUS RESOURCE  
CONSERVATION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT**

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Craig R. Fechter, CPA  
Scott A. German, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Of East Stanislaus Resource Conservation District  
Modesto, California

We have audited the accompanying financial statements of the governmental activities, the major fund and the fiduciary fund of the East Stanislaus Resource Conservation District (District) as of and for the fiscal year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

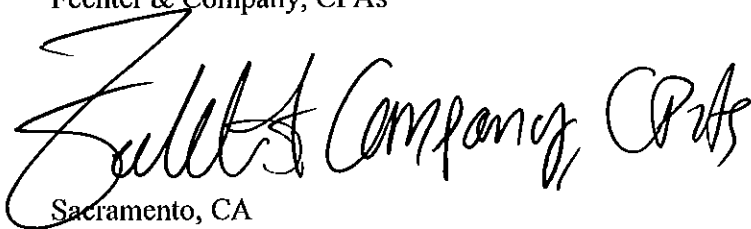
As discussed in Note 2, the East Stanislaus Resource Conservation District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and each major fund of the East Stanislaus Resource Conservation District as of June 30, 2011, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 2.

To the Board of Directors  
Of East Stanislaus Resource Conservation District  
Modesto, California

The East Stanislaus Resource Conservation District has not presented a Management's Discussion and Analysis (MD&A) required by the Governmental Accounting Standards Board that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Fechter & Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style with a large initial 'F'.

Sacramento, CA  
April 7, 2012

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

**ASSETS**

Cash and investments	\$ 407,382
Capital assets, net	<u>122,942</u>
Total Assets	<u>530,324</u>

**LIABILITIES**

Payroll liabilities	<u>400</u>
Total liabilities	<u>400</u>

**NET ASSETS**

Invested in capital assets, net of related debt	122,942
Restricted	222,294
Unrestricted	<u>184,688</u>
Total Net Assets	<u>\$ 529,924</u>

The accompanying notes are an integral part of these financial statements

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
General Government	\$ 169,120	\$ -	\$ 184,861	\$ -	\$ 15,741
<b>Total Governmental Activities</b>	<b>\$ 169,120</b>	<b>\$ -</b>	<b>\$ 184,861</b>	<b>\$ -</b>	<b>15,741</b>

General Revenues

Secured and unsecured property taxes	2,949
Use of money and property	707
Other	10,785
<b>Total general revenues</b>	<b>14,441</b>
Change in net assets	30,182
Net assets at beginning of fiscal year	499,742
Net assets at end of fiscal year	<b>\$ 529,924</b>

The accompanying notes are an integral part of these financial statements

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
BALANCE SHEET  
June 30, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 407,382
Total Assets	<u>\$ 407,382</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Payroll liabilities	\$ 400
Total Liabilities	<u>400</u>
<b>FUND BALANCES</b>	
Fund Balances	
Reserved	222,294
Unreserved, undesignated	<u>184,688</u>
Total Fund Balances	<u>406,982</u>
Total liabilities and fund balances	<u>\$ 407,382</u>

The accompanying notes are an integral part of these financial statements

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2011**

Total fund balances - governmental funds	\$	406,982
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In governmental funds, only current assets are reported.  
In the statement of net assets, all assets are reported,  
including capital assets and accumulated depreciation.

Capital assets at historical cost	122,942		
Accumulated depreciation			
Net			122,942

The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Fund Balance Sheet.

Compensated absences payable	-
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Net assets of governmental activities	\$	529,924
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The accompanying notes are an integral part of these financial statements



**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2011**

	General Fund
<b>Revenues:</b>	
Taxes and assessments	\$ 2,949
Intergovernmental revenues	184,861
Charges for services	-
Use of money and property	707
Other revenues	10,785
 Total revenues	 199,302
<b>Expenditures:</b>	
Current	
Salaries and benefits	143,036
Services and supplies	26,084
Capital outlay	-
 Total expenditures	 169,120
 Excess of revenues over (under) expenditures	 30,182
 Fund balances - July 1, 2010	 376,800
 Fund balances - June 30, 2011	 \$ 406,982

