DE LUZ COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Years Ended
June 30, 2025
(With Comparative Amounts as of June 30, 2024)

DE LUZ COMMUNITY SERVICES DISTRICT
For the Fiscal Year Ended June 30, 2025
Table of Contents

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

Financial Section

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A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
De Luz Community Services District
Murrieta, California

Opinion

We have audited the accompanying financial statements of the De Luz Community Services District (District), which comprise the balance sheet as of June 30, 2025, and related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the 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 financial position of the District as of June 30, 2025, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Agency 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 opinion.

Change in Accounting Principle

As described in Notes 1 and 5 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to these matters.

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 Agency'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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Contributions to the Defined Benefit Pension Plan, and Schedule of Changes in the District's Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such 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. 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.

Prior-Year Comparative Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated December 5, 2025, 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 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 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.

Murrieta, California
December 5, 2025

Management's Discussion and Analysis (MD&A) offers readers of De Luz Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal years ended June 30, 2025 and 2024. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2025, the District's net position decreased 3.36%, or $371,823 from the prior year's net position of $11,080,791 to $10,708,968, as a result of the year's financial activities.
- In fiscal year 2025, operating revenues increased by 2.56%, or $62,061 from $2,426,463 to $2,488,524, from the prior year, primarily due to increases in benefit fees and permit income.
- In fiscal year 2025, operating expenses before depreciation expense decreased by 8.03% or $207,381 from $2,581,887 to $2,374,506, from the prior year, primarily due to a decrease of $156,333 in road maintenance expenses, as well as a $181,549 decrease in materials and supplies expenses.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's 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, zoning and new or changed government legislation.

Condensed Balance Sheets

	June 30, 2025	June 30, 2024	Change
Assets:			
Current assets	$ 5,046,231	$ 4,844,854	$ 201,377
Capital assets, net	8,911,799	9,617,171	(705,372)
Total assets	13,958,030	14,462,025	(503,995)
Deferred outflows of resources	780,734	657,092	123,642
Total assets and deferred outflows of resources	$ 14,738,764	$ 15,119,117	$ (380,353)
Liabilities:			
Current liabilities	$ 315,169	$ 375,336	$ (60,167)
Non-current liabilities	3,103,351	3,124,080	(20,729)
Total liabilities	3,418,520	3,499,416	(80,896)
Deferred inflows of resources	611,276	538,910	72,366
Net position:			
Investment in capital assets	8,911,799	9,590,997	(679,198)
Unrestricted	1,797,169	1,489,794	307,375
Total net position	10,708,968	11,080,791	(371,823)
Total liabilities, deferred outflows of resources and net position	$ 14,738,764	$ 15,119,117	$ (380,353)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $10,708,968 and $11,080,791 as of June 30, 2025 and 2024, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)
By far the largest portion of the District's net position (83% as of June 30, 2025 and 86% as of June 30, 2024) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of years 2025 and 2024, the District showed a positive balance in its unrestricted net position of $1,797,169 and $1,489,794, respectively, which may be utilized in future years.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2025	June 30, 2024	Change
Operating revenues	$ 2,488,524	$ 2,426,463	$ 62,061
Operating expenses	(2,374,506)	(2,581,887)	207,381
Operating loss before depreciation	114,018	(155,424)	269,442
Depreciation expense	(705,372)	(693,535)	(11,837)
Operating loss	(591,354)	(848,959)	257,605
Non-operating revenues, net	253,525	215,084	38,441
Net loss before special items	(337,829)	(633,875)	296,046
Special items	(33,994)	(27,320)	(6,674)
Change in net position	(371,823)	(661,195)	289,372
Net Position:			
Beginning of year	11,080,791	11,741,986	(661,195)
End of year	$ 10,708,968	$ 11,080,791	$ (371,823)

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased by $371,823 and $661,195 for the years ended June 30, 2025 and 2024 respectively.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

