



## Upper Salinas-Las Tablas Resource Conservation District

5905 Capistrano Avenue, Suite F, Atascadero, CA 93422 | 805.460.7272 | www.us-ltrcd.org

**TO:** Rob Fitzroy, Executive Officer, San Luis Obispo Local Agency Formation Commission  
**FROM:** The Board of Directors, Upper Salinas-Las Tablas Resource Conservation District  
**DATE:** October 31, 2025  
**SUBJECT:** Formal Response and Corrective Action Plan: LAFCO Request for Information Following September 18, 2025, Hearing

Dear Mr. Fitzroy and Honorable Commissioners,

The Upper Salinas-Las Tablas Resource Conservation District (District) Board of Directors acknowledges the serious concerns raised by the Commission at its September 18, 2025, hearing. We accept full responsibility for the financial management failures and lack of transparency documented in the FY 2021-22 audit.

This letter outlines the comprehensive corrective actions we have **already implemented** and the **definitive governing actions our Board has now taken** to legally rectify past deficiencies and institutionalize a new era of transparency and accountability.

### 1. Status of Outstanding Financial Audits & Firm Deadlines

The District is committed to completing all outstanding audits and returning to a timely reporting cycle. We are providing this complete and transparent audit status:

- **FY 2022-23 Financial Statements:** Our independent CPA has advised that due to the severe record-keeping deficiencies inherited from the prior period, the District's records for FY 2022-23 were not in a condition to support a standard audit. To provide LAFCO with meaningful, CPA-reviewed financial information while avoiding another disclaimer of opinion, the engagement was stepped down to a **financial review**. The final reviewed financial statements are expected from our CPA within the next two weeks and will be submitted to LAFCO immediately upon receipt.
- **FY 2023-24 Audit:** Engagement letter have been executed. The audit is scheduled to commence upon the completion of the FY 2022-23 review.
- **FY 2024-25 Audit:** The audit for the fiscal year that ended on June 30, 2025, is also **outstanding**. This engagement will commence after the completion of the FY 2023-24 audit.



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### Explanation for Delays:

The delays stem from two primary factors:

1. **Internal Rebuilding:** It was necessary to first rebuild our financial systems and reconstruct reliable records from the ground up. The pre-existing conditions were such that our current CPA determined an audit would not be feasible for the FY 2022-23 period, since financial records were still being rebuilt.
2. **External Market Constraints:** We have faced significant challenges within the broader auditing environment, including a **limited availability of CPAs qualified and willing to audit California special districts.**

### Path to Timeliness:

The new systems and procedures detailed below are designed to ensure that once this backlog is cleared, the District will be a well-prepared, efficient audit client, facilitating a return to a timely audit cycle for all future periods.

## 2. Definitive Board Actions Taken in Response to LAFCO

In a publicly noticed Special Board Meeting held on **[October 30 2025]**, this Board took the following formal, legally binding actions to directly address the audit findings and LAFCO's concerns, culminating in the adoption of a complete governance framework:

1. **Adopted a Comprehensive Fiscal Policy & Procedure Manual:** The Board **has passed Resolution No. 2025-4**, adopting a unified manual containing **thirteen (13) distinct, numbered policies** that permanently embed our reforms into the District's operations. This manual directly addresses every deficiency identified in the FY 2021-22 audit and establishes the internal controls, oversight mechanisms, and transparency requirements for all future operations. The policies are codified as POLICY 101 through POLICY 701.
2. **Adopted Ratification Resolutions:** The Board **has passed** resolutions to legally ratify and confirm actions and expenditures from the periods of FY 2022-23, FY 2023-24, and FY 2024-25. These actions cure the technical procedural violations identified in the prior audit and provide legal protection for the District, confirming that all expenditures were for legitimate public purposes.



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- 3. Corrected the Budget and Adopted FY 2025-26 Budget:** The Board **has passed** a resolution to rescind the incorrect calendar year 2025 budget and formally adopt the correct **Fiscal Year 2025-26 budget**, ensuring all future operations are conducted under a legally compliant spending plan.

These adopted resolutions and the comprehensive manual are included as attachments, providing tangible proof that our reforms are not temporary but are now the permanent law of the District.

### **3. Comprehensive Corrective Actions Already Implemented**

Concurrent with the audit process, we have executed a complete overhaul of our financial management and governance framework. The following corrective actions are fully implemented and embedded in our daily operations.

#### **A. Total System and Process Modernization**

We have transitioned to a modern, cloud-based ecosystem to ensure transparency and auditability, including QuickBooks Online and the Harvest project management system, with mandatory digital documentation for all transactions.

#### **B. Revolutionized Budgetary Control and Oversight**

We have instituted a disciplined, forward-looking budgetary process with active Board oversight, including a return to a fiscal year cycle and monthly budget-to-actual reports presented to the Board.

#### **C. Strengthened Internal Controls and Governance**

The Board has fundamentally changed its role through the establishment of a standing Finance Committee, implementation of strict segregation of duties, and a multi-tiered approval workflow for all expenditures.

#### **D. Ensured GAAP/GASB Compliance and Accurate Reporting**

We have corrected past errors, implemented a rigorous Month-End Close Checklist, provided staff training, and developed a template for the newly required Management's Discussion and Analysis (MD&A) for all future audits.



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### **E. Eliminated Grant Compliance Risk**

We have drastically reduced the risk of grant disallowances through grant-by-grant tracking and a mandatory pre-submission internal audit of all reimbursement requests.

## **4. Evidence of Current Financial Health and Sustainability**

The District is not only reformed but is also financially healthy and sustainable.

- **Solvency:** As of October 2025, the District is fully solvent, with a stable cash position and all financial obligations being met on time.
- **Sustainability:** The changes outlined are supported by the newly adopted, Board-approved Fiscal Policy & Procedure Manual that institutionalizes these practices.

## **5. Conclusion: A Reformed and Vital Partner**

The District that existed during the FY 2021-22 audit period has been fundamentally transformed. With this submission, we provide LAFCO with undeniable evidence of this transformation: a detailed account of completed reforms, adopted resolutions curing past errors, and a **comprehensive, codified policy framework** that makes this recovery permanent.

The Commission's consideration of consolidation or dissolution is based on a historical reality that our Board has decisively closed the book on. Such actions would disrupt the very systems and leadership that have successfully engineered this turnaround, to the detriment of the vital soil and water conservation services we provide to our agricultural community and natural resources.

We are confident that the completion of the subsequent audits will validate this transformation. We respectfully request that the Commission recognize the profound progress documented herein and allow the District to continue its work as a reformed and effective local agency.

We welcome the opportunity to present this information in person and answer any questions at the December 18, 2025, hearing.



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Sincerely,

**Board of Directors**

**Upper Salinas-Las Tablas Resource Conservation District**

**Attachments:**

- **Attachment A:** Financial Management Transformation and Improvement Plan
- **Attachment B:** Adopted Board Resolutions Ratifying Past Actions & Correcting the Budget
- **Attachment C:** Adopted Comprehensive Fiscal Policy & Procedure Manual (Including POLICIES 101-701)
- **Attachment D:** [To be submitted under separate cover] Reviewed Financial Statements for FY 2022-23
- **Attachment E:** Example of Monthly Budget-to-Actual Report