INLAND EMPIRE RESOURCE CONSERVATION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

EADIE PAYNE LLP

expect quality

Inland Empire Resource Conservation District

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Government Fund	13
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	16
Notes to Financial Statements	17
Required Supplementary Information	
Budgetary Comparison Schedules - General Fund	39
Schedules of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date	40
Schedules of Plan Contributions	41
Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	42
Schedule of Findings and Responses – Prior Year	44

EADIE PAYNE LLP

3880 Lemon St., Ste. 300
Riverside, CA 92501

P.O. Box 1529
Riverside, CA 92502-1529

951-241-7800

www.eadiepaynellp.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Inland Empire Resource Conservation District
Redlands, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the general fund of Inland Empire Resource Conservation District (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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 GAAS 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 GAAS 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.

Other Matters

Prior-Year Comparative Information

We have previously audited the District's 2024 financial statements, and we expressed unmodified opinions on the respective financial position of the governmental activities and general fund in our report dated January 15, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United Stated of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2024, from which such summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison schedules - General Fund, schedules of the District's proportionate share of the Plan's net pension liability/asset and related ratios as of measurement date, and schedules of Plan contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 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 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.

Eadie and Payne, LLP

Riverside, California
February 24, 2026

INTRODUCTION

As management of the Inland Empire Resource Conservation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities during the fiscal year ended June 30, 2025 and 2024. Please read it in conjunction with the District's basic financial statements and accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources for the years ended June 30, 2025 and 2024, by $19,862,989 and $18,775,897, respectively. Of these amounts, $3,851,997 and $3,141,050 were available to meet the District's ongoing obligations.

- The District's change in total net position was $1,087,092 and $419,103 for the years ended June 30, 2025 and 2024, respectively.

- Mitigation funds revenue increased by $277,615 from $319,176 in 2023-24 to $596,791 in 2024-25. Reimbursable grant revenue increased by $1,577,035, from $2,143,647 in 2023-24 to $3,720,682 in 2024-25. The changes in these revenue categories between 2023-24 and 2024-25 reflect advances in new mitigation projects and the District's increasing capacity, particularly in the Forestry and Sustainable Agriculture teams.

- As of June 30, 2025 and 2024, the District's General Fund reported fund balances of $10,754,422 and $9,524,800, which are changes in fund balance of $1,229,622 and $(343,237), respectively. Of these amounts, $1,020,772 and $167,091 were available for spending at the District's discretion (unassigned fund balance).

- Unassigned and assigned fund balance represented 15% and 3% of total expenditures, or 1.8 months and 0.3 months of average expenditures for the years ended June 30, 2025 and 2024, respectively.

OVERVIEW OF THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction of the District's basic financial statements. The District's basic financial statements comprise three components: 1) government–wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating. The statement of net position also provides a basis for evaluating the District's capital structure and assessing its liquidity and financial flexibility.

The statement of activities presents information showing how the District's net position changed during the fiscal year. All the current year's revenues and expenses, regardless of when cash is received or paid, are accounted for in the statement of activities. This statement measures the success of the District's activities over the past year and can be used to determine whether the District has successfully recovered all its costs. This statement also measures profitability and creditworthiness.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District uses governmental funds to report its activities. The District's governmental fund financial statements include the balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Since the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the District's balance sheet and statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These statements cover governmental-type activities and are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The District maintains one governmental fund – the General Fund. The District adopts an annual appropriated budget for its General Fund, and a budgetary comparison schedule has been provided to demonstrate compliance with the budget.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the District's activities in a way that will help answer this question. These two statements report the District's net position and the changes therein. One can think of the District's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

For the years ended June 30, 2025 and 2024, approximately forty-one (41%) and forty-three (43%) percent, respectively, of the District's net position reflects its investment in capital assets (e.g., land, equipment, and furniture). The District uses these capital assets to provide services to citizens; therefore, they are not available for future spending.

Table 1: Summarized Statements of Net Position

	6/30/25	6/30/24	Change
Current and Other Assets	$ 13,573,828	$ 12,423,634	$ 1,150,194
Capital Assets	8,313,905	8,327,738	(13,833)
Total Assets	21,887,733	20,751,372	1,136,361
Deferred Outflows	375,665	440,355	(64,690)
Current and Other Liabilities	1,792,715	1,733,225	59,490
Long-term Liabilities	606,416	678,378	(71,962)
Total Liabilities	2,399,131	2,411,603	(12,472)
Deferred Inflows	1,278	4,227	(2,949)
Net Position			
Invested in Capital Assets	8,065,997	7,984,625	81,372
Restricted	7,944,995	7,650,222	294,773
Unrestricted	3,851,997	3,141,050	710,947
Total Net Position	$ 19,862,989	$ 18,775,897	$ 1,087,092

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For the years ended June 30, 2025 and 2024, a portion of the District's net position, 40% and 41%, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $3,851,997 in 2025 and $3,141,050 in 2024, may be used to meet the District's ongoing obligations to citizens and creditors.

While the statement of net position shows changes in financial position, the statement of activities provides information on the nature and sources of these changes. As shown in Table 2, the most significant change in net position between fiscal years 2025 and 2024 is largely the result of additional operating and capital grants and contributions in 2025.

For the year ended June 30, 2025, the District's increase in net position was $1,087,092, an increase of $667,989 over the prior year change in net position of $419,103. The District's program revenues and expenses net to a loss of $2,319,902, a decrease of $414,568 from the prior year's net loss of $2,734,470. The District's general revenues amounted to $3,406,994; an increase of $253,421 compared to the prior year amount of $3,153,573. This increase in general revenues was mainly due to increases in property taxes..

