LAKE COUNTY RESOURCE CONSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2024

HARSHWAL & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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HARSHWAL® & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake County Resource Conservation District
Lakeport, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and fund of Lake County Resource Conservation District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund of the District, as of June 30, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshwal & Company LLP

San Diego, California
June 30, 2026

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS		
Current assets:		
Cash and cash equivalents	$	205,224
Restricted cash		189,077
Accounts receivable		141,268
Total current assets		535,569
Total assets		535,569
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities:		
Accounts payable		7,706
Unearned revenue		189,077
Accrued liabilities		145,080
Total current liabilities		341,863
Total liabilities		341,863
NET POSITION		
Unrestricted		193,706
Total net position		193,706
Total liabilities and net position	$	535,569

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

LAKE COUNTY RESOURCE CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental Activities:			
General government	$ 590,348	$ 628,927	$ 38,579
Total governmental activities	$ 590,348	$ 628,927	38,579
General revenues:			
Taxes			30,688
Interest income			3,054
Miscellaneous			2,310
Total general revenues			36,052
Change in net position			74,631
Net position, beginning of year			90,290
Accounting Changes and Error Corrections			28,785
Net position, beginning of year, *restated*			119,075
Net position, end of year			$ 193,706

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

FUND FINANCIAL STATEMENTS

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund
ASSETS	
Cash and cash equivalents	$ 205,224
Restricted cash	189,077
Accounts receivable	141,268
Total assets	535,569
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	7,706
Unearned revenue	189,077
Accrued liabilities	145,080
Total liabilities	341,863
FUND BALANCE	
Unassigned	193,706
Total fund balance	193,706
Total liabilities and fund balance	$ 535,569

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

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balances - governmental funds	$ 193,706
Amounts reported for governmental activities in the statement of net position are different because:	
When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets as a whole.	-
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position.	-
Total net position - governmental activities	$ 193,706

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

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund
REVENUES:	
Intergovernmental	$ 625,727
Grants and contributions	3,200
Miscellaneous	2,310
Interest income	3,054
Taxes	30,688
Total revenues	664,979
EXPENDITURES:	
Current general government:	
Salaries and benefits	214,021
Insurance	13,020
Professional services	334,851
Miscellaneous	6,354
Services and supplies	22,102
Total expenditures	590,348
Excess (Deficit) of revenues over expenditures	74,631
Net change in fund balance	74,631
Fund balance, beginning of year	90,290
Accounting Changes and Error Corrections	28,785
Fund balance at beginning of year*, restated*	119,075
Fund balance, end of year	$ 193,706

LAKE COUNTY RESOURCE CONSERVATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

Net changes in fund balances - governmental funds	$ 74,631
Amounts reported for governmental activities in the statement of activities are different because:	
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	-
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, these expenses are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used.	-
Change in net position - governmental activities	$ 74,631

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake County Resource Conservation District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Lake County Resource Conservation District was formed on July 1, 2016, by the consolidation of the East Lake and West Lake Conservation Districts. The District operates under the provisions of Sections 9000-9634 of the California Public Resources Code and provides assistance to individuals, groups, and governmental agencies in erosion and sediment control, a wide range of watershed projects, and other types of resource conservation projects.

The District is a governed entity administered by a Board of Directors (Board) that acts as the authoritative and legislative body of the entity. The Board is comprised of seven board members.

The Board appoints the President of the Board from existing board members. The President's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission, or business organization; and exercise supervision over the business of the District, its officers, and its employees.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended, the District has evaluated whether any legally separate organizations should be included as component units. Component units are legally separate organizations for which the District is financially accountable, or whose exclusion would cause the District's financial statements to be misleading. Based on this evaluation, management has determined that the District has no component units requiring inclusion in these financial statements.

B. Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

a. Government-wide financial statements
b. Fund financial statements
c. Notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Accounting and Measurement Focus (Cont'd)

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities and report information on District's governmental activities.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows. Revenues and expenses resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues and expenses resulting from nonexchange transactions, such as taxes, grants, and contributions, are recognized in accordance with the applicable GASB requirements.

