DE LUZ COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Years Ended
June 30, 2022
(With Comparative Amounts as of June 30, 2021)

NIGRO & NIGRO PC

DE LUZ COMMUNITY SERVICES DISTRICT
For the Fiscal Year Ended June 30, 2022
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NIGRO & NIGRO PC
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, 2022, 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, 2022, 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.

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

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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, 2021, 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 April 4, 2023, 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
April 4, 2023

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, 2022 and 2021. 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 2022, the District's net position decreased 11.93%, or $1,777,216 from the prior year's net position of $14,891,898 to $13,114,682, as a result of the year's financial activities.
- In fiscal year 2022, operating revenues increased by 0.86%, or $20,618 from $2,407,755 to $2,428,373, from the prior year, due to a slight increase in benefit fees.
- In fiscal year 2022, operating expenses before depreciation expense decreased by 15.42% or $410,214 from $2,660,387 to $2,250,173, from the prior year, primarily due to a decrease in road maintenance 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, 2022	June 30, 2021	Change
Assets:			
Current assets	$ 6,614,403	$ 7,476,291	$ (861,888)
Capital assets, net	10,057,733	10,725,549	(667,816)
Total assets	16,672,136	18,201,840	(1,529,704)
Deferred outflows of resources	387,111	382,595	4,516
Total assets and deferred outflows of resources	$ 17,059,247	$ 18,584,435	$ (1,525,188)
Liabilities:			
Current liabilities	$ 292,283	$ 319,087	$ (26,804)
Non-current liabilities	2,397,455	3,290,015	(892,560)
Total liabilities	2,689,738	3,609,102	(919,364)
Deferred inflows of resources	1,254,827	83,435	1,171,392
Net position:			
Net investment in capital assets	9,934,209	10,557,467	(623,258)
Unrestricted	3,180,473	4,334,431	(1,153,958)
Total net position	13,114,682	14,891,898	(1,777,216)
Total liabilities, deferred outflows of resources and net position	$ 17,059,247	$ 18,584,435	$ (1,525,188)

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 $13,114,682 and $14,891,898 as of June 30, 2022 and 2021, respectively.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)
By far the largest portion of the District's net position (76% as of June 30, 2022 and 71% as of June 30, 2021) 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 2022 and 2021, the District showed a positive balance in its unrestricted net position of $3,180,473 and $4,334,431, respectively, which may be utilized in future years.

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

	June 30, 2022	June 30, 2021	Change
Operating revenues	$ 2,428,373	$ 2,407,755	$ 20,618
Operating expenses	(2,250,173)	(2,660,387)	410,214
Operating loss before depreciation	178,200	(252,632)	430,832
Depreciation expense	(736,087)	(637,235)	(98,852)
Operating loss	(557,887)	(889,867)	331,980
Non-operating revenues, net	(434)	(529,887)	529,453
Net loss before special items	(558,321)	(1,419,754)	861,433
Special items	(1,218,895)	(5,263)	(1,213,632)
Change in net position	(1,777,216)	(1,425,017)	(352,199)
Net Position:			
Beginning of year	14,891,898	16,316,915	(1,425,017)
End of year	$ 13,114,682	$ 14,891,898	$ (1,777,216)

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, the District's net position decreased by $1,777,216 and $1,425,017 for the years ended June 30, 2022 and 2021 respectively.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

	June 30, 2022	June 30, 2021	Increase Change
Operating revenues:			
Benefit Fees	$ 2,012,950	$ 2,001,772	$ 11,178
Special tax revenue	300,169	297,041	3,128
Franchise fees	68,251	66,273	1,978
Development mitigation fees	24,301	31,874	(7,573)
Permit income	13,972	5,390	8,582
Other operating revenue	8,730	5,405	3,325
Total operating	2,428,373	2,407,755	20,618
Non-operating:			
Investment earnings	(50,968)	32,045	(83,013)
Sale of capital of assets	60,100	-	60,100
Total non-operating	9,132	32,045	(22,913)
Total revenues	$ 2,437,505	$ 2,439,800	$ (2,295)

In fiscal year 2022, operating revenues increased by 0.86%, or $20,618 from $2,407,755 to $2,428,373, from the prior year, due to a slight increase in benefit fees. Also, non-operating revenues decreased by 71.5%, or $22,913 from $32,045 to $9,132 due to unrealized investment losses as a result of changing market conditions.