Table 2: Summarized Statements of Activities

	6/30/25	6/30/24	Change
Governmental Activities:			
Natural resource conservation			
Expenses	$ 6,667,459	$ 6,006,745	$ 660,714
Program Revenues:			
Charges for services	155,471	124,116	31,355
Operating grants and contributions	3,595,295	2,828,983	766,312
Capital grants and contributions	596,791	319,176	277,615
Net (Expense) Revenue	(2,319,902)	(2,734,470)	414,568
General Revenues:			
Property taxes	2,821,197	2,619,657	201,540
Investment income (loss)	585,797	533,916	51,881
Total general revenue	3,406,994	3,153,573	253,421
Change in net position	1,087,092	419,103	667,989
Net position - beginning of year	18,775,897	18,356,794	419,103
Net position - end of year	$ 19,862,989	$ 18,775,897	$ 1,087,092

FUND FINANCIAL ANALYSIS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of the District's net resources available for program spending at the end of the fiscal year.

As of the end of fiscal year 2025, the District's governmental fund reported an ending fund balance of $10,754,422, an increase of $1,229,622 from the prior year. Of the $10,754,422 of fund balance, $7,400,415 is restricted for specific mitigation and easement-related expenditures. The District has committed $2,500,000 to the construction of an environmental education center and has expended $924,929 through June 30, 2025, leaving $1,575,071 remaining as committed fund balance at June 30, 2025.

As of the end of fiscal year 2024, the District's governmental fund reported an ending fund balance of $9,524,800, a decrease of $343,237 from the prior year. Of the $9,524,800 of fund balance, $7,132,486 is restricted for specific mitigation and easement-related expenditures. The District has committed $2,500,000 to the construction of an environmental education center and has expended $820,460 through June 30, 2024, leaving $1,679,540 remaining as committed fund balance at June 30, 2024.

CAPITAL ASSETS

The District's capital assets are presented in Table 3.

Table 3: Capital Assets

	6/30/25	6/30/24	Change
Land	$ 3,950,624	$ 3,950,624	$ -
Land easements	2,085,482	2,085,482	-
Land options	155,000	155,000	-
Construction in progress	1,738,447	1,633,978	104,469
Equipment	129,038	118,338	10,700
Vehicles	214,961	214,961	-
Leasehold improvements	10,752	10,752	-
Leased assets	403,457	403,457	-
	8,687,761	8,572,592	115,169
Accumulated depreciation	(373,856)	(244,854)	(129,002)
Net Capital Assets	$ 8,313,905	$ 8,327,738	$ (13,833)

For the year ended June 30, 2025, the increase of $115,169 is largely due to construction in progress for the environmental education center.

LONG-TERM LIABILITIES

The District's long-term liabilities are presented in Table 4. The lease liability represents the lease for administrative office space.

Table 4: Long-term Liabilities

	6/30/25	6/30/24	Change
Compensated absences	$ 128,138	$ 100,032	$ 28,106
Lease liability	247,908	343,113	(95,205)
Total	$ 376,046	$ 443,145	$ (67,099)

BUDGETARY HIGHLIGHTS

The District's comparative analysis in Table 5 includes summarized elements of the budget.

Table 5: Budget vs. Actual

	Budget	Actual	Variance
Revenues	$ 8,216,946	$ 7,893,468	$ (323,478)
Expenditures	7,421,083	6,663,846	(757,237)
Net change in fund balance	$ 795,863	$ 1,229,622	$ 433,759

For the year ended June 30, 2025, actual revenues are $323,478 lower than estimated revenues, and actual expenditures are $757,237 lower than budgeted expenditures, resulting in an overall variance of $433,759. The lower revenues compared to the budget were primarily due to lower-than-expected mitigation fund revenue. The lower expenditures compared to the budget were primarily due to lower services and supplies expenditures resulting from lower related grants and contributions revenues.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For 2025-26, the District projects ongoing revenue growth. Based on past trends and investment forecasts, it anticipates higher property tax revenue and relatively stable or slightly rising interest income. Additional growth in operational revenue is expected from increasing the use of a fixed percentage of indirect costs to fund District activities. Indirect costs from the CA Underserved and Small Producer (CUSP) program and California Department of Food and Agriculture – Urban Agriculture grants are estimated to exceed $400,000 in 2025-26. Alongside general revenues, the District expects increases in reimbursement and pass-through revenues from these grants, including the Regional Fire and Forestry Capacity-Building Early Action (RFFC – EA) grant. Small funding increases are also anticipated from the emerging Department of Conservation – Post-Fire Recovery Grant and the Santa Ana Watershed Project Authority's (SAWPA) watershed-wide invasive species removal contract, which will have a higher total in 2025-26.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET(CONTINUED)

At the start of each fiscal year, the District faces uncertainty about revenue from mitigation and conservation easements Since many factors influence these projects’ progress, the District adopts a cautious approach, budgeting only for revenue that is confidently anticipated. While substantial mitigation or easement income isn’t expected for 2025-26, the District may use restricted funds accumulated from previous years for specific mitigation projects, as deemed appropriate. The District plans to spend approximately $220,000 of these restricted funds in 2025-26.cautious approach, budgeting only for revenue that is confidently anticipated. While substantial mitigation or easement income isn’t expected for 2025-26, the District may use restricted funds accumulated from previous years for specific mitigation projects, as deemed appropriate. The District plans to spend approximately $220,000 of these restricted funds in 2025-26.