	June 30, 2025	June 30, 2024	Increase Change
Operating revenues:			
Benefit Fees	$ 2,040,481	$ 2,012,028	$ 28,453
Special tax revenue	303,282	299,421	3,861
Franchise fees	77,247	78,189	(942)
Development mitigation fees	30,454	28,039	2,415
Permit income	24,024	6,723	17,301
Other operating revenue	13,036	2,063	10,973
Total operating	2,488,524	2,426,463	62,061
Non-operating:			
Investment earnings	164,304	218,888	(54,584)
Insurance settlement	90,000	-	90,000
Total non-operating	254,304	218,888	35,416
Total revenues	$ 2,742,828	$ 2,645,351	$ 97,477

In fiscal year 2025, operating revenues increased by 2.56%, or $62,061 from $2,426,463 to $2,488,524, from the prior year, primarily due to increases in benefit fees and permit income. Non-operating revenues increased by $35,416 from $218,888 to $254,304 due to a $90,000 insurance settlement received that offset a $54,584 decrease in investment earnings as a result of changing market conditions and a different investment allocation.

Total Expenses

	June 30, 2025	June 30, 2024	Increase Change
Operating expenses:			
Salaries and wages	$ 802,317	$ 762,017	$ 40,300
Employee benefits	469,707	402,343	67,364
Materials and supplies	357,704	539,253	(181,549)
Road maintenance	408,236	564,569	(156,333)
Public safety	336,542	313,705	22,837
Operating expenses before depreciation	2,374,506	2,581,887	(207,381)
Depreciation	705,372	693,535	11,837
Non-operating:			
Interest expense	779	3,804	(3,025)
Total expenses	$ 3,170,657	$ 3,279,226	$ (108,569)

In fiscal year 2025, operating expenses before depreciation expense decreased by 8.03% or $207,381 from $2,581,887 to $2,374,506, from the prior year, primarily due to a decrease of $156,333 in road maintenance expenses, as well as a $181,549 decrease in materials and supplies expenses.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Capital Assets

	Balance June 30, 2025	Balance June 30, 2024
Capital assets:		
Depreciable assets	$ 27,201,807	$ 27,399,656
Accumulated depreciation	(18,290,008)	(17,782,485)
Total capital assets, net	$ 8,911,799	$ 9,617,171

At the end of year 2025, the District's investment in capital assets amounted to $8,911,799 (net of accumulated depreciation). There were no during the fiscal year. See Note 4 for further information.

Debt Administration
The long-term debt of the District is summarized below:

Long-term debt:	Balance June 30, 2025	Balance June 30, 2024
Direct finance purchase	$ -	$ 26,174

Long-term debt decreased by a total of $26,174 for the year ended June 30, 2025, through principal re-payments. See Note 6 for further information.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the District's current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at 41606 Date St, Suite 205, Murrieta, California 92562 or (951) 696-0061.

DE LUZ COMMUNITY SERVICES DISTRICT

Balance Sheets

June 30, 2025 (With Comparative Amounts as of June 30, 2024)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2025	2024
Current assets:		Restated
Cash and cash equivalents (Note 2)	$ 4,421,539	$ 1,305,678
Investments (Note 2)	-	2,957,480
Accrued interest receivable	41,127	8,558
Benefit fees receivable, net (Note 3)	254,646	208,222
Franchise fee receivable	77,247	78,189
Accounts receivable – due from other governments	200,508	200,508
Other receivables	1,650	1,650
Prepaid items	49,514	84,569
Total current assets	5,046,231	4,844,854
Non-current assets:		
Capital assets, net – being depreciated (Note 4)	8,911,799	9,617,171
Total non-current assets	8,911,799	9,617,171
Total assets	13,958,030	14,462,025
Deferred outflows of resources:		
Deferred amounts related to total OPEB liability (Note 7)	163,078	101,036
Deferred amounts related to net pension liability (Note 8)	617,656	556,056
Total deferred outflows of resources	780,734	657,092
Total assets and deferred outflows of resources	$ 14,738,764	$ 15,119,117