The Statement of Activities demonstrates the degree to which direct expenses of a particular function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues not classified as program revenues, including taxes, interest income, and other general revenues, are reported as general revenues.

Fund Financial Statements

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are generally reported in the governmental fund balance sheet. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses an availability period of 60 days for all revenues.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect the net current position, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Accounting and Measurement Focus (Cont'd)

The District reports the following major governmental fund:

General Fund – The General Fund is the District's primary operating fund and accounts for all financial resources of the District, except those required to be accounted for in another fund. For the year ended June 30, 2024, the District reports only one governmental fund, the General Fund.

Governmental Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets* – Component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- *Restricted Net Position* – Component of net position consists of constraints placed on assets reduced by liabilities used through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – Component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of restricted or net investment in capital assets.

Governmental Fund Balances

Fund balances are reported in the fund financial statements in the following classifications:

- *Nonspendable Fund Balance* – This includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).
- *Restricted Fund Balance* – This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.
- *Committed Fund Balance* – This includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The District considers a resolution, to constitute a formal action of the Board of Directors for the purposes of establishing a committed fund balance.
- *Assigned Fund Balance* – This includes amounts that are designated or expressed by the Board but does not require a formal action like a resolution or ordinance. The Board may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such a delegation by the Board has not yet been granted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Accounting and Measurement Focus (Cont'd)

- *Unassigned Fund Balance* – This includes the remaining spendable amounts which are not included in one of the other classifications.

C. Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

The District maintains a portion of its cash with the County Treasury as part of the County's pooled cash and investment program. The District's share of the pool represents an equity interest in the pooled cash and investments and is available to the District on demand. Interest income, if any, is allocated to the District based on its proportionate share of the pooled cash and investments. The District also maintains deposits in business checking and savings accounts with a financial institution.

D. Capital Assets

Capital assets are recorded at cost for purchases in excess of the District's capitalization threshold and with an expected useful life of more than one year. Donated capital assets are recorded at their estimated fair value on the date received. Normal repairs and maintenance are expensed as incurred. Major improvements that extend the useful life or increase the value of an asset are capitalized. The District had no capital assets or depreciation expense for the year ended June 30, 2024.

E. Accounts Receivable

Accounts receivable primarily represent amounts due to the District from grants, reimbursements, or other earned revenues as of year-end. Receivables are recorded when the amount is measurable and the District has met the applicable revenue recognition criteria.

F. Prepaid Expenses

Certain payments to vendors reflect expenses applicable to future accounting periods and are recorded as prepaid expenses in financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

G. Estimates

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

H. Unearned Revenue

Unearned revenue represents amounts received by the District before the related revenue recognition criteria have been met. Unearned revenue primarily arises when grant or contribution funds are received in advance of the District meeting applicable eligibility requirements or incurring allowable expenditures. Revenue is recognized when the District meets the applicable eligibility requirements, including incurring eligible expenditures, as applicable. Until such requirements are met, the amounts are reported as unearned revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

I. New Accounting Pronouncements

The District adopted the following new accounting pronouncements issued by the GASB during the current fiscal year ended June 30, 2024:

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62,* effective for the year ending June 30, 2024. This Statement improves the accounting and financial reporting requirements for accounting changes and error corrections and related disclosures. The implementation of this Statement did not have a material effect on the District's financial statements.

J. Future Accounting Pronouncements

The District has adopted all current statements of the Governmental Accounting Standards Board (GASB) that are applicable. The following new standards issued by GASB are effective in Fiscal Year 2025 and beyond.

GASB has issued Statement No. 101, *Compensated Absences*, effective for the District for the year ending June 30, 2025. This Statement updates the recognition and measurement guidance for compensated absences.

GASB has issued Statement No. 102, *Certain Risk Disclosures*, effective for the District for the year ending June 30, 2025. This Statement provides guidance for disclosures related to certain concentrations and constraints that may make a government vulnerable to substantial impact.