MANAGEMENT

This financial report is designed to provide the District’s customers, stakeholders, investors, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Inland Empire Resource Conservation District at 25864-K Business Center Drive, Redlands, California 92374.

Inland Empire Resource Conservation District
Statement of Net Position
Governmental Activities
June 30 2025 (with comparative financial information as of June 30, 2024)

	2025	2024
ASSETS		
Cash and cash equivalents	$ 415,988	$ 1,287,692
Investments	10,463,249	9,161,578
Due from other governments	216,901	68,941
Taxes receivable	37,762	33,523
Interest receivable	18,293	11,012
Grant receivables	1,650,380	1,243,490
Other receivables	13,091	71,715
Prepaid expenses	205,098	19,462
Deposits	8,486	8,486
Investment restricted for endowment	544,580	517,735
Capital assets, net of accumulated depreciation and amortization (Note 4)	8,313,905	8,327,738
Total assets	21,887,733	20,751,372
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 8)	375,665	440,355
LIABILITIES		
Accounts payable	753,926	638,363
Accrued payroll	106,881	106,158
Deposits	496,062	590,701
Unearned revenue	435,846	398,003
Long-term liabilities (Note 5)		
Due within one year	165,864	120,213
Due beyond one year	210,182	322,932
Net pension liability (Note 8)	230,370	235,233
Total liabilities	2,399,131	2,411,603
DEFERRED INFLOWS OF RESOURCES		
Pension related (Note 8)	1,278	4,227
NET POSITION		
Net investment in capital assets	8,065,997	7,984,625
Restricted		
Mitigation projects	7,944,995	7,650,222
Unrestricted	3,851,997	3,141,050
Total net position	$ 19,862,989	$ 18,775,897

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

Inland Empire Resource Conservation District
Statement of Activities
Governmental Activities
For the Year Ended June 30, 2025 (with summarized comparative financial information for the year ended June 30, 2024)

		Program Revenues				
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 2025	Net (Expense) Revenue and Changes in Net Position 2024
Governmental Activities:						
Natural resource conservation	$ 6,667,459	$ 155,471	$ 3,595,295	$ 596,791	$ (2,319,902)	$ (2,734,470)
Total governmental activities	$ 6,667,459	$ 155,471	$ 3,595,295	$ 596,791	(2,319,902)	(2,734,470)
		General Revenues:				
		Property taxes			2,821,197	2,619,657
		Investment income (note 2)			585,797	533,916
		Total general revenue			3,406,994	3,153,573
		Change in net position			1,087,092	419,103
		Net position - beginning of year			18,775,897	18,356,794
		Net position - end of year			$ 19,862,989	$ 18,775,897

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

Inland Empire Resource Conservation District
Balance Sheet
Governmental Fund
For the Year Ended June 30, 2025 (with comparative financial information as of June 30, 2024)

	2025	2024
ASSETS		
Cash and cash equivalents	$ 415,988	$ 1,287,692
Investments	10,463,249	9,161,578
Due from other governments	216,901	68,941
Taxes receivable	37,762	33,523
Interest receivable	18,293	11,012
Grants receivables	1,650,380	1,243,490
Other receivables	13,091	71,715
Prepaid expenditures	205,098	19,462
Deposits	8,486	8,486
Investments restricted for endowment	544,580	517,735
Total assets	$ 13,573,828	$ 12,423,634
LIABILITIES		
Liabilities:		
Accounts payable	$ 753,926	$ 638,363
Accrued payroll	106,881	106,158
Deposits	496,062	590,701
Unearned revenue	435,846	398,003
Total liabilities	1,792,715	1,733,225
DEFERRED INFLOWS OF RESOURCES		
Unavailable grant revenue	1,026,691	1,165,609
FUND BALANCE		
Non spendable:		
Prepaid expenditures	205,098	19,462
Deposits	8,486	8,486
Endowment	544,580	517,735
Restricted:		
Mitigation projects	7,400,415	7,132,486
Committed:		
Construction of environmental education center	1,575,071	1,679,540
Unassigned		
Unassigned	1,020,772	167,091
Total fund balance	10,754,422	9,524,800
Total liabilities, deferred inflows of resources and fund balance	$ 13,573,828	$ 12,423,634

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

Inland Empire Resource Conservation District
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30 2025 (with comparative financial information as of June 30, 2024)

	2025	2024
Total governmental fund balance	$ 10,754,422	$ 9,524,800
Amounts reported in governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not current financial resources and, therefore, are not reported in the fund.		
Capital assets	8,687,761	8,572,592
Accumulated depreciation and amortization	(373,856)	(244,854)
Net pension assets (liabilities) are not current financial resources and, therefore, are not reported in the fund.	(230,370)	(235,233)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.		
Compensated absences	(128,138)	(100,032)
Lease liability	(247,908)	(343,113)
Deferred outflows and inflows of resources not due and payable, or owed and receivable respectively, in the current period, are not reported in the fund.		
Pension related deferred outflows of resources	375,665	440,355
Pension related deferred inflows of resources	(1,278)	(4,227)
Revenue related to grant reimbursements not received until after the District's measurement period were not available to meet current financial obligations and, therefore, are reported as deferred inflows of resources in the fund.		
Unavailable grant revenue	1,026,691	1,165,609
Net position of governmental activities	$ 19,862,989	$ 18,775,897

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

Inland Empire Resource Conservation District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2025 (with comparative financial information for the year ended June 30, 2024)

