

HUMBOLDT COUNTY RESOURCE

CONSERVATION DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

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Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

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Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

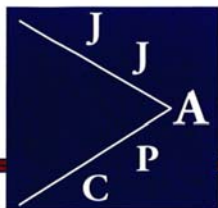
Appointed Officials and Administrative Personnel

BOARD OF DIRECTORS

Ryan Rice – Chairman
Lane Russ – Vice Chairman
Mark Moore – Secretary/Treasurer
Dan Cohoon – Director-at-Large
Zach Cahill – Director-at-Large
Christine Manhart – Director-at-Large

MANAGEMENT

Jill Demers – Executive Director
Curtis Ihle – Program Manager



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Humboldt County Resource Conservation District
Eureka, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Humboldt County Resource Conservation District (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 present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

The District's 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 statement 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 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, 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 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 on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 June 7, 2023 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 District's internal control over financial reporting and compliance.

June 7, 2023

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA

Humboldt County Resource Conservation District

Basic Financial Statements

For the year ended June 30, 2022

Management's Discussion and Analysis

The Management's Discussion and Analysis section represents Humboldt County Resource Conservation District's basic financial statements and provides management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2022. The management's discussion and analysis focus on current activities, resulting change and current known facts; therefore, it should be read in context with the District's basic financial statements (pages 12-14) and footnotes (pages 15-31).

Financial Highlights

- During the fiscal year ended June 30, 2022, the District earned \$2,652,566 under cost-reimbursement contracts for restoration projects, an increase of \$1,366,127 over the previous year.
- The net assets of the District increased by \$845,873, primarily due receipt of COVID Relief for Special Districts funds.

Using This Report

In December 1998, the Governmental Accounting Standards Board (GASB) released statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised the reporting of property tax revenue. In June 1999, GASB released statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Changes in statement No. 34 require a comprehensive one-line look at the entity as a whole and capitalization of assets and depreciation for agencies not reporting on the accrual basis of accounting. Since the District has historically reported all activities in enterprise funds in a manner similar to business activities and followed the accrual basis of accounting, the District merely has been required to reclassify certain balances to utilize the new statement No. 34 terminology. There were no major reconciling items necessary or elimination of balances due to the implementation of statement No. 34.

The annual financial statements include the Independent Auditors' Report, this management's discussion and analysis, the basic financial statements, and notes to the basic financial statements.

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Management's Discussion and Analysis

Financial Analysis of the District as a Whole

	Net Position As of June 30, 2022 and 2021		Increase (Decrease)	Percent Change
	2022	2021		
Assets:				
Current assets	\$ 1,405,687	\$ 301,038	\$ 1,104,649	366.9%
Total assets	<u>1,405,687</u>	<u>301,038</u>	<u>1,104,649</u>	<u>366.9%</u>
Liabilities:				
Current liabilities	533,781	275,005	258,776	94.1%
Total liabilities	<u>533,781</u>	<u>275,005</u>	<u>258,776</u>	<u>94.1%</u>
Net position:				
Unrestricted	871,906	26,033	845,873	3249.2%
Total net position	<u>\$ 871,906</u>	<u>\$ 26,033</u>	<u>\$ 845,873</u>	<u>52.8%</u>

This schedule represents the District's Statement of Net Position (page 11), presented on an accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Operating revenues in the Statement of Activities are revenues generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those essential expenses related to the primary operations of the District. All other expenses are reported as non-operating expenses.

Net position may serve over time as a useful indicator of the financial position of the District. The assets of the District exceeded the liabilities by \$871,906 at the end of the most recent fiscal year.

The District's assets are comprised of cash receivables of \$396,081; revenue and retention receivables of \$318,976; and intergovernmental receivables of \$690,630. The increase in assets is a result of a increase in cash of \$250,270, an increase in revenue and retention receivable of \$160,749, and an increase in intergovernmental receivables of \$690,630.