Total Expenses

	June 30, 2022	June 30, 2021	Increase Change
Operating expenses:			
Salaries and wages	$ 600,505	$ 590,155	$ 10,350
Employee benefits	615,475	383,351	232,124
Materials and supplies	252,225	256,293	(4,068)
Road maintenance	455,723	1,152,530	(696,807)
Public safety	326,245	278,058	48,187
Operating expenses before depreciation	2,250,173	2,660,387	(410,214)
Depreciation	736,087	637,235	98,852
Non-operating:			
Interest expense	9,566	11,932	(2,366)
Uncollectable capital grants	-	550,000	(550,000)
Total expenses	$ 2,995,826	$ 3,859,554	$ (863,728)

In fiscal year 2022, operating expenses before depreciation expense decreased by 15.42% or $410,214 from $2,660,387 to $2,250,173, from the prior year, primarily due to a decrease in road maintenance expenses. Non–operating expenses decreased by 22.38% due to the large right-off uncollectable capital grants from FEMA in fiscal year 2021.

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Capital Assets

	Balance June 30, 2022	Balance June 30, 2021
Capital assets:		
Non-depreciable assets	$ -	$ 27,404
Depreciable assets	26,492,525	26,498,093
Accumulated depreciation	(16,434,792)	(15,799,948)
Total capital assets, net	$ 10,057,733	$ 10,725,549

At the end of year 2022, the Agency's investment in capital assets amounted to $10,057,733 (net of accumulated depreciation). Net capital asset additions amounted to $68,271 for various projects and equipment. See Note 4 for further information.

Debt Administration

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

Long-term debt:	Balance June 30, 2022	Balance June 30, 2021
Capital lease payable	$ 123,524	$ 168,082

Long-term debt decreased by a total of $44,558 for the year ended June 30, 2022, 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, 2022 (With Comparative Amounts as of June 30, 2021)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021
Current assets:		
Cash and cash equivalents (Note 2)	$ 5,771,561	$ 6,538,160
Accrued interest receivable	9,749	4,462
Benefit fees receivable, net (Note 3)	217,711	188,901
Franchise fee receivable	68,251	66,274
Accounts receivable – due from other governments	456,482	659,192
Other receivables	1,650	-
Prepaid items	88,999	19,302
Total current assets	6,614,403	7,476,291
Non-current assets:		
Capital assets – not being depreciated (Note 4)	-	27,404
Capital assets, net – being depreciated (Note 4)	10,057,733	10,698,145
Total non-current assets	10,057,733	10,725,549
Total assets	16,672,136	18,201,840
Deferred outflows of resources:		
Deferred amounts related to net OPEB liability(Note 7)	147,655	133,343
Deferred amounts related to net pension liability (Note 8)	239,456	249,252
Total deferred outflows of resources	387,111	382,595
Total assets and deferred outflows of resources	$ 17,059,247	$ 18,584,435

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2022	2021
Current liabilities:		
Accounts payable and accrued expenses	$ 142,145	$ 181,513
Customer deposits and unearned revenue	114,000	101,609
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	12,860	14,013
Capital lease payable (Note 6)	23,278	21,952
Total current liabilities	292,283	319,087
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	23,884	26,024
Capital lease payable (Note 6)	100,246	146,130
Net OPEB liability (Note 7)	1,477,992	1,900,828
Net pension liability (Note 8)	795,333	1,217,033
Total noncurrent liabilities	2,397,455	3,290,015
Total liabilities	2,689,738	3,609,102
Deferred inflows of resources:		
Deferred amounts related to net OPEB liability (Note 7)	523,090	52,318
Deferred amounts related to net pension liability (Note 8)	731,737	31,117
Total deferred inflows of resources	1,254,827	83,435
Net position:		
Net investment in capital assets (Note 9)	9,934,209	10,557,467
Unrestricted	3,180,473	4,334,431
Total net position	13,114,682	14,891,898
Total liabilities, deferred inflows of resources and net position	$ 17,059,247	$ 18,584,435

DE LUZ COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)

	2022	2021
Operating revenues:		
Benefit fees – road assessment	$ 2,012,950	$ 2,001,772
Special tax revenue – public safety	300,169	297,041
Franchise fees – solid waste	68,251	66,273
Development mitigation fees	24,301	31,874
Permit income	13,972	5,390
Other operating revenue	8,730	5,405
Total operating revenues	2,428,373	2,407,755
Operating expenses:		
Salaries and wages	600,505	590,155
Employee benefits	615,475	383,351
Materials and supplies	252,225	256,293
Road maintenance	455,723	1,152,530
Public safety	326,245	278,058
Total operating expenses	2,250,173	2,660,387
Operating income(loss) before depreciation	178,200	(252,632)
Depreciation expense	(736,087)	(637,235)
Operating(loss)	(557,887)	(889,867)
Non-operating revenues(expenses):		
Investment income	(50,968)	32,045
Interest expense	(9,566)	(11,932)
Sale of capital of assets	60,100	-
Uncollectable capital grants	-	(550,000)
Total non-operating revenues, net	(434)	(529,887)
Net (loss) before special items	(558,321)	(1,419,754)
Special items		
FEMA reimbursements	466,062	115,071
Disaster repairs	(1,684,957)	(120,334)
Total special items	(1,218,895)	(5,263)
Change in net position	(1,777,216)	(1,425,017)
Net Position:		
Beginning of year	14,891,898	16,316,915
End of year	$ 13,114,682	$ 14,891,898

DE LUZ COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

For the Fiscal Years Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Cash receipts from customers and others	$ 2,409,977	$ 2,474,835
Cash paid to employees for salaries and wages	(581,965)	(246,231)
Cash paid to vendors and suppliers for materials and services	(1,459,876)	(2,301,558)
Net cash provided by (used in) operating activities	368,136	(72,954)
Cash flows from non-capital financing activities:		
FEMA grants received	668,772	406,232
Disaster repairs	(1,684,957)	(120,334)
Net cash provided by (used in) non-capital financing activities	(1,016,185)	285,898
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(68,271)	(27,404)
Proceeds from the sale of capital assets	60,100	-
Principal paid on capital lease	(44,558)	(42,021)
Interest paid on capital lease	(9,566)	(11,932)
Net cash used in capital and related financing activities	(62,295)	(81,357)
Cash flows from investing activities:		
Investment earnings	(56,255)	48,403
Net cash provided by (used in) investing activities	(56,255)	48,403
Net increase (decrease) in cash and cash equivalents	(766,599)	179,990
Cash and cash equivalents:		
Beginning of year	6,538,160	6,358,170
End of year	$ 5,771,561	$ 6,538,160

DE LUZ COMMUNITY SERVICES DISTRICT

Statement of Cash Flows, Continued

For the Fiscal Years Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)

	2022	2021
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:		
Operating (loss)	$ (557,887)	$ (889,867)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	736,087	637,235
Change in assets – (increase)decrease:		
Benefit fees receivable, net	(28,810)	67,242
Franchise fees receivable	(1,977)	(5,762)
Accounts receivable – due from other governments		
Other receivables	(1,650)	-
Prepaid items	(69,697)	12,623
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net OPEB liability	(14,312)	(133,343)
Deferred amounts related to net pension liability	9,796	3,891
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(39,368)	(30,853)
Customer deposits and unearned revenue	12,391	5,600
Compensated absences	(3,293)	2,714
Net OPEB liability	(422,836)	174,109
Net pension liability	(421,700)	53,006
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to net OPEB liability	470,772	52,318
Deferred amounts related to net pension liability	700,620	(21,867)
Total adjustments	926,023	816,913
Net cash provided by (used in) operating activities	$ 368,136	$ (72,954)

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.

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, 2020
Measurement Date June 30, 2021
Measurement Period July 1, 2020 to June 30, 2021

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

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, 2020
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

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.

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.

NOTE 2 – CASH AND INVESTMENTS

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

Description	June 30, 2022
Cash and cash equivalents	$ 5,771,561
Total	$ 5,771,561

Cash and investments consisted of the following:

Description	June 30, 2022
Cash on hand	$ 300
Demand deposits held with financial institutions	228,625
Deposits in Local Agency Investment Fund (LAIF)	5,542,636
Total	$ 5,771,561

Demand Deposits with Financial Institutions

At June 30, 2022, the carrying amount of the District's demand deposits were $228,625, and the financial institution's balances were $284,826. 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)

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, 2022, the District held $5,542,636 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 or government investment pools.

NOTE 3 – BENEFIT FEES RECEIVABLE, NET

The benefit fees receivable, net balance at June 30, 2022 consists of the following;

Discription	June 30, 2022
Benefit fees receivable	$ 278,814
Allowance for doubtful accounts	(61,103)
Total benefits fees receivable, net	$ 217,711

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Summary changes in capital asset balances for the year ended June 30, 2022, were as follows:

Description	Balance July 1, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable assets:				
Construction-in-process	$ 27,404	$ -	$ (27,404)	$ -
Total non-depreciable assets	27,404	-	(27,404)	-
Depreciable assets:				
Building	549,204	12,989	-	562,193
Roads	21,869,614	-	-	21,869,614
Culverts	3,144,128	-	-	3,144,128
Dips	180,383	-	-	180,383
Signs	161,079	-	-	161,079
Guard rails	101,697	-	-	101,697
Construction equipment	298,233	-	(97,793)	200,440
Transportation equipment	111,088	11,453	-	122,541
Office furniture	54,257	71,233	(3,450)	122,040
Other assets	28,410	-	-	28,410
Total depreciable assets	26,498,093	95,675	(101,243)	26,492,525
Accumulated depreciation:				
Building	(162,539)	(64)	-	(162,603)
Roads	(13,016,424)	(628,094)	-	(13,644,518)
Culverts	(1,803,926)	(30,028)	-	(1,833,954)
Dips	(164,987)	(2,283)	-	(167,270)
Signs	(161,079)	-	-	(161,079)
Guard rails	(94,293)	1,618	-	(92,675)
Construction equipment	(222,767)	(64,664)	97,793	(189,638)
Transportation equipment	(110,423)	(757)	-	(111,180)
Office furniture	(35,515)	(11,649)	3,450	(43,714)
Other assets	(27,995)	(166)	-	(28,161)
Total accumulated depreciation	(15,799,948)	(736,087)	101,243	(16,434,792)
Total depreciable assets, net	10,698,145	(640,412)	-	10,057,733
Total capital assets, net	$ 10,725,549	$ (640,412)	$ (27,404)	$ 10,057,733

NOTE 5 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2022, were as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Current Portion	Long-term Portion
$ 40,037	$ 29,948	$ (33,241)	$ 36,744	$ 12,860	$ 23,884

NOTE 6 – CAPITAL LEASE PAYABLE

Summary changes to capital lease payable balances for the year ended June 30, 2022, were as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Current Portion	Long-term Portion
$ 168,082	$ -	$ (44,558)	$ 123,524	$ 23,278	$ 100,246

2009 Building Capital Lease
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 capital lease obligation of the same date. The capital lease obligation calls for semi-annual payments of $26,953 commencing on July 7, 2010, and maturing January 7, 2025. Municipal Finance Corporation has assigned all of its rights, title and interest in this capital lease obligation to City National Bank. For financial reporting purposes, minimum lease payments relating to the building have been capitalized and included in capital assets in the statement of net position. The building under capital lease has a cost of $549,204. The balance of the capital lease as of June 30, 2022, amounted to $123,524. Future minimum payments under the capital lease obligation are as follows:

Fiscal Year	Principal	Interest	Total
2023	$ 23,278	$ 3,675	$ 26,953
2024	48,655	5,251	53,906
2025	51,591	2,314	53,905
Total	123,524	$ 11,240	$ 134,764
Current	(23,278)		
Long-term	$ 100,246		

NOTE 7 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

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

Description		2022
OPEB related deferred outflows	$	147,655
Net other post-employment benefits liability		1,477,992
OPEB related deferred inflows		523,090

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, 2022, the measurement period, the District's contributions totaled $36,325. The contribution amount consists of $29,325 in paid medical premiums and $7,540 in and implied rate subsidy.

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

B. Net OPEB Liability

For the fiscal year ended June 30, 2022, the District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2020. 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	**June 30, 2020**
Discount rate	4.09%
Inflation	2.80%
Salary increases	2.80%
Investment rate of return	4.09%
Healthcare cost trend rates	6.5 percent

The long-term expected rate of return in the CERBT OPEB Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Rate of Return**
Global Equities	59%	5.50%
Global Debt Securities	25%	2.35%
Inflation Assets	5%	1.50%
REITs	8%	3.65%
Commodities	3%	1.75%

Discount Rate
The discount rate used to measure the total OPEB liability was 4.09% as of June 30, 2022 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 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (continued)

C. Changes in the Net OPEB Liability

The changes in the total OPEB liability for fiscal year June 30, 2022 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022 (Measurement date July 1, 2021)	$ 1,900,828	$ -	$ 1,900,828
Changes for the year:			
Service cost	79,501	-	79,501
Interest	42,968	-	42,968
Changes in assumptions	(546,567)	-	(546,567)
Changes in experience	38,127	-	38,127
Contributions by employer	-	36,865	(36,865)
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(36,865)	(36,865)	-
Net changes	(422,836)	-	(422,836)
Balance at June 30, 2022 (Measurement date June 30, 2022)	$ 1,477,992	$ -	$ 1,477,992

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, 2022:

1% Decrease 3.09%	Discount Rate 4.09%	1% Increase 5.09%
$ 1,734,602	$ 1,477,992	$ 1,274,058

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, 2022:

1% Decrease 5.50%	Healthcare Cost Trend Rates 6.50%	1% Increase 7.50%
$ 1,242,756	$ 1,477,992	$ 1,775,973

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

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

For the year ended June 30, 2022, the District recognized OPEB expense of $70,489. At June 30, 2022, 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	$ 114,294	$ (478,246)
Differences between expected and actual experience	33,361	(44,844)
Total Deferred Outflows/(Inflows) of Resources	$ 147,655	$ (523,090)

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported $0 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. 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
2023	$ (51,980)
2024	(51,980)
2025	(51,980)
2026	(51,980)
2027	(51,980)
Thereafter	(115,535)
Total	$ (375,435)

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

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	2022
Pension related deferred outflows	$ 239,456
Net pension liability	795,333
Pension related deferred inflows	731,737

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 2021	11.742%	7.732%

Plan Description
The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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

A. General Information about the Pension Plan (continued)

At June 30, 2021 (Measurement Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	2	3	5
Transferred and terminated members	-	-	-
Retired members and beneficiaries	8	-	8
Total plan members	10	3	13

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

Contributions for the fiscal year ended June 30, 2022, were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 118,309	$ 24,857	$ 143,166

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, 2021, 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, 2020, rolled forward to June 30, 2021, 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, 2021 (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, 2020 (Measurement Date)	$ 3,988,428	$ 2,771,395	$ 1,217,033
Balance as of June 30, 2021 (Measurement Date)	$ 4,240,480	$ 3,445,146	$ 795,334
Change in Plan Net Pension Liability	$ 252,052	$ 673,751	$ (421,699)

The District's proportionate share percentage of the net pension liability for the June 30, 2021 (Measurement Date) was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2022	**Fiscal Year Ending June 30, 2021**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2021	June 30, 2020	
Percentage of Risk Pool Net Pension Liability	0.041886%	0.028853%	0.013033%
Percentage of Plan (PERF C) Net Pension Liability	0.014706%	0.011186%	0.003520%

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, 2022, the District recognized pension expense of $428,788. At June 30, 2022, 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	$ 143,166	$ -
Difference between actual and proportionate share of employer contributions	7,102	-
Adjustment due to differences in proportions	-	(37,453)
Differences between expected and actual experience	89,188	-
Differences between projected and actual earnings on pension plan investments	-	(694,284)
Total Deferred Outflows/(Inflows) of Resources	$ 239,456	$ (731,737)

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 $143,166 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, 2023. 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
2023	$ (136,974)
2024	(146,266)
2025	(160,342)
2026	(191,865)
Total	$ (635,447)

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, 2021 (Measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2021, 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	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% 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 as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

[1] An expected inflation of 2.0% is used for years 1-10.
[2] An expected inflation of 2.9% is used for years 11+.

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 7.15%. 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 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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

At June 30, 2021 (Measurement Date):

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Miscellaneous Plan	$ 1,355,208	$ 795,334	$ 332,493

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.

C. Payable to the Pension Plans

At June 30, 2022, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2022.

NOTE 9 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

Description	June 30, 2022	June 30, 2021
Net investment in capital assets:		
Capital assets – not being depreciated	$ -	$ 27,404
Capital assets, net – being depreciated	10,057,733	10,698,145
Capital lease payable – current portion	(23,278)	(21,952)
Capital lease payable – non-current portion	(100,246)	(146,130)
Total net investment in capital assets	9,934,209	10,557,467

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, 2021 – 499 member agencies
D.	**Governing board**	Seven representatives employed by members
E.	**District payments for FY 2022:**	
	Property/Liability policy	$49,415
	Workers' compensation policy	$16,232
F.	**Condensed financial information**	June 30, 2021

	June 30, 2021
Statement of net position:	
Total assets	$ 139,860,914
Deferred outflows	606,052
Total liabilities	73,886,665
Deferred inflows	237,014
Net position	$ 66,343,287
Statement of revenues, expenses and changes in net position:	
Total revenues	$ 84,001,505
Total expenses	(78,600,852)
Change in net position	5,400,653
Beginning – net position	60,942,634
Ending – net position	$ 66,343,287

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

NOTE 10 – RISK MANAGEMENT (continued)

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $2,500,000, combined single limit at $2,500,000 per occurrence. The District purchased additional excess coverage layers: $10,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.

- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $2,000 deductible per occurrence.

- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.

- Public officials' personal liability up to $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of $500 per claim.

- 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 2022, 2021 and 2020. 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, 2022, 2021 and 2020.

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 11 – COMMITMENTS AND CONTINGENCIES (continued)

Grant Awards
Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation
In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 4, 2023, the date 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, 2022

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, 2014	0.029383%	$ 726,206	$ 398,462	182.25%	77.30%
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	0.013875%	1,217,033	480,469	253.30%	69.49%
June 30, 2021	0.013875%	795,334	558,014	142.53%	81.24%

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 year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:
There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:
There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:
There were no significant changes in assumptions.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only eight years are shown.

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, 2015	$ 91,576	$ (91,576)	$ -	$ 392,147	23.35%
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%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Market Value	2.50%	7.15%

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.

*Fiscal year 2015 was the first implementation year; therefore, only eight years are shown.

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, 2022

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2022**	**June 30, 2021**
Measurement Date	**June 30, 2022**	**June 30, 2021**
Total OPEB liability:		
Service cost	$ 79,501	$ 71,039
Interest	42,968	47,333
Changes in assumptions	(546,567)	152,392
Differences between expected and actual experience	38,127	(59,792)
Changes of benefit terms	-	-
Benefit payments	(36,865)	(36,863)
Net change in total OPEB liability	(422,836)	174,109
Total OPEB liability - beginning	1,900,828	1,726,719
Total OPEB liability - ending	1,477,992	1,900,828
Plan fiduciary net position:		
Contributions - employer	36,865	36,863
Benefit payments	(36,865)	(36,863)
District's net OPEB liability	$ 1,477,992	$ 1,900,828
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered-employee payroll	$ 581,965	$ 234,875
District's net OPEB liability as a percentage of covered-employee payroll	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

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

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

DE LUZ COMMUNITY SERVICES DISTRICT

Schedule of OPEB Contributions
For the Fiscal Years Ended June 30, 2022

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2022**	**June 30, 2021**
Actuarially determined contribution*	$ 68,693	$ 65,323
Contributions in relation to the actuarially determined contributions	(68,693)	(61,054)
Contribution deficiency (excess)	$ -	$ 4,269
Covered payroll	$ 581,965	$ 234,875
Contributions as a percentage of covered payroll	11.80%	25.99%

Notes to Schedule:

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

(1) Closed period, level percent of pay
(2) SOA Pub-2010 using Scale MP-2019 or MP-2017
(3) CalPERS Public Agency Miscellaneous 2.0% @55 and 2% @62
(4) Pre-65 - 8.00% trending down 0.25% annually to 6.00% in 2029 and later
Post-65 - 6.50% trending down 0.25% annually to 4.50% in 2029 and later

* Fiscal year 2020 was the first year of implementation; therefore, only two 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 4, 2023.

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 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

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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
April 4, 2023