The accompanying notes are an integral part of these financial statements

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$	30,182
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances		-
Depreciation expense not reported in governmental funds		-
		-

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences		-
		-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>30,182</u>
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**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ 2,949	\$ 2,949
Intergovernmental revenues	-	-	184,861	184,861
Charges for services	-	-	-	-
Use of money and property	-	-	707	707
Other revenues	-	-	10,785	10,785
	<u>-</u>	<u>-</u>	<u>199,302</u>	<u>199,302</u>
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>199,302</u>	<u>199,302</u>
<b>Expenditures:</b>				
Current				
Salaries and benefits	-	-	143,036	(143,036)
Services and supplies	-	-	26,084	(26,084)
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>169,120</u>	<u>(169,120)</u>
<b>Excess of revenues over (under) expenditures</b>	-	-	30,182	368,422
<b>Fund balances - July 1, 2010</b>			<u>376,800</u>	
<b>Fund balances - June 30, 2011</b>			<u>\$ 406,982</u>	

The accompanying notes are an integral part of these financial statements

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 1: Description of Entity

The East Stanislaus Resource Conservation District (District) was formed in May, 1996 from the consolidation of the Salida Resource Conservation District, the S.T. & J. Resource Conservation District, portions of the La Paloma Resource Conservation district and the Ballico Resource Conservation District. The District uses their resources to test farmer's land who reside within the District for possible pollutants entering the water table and for riparian restoration along the Tuolumne River in conjunction with the Friends of the Tuolumne and the Tuolumne River Preservation Trust.

Revenues to finance the District's operations is derived from the county tax rolls and grants from various federal and state agencies.

Note 2: Summary of Significant Accounting Policies

The financial statements of the East Stanislaus Resource Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit within the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, there are no component units included in the reporting entity.

**B. Basis of Presentation**

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the District. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 2: Summary of Significant Accounting Policies – (Continued)

**B. Basis of Presentation** – (Continued)

clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** Separate financial statements are presented for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

**C. Major Funds**

GASB Statement No. 34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The District reported the following major governmental fund in the accompanying financial statements:

General Fund

The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

**D. Basis of Accounting**

The government-wide financial statements are reported using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than earned and certain expenditures are recognized when paid rather than when the obligation is incurred. Such variances are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of equipment and related depreciation and long-term debt.

Government funds are reported using the modified cash basis of accounting. However, in the governmental funds general capital assets are reported as expenditures and proceeds of general long-term debt (if any) and capital leases are reported as other financing sources.

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

Note 2: Summary of Significant Accounting Policies – (Continued)

**D. Basis of Accounting** – (Continued)

*Non-exchange transactions*, in which the District gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the District funds certain programs through a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The District's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**E. Budgets**

The District established the fiscal year as the twelve months period beginning July 1. A budget of estimated expenditures and revenues for the General Fund for the ensuing fiscal year is submitted by the Executive Director and approved by the Board of Trustees. All annual appropriations lapse at the end of each fiscal year.

**F. Estimates**

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

**G. Capital Assets**

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$500. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which are 5 years for furniture, fixtures and field equipment and 3 years for computer and office equipment.

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Note 2: Summary of Significant Accounting Policies – (Continued)

H. **Net Assets and Fund Balances** – (Continued)

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding

debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets - This amount represents net assets restricted by parties outside of the District.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

Fund Financial Statements

Fund Equity – Reservations of fund balance of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

I. **Compensated Absences**

Sick leave is accumulated for full time regular employees at the rate of 10 days per year. Sick leave for part time employees is pro rated on a 40 hour work week. The accumulation of sick leave is unlimited but does not vest. Vacation time is based on years of employment, ranging from 10 days per year for employees with 0-4 years of service to 15 days for employees with more than 4 years with the District.