The District's liabilities are primarily comprised of payables to its contractors as a current accounts payable and are 90.7% of the total liabilities. The accounts payable of \$224,722 increased by \$75,429, or 50.5%. Payroll and payroll benefits payable decreased by 61.8% to \$23,176 and line of credit payable decreased from \$65,000 to \$0.

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Management's Discussion and Analysis

Financial Analysis of the District as a Whole, Continued

Operating results are summarized as follows:

Operating Results
For the years ended June 30, 2022 and 2021

	2022	2021	Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	\$ 140,152	\$ 110,922	\$ 29,230
Operating grants and contributions	2,466,144	1,140,081	1,326,063
General Revenue			
Other income	46,270	35,436	10,834
Total Revenues	2,652,566	1,286,439	1,366,127
Expenses			
General government	43,276	144,729	(101,453)
Resource conservation	1,763,417	1,149,751	613,666
Total Expenses	1,806,693	1,294,480	512,213
Increase (Decrease) in Net Position	845,873	(8,041)	853,914
Net position:			
Beginning of year	26,033	34,074	(8,041)
End of year	\$ 871,906	\$ 26,033	\$ 845,873

The Statement of Net Position shows the change in financial position of net position, with operating results reflected in the Statement of Revenues, Expenses, and Changes in Net Position. This statement provides information pertaining to the change in financial position of net position.

The District's revenues predominately derive from a number of state and federal reimbursement-based contracts. The revenue earned under these contracts increased by \$1,326,063, or 116.3%. Overall, revenues increased by 106.2% over the previous year.

The significant expenditures of the District are comprised of consultants and contractors and direct project costs and total \$1,353,599, or 74.9% of the total expenditures, increasing from the previous year by \$467,801, or nearly 52.8%. Payroll and related expenditures total \$312,385 and is 17.3% of the total expenditures, decreasing by \$11,943, or by 3.7%.

The increase in net position of \$845,873 is primarily due to intergovernmental revenue exceeding expenditures in the general fund.

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Management's Discussion and Analysis

Financial Analysis of the District as a Whole, Continued

<u>FY 2021-2022</u>			<u>FY 2020-2021</u>		<u>Increase (Decrease)</u>
\$ 140,152	5.3%	Charges for services	\$ 110,922	4.2%	\$ 29,230
2,466,144	93.0%	Operating grants and contributions	1,140,081	43.0%	1,326,063
46,270	1.7%	Miscellaneous revenue	35,436	1.3%	10,834
<u>\$ 2,652,566</u>	<u>100.0%</u>	Totals	<u>\$ 1,286,439</u>	<u>48.0%</u>	<u>\$ 1,366,127</u>

The increase in total revenues for the year is attributable to COVID Relief for Special Districts revenue of \$853,252 in the General Fund and increased revenues generated from grants supporting forest health and wildfire resiliency activities related to California Department of Forestry and Fire Protection (CAL FIRE) grant agreements.

Operating expenses increased overall by \$512,213 as detailed below:

	Operating Expenses			
	For the years ended June 30, 2022 and 2021			
	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses:				
General government	\$ 43,276	\$ 144,729	\$ (101,453)	(70.1)%
Resource conservation	1,763,417	1,149,751	613,666	53.4%
Total	<u>\$ 1,806,693</u>	<u>\$ 1,294,480</u>	<u>\$ 512,213</u>	<u>39.6%</u>

Total expenses increased overall compared to the prior year, primarily due an increase in forest health and wildfire resilience activities and associated expenses.

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Management's Discussion and Analysis

Economic Factors and Potential Future Results

The District works in voluntary cooperation with landowners, residents, and community groups to implement restoration and conservation projects and has a long-standing and cooperative partnership with the United States Department of Agriculture's Natural Resource Conservation Service (NRCS). The District provides general coordination and technical assistance for project planning, development, and funding; administrative and technical oversight of project implementation; and overall contract management for contracts with a range of partner projects. The District's work is funded by securing state, federal, and local grants and contracts through a competitive application process and through a limited number of fee-for-service contracts. The District anticipates an increase in program funding in future years due to legislative focus at both the state and federal level on initiatives to address catastrophic wildfires and to mitigate the impacts of a changing climate on natural resources, agriculture, and communities.