	2025	2024
REVENUES		
Property taxes	$ 2,821,197	$ 2,619,657
SAWA projects	50,132	22,597
Mitigation funds	596,791	319,176
Investment income (loss) (note 2)	585,797	533,916
Reimbursable grants	3,720,682	2,143,647
Water conservation program	97,674	94,122
Other	21,195	6,853
Total revenues	7,893,468	5,739,968
EXPENDITURES		
Salaries and benefits	2,868,865	2,553,655
Services and supplies	3,404,460	2,900,837
Special funded projects	171,144	286,998
Capital outlay:		
Equipment and vehicles	10,700	55,560
Environmental education center	104,469	145,254
In lieu fee program development	-	39,069
Acquisition of right-to-use leased assets	-	403,457
Debt service:		
Principal	95,205	94,078
Interest	9,003	7,754
Total expenditures	6,663,846	6,486,662
Excess (deficiency) of revenues over (under) expenditures	1,229,622	(746,694)
OTHER FINANCING SOURCES		
Acquisition of right-to-use leased assets	-	403,457
Total other financing sources	-	403,457
Net change in fund balance	1,229,622	(343,237)
Fund balance - beginning of year	9,524,800	9,868,037
Fund balance - end of year	$ 10,754,422	$ 9,524,800

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

Inland Empire Resource Conservation District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2025 (with comparative financial information for the year ended June 30, 2024)

	2025	2024
Net change in fund balance - total governmental fund	$ 1,229,622	$ (343,237)
Amounts reported in governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay - equipment and vehicles	10,700	55,560
Capital outlay - environmental education center	104,469	145,254
Capital outlay - in lieu fee program development	-	39,069
Capital outlay - leased assets	-	403,457
Depreciation and amortization expense	(129,002)	(125,903)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net adjustments to compensated absences payable	(28,106)	(25,442)
Net adjustments to pension expense	(56,878)	(106,156)
Some revenues reported in the statement of activities were not available as current financial resources and, therefore are not reported as revenue in the governmental funds.		
Unavailable grant revenue	(138,918)	685,880
Acquisition of right-to-use leased assets	-	(403,457)
The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes current financial resources. These amounts are the net effect of the difference in treatment of long-term liabilities and related items in the statement of activities:		
Principal payments on lease liability	95,205	94,078
Change in net position of governmental activities	$ 1,087,092	$ 419,103

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

Note 1: Nature of Activities and Significant Accounting Policies

Reporting entity

The Inland Empire Resource Conservation District (the District) was created in 2005 to develop programs of soil and water conservation. The District is the merged entity of East Valley Resource Conservation District, created in 1943, and Inland Empire West Resource Conservation District, created in 1941. It is a subdivision of the state government and is directed by a board of seven locally approved landowners.

The District encompasses areas of land in San Bernardino County and Riverside County. It serves the communities of Alta Loma, Banning, Beaumont, Big Bear Lake, Bloomington, Cabazon, Calimesa, Cherry Valley, Chino, Chino Hills, Colton, Devore, Fontana, Highland, Loma Linda, Lytle Creek, Mentone, Montclair, Muscoy, Ontario, Rancho Cucamonga, Redlands, Rialto, San Antonio Heights, San Bernardino, Upland, Yucaipa, and parts of Riverside.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the reporting entity. *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 statement of activities demonstrates the degree to which the program expenses of a given function or segment are offset by program revenues. *Program expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the District does not have any proprietary or fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements. Currently, the District has only one fund, the "General Fund."

Measurement focus, basis of accounting, and financial statement presentation

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1: Nature of Activities and Significant Accounting Policies (continued)

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All "other revenue" items are considered to be measurable and available only when the government receives the cash.

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

<u>Fund accounting</u>

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only has one governmental fund.

Governmental Fund

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

<u>Stewardship, compliance, and accountability</u>

Budgetary information

Budgets are prepared on the modified accrual basis of accounting. The Board must approve amendments or transfers of appropriations between budget line items. The budget is adjusted in January of each year, to reflect the current knowledge and circumstances, which were unavailable at the original adoption.

<u>Revenues - exchange and nonexchange transactions</u>

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Nonexchange transactions, in which the District receives value without directly giving value in return, include grants, donations, and property taxes. On an accrual basis, revenue from grants, donations, and property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted assets - endowment

Certain portions of the District's cash and investment balances are classified as restricted assets on the statement of net position because their use is limited by a conservation easement endowment agreement. The agreement requires the District to invest the contributed endowment balance (corpus) in perpetuity and utilize the investment earnings for purposes of maintaining the conservation easement as specified in the terms of the easement agreement. The restricted assets are reported on the District's balance sheet accordingly.

Prepaid expenses/expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Investments

The District reports its investments at fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the statement of activities and the statement of revenues, expenditures and changes in fund balance. Investment income includes interest, dividends, realized gains and losses, and changes in fair value.

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Capital assets

Capital assets, which include land, furniture and fixtures, equipment, and vehicles, are reported in the government-wide financial statements. The government defines capital assets as assets that have an estimated useful life of two or more years and a cost of more than $1,000, and all capital projects and contributed assets with a fair market value of $1,000 or more on the date of contribution. Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition value at the date of donation. The District does not possess any infrastructure.

Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Type of Asset	Life in Years
Equipment	3 - 7
Furniture and Fixtures	3 - 7
Vehicles	10

Right-to-use assets

The District has recorded right to use lease assets as a result of implementing Governmental Accounting Standards Board (GASB) Statement 87, Leases. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Unearned revenue

The District participates in an in-lieu-fee (ILF) program, which is an agreement between a regulatory agency or agencies (federal, state, or local), as a mitigation sponsor, where it collects funds from permittees in lieu of providing permittee-responsible compensatory mitigation required under the Army Corps or a state or local aquatic resource regulatory program. Revenue collected by the District through the sale of ILF program credits in advance of placing ILF habitat in service is reported as unearned revenue in the financial statements. The unearned revenue is recognized in the corresponding period that the developed ILF habitat is placed into service. For each acre of ILF habitat placed into service, approximately one ILF credit may be concurrently sold and recognized as revenue, or recognized as revenue if previously sold and recorded as unearned revenue.

