DE LUZ COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2021

Leaf & Cole, LLP
Certified Public Accountants

DE LUZ COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2021

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
De Luz Community Services District
41606 Date Street, Suite 205
Murrieta, California 92562

We have audited the accompanying financial statements of the De Luz Community Services District, which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the De Luz Community Services District as of June 30, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information on pages 35 to 39 as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Leaf & Cole LLP

San Diego, California
May 6, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial performance of De Luz Community Services District (District) provides an overview of the District's financial activities for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which begin on page 8.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The De Luz Community Services District maintains its accounting records in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the District report information about the District using accounting methods similar to those used by the companies in the private sector. The statements offer short and long-term financial information about its activities. The District's financial statements include five components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements
- Other Information

The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position may be displayed in three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during the year. The financial statements, except for the cash flow statement are prepared using the accrual basis of accounting, which means the revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through benefit fees and other charges.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- Operating
- Noncapital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position, because the statement accounts only for transactions that result in cash receipts or cash disbursements.

Notes to Financial Statements

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Other Information

In addition to the financial statements and accompanying notes, the financial statements also present certain required supplementary information which follows the notes to the financial statements. The supplementary information includes retirement and Other Postemployment Benefit (OPEB) funding schedules.

Financial Highlights

- The District's net position decreased $1,425,017 to $14,891,898 for the year ended June 30, 2021.
- The District's total revenues decreased from $4,427,642 for the year ended June 30, 2020 to $2,554,871 for the year ended June 30, 2021 due to a significant decrease in disaster revenue.
- The District's total expenses decreased from $4,317,378 for the year ended June 30, 2020 to $3,979,888 for the year ended June 30, 2021. The District increased significantly less disaster related expenses, but recognized bad debt expense of $550,000 related to previously anticipated funding from the Federal Emergency Management Agency that was ultimately denied.

Net Position

The following is a summary of the District's statements of net position at June 30:

	2021	2020	Dollar Change
Assets:			
Current and other assets	$ 7,476,291	$ 8,227,923	$ (751,632)
Capital assets	10,725,550	11,335,381	(609,831)
Total Assets	18,201,841	19,563,304	(1,361,463)
Deferred Outflows of Resources	382,595	253,143	129,452
Liabilities:			
Current liabilities	203,466	233,069	(29,603)
Noncurrent liabilities	3,405,637	3,213,479	192,158
Total Liabilities	3,609,103	3,446,548	162,555
Deferred Inflows of Resources	83,435	52,984	30,451
Net Position:			
Net investment in capital assets	10,557,468	11,125,278	(567,810)
Unrestricted	4,334,430	5,191,637	(857,207)
Total Net Position	$ 14,891,898	$ 16,316,915	$ (1,425,017)

Net Position (Continued)

As noted in the financial highlights above, net position decreased by $1,425,017 from fiscal year 2020 to 2021. Net investment in capital assets decreased $567,810 in fiscal year 2021. This decrease is the result of depreciation expense exceeding the District's investment in capital assets in fiscal year 2021.

Revenues, Expenses and Changes in Net Position

The following is a summary of the District's revenues, expenses and changes in net position for the years ended June 30:

	2021	2020	Dollar Change
Revenues:			
Operating revenues	$ 2,407,755	$ 2,429,950	$ (22,195)
Nonoperating revenues	147,116	1,997,692	(1,850,576)
Total Revenues	2,554,871	4,427,642	(1,872,771)
Expenses:			
Depreciation expense	637,235	642,830	(5,595)
Other operating expenses	2,660,387	3,660,226	(999,839)
Nonoperating expense	682,266	14,322	667,944
Total Expenses	3,979,888	4,317,378	(337,490)
Change in Net Position	(1,425,017)	110,264	(1,535,281)
Net Position at Beginning of Year (As Restated)	16,316,915	16,206,651	110,264
Net Position at End of Year	$ 14,891,898	$ 16,316,915	$ (1,425,017)

A closer examination of the sources of changes in net position reveals that nonoperating revenues decreased by $1,850,576, as a result of a decrease in disaster revenue from the Federal Emergency Management Agency (FEMA) in fiscal year 2021. Operating expenses, exclusive of depreciation, decreased $999,839 in fiscal year 2021 due to the District performing less disaster-related repairs. Nonoperating expenses increased $667,994 in fiscal year 2021 as a result of remaining storm related costs and bad debt expense of $550,000 as a result of previously anticipated FEMA funding that was ultimately denied.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

Capital assets consist of the following at June 30:

	2021	2020	Dollar Change
Capital Assets Not Being Depreciated:			
Construction in progress	$ 27,404	$ -	$ 27,404
Capital Assets Being Depreciated:			
Roads	21,869,614	21,869,614	-
Culverts	3,144,129	3,144,129	-
Building	549,204	549,204	-
Construction equipment	298,234	298,234	-
Dips	180,383	180,383	-
Signs	161,079	161,079	-
Transportation equipment	111,088	111,088	-
Guard rails	101,697	101,697	-
Office furniture	54,257	54,257	-
Other assets	28,410	28,410	-
Total Capital Assets Being Depreciated	26,498,095	26,498,095	-
Less: Accumulated depreciation	(15,799,949)	(15,162,714)	(637,235)
Net Capital Assets Being Depreciated	10,698,146	11,335,381	(637,235)
Net Capital Assets	$ 10,725,550	$ 11,335,381	$ (609,831)

There were no additions to capital assets being depreciated for the year ended June 30, 2021 and no deletions. Additions to construction in progress include improvements to the District's conference room.