The District completed strategic activities to address priorities and program activities defined its Long-Range Plan. Despite the recent determination by the District Board of Directors that Salt River Ecosystem Restoration Project (SRERP) is unable to move forward with implementation of the final mile of creek restoration due to unwilling landowner; maintenance of the SRERP and continued engagement in the Salt River and other watershed in the region remains a priority of the District's. The District also strives to support landowners and agriculture to ensure viable agricultural operations and protect natural resources by providing technical assistance and conservation planning support for producers. Due to the District's growing participation in the North Coast Soil Health Hub, long-term relationship with NRCS, and the upcoming opportunities to apply for and receive grant funding to support the planning and implementation of practices that promote water conservation, soil health, sequester carbon, and improve production on agricultural lands, the District anticipates growing its Agricultural Enhancement Program and increase program delivery. Finally, the District continues to grow partnerships and advance projects to improve forest health and fire resiliency by closely partnering and coordinating with CAL FIRE Humboldt-Del Norte Unit (HUU), formalizing its role as a member of Humboldt County Fire Safe Council, and administering several CAL FIRE Forest Health grants and a CAL FIRE Fire Prevention grant to advance project planning and implementation throughout Humboldt County. The District anticipates increasing delivery of forest health and fuel reduction programs as grant funding becomes more widely available and the District's relationships with partners and the communities and landowners located in high and very high fire severity zones deepen.

Contacting the District

This financial report is designed to provide our customers and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and to which it is allocated through funding from grants and pass-through fees. If you have questions about this report, contact:

Humboldt County Resource Conservation District
5630 South Broadway
Eureka, CA 95503
Phone (707) 442-6058 x 5
Jill Demers, Executive Director

BASIC FINANCIAL STATEMENTS

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Humboldt County Resource Conservation District
Statement of Net Position
June 30, 2022

ASSETS	Governmental Activities
Current assets:	
Cash and investments	\$ 396,081
Receivables:	
Revenue receivable	212,799
Retention receivable	106,177
Intergovernmental receivable	690,630
Total assets	<u>1,405,687</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	224,722
Payroll and payroll benefits payable	23,176
Line of credit payable	-
Total liabilities	<u>533,781</u>
 NET POSITION	
Unrestricted	<u>871,906</u>
Total net position	<u>871,906</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,405,687</u>

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

Humboldt County Resource Conservation District

Statement of Activities

For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Changes in Net Position
				Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 43,276	\$ 6,148	\$ 853,252	\$ 816,124
Resource conservation programs	1,763,417	134,004	1,612,892	(16,521)
Total governmental activities	\$ 1,806,693	\$ 140,152	\$ 2,466,144	\$ 799,603
General revenues:				
Investment earnings				7,729
Miscellaneous revenues				38,541
Total general revenues				46,270
Change in net position				845,873
Net position:				
Beginning of year				26,033
End of year				\$ 871,906

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

Humboldt County Resource Conservation District
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Nonmajor Governmental Funds	Totals
ASSETS			
Cash and investments	396,081	\$ -	\$ 396,081
Receivables:			
Accounts receivable	212,799	-	212,799
Retention receivable	106,177	-	106,177
Intergovernmental receivable	690,630	-	690,630
Due from other funds	-	-	-
Total assets	\$ 1,405,687	\$ -	\$ 1,405,687
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	224,722	\$ -	\$ 224,722
Payroll and benefits payable	23,176	-	23,176
Unearned revenue	285,883	-	285,883
Total liabilities	533,781	-	533,781
Fund balances:			
Assigned	-	-	-
Unassigned (deficit)	871,906	-	871,906
Total fund balances	871,906	-	871,906
Total liabilities and fund balances	\$ 1,405,687	\$ -	\$ 1,405,687

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

Humboldt County Resource Conservation District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total fund balances - governmental funds \$ 871,906

Amounts reported for governmental activities in the Statement of Net Position are different because:

Contract and grant receivables not received within sixty days are not available to pay current period expenditures and, therefore, are deferred in the funds.