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2025	2024
Current liabilities:		
Accounts payable and accrued expenses	148,609	190,623
Customer deposits and unearned revenue	135,900	126,700
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	30,660	31,839
Direct finance purchase (Note 6)	-	26,174
Total current liabilities	315,169	375,336
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	56,937	59,131
Total OPEB liability (Note 7)	1,641,843	1,645,043
Net pension liability (Note 8)	1,404,571	1,419,906
Total noncurrent liabilities	3,103,351	3,124,080
Total liabilities	3,418,520	3,499,416
Deferred inflows of resources:		
Deferred amounts related to total OPEB liability (Note 7)	537,646	408,473
Deferred amounts related to net pension liability (Note 8)	73,630	130,437
Total deferred inflows of resources	611,276	538,910
Net position:		
Investment in capital assets	8,911,799	9,590,997
Unrestricted	1,797,169	1,489,794
Total net position	10,708,968	11,080,791
Total liabilities, deferred inflows of resources and net position	$ 14,738,764	$ 15,119,117

DE LUZ COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Years Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)

	2025	2024
Operating revenues:		**Restated**
Benefit fees – road assessment	$ 2,040,481	$ 2,012,028
Special tax revenue – public safety	303,282	299,421
Franchise fees – solid waste	77,247	78,189
Development mitigation fees	30,454	28,039
Permit income	24,024	6,723
Other operating revenue	13,036	2,063
Total operating revenues	2,488,524	2,426,463
Operating expenses:		
Salaries and wages	802,317	762,017
Employee benefits	469,707	402,343
Materials and supplies	357,704	539,253
Road maintenance	408,236	564,569
Public safety	336,542	313,705
Total operating expenses	2,374,506	2,581,887
Operating income(loss) before depreciation	114,018	(155,424)
Depreciation expense	(705,372)	(693,535)
Operating(loss)	(591,354)	(848,959)
Non-operating revenues(expenses):		
Investment earnings	164,304	218,888
Interest expense	(779)	(3,804)
Insurance settlement	90,000	-
Total non-operating revenues, net	253,525	215,084
Net (loss) before special items	(337,829)	(633,875)
Special items		
Disaster repairs	(33,994)	(27,320)
Total special items	(33,994)	(27,320)
Change in net position	(371,823)	(661,195)
Net Position:		
Beginning of year, as restated (Note 9)	11,080,791	11,741,986
End of year	$ 10,708,968	$ 11,080,791

DE LUZ COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

For the Fiscal Years Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)

	2025	2024
Cash flows from operating activities:		**Restated**
Cash receipts from customers and others	$ 2,542,242	$ 2,463,080
Cash paid to employees for salaries and wages	(756,448)	(700,527)
Cash paid to vendors and suppliers for materials and services	(1,698,201)	(1,778,311)
Net cash provided by (used in) operating activities	87,593	(15,758)
Cash flows from non-capital financing activities:		
Disaster repairs	(33,994)	(27,320)
Net cash provided by (used in) non-capital financing activities	(33,994)	(27,320)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	-	(702,969)
Principal paid on direct finance purchase	(26,174)	(50,102)
Interest paid on direct finance purchase	(779)	(3,804)
Net cash used in capital and related financing activities	(26,953)	(756,875)
Cash flows from investing activities:		
Purchase of investments	-	(2,877,414)
Proceeds from the maturity of investments	2,967,490	-
Investment earnings	121,725	162,318
Net cash provided by (used in) investing activities	3,089,215	(2,715,096)
Net increase (decrease) in cash and cash equivalents	3,115,861	(3,515,049)
Cash and cash equivalents:		
Beginning of year	1,305,678	4,820,727
End of year	$ 4,421,539	$ 1,305,678

DE LUZ COMMUNITY SERVICES DISTRICT
Statement of Cash Flows, Continued
For the Fiscal Years Ended June 30, 2025 (With Comparative Amounts as of June 30, 2024)

	2025	2024
Reconciliation of operating (loss) to net cash used in operating activities:		**Restated**
Operating (loss)	$ (591,354)	$ (848,959)
Adjustments to reconcile operating (loss) to net cash used in operating activities:		
Depreciation	705,372	693,535
Insurance settlement	90,000	-
Change in assets – (increase)decrease:		
Benefit fees receivable, net	(46,424)	31,138
Franchise fees receivable	942	(5,221)
Prepaid items	35,055	(57,784)
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to total OPEB liability	(62,042)	23,927
Deferred amounts related to net pension liability	(61,600)	16,750
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(42,014)	52,563
Customer deposits and unearned revenue	9,200	10,700
Compensated absences	(3,373)	27,956
Total OPEB liability	(3,200)	112,787
Net pension liability	(15,335)	54,239
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to total OPEB liability	129,173	(66,786)
Deferred amounts related to net pension liability	(56,807)	(60,603)
Total adjustments	678,947	833,201
Net cash used in operating activities	$ 87,593	$ (15,758)

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The De Luz Community Services District (formerly the Santa Rosa Community Services District) was created as a Community Services District in 1978 by the Local Agency Formation Commission pursuant to Government Code Section 61000. The governing body consists of a five–member board elected from the service area and serving four–year terms. The District was organized for the purpose of providing street improvements and maintenance, refuse disposal, and supplementary police protection within its geographical boundaries.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Presentation, Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments
Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Receivables and Allowance for Doubtful Accounts
Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

4. Prepaids
Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over $5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Culverts	45 years
Roads	40 years
Building	40 years
Guard Rails	20 years
Dips	20 years
Signs	20 years
Other Assets	7 years
Office Furniture	7 years
Construction Equipment	7 years
Transportation Equipment	5 years

6. Compensated Absences

District policy permits its employees to accumulate earned vacation (up to 240 hours) for subsequent use or for payment upon termination or retirement.

In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payment such as the employer portion of Medicare taxes.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Pensions

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

The following timeframes are used for pension reporting:

Valuation Date June 30, 2023
Measurement Date June 30, 2024
Measurement Period July 1, 2023 to June 30, 2024

8. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefit Plan (OPEB Plan) and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2024
Measurement Date June 30, 2025
Measurement Period July 1, 2024 to June 30, 2025

9. Net Position

Net position is classified into two components: investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets net of accumulated depreciation less any related debt.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "investment in capital assets".

D. Use of Estimates

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

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Taxes and Assessments

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The Riverside County Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Riverside County Auditor-Controller's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

F. New Pronouncements –Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2025, the District has implemented new GASB pronouncements as follows:

GASB Statement No. 101 – Compensated Absences

This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employees and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of July 1, 2024. See Note 5 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

Description	June 30, 2025
Cash and cash equivalents	$ 4,421,539
Total	$ 4,421,539

Cash and investments consisted of the following:

Description	June 30, 2025
Cash on hand	$ 300
Demand deposits held with financial institutions	425,744
Deposits in Local Agency Investment Fund (LAIF)	3,995,495
Total	$ 4,421,539

Demand Deposits with Financial Institutions
At June 30, 2025, the carrying amount of the District's demand deposits were $425,744, and the financial institution's balances were $454,006. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Local Agency Investment Fund (LAIF)
The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

NOTE 2 – CASH AND INVESTMENTS (continued)

Local Agency Investment Fund (LAIF) (continued)
The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held $3,995,495 in LAIF.

Authorized Investments and Investment Policy
The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions to purchases financial investments in accordance with California Government Code 53600-53610.

Fair Value Measurement Input
The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the previous table.

Credit Risk
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.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the previous table.

Custodial Credit Risk – Investments
The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds and/or government investment pools.

NOTE 3 – BENEFIT FEES RECEIVABLE, NET

The benefit fees receivable, net balance at June 30, 2025 consists of the following;

Discription	June 30, 2025
Benefit fees receivable	$ 377,062
Allowance for doubtful accounts	(122,416)
Total benefits fees receivable, net	$ 254,646

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Summary changes in capital asset balances for the year ended June 30, 2025, were as follows:

Description	Balance June 30, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Non-depreciable assets:				
Construction-in-process	$ -	$ -	$ -	$ -
Total non-depreciable assets	-	-	-	-
Depreciable assets:				
Building	687,054	-	(3,451)	683,603
Roads	21,869,614	-	-	21,869,614
Culverts	3,731,769	-	-	3,731,769
Dips	180,383	-	-	180,383
Signs	161,079	-	-	161,079
Guard rails	101,697	-	-	101,697
Construction equipment	260,540	-	(176,976)	83,564
Transportation equipment	224,989	-	(20,873)	204,116
Office furniture	141,241	-	3,451	144,692
Other assets	41,290	-	-	41,290
Total depreciable assets	27,399,656	-	(197,849)	27,201,807
Accumulated depreciation:				
Building	(188,271)	(14,395)	-	(202,666)
Roads	(14,741,197)	(548,340)	-	(15,289,537)
Culverts	(1,978,684)	(89,015)	-	(2,067,699)
Dips	(169,018)	(874)	-	(169,892)
Signs	(161,079)	-	-	(161,079)
Guard rails	(93,879)	(602)	-	(94,481)
Construction equipment	(212,610)	(11,394)	176,976	(47,028)
Transportation equipment	(134,722)	(22,780)	20,873	(136,629)
Office furniture	(73,234)	(16,132)	-	(89,366)
Other assets	(29,791)	(1,840)	-	(31,631)
Total accumulated depreciation	(17,782,485)	(705,372)	197,849	(18,290,008)
Total depreciable assets, net	9,617,171	(705,372)	-	8,911,799
Total capital assets, net	$ 9,617,171	$ (705,372)	$ -	$ 8,911,799

NOTE 5 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2025, were as follows:

Balance July 1, 2024	Net Change	Balance June 30, 2025	Current Portion	Long-term Portion
$ 90,969	$ (3,372)	$ 87,597	$ 30,660	$ 56,937

As of June 30, 2025, the total liability for compensated absences was $87,597, of which $30,660 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of July 1, 2024, reflected a material difference upon implementation of GASB Statement No. 101; therefore, a restatement was required. See note 9 for more details.

NOTE 6 – DIRECT FINANCE PURCHASE

Summary changes to the direct finance purchase balances for the year ended June 30, 2025, were as follows:

Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
$ 26,174	$ -	$ (26,174)	$ -

2009 Building Direct Finance Purchase

In January 2010, the District acquired a building for use as its corporate offices using the proceeds of a site lease dated October 21, 2009, between Municipal Finance Corporation as lessee and the District as lessor. The District is leasing the building back from Municipal Finance Corporation under the terms of a direct finance purchase of the same date. The direct finance purchase calls for semi-annual payments of $26,953 commencing on July 7, 2010, and maturing January 7, 2025. The Municipal Finance Corporation has assigned all of its rights, title and interest in this direct finance purchase to City National Bank. For financial reporting purposes, minimum payments relating to the building have been capitalized and included in capital assets in the statement of net position. The building under the direct finance purchase has a cost of $549,204. The balance of the direct finance purchase as of June 30, 2025, amounted to $26,174. The loan was paid in full during the fiscal year ending June 30, 2025.

NOTE 7 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description		2025
OPEB related deferred outflows	$	163,078
Total other post-employment benefits liability		1,641,843
OPEB related deferred inflows		537,646

A. General Information about the OPEB Plan

Plan Description
The District provides lifetime retiree health benefits to eligible retirees and dependents. The District's contribution toward the cost of retiree health insurance shall not exceed the maximum contribution paid by the District for the categories of employee only (Single), employee plus one (Two-Party), and employee plus two or more dependents (Family). Eligibility for retiree health benefits requires retirement on or after age 50 with at least 5 consecutive years of District eligible service.

Funding Policy
The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. and may be amended by the Board of Directors. Contributions are based on pay-as-you-go financing. The District has made no discretionary payments into a trust.

Contributions
Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2025, the measurement period, the District's contributions totaled $54,757. The contribution amount consists of $45,424 in paid medical premiums and $9,333 in estimated implied rate subsidy.

NOTE 7 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

B. Total OPEB Liability

For the fiscal year ended June 30, 2025, the District's total OPEB liability was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2025. A summary of the principal assumptions and methods used to determine the total OPEB liability are noted below.

Actuarial Assumptions
The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	**June 30, 2025**
Discount rate	5.20%
Inflation	2.80%
Salary increases	2.80%
Investment rate of return	4.21%
Healthcare cost trend rates	8.0 percent

Discount Rate
The discount rate used to measure the total OPEB liability was 5.20% as of June 30, 2025 Measurement Date. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 7 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

C. Changes in the Total OPEB Liability

The changes in the total OPEB liability for fiscal year June 30, 2025 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balance at June 30, 2024 (Measurement date June 30, 2024)	$ 1,645,043	$ -	$ 1,645,043
Changes for the year:			
Service cost	112,640	-	112,640
Interest	72,858	-	72,858
Changes in assumptions	(227,725)	-	(227,725)
Changes in experience	93,784	-	93,784
Contributions by employer	-	54,757	(54,757)
Benefit payments	(54,757)	(54,757)	-
Net changes	(3,200)	-	(3,200)
Balance at June 30, 2025 (Measurement date June 30, 2025)	$ 1,641,843	$ -	$ 1,641,843

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

For the fiscal year ended June 30, 2025:

1% Decrease 4.20%	Discount Rate 5.20%	1% Increase 6.20%
$ 1,904,483	$ 1,641,843	$ 1,429,340

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

For the fiscal year ended June 30, 2025:

1% Decrease 7.00%	Healthcare Cost Trend Rates 8.00%	1% Increase 9.00%
$ 1,407,489	$ 1,641,843	$ 1,936,900

NOTE 7 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of $118,688. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 58,046	$ (491,129)
Differences between expected and actual experience	105,032	(46,517)
Total Deferred Outflows/(Inflows) of Resources	$ 163,078	$ (537,646)

The differences between projected and actual earnings on plan investments are amortized over five years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2026	$ (66,810)
2027	(66,810)
2028	(66,810)
2029	(78,385)
2030	(14,830)
Thereafter	(80,923)
Total	$ (374,568)

At June 30, 2025, the District had no outstanding contributions to the OPEB plan required for the year ended June 30, 2025.

NOTE 8 – NET PENSION LIABILITY AND PENSION PLAN

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2025
Pension related deferred outflows	$ 617,656
Net pension liability	1,404,571
Pension related deferred inflows	73,630

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan
The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.0%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates – FY 2025	13.410%	7.870%

Plan Description
The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2023 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

NOTE 8 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

At June 30, 2024 (Measurement Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	1	5	6
Transferred and terminated members	1	5	6
Retired members and beneficiaries	7	-	7
Total plan members	9	10	19

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

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 nonindustrial disability benefits after five 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.

Contributions
Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 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. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Contributions for the fiscal year ended June 30, 2025, were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 272,469	$ 80,861	$ 353,330

NOTE 8 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense
The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2024 (Measurement Date):

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2023 (Measurement Date)	$ 4,645,321	$ 3,225,415	$ 1,419,906
Balance as of June 30, 2024 (Measurement Date)	$ 4,808,353	$ 3,403,782	$ 1,404,571
Change in Plan Net Pension Liability	$ 163,032	$ 178,367	$ (15,335)

The District's proportionate share percentage of the net pension liability for the June 30, 2024 (Measurement Date) was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2025	**Fiscal Year Ending June 30, 2024**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2024	June 30, 2023	
Percentage of Risk Pool Net Pension Liability	0.029040%	0.028396%	0.000644%
Percentage of Plan (PERF C) Net Pension Liability	0.029040%	0.011382%	0.017658%

NOTE 8 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

For the fiscal year ended June 30, 2025, the District recognized a pension expense of $219,588. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 353,330	$ -
Difference between actual and proportionate share of employer contributions	25,928	(4,727)
Adjustment due to differences in proportions	-	(64,164)
Differences between expected and actual experience	121,439	(4,739)
Differences between projected and actual earnings on pension plan investments	80,859	-
Changes in assumptions	36,100	-
Total Deferred Outflows/(Inflows) of Resources	$ 617,656	$ (73,630)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of $353,330 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2026	$ 40,410
2027	176,848
2028	1,148
2029	(27,710)
Total	$ 190,696

NOTE 8 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2024 (Measurement date), the total pension liability was determined by rolling forward the June 30, 2023, total pension liability. The June 30, 2023, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

The table below reflects long-term expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

[1] An expected inflation of 2.3% is used for this period.
[2] Figures are based on the 2023 Asset Liability Management study.

NOTE 8 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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.

Subsequent Events
There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

At June 30, 2024 (Measurement Date):

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 5.90%**	**Current Discount Rate 6.90%**	**Discount Rate + 1% 7.90%**
CalPERS – Miscellaneous Plan	$ 2,053,413	$ 1,404,571	$ 870,480

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

Beginning net position as of July 1, 2024, was restated by $25,863, for the District's retroactive restatement for the adoption of *GASB No. 101 - Compensated Absences* as noted below:

Description	June 30, 2025
Net Position as of July 1, 2024 – as previously stated	$ 11,106,654
GASB Statement No. 101 restatement for: compensated absences	(25,863)
Total adjustments	(25,863)
Net Position as of July 1, 2024 – as restated	$ 11,080,791

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about the SDRMA is as follows:

A.	**Entity**	SDRMA
B.	**Purpose**	To provide risk financing and risk management services to California public agencies
C.	**Participants**	As of June 30, 2025 – 512 member agencies
D.	**Governing board**	Seven representatives employed by members
E.	**District payments for FY 2025:**	
	Workers' compensation policy	$11,044
F.	**Condensed financial information**	June 30, 2025

Statement of net position:	**June 30, 2025**
Total assets	$ 185,602,180
Deferred outflows	1,361,901
Total liabilities	78,502,352
Deferred inflows	332,457
Net position	$ 108,129,272
Statement of revenues, expenses and changes in net position:	
Total revenues	$ 136,035,247
Total expenses	(113,092,341)
Change in net position	22,942,906
Beginning – net position	85,186,366
Ending – net position	$ 108,129,272

G. Member agencies share of year-end financial position Not Calculated

NOTE 10 – RISK MANAGEMENT (continued)

At June 30, 2025, the District participated in the Workers' Compensation program of the SDRMA as follows:

- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to $5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2025, 2024 and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2025, 2024 and 2023.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases
The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 - months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Construction Contracts
The District has a variety of agreements with private parties relating to the installation, improvement or modification of roads and related infrastructure within its service area.

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 5, 2025, the date on which the financial statements were available to be issued.

Required Supplementary Information

DE LUZ COMMUNITY SERVICES DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Years Ended June 30, 2025

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2015	0.023310%	$ 877,312	$ 392,147	223.72%	72.92%
June 30, 2016	0.029725%	1,032,600	400,074	258.10%	69.23%
June 30, 2017	0.029177%	1,150,158	415,607	276.74%	68.81%
June 30, 2018	0.029430%	1,109,138	412,418	268.94%	71.09%
June 30, 2019	0.090680%	1,164,027	450,358	258.47%	71.19%
June 30, 2020	0.028853%	1,217,033	480,469	253.30%	69.49%
June 30, 2021	0.041886%	795,334	558,014	142.53%	81.24%
June 30, 2022	0.029186%	1,365,667	502,805	271.61%	70.36%
June 30, 2023	0.028396%	1,419,906	571,028	248.66%	69.43%
June 30, 2024	0.029040%	1,404,571	685,898	204.78%	70.79%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.65% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.

From fiscal years June 30, 2018 to June 30, 2022:
There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90%.

From fiscal years June 30, 2023 to June 30, 2025:
There were no significant changes in assumptions.

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2016	$ 101,045	$ (101,045)	$ -	$ 400,074	25.26%
June 30, 2017	143,840	(143,840)	-	415,607	34.61%
June 30, 2018	116,884	(149,047)	(32,163)	412,418	36.14%
June 30, 2019	131,787	(131,787)	-	450,358	29.26%
June 30, 2020	124,671	(124,671)	-	480,469	25.95%
June 30, 2021	141,060	(141,060)	-	558,014	25.28%
June 30, 2022	143,166	(143,166)	-	502,805	28.47%
June 30, 2023	152,554	(152,554)	-	571,028	26.72%
June 30, 2024	153,239	(153,239)	-	613,020	25.00%
June 30, 2025	215,870	(353,330)	(137,460)	685,898	31.47%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation	Inflation	Investment Rate of Return
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%
June 30, 2024	June 30, 2022	Entry Age	Fair Value	2.30%	6.90%
June 30, 2025	June 30, 2023	Entry Age	Fair Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (3%@60), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