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Pension plan

For purposes of measuring the net pension asset, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

Employee compensated absences

Accumulated vacation and sick pay are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a liability. While there is no cap on the accumulation of sick time, District policy states that no employee shall have over 160 hours of accumulated vacation time. The Board of Directors approved, in January 2006, a waiver of the 160-hour rule, allowing District employees to carry over 100% of their accumulated vacation time in the new calendar year. Upon leaving the District's employment, the employee will be paid for all of his or her accumulated vacation time and half of his or her accumulated sick time that exceeds 240 hours. The amount due will be determined using salary and wage rates in effect at the time of leave.

Liabilities for compensated absences are recognized as the benefits are earned by employees, based on current pay rates and applicable payroll taxes. The liability for compensated absences is reported in the government-wide financial statements. In accordance with GASB Statement No. 101, the District measures the liability for compensated absences using the employee's current pay rates and includes estimated payroll-related costs. The liability is classified as both current and noncurrent based on expected timing of payment.

Deferred outflows and deferred inflows of resources

Deferred outflows of resources are transactions that result in the consumption of net position in one period that are applicable to future periods and are not considered assets. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net position in one period that are applicable to future periods and are not considered to be liabilities. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

Fund balance policy

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable - amounts that are not in a spendable form (such as inventory and prepaid expenses) or are required to be maintained intact.
- Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed - amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned - amounts that are for any purpose; positive amounts are reported only in a general fund.

The District Board of Directors, establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed. It is also the government's policy to consider committed, assigned, or unassigned amounts 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.

Property taxes

Secured property taxes are levied in two equal installments, November 1st and February 1st. They become delinquent with penalties on December 10th and April 10th, respectively. The lien date is January 1st of each year. Unsecured property taxes are due on the August 1st lien date and become delinquent with penalties on August 31st.

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes. The District receives an allocated share of the $1.00 property tax levied in San Bernardino County. The District receives no property tax allocation from Riverside County.

The District has chosen to participate in the Teeter Alternative Method of Tax Distribution. Under this method, the secured property tax allocation is 100% guaranteed, adjusted by current roll changes only. The other categories of property taxes are distributed as received including penalties
.

New Accounting Pronouncements

GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligations. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and
reliability of information about the liability for compensation absences. The change in accounting did not result in an adjustment to net position as the retroactive effect was trivial.

GASB Statement No. 102, Certain Risk Disclosures - The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

Note 2: Cash and Investments

Cash and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	$ 415,988
Investments	10,463,249
Restricted assets - endowments:	
Investments	544,580
Total cash and investments	$ 11,423,817

Demand deposits	$ 414,978
Petty cash	1,010
CalTRUST Investments	1,852,053
Local Agency Investment Fund	1,670,474
MBS - Money Market	193,291
MBS - Certificates of Deposit	6,502,898
MBS - Corporate notes	789,113
Total cash and investments	$ 11,423,817

Investment income (loss) for the year ended June 30, 2025, consist of the following:

Interest received	$ 335,318
Change in fair value	250,479
Investment income	$ 585,797

Note 2: Cash and Investments (continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (and the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Investment Type	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	Yes	5 Years	None	None
U.S. Agency Securities	Yes	5 Years	None	None
Debt of States and CA Local Agencies	Yes	5 Years	None	None
Bankers' Acceptances	Yes	5 Years	30%	None
Certificates of Deposit	Yes	5 Years	None	None
Negotiable Certificates of Deposit	Yes	5 Years	30%	None
FDIC-Insured Certificates of Deposit	Yes	5 Years	None	None
Repurchase Agreements	Yes	1 Year	20%	None
County Treasurer's Pools	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	$75,000,000
JPA Pools (other investment pools)	Yes	N/A	10%	None
Medium Term Corporate Notes	Yes	5 Years	30%	None
Primte Commercial Paper	Yes	270 days	25%	10%
Investment Agreements	Yes	397 days	5%	None

Authorized Investments

The Board of Directors has authorized excess cash to be invested in a manner that will provide the District with the highest investment return. These investments must provide maximum security while meeting daily cash flow demands and conform to all state statutes.

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. The District mitigates interest rate risk by investing primarily in LAIF, CalTRUST, and certificates of deposit. The effective durations of the certificates of deposit range from December 2025 to April 2030 as of June 30, 2025.

At June 30, 2025, the District did not hold investments that are highly sensitive to interest rate fluctuations.

Note 2: Cash and Investments (continued)

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 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 deposits, other than the following provisions 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2025 and 2024, the District cash held in financial institutions was insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The remaining balance is collateralized with securities held by the pledging financial institution in the District's name as discussed above.

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 by a nationally recognized statistical rating organization. Certificates of deposit are rated at A(1-3). Neither LAIF nor CalTRUST have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. On June 30, 2025, 57% of the District’s cash and investments is held in certificates of deposit, 15% is held with LAIF, and 16% is held with CalTRUST.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the Treasurer of the State of California, Director of Finance and State Controller. The District may invest up to $65 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

Note 2: Cash and Investments (continued)

The District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Investment in CalTRUST

The District is a voluntary participant in the Investment Trust of California (CalTRUST) a Joint Powers Authority. CalTRUST is a program established by public agencies in California for the purpose of pooling and investing local agency funds. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investments in CalTRUST are highly liquid, as deposits can be converted to cash within one to three days without loss of interest. The balance available for withdrawal is based on the accounting records maintained by CalTRUST, which are recorded on a fair market value basis. Separate CalTRUST financial statements are available from CalTRUST on the web at www.caltrust.org.