-

Net position of governmental activities \$ 871,906

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

Humboldt County Resource Conservation District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022

	General Fund	Nonmajor Governmental Funds	Totals
REVENUES:			
Intergovernmental	\$ 853,252	\$ 1,609,757	\$ 2,463,009
Investment earnings	524	7,205	7,729
Contributions	-	-	-
Fee for service	6,148	134,004	140,152
Miscellaneous revenue	38,541	3,135	41,676
Total revenues	898,465	1,754,101	2,652,566
EXPENDITURES:			
Current:			
Labor and benefits	505	311,880	312,385
Administrative expense	5,025	47,121	52,146
Advertising	-	-	-
Conferences and workshops	294	684	978
Consultants and contractors	15,171	1,338,428	1,353,599
Contributions	-	-	-
Direct project costs	-	42,924	42,924
Dues and subscriptions	597	158	755
Field supplies	386	4,214	4,600
Insurance and taxes	3,833	1,352	5,185
Miscellaneous expense	2,309	4,881	7,190
Office expense	1,077	3,451	4,528
Permit fees	671	4,693	5,364
Rent and utilities	13,294	3,047	16,341
Travel	114	584	698
Total expenditures	43,276	1,763,417	1,806,693
REVENUES OVER (UNDER) EXPENDITURES	855,189	(9,316)	845,873
OTHER FINANCING SOURCES (USES):			
Transfers in	-	37,401	37,401
Transfers out	(9,316)	(28,085)	(37,401)
Total other financing sources (uses)	(9,316)	9,316	-
Net change in fund balances	845,873	-	845,873
FUND BALANCES:			
Beginning of year	26,033	-	26,033
End of year	\$ 871,906	\$ -	\$ 871,906

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

Humboldt County 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, 2022

Net change in fund balances - governmental funds \$ 845,873

Amounts reported for governmental activities in the Statement of Activities are different because:

Revenue is reported in the Statement of Activities at the time the revenue is earned, without regard to the timeliness of the collection. -

Change in net position of governmental activities \$ 845,873

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

**Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022**

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Humboldt County Resource Conservation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental enterprises classified as proprietary fund types. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The District applies all GASB pronouncements to its activities. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies:

A. Description of the Reporting Entity

Humboldt County Resource Conservation District (District) was established in March 1987 and is a political subdivision of the State of California, organized under the provisions of the California Soil Conservation District's Act. The District is governed by a seven-member Board of Directors appointed by the Board of Supervisors of Humboldt County, California. The District provides leadership and conservation assistance to landowners, farmers, and ranchers within Humboldt County.

As defined by GASB Statements No. 14 and 39, *The Financial Reporting Entity*, the District is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, the District is not aware of any entity which would be financially accountable for the District which would result in the District being considered a component of the entity.

B. Fund Accounting Classification and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus measurement whereby all assets and liabilities are included in the Statement of Net Position. The increases and decreases in those net positions are presented in the government-wide Statement of Activities and Changes in Net Position. These statements are reported on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting, Continued

Governmental fund financial statements are reported using the current financial resources focus, whereby only current assets and current liabilities are included in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances present increases and decreases in those net current assets. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined. Available is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures are recognized when the fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the policy of Humboldt County Resource Conservation District to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

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

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting, Continued

Additionally, the District reports the following fund types:

Special Revenue Funds

Special revenue funds account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities.

C. Budgetary Control

The District does not adopt budgets for the general fund and, therefore, general fund budget information has not been presented in the accompanying financial statements.