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, effective for the District for the year ending June 30, 2026. This Statement improves key components of the financial reporting model to enhance the effectiveness of governmental financial statements.

GASB has issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the District for the year ending June 30, 2026. This Statement requires separate disclosure of certain types of capital assets and capital assets held for sale.

GASB has issued Statement No. 105, *Subsequent Events*, effective for the District for the year ending June 30, 2027. This Statement provides guidance for evaluating events that occur after the financial statement date but before the financial statements are issued, and determining whether those events should be recognized in the financial statements or disclosed in the notes.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of June 30, 2024, the District's cash and cash equivalents consisted of the following:

Cash in county	$	343,556
Cash in bank		50,745
Total cash and cash equivalents		394,301
Less: Restricted cash related to advance grant funding		189,077
Unrestricted cash and cash equivalents	$	205,224

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an organization 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 District's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. Cash in local bank is fully covered by FDIC coverage.

Interest Rate Risk

The District does not currently have a policy regarding interest rate risk.

Concentration of Credit Risk

The District does not have a policy for concentration of credit risk.

NOTE 3 - ACCOUNTS RECEIVABLE

As of June 30, 2024, accounts receivable was $141,268. No allowance for uncollectible accounts was considered necessary by management.

NOTE 4 - UNEARNED REVENUE

Unearned revenue as of June 30, 2024 was $189,077. This amount consisted of grant and contribution funds received by the District for which the related eligibility requirements had not been met or allowable expenditures had not been incurred as of year-end.

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss, including general liability, property damage, theft or destruction of assets, errors and omissions, employee-related risks, and natural disasters. The District manages these risks through the purchase of commercial insurance coverage.

During the year ended June 30, 2024, the District maintained insurance coverage for public liability and employee-related insurance, including unemployment and state disability insurance. Management believes such coverage is adequate for the normal risks associated with the District's operations.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies and other funding sources are subject to audit and adjustment by the respective grantors or funding agencies. Any disallowed claims, including amounts already received, may become a liability of the District. The amount of expenditures or expenses, if any, that may be disallowed cannot be determined at this time. Management believes that any such disallowances, if any, would not have a material effect on the District's financial statements.

NOTE 7 - ECONOMIC DEPENDENCY

A significant portion of the District's revenue is derived from grants, contributions, and other funding sources. These revenues are subject to the availability of funding and the District's compliance with applicable grantor or funding source requirements. A reduction, delay, or loss of these funding sources could have a material effect on the District's operations.

NOTE 8 - CHANGE IN FUND PRESENTATION

In the prior year, the District presented the General Fund and Special Revenue Fund separately in the governmental fund financial statements. During the year ended June 30, 2024, management determined that the District's governmental activities are accounted for in one governmental fund, the General Fund. Accordingly, the current-year governmental fund financial statements present only the General Fund.

The beginning fund balance of the previously reported Special Revenue Fund has been included in the General Fund in the current-year presentation. This change in presentation had no effect on total governmental fund balance or net position.

NOTE 9 - ACCOUNTING CHANGES AND ERROR CORRECTION

During the year ended June 30, 2024, management identified certain prior-period balances that required adjustment to the beginning fund balance and beginning net position. These adjustments related to corrections of previously reported cash, unearned revenue, accounts receivable, and accounts payable balances.

NOTE 9 - ACCOUNTING CHANGES AND ERROR CORRECTION (CONT'D)

In accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, the corrections have been reported as a restatement of beginning fund balance and beginning net position as of July 1, 2023. Accordingly, the effect of the restatement is summarized below:

Description	Governmental Activities	General Fund
Net Position/Fund Balances, as previously reported on June 30, 2023	$ 90,290	$ 90,290
Error corrections:		
Cash held at county	1,474	1,474
Unearned revenue	25,000	25,000
Accounts receivable	(8,680)	(8,680)
Accounts payable	10,991	10,991
Net Position/Fund Balances, July 1, 2023, as restated	$ 119,075	$ 119,075

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2026, the date at which the financial statements were available to be issued and has determined no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Lake County Resource Conservation District
Lakeport, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and fund of Lake County Resource Conservation District (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as an item 2024-001, that we consider to be a significant deficiency.

