

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

Summary of Fiscal Year 2024/2025 Audit Results

February 24, 2026

Presentation by Richardson & Company, LLP of the Audited Financial Statements, including the following communications required by Generally Accepted Auditing Standards:

Reports issued

- Audited Financial Statements with auditors' opinion
- Internal Control and Compliance Report
- Governance (required communications) letter
- Management letter with recommendations

Independent Auditor's Report (pages 1 to 3)

- Unmodified (clean) opinion

Highlights of financial statements

Statement of Net Position (page 4)

- Positive unrestricted net position of \$1,946,433

Statement of Activities (page 5)

- Revenues exceeded expenses by \$387,093

Governmental Fund Balance Sheet (page 6)

- Only presents current assets and liabilities

- Fund balance assigned for operating reserve and chipper reserve of \$902,902

- Unassigned fund balance of \$1,354,748

Governmental Fund Revenue/Expense (page 7)

- Net income of \$508,443 in General Fund

- Pension Plan, Note E (pages 17 to 21) – pension liability decreased slightly to \$412,626

- OPEB Plan, Note F (pages 22 to 24) – OPEB liability decreased to \$120,825

- Implementation of new accounting standard requiring accrual of sick leave, Note I (page 26)

Budget to Actual Comparison (page 30)

- Budgeted surplus of \$210,935, actual surplus of \$508,443

Reports on Internal Control and Compliance (page 31)

- No internal control weaknesses or compliance issues

Governance (required communications) Letter

- Audit adjustments – No errors. Entries to convert to full accrual

- No difficulties in performing the audit and no unusual accounting practices

Management letter

- No material weaknesses

DISCUSSION
DRAFT

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

Audited Financial Statements
and Compliance Report

June 30, 2025

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

Audited Financial Statements
and Compliance Report

June 30, 2025

Audited Financial Statements

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Independent Auditor’s Report on Internal Control over Financial
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Placer County Resource Conservation District
Auburn, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Placer County Resource Conservation District (the District), as of and for the year ended June 30, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2025, and the respective changes in financial position 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 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

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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, schedule of changes in the net OPEB liability and related ratios, schedule of contributions to the OPEB plan, and analysis and budgetary comparison information 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

To the Board of Directors
Placer County Resource Conservation District

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2026, 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 the District’s 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 the District’s internal control over financial reporting and compliance.

_____, 2026

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

ASSETS		
Cash and investments		\$ 2,893,184
Receivables:		
Grants receivable		745,769
Other receivables		10,409
Prepaid expenses and other assets		38,300
	TOTAL CURRENT ASSETS	<u>3,687,662</u>
Noncurrent assets		
Capital assets:		
Being depreciated and amortized, net		550,031
Total capital assets		<u>550,031</u>
	TOTAL NON CURRENT ASSETS	<u>550,031</u>
	TOTAL ASSETS	<u>4,237,693</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan		286,345
Other postemployment benefits (OPEB) plan		33,463
	TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>319,808</u>
LIABILITIES		
Accounts payable		689,420
Due to other governments		85,756
Accrued payroll		66,984
Unearned revenue		549,552
Current portion of lease liability		61,533
Compensated absences		116,276
Long-term liabilities		
Long-term portion of lease liability		141,502
Net pension liability		412,626
OPEB liability		120,825
	TOTAL LIABILITIES	<u>2,244,474</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan		12,867
OPEB plan		6,731
	TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,598</u>
NET POSITION		
Net investment in capital assets		346,996
Unrestricted		<u>1,946,433</u>
	TOTAL NET POSITION	<u>\$ 2,293,429</u>

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

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

PROGRAM EXPENSES		
Governmental activities:		
Conservation		\$ 6,937,470
Interest on long-term debt		19,861
		<u>6,957,331</u>
PROGRAM REVENUES		
Charges for services		62,825
Operating grants		6,621,815
		<u>6,684,640</u>
	NET PROGRAM EXPENSES	(272,691)
GENERAL REVENUES		
Property taxes		569,076
Interest earnings		53,442
Gain on sale of capital assets		37,266
	TOTAL GENERAL REVENUES	<u>659,784</u>
CHANGE IN NET POSITION		387,093
	Net position, beginning of year, as previously reported	1,942,879
	Change in accounting principle (GASB 101)	<u>(36,543)</u>
	Net position, beginning of year, as restated	<u>1,906,336</u>
	NET POSITION AT END OF YEAR	<u>\$ 2,293,429</u>