Budgetary control for the special revenue funds is maintained on an individual grant or contract basis. Consequently, the District does not adopt annual or biannual budgets for the special revenue funds and such information has not been presented in the accompanying financial statements.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

For the purposes of the Statement of Net position and Statement of Cash Flows, “cash equivalents and investments” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Cash balance held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation. Cash held in credit union is insured to \$250,000 by the National Credit Union Administration.

For presentation in the financial statements with an original maturity of three months or less at the time they are purchased by the district are considered to be cash equivalents. Investments with an original maturity of more than three months that are not purchased from the pool are reported as investments.

Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

**Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022**

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Position or Equity, Continued

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet.

3. Net Position

In the Statement of Net Position, net position are classified in the following categories:

Restricted - This amount is restricted by external creditors, granters, contributors, or laws or regulations of other governments.

Unrestricted - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are legally restricted by outside parties for a specific purpose.

4. 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.

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS

The carrying amounts of the District's cash and investments at June 30, 2022 consisted of the following:

Financial Statement presentation:	
Cash and cash equivalents	\$ 396,081
Total	<u>\$ 396,081</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure by a 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 California Government Code requires that financial institutions secure cash deposits made by state or local governments by pledging securities as collateral. The fair value of the pledged securities must equal at least 110% of the amount deposited by the public agencies. 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 secured public deposits. The District may waive collateral requirements for cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The District had deposits with bank balances of \$457,036 as of June 30, 2022.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of government investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a specific policy which relates to interest rate risk.

Credit Risk

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; however, the external investment pool with the County Treasury is not rated.

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Notes to Basic Financial Statements, Continued

3. LINE OF CREDIT

The District entered into a loan agreement for \$35,000 dated October 27, 2015 with the Bertha Russ Lytel Foundation. The agreement calls for quarterly interest payments, at a rate of 5%. The agreement also provides that if the line of credit is in good standing, the interest payments will be made by the lender in the form of a grant. The agreement had an original maturity date of October 26, 2016 that was modified to December 31, 2021 and the amount of the line of credit was increased to \$70,000. As of June 30, 2022, the balance on the line of credit was \$0.

4. NET POSITION

Net position at June 30, 2022 consisted of the following:

Description	Balance as of June 30, 2022
Restricted	\$ -
Unrestricted (deficit)	871,906
Total unrestricted net position	<u>\$ 871,906</u>

**Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022**

Notes to Basic Financial Statements, Continued

5. INTERFUND TRANSACTIONS

Interfund balances result from expenditures paid in excess of revenue received under cost reimbursement contracts (due to other funds) and revenue received in excess of expenditures paid (due from other funds).

The composition of the interfund balances as of June 30, 2022 is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ -	\$ 9,316
Total Major Funds	<u>-</u>	<u>9,316</u>
Nonmajor Funds:		
<i>Special Revenue Funds</i>		
Reconnecting Stream Flows in Lower Eel River Delta	117	-
Connecting Tributary in the Salt River Watershed	-	37
Salt River Ecosystem Upper Project Redesign	3,630	-
White Slough Wetlands Enhancement Project Phase II	2,138	-
Humboldt County RCD Wetland Restoration Assistance	4,554	-
Restoring Ecosystem Function in the Upper Salt River Watershed	86	-
Restore Ecosystem Function and Community Resiliency in the Salt River Watershed	13,458	-
DOC Forest Health WC	782	-
WCB Carbon Farm Plans	875	-
CalFire Direct Contract	-	6,799
CDFW Williams Creek 30%	162	-
Yurok CalFire CCI	-	7,193
WCB Riverside Ranch Alternatives Analysis	27	-
State Coastal Conservancy White Slough	4,954	-
CDFW FRGP Williams Creek	82	-
NRCS Salt River NWQI	42	-
NACD Technical	962	-
California Resilience Challenge	523	-
Humboldt County GSP	-	9,322
WCB RR Public Access	-	33
RCPP Chico State	3,072	-
CDFA Climate Smart Agriculture (TA)	-	89
MCRCD SoHum Outreach	-	3,234
CARCD Cannabis	388	-
Hum Co CWPP Phase II	-	264
Ocean Ranch Carbon GHD	-	378
CAL FIRE Hum Co Fuels	1,064	-
CalRecycle Mad River	213	-
CALFIRE Mattole and Salmon Creek	272	-
NCRP TCRCD	-	736
Total Nonmajor Funds	<u>37,401</u>	<u>28,085</u>
Total Governmental Funds	<u>37,401</u>	<u>37,401</u>
Total	<u>\$ 37,401</u>	<u>\$ 37,401</u>