The District's investment in CalTRUST is reported in the accompanying financial statements at fair market value.

Fair Value Measurements

The District's investments in certificates of deposit, corporate notes, LAIF and CalTRUST are measured using Level 2 inputs as described above. The District's investments in money market funds are measured using Level 1 inputs described above.

Note 3: Mitigation Deposits

Much of the District's work is associated with facilitation of mitigation responsibilities in exchange for impacts to natural resources committed in the course of development by a variety of project proponents. The District requires each proponent to remit a deposit to fund all work done by the District. As part of the deposit process, each proponent is also required to sign a deposit agreement, outlining the need for the initial deposit to complete work and referencing the potential need for securing future deposit if the original total was exceeded.

District staff work to ensure deposit amounts are not exhausted prior to securing additional deposits; however, at times the associated and costly legal and consulting performed on these projects can overwhelm deposit funds in the short-term. At June 30, 2025, the District was owed $13,091 for expenditures incurred in excess of deposits on several projects. At June 30, 2025, these deposit receivable balances were included in the District's other receivables balance.

Note 4: Capital Assets

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

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 3,950,624	$ -	$ -	$ 3,950,624
Land easements	2,085,482	-	-	2,085,482
Land options	155,000	-	-	155,000
Construction in progress	1,633,978	104,469	-	1,738,447
Total capital assets, not being depreciated	7,825,084	104,469	-	7,929,553
Capital assets, being depreciated:				
Equipment	118,338	10,700	-	129,038
Vehicles	214,961	-	-	214,961
Leasehold improvements	10,752	-	-	10,752
Right-to-use leased assets	403,457	-	-	403,457
Total capital assets, being depreciated	747,508	10,700	-	758,208
Less accumulated depreciation for:				
Equipment	(76,993)	(10,752)	-	(87,745)
Vehicles	(95,245)	(16,310)	-	(111,555)
Leasehold improvements	(5,376)	(1,076)	-	(6,452)
Right-to-use leased assets	(67,240)	(100,864)	-	(168,104)
Total accumulated depreciation	(244,854)	(129,002)	-	(373,856)
Total capital assets, being depreciated, net	502,654	(118,302)	-	384,352
Governmental activities - capital assets, net	$ 8,327,738	$ (13,833)	$ -	$ 8,313,905

Note 4: Capital Assets (continued)

Construction in Progress consist of the following two projects:

Environmental Education Center

This is a collaboration with the San Bernardino Valley Municipal Water District, the Orange County Water District, and 501(c)3 organization Huerta del Valle to restore the education center grounds. The District currently has expended approximately $820,000 and expects to expend an additional $120,000 over the next two years to complete the project. The District expects this to be a long-term development that will continue beyond the next two years.

In-Lieu Fee Program Costs

These costs represent various programs to provide a mechanism for developers, landowners, and public agencies in need of long-term mitigation opportunities, conservation easement protection, and establishment and monitoring of restoration of the Santa Ana River watershed. The District currently has expended approximately $814,000 and expects to expend an additional $9,149,000 to $14,149,000 depending on the types of credits sold through the in-lieu fee program.

Note 5: Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2025 were as follows:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Compensated absences	$ 100,032	$ 100,436	$ 72,330	$ 128,138	$ 64,069
Lease liability	343,113	-	95,205	247,908	101,795
Total	$ 443,145	$ 100,436	$ 167,535	$ 376,046	$ 165,864

Note 6: Related-Party Transactions

Santa Ana Watershed Association (SAWA) is a not-for-profit organization comprised of four local resource conservation districts and one water district. The District holds one seat on the Board of Directors of SAWA. SAWA aids the various districts in their conservation efforts by providing support staff and other services. For the year ended June 30, 2025, the District was paid or accrued $50,132, for costs incurred related to SAWA projects. At June 30, 2025, the District is owed $-, and had an outstanding balance payable to SAWA of $5,163.

Note 7: Risk Management

The District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (the Authority). The Authority is a risk-pooling, self-insurance authority created under the provisions of California Government Code Section 6500 et. sec.

The Authority is governed by a board consisting of a representative from a member agency. The board controls the operations of the Authority including selection of CEO and approval of operating budgets.

Note 7: Risk Management (continued)

The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices. There are no existing claims known to the District which would exceed its applicable coverage. For the past three years, no claim has exceeded coverage limits for any of the programs indicated above. Contributions made for pooled self-insurance programs include amounts for claims which may have been incurred but not reported.

The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Copies of the Authority's annual financial report may be obtained from their office at 1112 "I" Street, Suite 300, Sacramento, CA 95814. At June 30, 2025, the District's participation in the self-insurance programs of the Authority was as follows:

General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment

Practices Liability: Total risk financing limits of $5 million policy combined single limit at $5 million per occurrence, subject to the following deductibles:

- $500 per occurrence for third party general liability property damage;
- $1,000 per occurrence for third party auto liability property damage;
- 50% co-insurance of cost expended by SDRMA, in excess of $10,000 up to $50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met, as provided in the Memorandum of Coverage’s.

Employee Dishonesty Coverage: Total of $1 million per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, Disappearance and Destruction coverages.