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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Harshwal & Company LLP

San Diego, California
June 30, 2026

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	Yes
• Noncompliance material to financial statements noted?	No

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2024-001 - Internal Control over Financial Close and Reporting (Significant Deficiency)

Criteria:

Management is responsible for establishing and maintaining effective internal control over financial reporting to provide reasonable assurance that transactions are properly recorded, reconciled, reviewed, and reported in accordance with accounting principles generally accepted in the United States of America as applicable to governmental entities, including standards established by the Governmental Accounting Standards Board. Such controls should include procedures over year-end cutoff, accruals, account reconciliations, review of general ledger activity, and preparation of financial statements.

Condition:

During our audit, we identified deficiencies in the District's financial close and reporting process that constitute a significant deficiency in internal control over financial reporting. Although the District's accounting records were maintained by the County, the District did not have sufficient procedures in place to independently review, reconcile, and approve the completeness and accuracy of those records before financial statement preparation.

Specifically, we noted the following matters:

1. Certain revenues and expenditures/expenses were not recorded in the proper accounting period based on applicable cutoff and accrual criteria.
2. Certain transaction-level details and supporting records did not consistently reconcile to the general ledger. Although the general ledger was in balance in total, some transactions could not be readily traced to complete supporting journal entry details. Further, transaction activity analyzed by date did not consistently reflect balanced related debit and credit postings, and certain adjustments were required to verify that transactions were properly recorded and supported.

Cause:

The District did not have a formal, documented year-end financial close process to ensure that cutoff matters, accruals, account reconciliations, general ledger activity, and supporting documentation were properly reviewed, reconciled, approved, and retained. In addition, the District did not have sufficient monitoring and review controls over accounting records maintained by the County to ensure that transaction-level details were complete, accurate, and appropriate for financial reporting purposes.

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONT'D)

2024-001 - Internal Control over Financial Close and Reporting (Significant Deficiency) (Cont'd)

Effect:

Without effective controls over the year-end close and financial reporting process, revenues, expenditures/expenses, assets, liabilities, and related disclosures may not be recorded in the proper accounting period or properly supported. This increases the risk that material misstatements may occur and not be prevented, or detected and corrected, in a timely manner.

Auditor's Recommendation:

We recommend that management implement a formal year-end financial close process that includes documented procedures for reviewing cutoff, accruals, account reconciliations, general ledger activity, and financial statement preparation. The process should include a year-end close checklist, assignment of responsibilities, supporting documentation requirements, supervisory review, and evidence of approval.

Management should also establish procedures to independently review and reconcile accounting records maintained by the County to the District's general ledger and financial statement amounts. These procedures should include review of transaction-level details, verification that related debit and credit entries are complete and balanced, reconciliation of subsidiary or detail records to the general ledger, and timely resolution of reconciling items.

Management's Response:

Management (Executive Director and Finance Manager) concur with the above finding. The Lake County Resource Conservation District ("District") acknowledges that for the Fiscal Year 2024 (FY2024, July 1, 2023 through June 30, 2024), its year-end financial close process lacked sufficient formalized procedures to independently review, reconcile, and approve accounting records maintained by the County prior to financial statement preparation. Management further acknowledges that at that time, the absence of documented monitoring controls contributed to the conditions identified, including period-end cutoff and accrual errors and inconsistencies between transaction-level detail and the general ledger.

Context and Background:

In FY2024, the District's finances and accounting records were maintained by the County of Lake Auditor-Controller's office and Treasury. This arrangement is common among California special districts and has historically provided administrative efficiencies; however, it requires the District to maintain independent oversight procedures to satisfy its obligations under the California Government Code and applicable standards established by the Governmental Accounting Standards Board (GASB). Management recognizes that reliance on County-maintained records does not transfer the District's responsibility for the accuracy and completeness of its financial statements and that effective internal controls must be established and maintained at the District level.