Humboldt County Resource Conservation District
Basic Financial Statements
For the year ended June 30, 2022

Notes to Basic Financial Statements, Continued

6. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District insures against such losses with a commercial insurance policy issued through the Special District Risk Management Authority.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

7. CONTINGENT LIABILITIES

The District participates in federal and state grant programs. These programs are subject to program compliance audits by the granting agency. The audits of these programs have not been completed and, as a result, the amounts, if any, of expenditures that may be disallowed by the granting agencies cannot be determined.

8. SUBSEQUENT EVENTS

Management of Humboldt County Resource Conservation District has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Humboldt County Resource Conservation District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	116	118	124	106	129	132
	Reconnecting Stream Flows in Lower Eel River Delta	Connecting a Tributary in the Salt River Watershed	Salt River Ecosystem Upper Project Redesign	White Slough Wetlands Enhancement Project Phase II	Humboldt County RCD Wetland Restoration Assistance	Restoring Ecosystem Function in the Upper Salt River Watershed
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Assigned	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	135	138	139	140	141	143	144	146
Restore Ecosystem Function and Community Resiliency in the Salt River Watershed							WCB Riverside Ranch Alternatives Analysis	State Coastal Conservancy White Slough
	DOC Forest Health WC	WCB Carbon Farm Plans	CalFire Direct Contract	CDFW Williams Creek 30%	Yurok CalFire CCI			
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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Humboldt County Resource Conservation District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	137	148	152	145	147	150
	CDFW FRGP Williams Creek	NRCS Salt River NWQI	NACD Technical	California Resilience Challenge	Humboldt County GSP	WCB RR Public Access
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-
Fund balances:						
Assigned	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

153	154	155	156	157	158	159	160
RCPP Chico State	CDFA Climate Smart Agriculture (TA)	MCRCD SoHum Outreach	CARCD Cannabis	Hum Co CWPP Phase II	Ocean Ranch Carbon GHD	CAL FIRE Hum Co Fuels	CalRecycle Mad River
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

Humboldt County Resource Conservation District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

161 162

	CALFIRE Mattole and Salmon Creek	NCRP TCRCD	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances:			
Assigned	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -

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Humboldt County Resource Conservation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2022