Property Loss: Replacement cost, for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of $1 billion per occurrence, subject to a $1,000 deductible per occurrence.

Boiler and Machinery: Replacement cost up to $100 million per occurrence, subject to a $1,000 deductible.

Public Officials Personal Liability: $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage’s, deductible of $1,000 per claim.

Comprehensive and Collision: on selected vehicles, with deductibles of $250/$500 or $500/$1,000, as elected; ACV limits; fully self-funded by SDRMA.

Workers’ Compensation Coverage and Employer’s Liability: Statutory limits per occurrence for Workers’ Compensation and $5 million for Employer’s Liability Coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage.

Note 8: Defined Benefit Pension Plan (PERS)

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District 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 Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. 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 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Note 8: Defined Benefit Pension Plan (PERS) (continued)

A. General Information about the Pension Plan (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

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

	Miscellaneous	
	Prior to	After
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years of service	5 Years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a percentage of eligible compensation	2.00% to 3.00%	1.00% to 2.50%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	10.10%	7.87%

<u>Contributions</u>

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Employer contributions to the Plan for the fiscal year ended June 30, 2025 was $171,954.

Note 8: Defined Benefit Pension Plan (PERS) (continued)

B. Net Pension Liability/Asset

The District's net pension liability/asset for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability/asset is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous
Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry age normal
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	7.00%
Mortality rate table (1)	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.30% until purchasing power protection allocance floor on purchasing power applies, 2.30% thereafter

(1) The mortality table used w as developed based on CalPERS-specific data. Pre-retirement and Post-retirement mortality rates include 15 years of projected 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 w ebsite.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8: Defined Benefit Pension Plan (PERS) (continued)

B. Net Pension Liability/Asset (continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class (1)	Current Target Allocation	Real Return (1,2)
Global Equity - Cap-weighed	30.0 %	4.54 %
Global Equity Non-Cap-weighed	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	

(1) An expected price inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management study.

Note 8: Defined Benefit Pension Plan (PERS) (continued)

B. Net Pension Liability/Asset (continued)

Change of Assumptions

There are no significant changes to the actuarial methods or assumptions for the measurement period ending June 30, 2024.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

C. Proportionate Share of Net Pension Liability/Asset

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov.

The following table shows the Plan's proportionate share of the net pension liability/asset over the measurement period at June 30, 2025.

Miscellaneous Plan:

	Increase (Decrease)			
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c) = (a) - (b)	Proportionate Share of Plan's Net Pension Liability/(Asset)
Balance at: 6/30/2023 (VD)	$ 2,970,555	$ 2,735,322	$ 235,233	0.00470%
Balance at: 6/30/2024 (MD)	3,484,070	3,253,700	230,370	0.00476%
Net changes during 2023-2024	$ 513,515	$ 518,378	$ (4,863)	0.00006%

Valuation Date (VD), Measurement Date (MD).

Note 8: Defined Benefit Pension Plan (PERS) (continued)

C. Proportionate Share of Net Pension Liability/Asset (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability/asset of the Plan as of the measurement date June 30, 2024, calculated using the discount rate of 6.90%, as well as what 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:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Miscellaneous Plan's Net Pension Liability/(Asset)			
June 30. 2024 Measurement Date	$ 700,511	$ 230,370	$ (156,626)

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.
The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for measurement period ending June 30, 2024 is 3.8 years.

Note 8: Defined Benefit Pension Plan (PERS) (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the District recognized pension expense of $228,834 for the Plan.

As of June 30, 2025, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 5,921	$ -
Differences between Expected and Actual Experience	19,918	777
Differences between Projected and Actual Investment Earnings	13,262	-
Differences between Employer's Contributions and Proportionate Share of Contributions	45,754	501
Change in Employer's Proportion	118,856	-
Pension Contributions Made Subsequent to Measurement Date	171,954	-
	$ 375,665	$ 1,278

Deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Amount
2026	114,879
2027	72,738
2028	19,360
2029	(4,544)
Thereafter	-
Total	$ 202,433

Note 9: Lease

During the year ended June 30, 2008, the District entered into a noncancelable lease agreement for office space. The lease is for sixty (60) months and has been subsequently extended by amendment through October 31, 2027. Effective June 17, 2019, the lease was expanded to include additional space. The lease will become cancelable at the completion of the extended term.

The lease agreement qualifies as other than a short-term lease and contract that transfers ownership under GASB 87. The right-to-use asset has been recorded as a lease asset under capital assets. The lease liability has been recorded at the present value of future minimum lease payments as of July 1, 2021. Lease liability as of June 30, 2025 was $247,908. Interest expense for the year June 30, 2025 was $9,003.

Future minimum lease payments as of June 30, 2025 are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 101,795	$ 6,057	$ 107,852
2026	108,714	2,910	111,624
2027	37,399	233	37,632
	$ 247,908	$ 9,200	$ 257,108

Note 10: Subsequent Events

Management has evaluated subsequent events through February 24, 2026, the date the financials were available to be issued. No events occurred through this date requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