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONT'D)

2024-001 - Internal Control over Financial Close and Reporting (Significant Deficiency) (Cont'd)

Corrective Actions:

For FY2024, the District relied on an external bookkeeping consultant to coordinate with the County and prepare financial statements to the Board in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. By the end of FY2024, the District Board of Directors (Board) determined the bookkeeping service was not responsive to the Board's inquiries and concerns, and the service was terminated. In July 2024, the Board took corrective action to build a new team and system to improve financial transparency, accuracy, and completeness, and these improvements were implemented throughout the Fiscal Year 2025 (FY2025: July 1, 2024 through June 30, 2025). Many of those actions address elements of this FY2024 audit's recommendations.

1. Internal Controls

In late FY2024, the Board hired the District's first Executive Director. In early FY2025, the Executive Director hired and onboarded the District's own internal finance team, including a Finance Manager and a Bookkeeper, both of whom were supported by a CPA consultant. This team was trained on California governmental accounting requirements, including applicable GASB standards for year-end cutoff and accrual recognition, Government Code reporting obligations, and required internal control procedures. Together, the team developed a completely new and rigorous in-house accounting system to meet the Board's transparency requirements and to ensure District compliance with GAAP and required internal controls. Implementation was tracked and reported to the Board at its regular monthly meetings.

2. Financial Corrective Action Taken

The Executive Director led the development of the District's new Operations Manual, which included significant financial management and accounting policies. The Operations Manual was adopted by the Board in May 2025.

For FY2025, the District also implemented corrective procedures to independently review and reconcile accounting records maintained by the County. County-maintained records are provided on a cash basis transaction detail, while the District's general ledger and financial statements are maintained and reported on an accrual basis. Therefore, reconciliation processes were established to verify that the District's accounting records properly agreed with County maintained transaction detail, including any necessary accrual or financial statement adjustments. District staff reviewed related debit and credit activity for completeness and balance at the transaction level, and subsidiary/detail records were reconciled to the general ledger with variances documented and resolved. Each reconciliation included evidence of preparation and independent review, with Board approval retained as part of the District's accounting records.

3. Formal Year-End Financial Close Policy and Procedures:

With Board approval, the District will update its Operations Manual to adopt a written Year-End Financial Close Policy governing cutoff determinations, accrual recognition, account reconciliation, general ledger review, and financial statement preparation. The policy will:

- Define roles and responsibilities for District Board, Executive Director, and Finance Team, with clear segregation of preparers and reviewers.
- Establish a formal close calendar aligned to the District's June 30 fiscal year-end and the State Controller's Office reporting deadline; and
- Require supervisory review and document approval of all year-end adjusting journal entries prior to financial statement issuance.

SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS (CONT'D)

2024-001 - Internal Control over Financial Close and Reporting (Significant Deficiency) (Cont'd)

Lastly, the District will implement a standardized year-end close checklist to be completed by District finance staff prior to audit fieldwork. The checklist will confirm that all cutoff determinations, accrual postings, account reconciliations, and general ledger review steps have been performed, documented, and approved. Completed checklists will be retained as part of the District's audit workpapers and made available to the auditors at the commencement of fieldwork.

Responsible Parties:

1. Julia Sullivan, Executive Director
2. Megan McCluer Lopez, Finance Manager

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

Lake County Resource Conservation District
Fiscal Year 2024 Audit | Management's Response

June 29, 2026

Finding:
2024-001 - Internal Control over Financial Close and Reporting (Significant Deficiency)

Management's Concurrence:
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Corrective Actions:
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Julia Sullivan	6/29/2026	Megan McCluer Lopez	6/29/2026
Julia Sullivan Executive Director	Date	Megan McCluer Lopez Finance Manager	Date

LAKE COUNTY RESOURCE CONSERVATION DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

No matters were reported in prior years.