	116	118	124	106	129	132
	Reconnecting Stream Flows in Lower Eel River Delta	Connecting a Tributary in the Salt River Watershed	Salt River Ecosystem Upoer Project Redesign	White Slough Wetlands Enhancement Project Phase II	Humboldt County RCD Wetland Restoration Assistance	Restoring Ecosystem Function in the Upper Salt River Watershed
REVENUES:						
Intergovernmental	\$ 13,253	\$ 20,445	\$ -	\$ 13,039	\$ 167,192	\$ 65,488
Investment earnings	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Fee for service	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-
Total revenues	13,253	20,445	-	13,039	167,192	65,488
EXPENDITURES:						
Current:						
Labor and benefits	1,997	4,201	-	1,868	18,749	28,849
Administrative expense	55	496	-	165	3,928	4,629
Advertising	-	-	-	-	-	-
Conferences and workshops	2	-	-	1	-	55
Consultants and contractors	11,145	15,390	-	12,820	146,557	29,996
Contributions	-	-	-	-	-	-
Direct project costs	-	-	-	-	-	-
Dues and subscriptions	7	-	-	2	-	-
Field supplies	-	-	-	146	-	-
Insurance and taxes	18	-	-	44	-	-
Miscellaneous expense	-	-	3,630	-	-	-
Office expense	8	-	-	10	124	-
Permit fees	-	321	-	-	2,372	2,000
Rent and utilities	138	-	-	121	-	-
Travel	-	-	-	-	16	45
Total expenditures	13,370	20,408	3,630	15,177	171,746	65,574
REVENUES OVER (UNDER) EXPENDITURES	(117)	37	(3,630)	(2,138)	(4,554)	(86)
OTHER FINANCING SOURCES (USES):						
Transfers in	117	-	3,630	2,138	4,554	86
Transfers out	-	(37)	-	-	-	-
Total other financing sources (uses)	117	(37)	3,630	2,138	4,554	86
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-
FUND BALANCES:						
Beginning of year	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	135	138	139	140	141	143	144	146
Restore Ecosystem Function and Community Resiliency in the Salt River Watershed		DOC Forest Health WC	WCB Carbon Farm Plans	CalFire Direct Contract	CDFW Williams Creek 30%	Yurok CalFire CCI	WCB Riverside Ranch Alternatives Analysis	State Coastal Conservancy White Slough
\$	27,482	47,912	\$ 61,400	\$ -	\$ 14,203	\$ 884,847	\$ 45,682	\$ 57,401
	-	-	-	-	-	7,205	-	-
	-	-	-	-	-	-	-	-
	-	-	-	102,687	-	-	-	-
	-	-	-	-	-	-	-	-
	27,482	47,912	61,400	102,687	14,203	892,052	45,682	57,401
	25,982	39,254	48,736	18,795	9,582	10,051	5,449	6,787
	6,837	9,365	7,876	1,334	1,455	7,205	354	718
	-	0	-	-	-	-	-	-
	13	75	303	16	-	-	9	9
	6,596	-	4,357	75,628	3,328	867,427	39,897	12,688
	-	-	-	-	-	-	-	-
	-	-	924	-	-	-	-	42,000
	7	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	153
	-	-	-	-	-	-	-	-
	1,425	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	80	-	79	115	-	176	-	-
	40,940	48,694	62,275	95,888	14,365	884,859	45,709	62,355
	(13,458)	(782)	(875)	6,799	(162)	7,193	(27)	(4,954)
	13,458	782	875	-	162	-	27	4,954
	-	-	-	(6,799)	-	(7,193)	-	-
	13,458	782	875	(6,799)	162	(7,193)	27	4,954
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

Humboldt County Resource Conservation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2022

	137	148	152	145	147	150
	CDFW FRGP Williams Creek	NRCS Salt River NWQI	NACD Technical	California Resilience Challenge	Humboldt County GSP	WCB RR Public Access
REVENUES:						
Intergovernmental	\$ 1,116	\$ 5,672	\$ 25,227	\$ 37,425	\$ -	\$ 18,116
Investment earnings	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Fee for service	-	-	-	-	31,317	-
Miscellaneous revenue	-	-	-	-	-	1,251
Total revenues	1,116	5,672	25,227	37,425	31,317	19,367
EXPENDITURES:						
Current:						
Labor and benefits	1,192	5,195	21,283	1,413	20,331	6,850
Administrative expense	-	516	2,088	-	25	3
Advertising	-	-	-	-	-	-
Conferences and workshops	6	-	75	-	43	14
Consultants and contractors	-	-	-	36,535	49	10,646
Contributions	-	-	-	-	-	-
Direct project costs	-	-	-	-	-	-
Dues and subscriptions	-	-	13	-	102	14
Field supplies	-	-	1,043	-	-	-
Insurance and taxes	-	-	-	-	-	169
Miscellaneous expense	-	-	-	-	-	1,251
Office expense	-	-	1,657	-	112	28
Permit fees	-	-	-	-	-	-
Rent and utilities	-	3	-	-	1,309	340
Travel	-	-	30	-	24	19
Total expenditures	1,198	5,714	26,189	37,948	21,995	19,334
REVENUES OVER (UNDER) EXPENDITURES	(82)	(42)	(962)	(523)	9,322	33
OTHER FINANCING SOURCES (USES):						
Transfers in	82	42	962	523	-	-
Transfers out	-	-	-	-	(9,322)	(33)
Total other financing sources (uses)	82	42	962	523	(9,322)	(33)
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-
FUND BALANCES:						
Beginning of year	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