Inland Empire Resource Conservation District
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	$ 2,500,000	$ 2,500,000	$ 2,821,197	$ 321,197
SAWA projects	64,810	64,810	50,132	(14,678)
Mitigation funds	1,139,354	1,100,000	596,791	(503,209)
Conservation easement contributions	250,000	250,000	-	(250,000)
Investment income	250,000	250,000	585,797	335,797
Reimbursable grants	3,846,136	3,936,136	3,720,682	(215,454)
Water conservation program	105,000	105,000	97,674	(7,326)
Other	11,000	11,000	21,195	10,195
Total revenues	8,166,300	8,216,946	7,893,468	(323,478)
EXPENDITURES				
Salaries and benefits	2,796,506	2,796,506	2,868,865	(72,359)
Services and supplies	3,836,265	4,207,577	3,404,460	803,117
Special funded projects	182,000	182,000	171,144	10,856
Capital outlay:				
Equipment and vehicles	35,000	35,000	10,700	24,300
Land	12,000	12,000	-	12,000
Environmental education center	188,000	188,000	104,469	83,531
Debt service:				
Principal	-	-	95,205	(95,205)
Interest	-	-	9,003	(9,003)
Total expenditures	7,049,771	7,421,083	6,663,846	757,237
Excess (deficiency) of revenues over (under) expenditures	1,116,529	795,863	1,229,622	433,759
Net change in fund balance	$ 1,116,529	$ 795,863	1,229,622	$ 433,759
Fund balance - beginning			9,524,800	
Fund balance - ending			$ 10,754,422	

Inland Empire Resource Conservation District

Schedules of the District's Proportionate Share of the Plan's Net Pension Liability/(Asset) and Related Ratios as of the Measurement Date

For the Year Ended June 30, 2025

Measurement Date	Employer's Proportion of the Collective Net Pension Liability/(Asset)[1]	Employer's Proportionate Share of the Collective Net Pension Liability/(Asset)	Covered Payroll[2]	Employer's Proportionate Share of the Collective Net Pension Liability/(Asset) as a percentage of the Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability/Asset
6/30/2015	-0.00409%	$ (112,200)	$ 375,538	-29.88%	110.67%
6/30/2016	-0.00115%	(40,109)	417,813	-9.60%	103.54%
6/30/2017	-0.00036%	(14,025)	481,120	-2.92%	101.07%
6/30/2018	-0.00098%	(37,039)	676,138	-5.48%	102.41%
6/30/2019	-0.00017%	(6,781)	770,873	-0.88%	100.39%
6/30/2020	0.00086%	36,257	979,686	3.70%	98.16%
6/30/2021	-0.01402%	(266,175)	1,071,751	-24.84%	111.81%
6/30/2022	0.00302%	141,147	1,491,288	9.46%	94.57%
6/30/2023	0.00470%	235,233	1,901,036	12.37%	92.08%
6/30/2024	0.00476%	230,370	2,002,037	11.51%	93.39%

[1] Proportion of the net pension liability/asset represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

[2] Covered payroll is defined as the payroll on which contributions to a pension plan are based.

Inland Empire Resource Conservation District
Schedules of Plan Contributions
For the Year Ended June 30, 2025

Last 10 Years

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
6/30/2016	$ 26,059	$ (26,059)	$ -	$ 417,813	6.24%
6/30/2017	32,415	(32,415)	-	481,120	6.74%
6/30/2018	45,274	(45,274)	-	676,138	6.70%
6/30/2019	54,427	(54,427)	-	770,873	7.06%
6/30/2020	70,898	(70,898)	-	979,686	7.24%
6/30/2021	93,077	(93,077)	-	1,071,751	8.68%
6/30/2022	124,875	(124,875)	-	1,491,288	8.37%
6/30/2023	156,318	(156,318)	-	1,901,036	8.22%
6/30/2024	158,899	(158,899)	-	2,002,037	7.94%
6/30/2025	171,954	(171,954)	-	2,106,607	8.16%

Notes to Schedule:
Changes in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate.

EADIE PAYNE LLP

3880 Lemon St., Ste. 300
Riverside, CA 92501

P.O. Box 1529
Riverside, CA 92502-1529

951-241-7800

www.eadiepaynellp.com

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 and Management
Inland Empire Resource Conservation District
Redlands, California

We have audited, 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, the financial statements of the governmental activities, the business type activities, and each major fund of Inland Empire Resource Conservation District (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 reports thereon dated February 24, 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 District'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.

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

Eadie and Payne, LLP

Riverside, California
February 24, 2026

Inland Empire Resource Conservation District
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
For the year ended June 30, 2025

Significant Deficiency

2025-001 Accrual of Expenses Based on the Service Period

According to Generally Accepted Accounting Principles (GAAP), expenses should be recognized in the period in which they are incurred, regardless of when the invoice is dated. Accrued expenses must reflect the service period to accurately represent the entity's financial position and performance.

Condition
During the audit, it was noted that management did not properly accrue expense for several invoices that had a service period within the fiscal year. The invoices discussed were a part of a billing that that included several invoices that had services periods after year-end and were not billed timely by the vendors.

Cause
Management did not properly determine the separate services periods for each invoice for accrual purposes. Management may not have established adequate internal controls to ensure that all expenses incurred, whether invoices are received or not, during the fiscal year have been accrued for.

Effect
The misapplication of the accrual basis can result in material misstatements in the financial statements. This may lead to an overstated or understated expense for the reporting period and affect decisions made by users of the financial statements, including internal management, and grantors.

Recommendation
We recommend that management implement more robust internal controls surrounding the accrual process to ensure that all expenses are recorded in the correct period. Including establishing understanding of what invoices are expected to be received based on the services that have been rendered to the District.

Management's Response
Management understands the cause of the identified significant deficiency in the 2023-24 audit and has reviewed the three invoices that were incorrectly accrued to the subsequent fiscal year. Each invoice involved unique circumstances that led to this accounting treatment. To prevent future occurrences, management has reinforced proper procedures with staff and provided additional training on handling complex invoices. Project management staff have also been educated on working with vendors to minimize delays in receiving invoices.

Status
Resolved