J. **Property Taxes**

All property taxes are collected and allocated by the County of Stanislaus to various taxing entities. Property taxes are determined annually as of January 1 and attach an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The District participates in the County of Stanislaus’ “Teeter Plan” method of property tax distribution and thus receives 100% of the District’s apportionment each fiscal year, eliminating the need for an allowance for uncollectible accounts. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessment, not

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Note 2: Summary of Significant Accounting Policies – (Continued)

J. **Property Taxes**– (Continued)

on collections, according to the following schedule: 55% in December, 40% in April, and 5% at the end of the fiscal year. Property tax is recognized when it is available and measurable.

Note 3: Cash & Investments

At June 30, 2011, deposits and investments were reported in the accompanying financial statements as follows:

	Cash and Investments	Cash and Investments in Stanislaus County Treasury	Total
General Fund	\$ 380,658	\$ 26,724	\$ 380,658
	\$ 380,658	\$ 26,724	\$ 380,658

Deposits

The cash on deposit with banks is insured to the first \$250,000 by the Federal Deposit Insurance Corporation. The California Government Code requires California banks and savings and loan associations to secure the District's deposits, in excess of insured amounts by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

Cash is classified in three categories of credit risk as follows:

- Category 1 - Deposits which are insured or collateralized with securities held by the District or the District's agent in the District's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Deposits which are uncollateralized, or collateralized but the pledged securities are not held in the District's name.

The carrying amount of the District's deposits represents the bank balances adjusted for



**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

Note 3: Cash & Investments – (Continued)

outstanding checks and deposits in transit. The District's deposits by category as of June 30, 2011 are as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Cash & deposits:					
Bank Accounts	\$ 380,658	\$ N/A	\$ N/A	\$ 380,658	\$ 380,658
	<u>\$ 380,658</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 380,658</u>	<u>\$ 380,658</u>

The District maintains \$100 in an imprest account.

**Investments**

The District has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB Statement No. 31 established fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values. Accordingly, the District reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement. Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below, as required by GASB Statement No. 3:

Category 1 - Insured or registered, or securities held by the District or its agent in the District's name;

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name; and

Category 3 - Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the District's name.

\* Investments in pools managed by other governments in mutual funds are not required to be categorized.

The District's investments by category as of June 30, 2011, are as follows:

	Category			Carrying Amount/ Fair Value
	1	2	3	
*Cash & Investments with the County of Stanislaus	\$ N/A	\$ N/A	\$ N/A	\$ 26,724

**EAST STANISLAUS RESOURCE CONSERVATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 4: Capital Assets**

**Governmental Activities**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 122,942	\$ -	\$ -	\$ 122,942

**Note 5: Contingencies**

The District receives a number of grants from federal and state sources. Each of these grants is subject to audit by the grantor agency. An audit could result in the disallowance of costs which would result in an amount due to the grantor agency.

**Note 6: Prior Period Adjustment**

A prior period adjustment was recorded to bring prior year statements in agreement to the current modified cash basis as presented.

**Note 7: Reserved Fund Balance**

The District has total restricted net assets of \$222,294. The following are the reasons for the restrictions:

Todd Property Maintenance – The District has total restrictions on assets of \$58,000. Earnings on the endowment are to be utilized for maintenance of the property.

V.A. Rodden – The District has total restrictions on assets of \$67,000. Earnings on the endowment are to be utilized for maintenance of this property only.

San Francisco Federal energy Regulatory Commission – The District has total restrictions on assets of \$97,294. The City and County of San Francisco (City), the Friends of the Tuolumne (FOTT) and the Tuolumne River Preservation Trust (TRPT) are participants in the Federal Energy Regulatory Commission Settlement Agreement Article 19 for the New Don Pedro Project on the Tuolumne River. The terms of this agreement call for the City to provide funds to an appropriate public agency to administer these funds on behalf of FOTT and TRPT for riparian improvement measurers, recreational facilities, for acquisition of other funds, or as otherwise described in the Settlement agreement. The agreement shall continue in effect for a period of ten years, until the funds have been expended, or upon termination by either Party. The District has agreed to act as the public agency to administer these funds. As projects are undertaken and expenditures regarding these projects are made by the District to the appropriate agencies a corresponding amount will be recognized as revenues at that time.