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

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

BALANCE SHEET – GENERAL FUND

June 30, 2025

ASSETS		
Cash and cash equivalents		\$ 2,893,184
Receivables:		
Grants receivables		745,769
Other receivables		10,409
Prepaid costs and other assets		<u>38,300</u>
	TOTAL ASSETS	<u><u>\$ 3,687,662</u></u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable		\$ 689,420
Due to other governments		85,756
Accrued payroll		66,984
Unearned revenue		<u>549,552</u>
	TOTAL LIABILITIES	<u><u>1,391,712</u></u>
FUND BALANCE		
Nonspendable		38,300
Assigned		902,902
Unassigned		<u>1,354,748</u>
	TOTAL FUND BALANCE	<u><u>2,295,950</u></u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 3,687,662</u></u>

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

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION – GENERAL FUND

June 30, 2025

Fund balance - total governmental funds, June 30, 2025		\$ 2,295,950
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 880,104	
Less: accumulated depreciation	<u>(330,073)</u>	550,031
Deferred outflows of resources related to the pension and OPEB plans will be recognized as expense in the future.		
Pension plan		286,345
OPEB plan		33,463
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(116,276)
Lease liability		(203,035)
Net pension liability		(412,626)
OPEB liability		(120,825)
Deferred inflows of resources related to the pension and OPEB plans will be recognized as a reduction of expense in the future.		
Pension plan		<u>(12,867)</u>
Net position - governmental activities, June 30, 2025		<u><u>\$ 2,293,429</u></u>

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

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GENERAL FUND

For the Year Ended June 30, 2025

REVENUES

Intergovernmental grants and contracts	\$ 6,621,815
Charges for services	62,825
Taxes and assessments	569,076
Interest income	53,442
TOTAL REVENUES	<u>7,307,158</u>

EXPENDITURES

Current:	
Salaries and benefits	1,769,260
Services and supplies	5,047,787
Debt service:	
Principal	54,307
Interest payments	19,861
TOTAL EXPENDITURES	<u>6,891,215</u>

OTHER FINANCING SOURCES (USES)

Proceeds from sale of capital assets	<u>92,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>92,500</u>

NET CHANGE IN FUND BALANCE 508,443

Fund balance at beginning of year 1,787,507

FUND BALANCE AT END OF YEAR \$ 2,295,950

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

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES –
GENERAL FUND

For the Year Ended June 30, 2025

Net change in fund balance - total governmental funds for the year ended June 30, 2025		\$ 508,443
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	\$ (130,717)	
Difference between proceeds and gain on sale of capital assets	<u>(55,234)</u>	(185,951)
Lease payments reduce long-term liabilities in the statement of net position.		
Principal repayments on long-term liabilities		54,308
Revenues and expenses in the Government-wide Statement of Activities that do not provide current financial resources are not reported as revenues and expenses in the governmental funds.		
Change in compensated absences		(19,199)
Change in deferred outflows of resources related to pension plan		(13,010)
Change in deferred outflows of resources related to OPEB plan		(2,098)
Change in net pension liability		7,174
Change in OPEB liability		30,745
Change in deferred inflows of resources related to pension plan		13,412
Change in deferred inflows of resources related to OPEB plan		<u>(6,731)</u>
Change in net position - governmental activities for the year ended June 30, 2025		<u>\$ 387,093</u>

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

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Placer County Resource Conservation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Background: The District was formed in 1947 as a special district under Division Nine of the California Public Resources Code. The District's financial and administrative functions are governed by a seven-member Board of Directors. The District develops and enables programs in partnership with others that assist private land owners and public agencies to accomplish the goals of conserving natural resources.

Basis of Presentation – Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items properly excluded among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period. For intergovernmental grants and contracts, amounts collected within 120 days of the end of the current fiscal period are considered available. Amounts not received within the 60 or 120 day availability period are reported as unavailable revenue. Revenues received in advance of being expended are reported as unearned revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Payable balances consist primarily of payables to vendors.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax revenues, intergovernmental grants and contracts and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District or collected within the availability period.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The Fund is charged with all costs of operations.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the District’s policies and procedures. Budgetary control is exercised by major object. Budgetary changes, if any, during the fiscal year require the approval of the District’s Board. Unencumbered budget appropriations lapse at the end of the fiscal year.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs are reported in the fund financial statements as nonspendable fund balance to indicate they do not constitute resources available for appropriation.

Capital Assets: Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets are depreciated using the straight-line method over the estimated useful lives.

Vehicles	10-15 years
Field equipment	5-10 years
Other equipment and furniture	5-10 years
Computers and accessories	3 years

The District’s capitalization threshold is \$3,000 with no minimum for infrastructure assets and other real property. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase the values, change capacities, or extend the useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Compensated Absences: The District’s policies regarding vacation and compensatory time-off permit employees to accumulate earned, but unused amounts. Vacation and compensatory time-off are fully payable at separation. The District’s policy for sick-pay states that it has no cash value and will not be paid upon termination. All vacation and compensatory time-off is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All of the accrued compensated absences are considered current.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: The government-wide financial statements report net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and any outstanding debt related to the purchase of capital assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District does not have any restricted net position.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

Fund Balance: In the General Fund financial statements, the District reports the following fund balances:

Non-spendable fund balances are not expected to be converted to cash within the next operating cycle and are typically comprised of prepaid costs.

Committed fund balances include amounts that can be used only for specific purposes determined by a formal action of the Board. The Board has authority to establish, modify, or rescind a fund balance commitment through a resolution of the Board.

Assigned fund balances include amounts constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance is the residual classification for the District's funds and includes all spendable amounts not contained in the other classifications.

The Board establishes, modifies or rescinds fund balance commitments by passage of a resolution. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, committed, assigned and unassigned resources as they are needed. The District's committed, assigned or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Assigned fund balances consist of the following:

Operating Reserve Fund – To ensure financial security through maintain a prudent level of financial resources ensure stability of the mission, programs, employment, and ongoing operations of the District. The operating reserve is intended for unanticipated expenditures, unanticipated revenue shortfalls, one-time budgeted expenses, including capital purchase and to maintain minimal sustainability in periods of economic uncertainty. As of June 30, 2025, \$640,775 has been assigned for the operating reserve.

Chipper Reserve Fund – To support the Chipper-Cost-Share Program during temporary shortfalls, unpredicted expenditures, and equipment purchases. As of June 30, 2025, \$262,127 has been assigned by the Board for the Chipper Reserve.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes: The County of Placer (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The valuation/lien date for all property taxes is January 1. Secured property tax is due in two instalments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent penalties after April 10. These taxes are secured by liens on the property being taxed. Unsecured taxes are due in one instalment on billing and are subject to late payment penalties if paid after August 31.

The County uses the Alternative Method of Property Tax Apportionment (Teeter). Under this method of property tax apportionment for assessments collected as part of property taxes, the County purchases the delinquent secured property taxes at June 30 of each fiscal year and guarantees the District 100% of its annual assessment.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net assets by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net assets that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the District's pension and OPEB plans as described in Notes E and F, and for revenue not received within the availability period.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deletions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. The District implemented this Statement during the year ended June 30, 2025. The effect of this change is disclosed in Note I.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will result in changes to the financial reporting model including the Management’s Discussion and Analysis, display of inflows and outflows of unusual and infrequent items, and changing the definition of proprietary fund nonoperating revenues and expenses. The provisions of this Statement are effective for years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, that requires certain types of assets to be disclosed separately in the note disclosures and establishes requirements for capital assets held for sale. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The provisions of this Statement are effective for fiscal years beginning after June 15, 2026.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2025:

Placer County Investment Pool	<u>\$ 2,893,184</u>
Total cash and investments	<u>\$ 2,893,184</u>

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentrations of credit risk. During the year ended June 30, 2025, the District’s permissible investments included the following instruments:

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local agency bonds	5 years	None	10%
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Banker's acceptances	180 days	40%	10%
Commercial paper	270 days	40%	10%
Negotiable certificates and time deposits	5 years	30%	10%
Repurchase agreements	1 year	20%	10%
Corporate notes	5 years	30%	10%
Collateralized certificate of deposits	5 years	None	10%
Pooled investment funds	N/A	None	None

The District complied with the provisions of the California Government Code (or the District’s investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made, and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the Placer County Investment Pool: The District maintains a portion of its cash in the County of Placer’s cash and investment pool, which is managed by the Placer County Treasurer. The District’s cash balances invested in the County Treasurer’s cash and investment pool are stated at amortized cost, which approximated fair value. The fair value invested by all public agencies in the County’s cash and investment pool is \$2,443,986,511 at June 30, 2025. The County does not invest in any derivative financial products. The County Board of Supervisors has oversight responsibility for the cash and investment pool. The value of pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District’s position in the pool. Investments filed in the County’s investment pool are available on demand to the District.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2025, the weighted average maturity of the investments contained in the County of Placer investment pool was approximately 659 days.

Credit Risk: Generally, 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 issued by a nationally recognized statistical rating organization. The County’s investment pool do not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE B – CASH AND INVESTMENTS (Continued)

deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets being depreciated:				
Machinery and equipment	\$ 402,459		\$ (153,799)	\$ 248,660
Vehicles	375,299		(58,403)	316,896
Leased asset	314,548			314,548
Total capital assets being depreciated	<u>1,092,306</u>		<u>(212,202)</u>	<u>880,104</u>
Less accumulated depreciation for:				
Machinery and equipment	(187,947)	\$ (31,996)	105,380	(114,563)
Vehicles	(95,430)	(37,833)	51,588	(81,675)
Leased asset	(72,947)	(60,888)		(133,835)
Total accumulated depreciation	<u>(356,324)</u>	<u>(130,717)</u>	<u>156,968</u>	<u>(330,073)</u>
Total capital assets being depreciated, net	<u>735,982</u>	<u>(130,717)</u>	<u>(55,234)</u>	<u>550,031</u>
Capital assets, net	<u>\$ 735,982</u>	<u>\$ (130,717)</u>	<u>\$ (55,234)</u>	<u>\$ 550,031</u>

Depreciation expense of \$130,717 for the year ended June 30, 2025 was charged to the conservation function.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE D –LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2025.

	Restated Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Compensated absences	\$ 97,077	\$ 19,199		\$ 116,276	
Lease liability	257,342		\$ (54,307)	203,035	\$ 61,533
Net pension liability	419,800		(7,174)	412,626	
OPEB liability	151,570		(30,745)	120,825	
	<u>\$ 925,789</u>	<u>\$ 19,199</u>	<u>\$ (92,226)</u>	<u>\$ 852,762</u>	<u>\$ 61,533</u>

Lease Liability: The District leases office space and a site lease for chipper program through January 31, 2026 with a one-year option to extend and November 30, 2028 with a three-year option to extend, respectively. Both leases contain escalation clauses for increasing rental rates. The District recorded a right to use asset for each lease, which is included in capital assets.

For purposes of discounting future payments of the lease, the District used a discount rate of 7% for the office space lease and 8.50% for the site leases. The intangible right of use asset is being amortized over 4 years, the remaining term of the current lease including the one-year option to extend. Minimum lease payments over the term of the lease are as follows:

Year Ended June 30	Principal	Interest	Total
2026	\$ 61,533	\$ 14,956	\$ 76,489
2027	45,852	9,746	55,598
2028	17,396	7,487	24,883
2029	19,712	5,917	25,629
2030-2032	58,542	6,519	65,061
	<u>\$ 203,035</u>	<u>\$ 44,625</u>	<u>\$ 247,660</u>

NOTE E –PENSION PLAN

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plan (the Plan) administered by the California Public Employees’ Retirement System (CalPERS). The District participates in the CalPERS Miscellaneous Risk Pool and the following rate plans:

- Miscellaneous Rate Plan
- PEPRM Miscellaneous Rate Plan

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE E – PENSION PLAN (Continued)

Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Risk Pool) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost-of-living adjustments are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous Risk Pool	PEPRA Miscellaneous Risk Pool
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	11.88%	7.87%

In addition to the contribution rates above, the District was also required to make payments of \$30,192 towards its unfunded actuarial liability during the year ended June 30, 2025.

The Miscellaneous Risk Pool is closed to new members that are not already CalPERS participants.

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2025, the contributions made to the Plan were \$128,410.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2025, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$412,626.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE E – PENSION PLAN (Continued)

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of the June 30, 2025 and 2024 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2024	0.00840%
Proportion - June 30, 2025	<u>0.00853%</u>
Change - Increase	0.00013%

For the year ended June 30, 2025, the District recognized pension expense of \$120,836. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of Assumptions	\$ 10,605	
Differences between Expected and Actual Experience	35,675	\$ (1,392)
Differences between projected and actual investment earnings	23,754	
Differences between Employer's Contributions and Proportionate Share of Contributions	86,319	
Change in Employer's Proportion	1,582	(11,475)
Pension contributions made subsequent to measurement date	<u>128,410</u>	
Total	<u>\$ 286,345</u>	<u>\$ (12,867)</u>

The \$128,410 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

	<u>Year Ended June 30</u>
2026	\$ 55,994
2027	83,406
2028	13,808
2029	<u>(8,140)</u>
	<u>\$ 145,068</u>