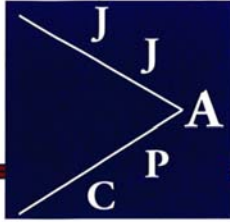
153	154	155	156	157	158	159	160
RCPP Chico State	CDFA Climate Smart Agriculture (TA)	MCRCD SoHum Outreach	CARCD Cannabis	Hum Co CWPP Phase II	Ocean Ranch Carbon GHD	CAL FIRE Hum Co Fuels	CalRecycle Mad River
\$ -	\$ 9,534	\$ 11,929	\$ 1,250	\$ -	\$ 5,459	\$ 73,482	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,884	-	-	-
-	9,534	11,929	1,250	1,884	5,459	73,482	-
2,596	6,973	5,668	1,502	1,408	1,980	13,486	194
-	44	2	1	-	25	-	-
-	-	-	-	-	-	-	-
-	41	20	2	-	-	-	-
-	1,873	2,626	-	-	-	60,870	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	9	2	1	1	-	-	-
-	-	-	-	-	2,885	140	-
342	74	82	32	132	59	50	8
-	-	-	-	-	-	-	-
11	18	24	9	7	13	-	2
-	-	-	-	-	-	-	-
123	413	271	91	72	119	-	9
-	-	-	-	-	-	-	-
3,072	9,445	8,695	1,638	1,620	5,081	74,546	213
(3,072)	89	3,234	(388)	264	378	(1,064)	(213)
3,072	-	-	388	-	-	1,064	213
-	(89)	(3,234)	-	(264)	(378)	-	-
3,072	(89)	(3,234)	388	(264)	(378)	1,064	213
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

Humboldt County Resource Conservation District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2022

	161	162	
	CALFIRE Mattole and Salmon Creek	NCRP TCRCO	Total Non-Major Governmental Funds
REVENUES:			
Intergovernmental	\$ -	\$ 2,203	\$ 1,609,757
Investment earnings	-	-	7,205
Contributions	-	-	-
Fee for service	-	-	134,004
Miscellaneous revenue	-	-	3,135
Total revenues	-	2,203	1,754,101
EXPENDITURES:			
Current:			
Labor and benefits	272	1,237	311,880
Administrative expense	-	-	47,121
Advertising	-	-	-
Conferences and workshops	-	-	684
Consultants and contractors	-	-	1,338,428
Contributions	-	-	-
Direct project costs	-	-	42,924
Dues and subscriptions	-	-	158
Field supplies	-	-	4,214
Insurance and taxes	-	189	1,352
Miscellaneous expense	-	-	4,881
Office expense	-	3	3,451
Permit fees	-	-	4,693
Rent and utilities	-	38	3,047
Travel	-	-	584
Total expenditures	272	1,467	1,763,417
REVENUES OVER (UNDER) EXPENDITURES	(272)	736	(9,316)
OTHER FINANCING SOURCES (USES):			
Transfers in	272	-	37,401
Transfers out	-	(736)	(28,085)
Total other financing sources (uses)	272	(736)	9,316
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCES:			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -

(Concluded)



JJACPA, Inc.

A Professional Accounting Services Corp.

**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
Humboldt County Resource Conservation District
Eureka, California

We have audited, in accordance with the auditing standard 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 Humboldt County Resource Conservation District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Humboldt County Resource Conservation District's basic financial statements, and have issued our report thereon dated June 7, 2023.

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 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 District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Directors
Humboldt County Resource Conservation District
Eureka, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 7, 2023

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA