FINANCIAL AUDIT REPORT
CALIFORNIA CONSERVATION CORPS
YEAR ENDED JUNE 30, 1978

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT F-806.2
REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

806.2
FINANCIAL AUDIT REPORT
CALIFORNIA CONSERVATION CORPS
YEAR ENDED JUNE 30, 1978

MAY 1980
May 9, 1980

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the
Auditor General's financial audit report of the California

The auditors are Curt Davis, CPA, Audit Manager; Michael
Dendorfer, CPA; Romero Zamora; Ann Reicherter; and Teri Yee.

Respectfully submitted,

S. FLOYD MORI
Assemblyman, 15th District
Chairman, Joint Legislative
Audit Committee

Attachment
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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the California Conservation Corps. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The principal objectives of the California Conservation Corps are to further the development and maintenance of the natural resources and environment of the State and to provide to the young men and women of the State meaningful, productive employment; training in employable skills; and educational opportunities.

Programs of the California Conservation Corps are supported by appropriations from the State's General Fund.
AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the California Conservation Corps as of June 30, 1978 and the related statement of revenues, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the California Conservation Corps at June 30, 1978, and the results of operations and changes in operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The columns on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1978 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The columns on the accompanying financial statements for the year ended June 30, 1977, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.

Date: June 30, 1979

Staff: Curt Davis, CPA
      Michael Dendorfer, CPA
      Romero Zamora
      Ann Reicheter
      Teri Yee
CALIFORNIA CONSERVATION CORPS

COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1978
(With Unaudited Amounts for 1977)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General Fund Type</th>
<th>General Account Group</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 410,070</td>
<td>$ --</td>
<td>$ 410,070</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>193,666</td>
<td>--</td>
<td>193,666</td>
</tr>
<tr>
<td>Expense advances to employees</td>
<td>116,135</td>
<td>--</td>
<td>116,135</td>
</tr>
<tr>
<td>Prepayments to other funds</td>
<td>83,295</td>
<td>--</td>
<td>83,295</td>
</tr>
<tr>
<td>Advances to Architecture Revolving Fund</td>
<td>--</td>
<td>230,430</td>
<td>230,430</td>
</tr>
<tr>
<td>Equipment</td>
<td>--</td>
<td>932,588</td>
<td>932,588</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 803,166</td>
<td>$1,163,018</td>
<td>$1,966,184</td>
</tr>
</tbody>
</table>

LIABILITIES, ENCUMBRANCES
OUTSTANDING, AND FUND EQUITY

Liabilities:
Accounts payable | $ 157,247 | $ -- | $ 157,247 | $ 1,313,681 |
Encumbrances Outstanding | 1,212,805 | -- | 1,212,805 | 1,923,157 |

Fund Equity:
Investment in fixed assets | -- | 932,588 | 932,588 | 88,174 |
Reserved for construction | -- | 230,430 | 230,430 | 127,700 |
Operating clearing (Note 4) | (566,886) | -- | (566,886) | (3,156,247) |
Total Fund Equity | (566,886) | 1,163,018 | 596,132 | (2,940,373) |
Total Liabilities, Encumbrances Outstanding, and Fund Equity | $ 803,166 | $1,163,018 | $1,966,184 | $ 296,465 |

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978
(With Unaudited Amounts for 1977)

<table>
<thead>
<tr>
<th></th>
<th>1978</th>
<th>1977</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted</td>
<td>Actual</td>
</tr>
<tr>
<td>Financing Sources: (Note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support appropriation (Note 3)</td>
<td>$13,917,575</td>
<td>$14,151,010</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>1,356,575</td>
<td>630,798</td>
</tr>
<tr>
<td>Total Sources</td>
<td>15,274,150</td>
<td>14,781,988</td>
</tr>
<tr>
<td>Expenditures: (Note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>2,903,403</td>
<td>2,727,314</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>10,147,471</td>
<td>8,549,380</td>
</tr>
<tr>
<td>Equipment</td>
<td>366,701</td>
<td>660,359</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>500,000</td>
<td>254,935</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>13,817,675</td>
<td>12,641,988</td>
</tr>
<tr>
<td>Excess of Sources over (under) Expenditures</td>
<td>$1,156,475</td>
<td>2,140,000</td>
</tr>
<tr>
<td>Operating Clearing - July 1</td>
<td>(3,156,886)</td>
<td>(3,999,851)</td>
</tr>
<tr>
<td>Operating Clearing - June 30</td>
<td>(566,886)</td>
<td></td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the California Conservation Corps. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The California Conservation Corps accounts for only its portion of the fund type categories. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the Governmental Fund Type in the California Conservation Corps.

General Fund

This fund includes all financial resources not accounted for in another fund. The General Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year, all income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.
Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the department are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the department and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The department's share of retirement contributions for the year totaled $326,356.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of $947,144 during the fiscal year.

2. BUDGETED FINANCING SOURCES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for financing sources and detailed expenditure accounts reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.
3. **SUPPORT APPROPRIATION**

Support appropriation is the portion of the General Fund which the legislative Budget Act allocated to the California Conservation Corps.

4. **OPERATING CLEARING**

This account is the connecting link between the books of the various state agencies and the central fund accounts of the State Controller's Office for the General Fund and other funds not accounted for entirely by one agency.
OTHER INFORMATION

For the fiscal year ended June 30, 1978, the Department of Forestry maintained the fiscal records for the California Conservation Corps.

As an integral part of our examination, we reviewed the department's accounting procedures and related system of internal accounting control as they relate to the California Conservation Corps to the extent we considered necessary to properly form an opinion concerning the fairness with which the department's financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the Department of Forestry in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The department generally concurs with the suggested operating improvements and adjusting entries.
cc: Members of the Legislature
    Office of the Governor
    Office of the Lieutenant Governor
    Secretary of State
    State Controller
    State Treasurer
    Legislative Analyst
    Director of Finance
    Assembly Office of Research
    Senate Office of Research
    Assembly Majority/Minority Consultants
    Senate Majority/Minority Consultants
    California State Department Heads
    Capitol Press Corps