DE LUZ COMMUNITY SERVICES DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Years Ended June 30, 2025

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**
Measurement Date	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**
Total OPEB liability:					
Service cost	$ 112,640	$ 109,642	$ 52,450	$ 79,501	$ 71,039
Interest	72,858	66,771	61,750	42,968	47,333
Changes in assumptions	(227,725)	(10,752)	1,235	(546,567)	152,392
Differences between expected and actual experience	93,784	(2,037)	(30,760)	38,127	(59,792)
Changes of benefit terms	-	-	11,345	-	-
Benefit payments	(54,757)	(50,837)	(41,756)	(36,865)	(36,863)
Net change in total OPEB liability	(3,200)	112,787	54,264	(422,836)	174,109
Total OPEB liability - beginning	1,645,043	1,532,256	1,477,992	1,900,828	1,726,719
Total OPEB liability - ending	1,641,843	1,645,043	1,532,256	1,477,992	1,900,828
Plan fiduciary net position:					
Contributions - employer	54,757	50,837	41,756	36,865	36,863
Benefit payments	(54,757)	(50,837)	(41,756)	(36,865)	(36,863)
District's total OPEB liability	$ 1,641,843	$ 1,645,043	$ 1,532,256	$ 1,477,992	$ 1,900,828
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$ 756,448	$ 712,188	$ 625,869	$ 581,965	$ 234,875
District's total OPEB liability as a percentage of covered-employee payroll	217.05%	230.98%	244.82%	253.97%	809.29%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2021 – There were no changes of benefits terms
Measurement Date June 30, 2022 – There were no changes of benefits terms
Measurement Date June 30, 2023 – The actuary adjusted the calculation of the implicit subsidy.
Measurement Date June 30, 2024 – There were no changes of benefits terms
Measurement Date June 30, 2025 – There were no changes of benefits terms

Changes in Assumptions:

Measurement Date June 30, 2021 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2022 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2023 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2024 – There were no changes in assumptions except change in discount rate
Measurement Date June 30, 2025 – There were no changes in assumptions except change in discount rate

* Fiscal year 2020 was the first year of implementation; therefore, only five years are shown.

DE LUZ COMMUNITY SERVICES DISTRICT

Schedule of OPEB Contributions
For the Fiscal Years Ended June 30, 2025

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**
Actuarially determined contribution*	$ 54,757	$ 50,837	$ 41,756	$ 68,693	$ 65,323
Contributions in relation to the actuarially determined contributions	(54,757)	(50,837)	(41,756)	(68,693)	(61,054)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ 4,269
Covered payroll	$ 756,448	$ 712,188	$ 581,965	$ 234,875	$ 234,875
Contributions as a percentage of covered payroll	7.24%	7.14%	7.18%	29.25%	25.99%

Notes to Schedule:

Valuation Date	June 30, 2025	June 30, 2023	June 30, 2023	June 30, 2020	June 30, 2020
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method Closed period, level percent of pay	(1)	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	5.20%	4.21%	4.13%	4.09%	2.19%
Inflation	2.80%	2.80%	2.80%	2.80%	2.80%
Payroll increases	2.80%	2.80%	2.80%	3.00%	2.80%
Mortality	(2)	(2)	(2)	(2)	(2)
Morbidity	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Disability	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(3)	(3)	(3)	(3)	(3)
Percent Married - Spouse Support	70%	70%	70%	70%	70%
Healthcare trend rates	(4)	(4)	(4)	(4)	(4)

(1) Closed period, level percent of pay
(2) SOA Pub-2010 using Scale MP-2021
(3) CalPERS Public Agency Miscellaneous 2.0% @55 and 2% @62
(4) Pre-65 - 8.00% trending down 0.25% annually to 4.50% in 2038 and later
Post-65 - 6.50% trending down 0.25% annually to 4.50% in 2038 and later

* Fiscal year 2020 was the first year of implementation; therefore, only five years are shown.

Other Independent Auditors' Report

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' 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*

Board of Directors
De Luz Community Services District
Murrieta, 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 De Luz Community Services District (District) as of and for the years ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2025.

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) to determine the 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 have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
December 5, 2025