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE E – PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liability at June 30, 2025 was determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by entry age and service
Mortality	Developed using CalPERS Membership Data for all Funds

The mortality table was developed based in CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.90%, which remained the same as the 6.90% at June 30, 2024. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE E – PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)(b)
Global Equity - cap-weighted	30.0%	4.54%
Global Equity - no-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	5.90%
Net Pension Liability	\$ 638,112
Current Discount Rate	6.90%
Net Pension Liability	\$ 412,626
1% Increase	7.90%
Net Pension Liability	\$ 227,017

Pension Plan Fiduciary Net Position: Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided: The District administers a single employer defined benefits healthcare plan. The District’s defined benefit OPEB plan (OPEB Plan) provides lifetime medical benefits to three retirees. The District’s contribution toward medical coverage is capped at \$950 per month. The cap is not intended to increase. The District’s contribution may be used towards medical benefits for retirees, their spouses, and may continue to the surviving spouse upon the death of the retiree. This plan is closed to any future retirees.

Contributions: The contributions to the OPEB Plan are based on pay-as-go financing requirements with additional amount contributed to the PARS Trust to prefund benefits from time to time at the sole discretion of the Board. Retiree health benefits may be paid out of the PARS Trust, set up for this purpose, to the extent funded.

Employees Covered by Benefit Terms: As of the June 30, 2025 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	-
	<hr/>
Total	<u>3</u>

Total OPEB Liability: The District's total OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions:	
Inflation	2.5%
Salary increases	Not applicable; there are no active plan members
Discount rate	6.20%
Mortality rate	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table for Males and improved by Macleod Watt Scale 2022 Applied Generationally from 2012
Healthcare trend rate	Not applicable; retirees are receiving the maximum plan benefit

The discount rate was based on the PARS published expected returns for their balanced portfolio. These returns assume a 2% CPI and no offset for non-imbedded investment-related fees. The expected asset class returns and determined expected portfolio to be 6.45% over thirty years, which were used at the June 30, 2023 valuation date.

Mortality information was based on the CalPERS Experience Study dated June 2021 Tables based on the results from an actuarial experience study for the period 2000 to 2019. The experience study report may be accessed on the CALPERS website at <https://www.calpers.ca.gov>.

During the year ended June 30, 2025, the discount rate was changed from 6.45% to 6.20%.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at July 1, 2024	\$ 354,536	\$ 202,966	\$ 151,570
Changes in the year:			
Interest	21,822		21,822
Difference between expected and actual experience		13,488	(13,488)
Contributions - employer		32,424	(32,424)
Benefits payments	(32,424)	(32,424)	
Change due to investment experience		13,091	(13,091)
Change in assumptions or other inputs	6,436		6,436
Net changes	<u>(4,166)</u>	<u>26,579</u>	<u>(30,745)</u>
Balance at June 30, 2025	<u>\$ 350,370</u>	<u>\$ 229,545</u>	<u>\$ 120,825</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Current		
	1% Decrease 5.20%	Discount Rate 6.20%	1% Increase 7.20%
Net OPEB liability	\$ 148,847	\$ 120,825	\$ 96,321

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: No healthcare trend was applied in this valuation since all retirees are subject to a fixed monthly benefit that is assumed never to be increased in future years.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2025, the District recognized an OPEB expense of \$11,547. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual return on OPEB investments		\$ (6,731)
Contributions after the measurement date	\$ 33,463	
Total	<u>\$ 33,463</u>	<u>\$ (6,731)</u>

The \$33,463 reported as deferred outflows of resources released to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the following fiscal year. The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30	Deferred Inflows of Resources
2026	\$ (4,096)
2027	3,809
2028	(3,748)
2029	(2,696)
	<u>\$ (6,731)</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over one year since the plan is closed with no active members.

NOTE G– INSURANCE

The District participates in the Special District Risk Management Authority (SDRMA) an intergovernmental risk sharing joint powers authority exclusively for California public agencies, for general, property, automobile, and public officials’ errors and omissions. Loss contingency reserves established by the SDRMA are funded by contributions from member agencies, The District pays an annual contribution to the SDRMA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the SDRMA. SDRMA provides insurance through the pool up to certain level, beyond, which group purchased commercial excess insurance is obtained.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE G– INSURANCE (Continued)

The District pays an annual premium to SDRMA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the SDRMA. The District’s deductibles and maximum coverage are as follows:

	Pool Coverage	Commercial Coverage	Self-Insured Retention
Property		\$ 1,000,000,000	\$ 1,000
Boiler and machinery		100,000,000	1,000
Personal Injury and property damage	\$ 10,000/50,000	5,000,000	500
Uninsured motorists bodily injury	10,000/50,000	1,000,000	
Employee / Public officials dishonesty	10,000/50,000	1,000,000	
General liability		5,000,000	500
Auto liability		5,000,000	250/500 or 500/1,000
Public officials personal liability	10,000/50,000	500,000	1,000
Automobile physical damage		100,000	
Workers compensation		5,000,000	

NOTE H – CONTINGENCIES AND COMMITMENTS

The District has the following outstanding contract commitments as of June 30, 2025:

Project	Total	Remaining Commitment
North Fork Phase 1	\$ 155,729	\$ 46,816
Mosquito 2 & 3	437,000	155,189
Dry Creek Red Sesbania removal	45,000	45,000
	<u>\$ 637,729</u>	<u>\$ 247,005</u>

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2025

NOTE I – RESTATEMENT TO IMPLEMENT GASB STATEMENT NO. 101

The District implemented GASB Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025, which resulted in additional sick leave time expected to be used being accrued as part of compensated absences. As a result of this change of accounting principle, net position decreased as of July 1, 2024 and the compensated liability increased as follows:

	June 30, 2024 As previously Reported	Change in Accounting Principle for GASB 101	July 1, 2024 As Restated
Compensated absence liability	<u>\$ 60,534</u>	<u>\$ 36,543</u>	<u>\$ 97,077</u>
Net Position	<u>\$ 1,942,879</u>	<u>\$ (36,543)</u>	<u>\$ 1,906,336</u>

NOTE J – SUBSEQUENT EVENT

In December 2025, the District approved a lease renewal for the leased property at 11641 Blocker Drive Suite 120, Auburn, CA, for a period of three years beginning February 1, 2026. The lease renewal agreement also an option to extend the terms of the lease for one additional three-year term commencing when the prior term expires at a rate to be negotiated between the parties.

REQUIRED SUPPLEMENTARY INFORMATION

PLACER COUNTY RESOURCE CONSERVATION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2025

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY - MISCELLANEOUS PLAN**
 Last 10 Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.008531%	0.008400%	0.008330%	0.011650%	0.008198%	0.003180%	0.003150%	0.007790%	0.003129%	0.007810%
Proportionate share of the net pension liability	\$ 412,626	\$ 419,800	\$ 389,722	\$ 255,260	\$ 345,782	\$ 345,780	\$ 326,848	\$ 311,251	\$ 270,766	\$ 214,303
Covered payroll - measurement period	1,125,251	936,233	628,312	442,994	181,293	159,338	165,203	170,258	201,344	201,344
Proportionate share of the net pension liability as a percentage of covered payroll	272.70%	223.02%	161.22%	173.55%	52.43%	175.22%	197.85%	178.69%	128.84%	94.67%
Plan fiduciary net position as a percentage of the total pension liability	75.31%	71.62%	70.92%	82.21%	71.53%	71.53%	74.07%	74.50%	75.58%	80.25%
Notes to Schedule:										
Valuation date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Changes in assumptions:										
Change in discount rate	6.90%	6.90%	6.90%	7.15%	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN
 Last 10 Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	\$ 128,410	\$ 114,891	\$ 109,290	\$ 81,857	\$ 62,581	\$ 36,402	\$ 34,114	\$ 27,426	\$ 24,973	\$ 21,576
Contributions in relation to the actuarially determined contributions	(128,410)	(114,891)	(109,290)	(81,857)	(62,581)	(36,402)	(34,114)	(27,426)	(24,973)	(21,576)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 1,210,892	\$ 1,125,251	\$ 936,233	\$ 628,312	\$ 442,994	\$ 181,293	\$ 165,203	\$ 170,258	\$ 201,344	\$ 201,344
Contributions as a percentage of covered payroll	10.60%	10.21%	11.67%	13.03%	14.13%	20.08%	20.65%	16.11%	12.40%	10.72%

Notes to Schedule:
 Contribution valuation date

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal cost method									
Amortization method	Level percentage of payroll, closed									
Remaining amortization period	Varies by rate plan, but not more than 30 years									
Asset valuation method	Market value									
Inflation										
Salary increases	2.30%	2.30%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Investment rate of return and discount rate	6.80%	7.15%	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%
Payroll growth	2.80%	2.80%	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%
Retirement age										
Mortality										

50 to 67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study
 Most recent CalPERS Experience Study

PLACER COUNTY RESOURCE CONSERVATION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

For the Years Ended June 30, 2025

	2025	2024	2023	2022	2021	2020
Total OPEB liability						
Interest	\$ 21,822	\$ 21,519	\$ 16,383	\$ -	\$ 17,312	\$ 23,769
Differences between expected and actual experience		300	14,925			(26,354)
Benefit payments	(32,424)	(31,747)	(31,203)		(27,482)	(22,240)
Change in assumptions	6,436	(19,803)	(34,920)			(133,965)
Mortality and other miscellaneous changes		(5,854)				
Net change in total OPEB liability	(4,166)	(35,585)	(34,815)		(10,170)	(158,790)
Total OPEB liability - beginning	354,536	390,121	424,936		446,411	605,201
Total OPEB liability - ending (a)	<u>\$ 350,370</u>	<u>\$ 354,536</u>	<u>\$ 390,121</u>		<u>\$ 436,241</u>	<u>\$ 446,411</u>
Plan fiduciary net position:						
Contributions	\$ 32,424	\$ 31,747	\$ 31,203	\$ 31,861	\$ 27,482	\$ 22,240
Net investment income			(29,110)		5,326	6,307
Benefit payments	(32,424)	(31,747)	(31,203)	(31,861)	(27,482)	(22,240)
Differences between expected and actual experience	13,488	10,751				3,774
Change due to investment experience	13,091	5,242				
Administrative expenses			(1,272)		(990)	
Net change in plan fiduciary net position	26,579	15,993	(30,382)		4,336	10,081
Plan fiduciary net position - beginning	202,966	186,973	217,355		167,767	157,680
Plan fiduciary net position - ending (b)	<u>\$ 229,545</u>	<u>\$ 202,966</u>	<u>\$ 186,973</u>	<u>\$ -</u>	<u>\$ 172,103</u>	<u>\$ 167,767</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 120,825</u>	<u>\$ 151,570</u>	<u>\$ 203,148</u>	<u>* \$ 207,581 *</u>	<u>\$ 264,138</u>	<u>\$ 278,644</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>65.52%</u>	<u>57.25%</u>	<u>47.93%</u>	<u>**</u>	<u>39.45%</u>	<u>37.58%</u>
Notes to schedule:						
Valuation date	June 30, 2023	June 30, 2023	June 30, 2022	**	June 30, 2019	June 30, 2019
Measurement period - fiscal year ended	June 30, 2024	June 30, 2023	June 30, 2022	**	June 30, 2020	June 30, 2019
Discount Rate	6.20%	6.45%	5.75%	**	4.00%	4.00%

* Net OPEB liability equals to \$207,581 is based on an actuarial projection from the July 1, 2019 actuarial valuation. This amount differs from the amount reported on the June, 2022 audit report of \$255,327. An adjustment (equal to the difference) is included in OPEB expense in the current year in the amount of \$47,746.

** OPEB valuation was not prepared for measurement period ending June 20, 2021.

Benefit changes. None since June 30, 2019.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020
Statutorily determined contribution - employer fiscal year	\$ 17,919	\$ 21,035	\$ 31,203	\$ 31,861	\$ 27,482	\$ 22,240
Contributions in relation to the actuarially determined contributions	(33,463)	(32,424)	(31,203)	(31,861)	(27,482)	(22,240)
Contribution deficiency (excess)	\$ (15,544)	\$ (11,389)	\$ -	\$ -	\$ -	\$ -

Notes to Schedule:

Valuation date	June 30, 2023	June 30, 2023	June 30, 2022	**	June 30, 2019	June 30, 2019
Measurement date	June 30, 2024	June 30, 2022	June 30, 2022	**	June 30, 2020	June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method			Entry-age normal cost			
Amortization method			Level percentage of payroll			
Asset valuation method			Market value			
Inflation	2.50%	2.50%	2.50%	2.50%	3.00%	3.00%
Healthcare cost trend rates:						
Initial rate	N/A	N/A	6.50%	6.00%	5.90%	6.00%
Rate trending down to	N/A	N/A	4.50%	5.00%	5.00%	5.00%
Payroll growth	N/A	N/A	3.00%	N/A	N/A	N/A
Discount rate	6.45%	6.45%	5.75%	4.00%	4.00%	N/A
Investment rate of return	6.45%	6.45%	5.75%	4.00%	4.00%	4.00%
Mortality	Pub10 healthy annuitants		Derived using CalPERS membership data			
Retirement age	N/A retirees only		Derived using CalPERS membership data			

** OPEB valuation was not prepared for measurement period ending June 20, 2021.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

PLACER COUNTY RESOURCE CONSERVATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental grants and contracts	\$ 6,913,005	\$ 6,913,005	\$ 6,621,815	\$ (291,190)
Charges for services	60,000	60,000	62,825	2,825
Taxes and assessments	562,272	562,272	569,076	6,804
Interest income	8,000	8,000	53,442	45,442
TOTAL REVENUES	<u>7,543,277</u>	<u>7,543,277</u>	<u>7,307,158</u>	<u>(236,119)</u>
EXPENDITURES				
Current:				
Conservation				
Salaries and benefits	1,915,187	1,915,187	1,769,260	145,927
Services and supplies	5,417,155	5,417,155	5,047,787	369,368
Debt service:				
Principal			54,307	(54,307)
Interest payments			19,861	(19,861)
TOTAL EXPENDITURES	<u>7,332,342</u>	<u>7,332,342</u>	<u>6,891,215</u>	<u>441,127</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets			92,500	92,500
TOTAL OTHER FINANCING SOURCES (USES)			<u>92,500</u>	<u>92,500</u>
NET CHANGE IN FUND BALANCE	210,935	210,935	508,443	297,508
Fund balance at beginning of year	<u>1,787,507</u>	<u>1,787,507</u>	<u>1,787,507</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 1,998,442</u>	<u>\$ 1,998,442</u>	<u>\$ 2,295,950</u>	<u>\$ 297,508</u>

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

COMPLIANCE REPORT



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**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
Placer County Resource Conservation District
Auburn, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Placer County Resource Conservation District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated _____, 2026.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

To the Board of Directors
Placer County Resource Conservation District

Report on Compliance and Other Matters

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

_____, 2026



DISCUSSION
DRAFT

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GOVERNANCE LETTER

To the Board of Directors
Placer County Resource Conservation District
Auburn, California

We have audited the financial statements of the Placer County Resource Conservation District (the District) for the year ended June 30, 2025, and have issued our report thereon dated February XX, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 27, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated April 27, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the District. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no internal control related matters that are required to be communicated under professional standards.

We are required by the audit standards to identify potential risks of material misstatement during the audit process. We have identified the following significant risk of material misstatement as part of our audit planning: Management override of controls and revenue recognition. These are the areas that the audit standards require at a minimum to be identified as significant risks; however, no such items were noted during our audit.

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated April 27, 2023.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. The District adopted GASB Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025, which resulted in the District accruing sick leave expected to be used for time-off as part of compensated absences rather than only sick leave payable at separation as was done previously. The application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: the fair value of investments, depreciable lives and method used to depreciate capital assets and the other postemployment benefits and pension liabilities. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The accrual for postemployment benefits was determined by an actuarial valuation, which is required to be performed every two years. The accrual for the unfunded pension liability was determined by an actuarial valuation performed by CalPERS, which is performed annually.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

Pension Liability: Information on the District's pension plan, including the District's share of the net pension liability, is shown in Note E. The District's share of the net pension liability at June 30, 2024, the most recent measurement date, was \$412,626 which is reflected as a liability in the District's financial statements as of June 30, 2025.

Other Postemployment Benefits Liability: The other postemployment benefits (OPEB) liability disclosure in Note F shows the District's OPEB liability had decreased to \$120,825 as of June 30, 2025 due to changes in actuarial assumptions.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit, seven audit adjustments to correct balances of the accounts and transactions were made as follows:

- Rollforward net position
- Record OPEB true-up entries
- Record pension true-up entries
- Record lease asset and liability true-up entries
- Record current year depreciation
- Record capital asset disposals
- Record adjustment to implement GASB 101 to recognize unused sick time

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February XX, 2026.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis, other postemployment benefits schedule of funding progress, schedule of contributions to the OPEB plan, schedule of the proportionate share of the net pension liability, schedule of contributions to the pension plan, and schedule of revenue, expenditures and changes in fund balance - budget and actual – General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

_____, 2026

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MANAGEMENT LETTER

To the Board of Directors and Management
Placer County Resources Conservation District
Auburn, California

In planning and performing our audit of the financial statements of the Placer County Resources Conservation District (the District) as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

No items for consideration were noted during our audit.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

_____, 2025