Capital Lease Obligation

The following is a summary of the District's capital lease obligation at June 30:

	2021	2020	Dollar Change
Capital lease obligation	$ 168,082	$ 210,103	$ (42,021)

The District reduced its capital lease obligation by $42,021 during the year ended June 30, 2021. No new debt has been issued. Details of the capital lease obligation can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The District will use "Economy of Scale" for next years roadway rehabilitation projects. Next year's slurry seal and striping projects will be increased in size to gain a lower cost per foot. The District has plans to initiate legislation through the State of California to include the District in the gas tax allocations. This would increase the annual budget by as much as one million dollars.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it changes. If you have questions about this report or need additional financial information, contact the De Luz Community Services District at 41606 Date Street, Suite 205, Murrieta, California 92562-7090 or call (951) 696-0060.

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Current Assets: (Notes 1 and 2)	
Cash and cash equivalents	$ 6,436,551
Benefit fees receivable, net	188,901
Franchise fee receivable	66,274
Disaster revenue receivable	659,192
Accrued interest receivable	4,462
Prepaid expenses	19,302
Total Current Assets	7,374,682
Noncurrent Assets:	
Restricted Assets: (Notes 1, 2 and 3)	
Cash and cash equivalents	101,609
Total Restricted Assets	101,609
Capital Assets: (Notes 1, 4, 5 and 6)	
Depreciable, capital assets net	10,725,550
Total Capital Assets	10,725,550
Total Noncurrent Assets	10,827,159
TOTAL ASSETS	$ 18,201,841
DEFERRED OUTFLOWS OF RESOURCES: (Notes 1, 8 and 9)	
Deferred outflows related to pension contributions	141,060
Deferred outflows related to pensions	108,192
Deferred outflows related to OPEB	133,343
Total Deferred Outflows of Resources	$ 382,595

(Continued)

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021

LIABILITIES

Current Liabilities: (Notes 1, 5 and 6)		
Accounts payable	$	168,424
Accrued payroll		13,090
Current portion of capital lease obligation		21,952
Total Current Liabilities		203,466
Noncurent Liabilities:		
Liabilities Payable From Restricted Assets: (Notes 1, 3, 5 and 7)		
Deposits		101,609
Total Liabilities Payable From Restricted Assets		101,609
Other Noncurrent Liabilities: (Notes 1, 5, 6, 8 and 9)		
Compensated absences		40,037
Net pension liability		1,217,033
Net OPEB liability		1,900,828
Capital lease obligation		146,130
Total Other Noncurrent Liabilities		3,304,028
Total Noncurrent Liabilities		3,405,637
Total Liabilities		3,609,103
DEFERRED INFLOWS OF RESOURCES (Notes 1, 8 and 9)		
Deferred inflows related to pensions		31,117
Deferred inflows related to OPEB		52,318
Total Deferred Inflows of Resources		83,435
Commitments and Contingencies (Note 10)		
NET POSITION: (Note 12)		
Net investment in capital assets		10,557,468
Unrestricted		4,334,430
Total Net Position	$	14,891,898

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Operating Revenues:	
Benefit fees	$ 2,298,813
Franchise fees	66,273
Development mitigation fees	31,874
Permit income	5,390
Miscellaneous income	5,405
Total Operating Revenues	2,407,755
Operating Expenses:	
General contract and P.O. work	1,102,752
General and administrative	1,005,391
Depreciation	637,235
Sheriff expense	278,058
In-house road maintenance	274,186
Total Operating Expenses	3,297,622
Operating Loss	(889,867)
Nonoperating Revenues (Expenses):	
Disaster revenue	115,071
Interest income	32,045
Interest expense	(11,932)
Diasster expense	(120,334)
Bad debt	(550,000)
Total Nonoperating Revenues (Expenses)	(535,150)
Change in Net Position	(1,425,017)
Net Position at Beginning of Year (as restated) (Note12)	16,316,915
NET POSITION AT END OF YEAR	$ 14,891,898

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities:	
Cash received from customers	$ 2,469,235
Cash payments to suppliers for goods and services	(2,421,892)
Cash payments to employees for services	(246,231)
Net Cash Used in Operating Activities	(198,888)
Cash Flows From Capital and Related Financing Activities:	
Proceeds from disaster revenue	406,232
Acquisition and construction of capital assets	(27,404)
Payments on capital lease obligation	(42,021)
Interest paid on capital lease obligation	(11,932)
Refund of deposits, net	5,600
Net Cash Provided by Capital and Related Financing Activities	330,475
Cash Flows From Investing Activities:	
Interest income	48,403
Net Cash Provided by Investing Activities	48,403
Net Increase in Cash and Cash Equivalents	179,990
Cash and Cash Equivalents at Beginning of Year	6,358,170
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,538,160
Cash and Cash Equivalents:	
Financial Statement Classification:	
Cash and cash equivalents	$ 6,436,551
Restricted cash and cash equivalents	101,609
Total Cash and Cash Equivalents	$ 6,538,160

(Continued)

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

DE LUZ COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities:		
Operating loss	$	(889,867)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		637,235
(Increase) Decrease in:		
Benefit fees receivable, net		67,242
Francise fee receivable		(5,762)
Prepaid expenses		12,623
Deferred outflows related to pension contributions		(16,389)
Deferred outflows related to pensions		20,280
Deferred outflows related to OPEB		(133,343)
Increase (Decrease) in:		
Accounts payable		(28,465)
Accrued payroll		(2,388)
Compensated absences		2,714
Net pension liability		53,006
Net OPEB liability		174,109
Deferred inflows related to pensions		(21,867)
Deferred inflows related to OPEB		52,318
Disaster expense		(120,334)
Net Cash Used in Operating Activities	$	(198,888)

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

DE LUZ COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Organization and Significant Accounting Policies:

Organization

The De Luz Community Services District (formerly 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, and is governed by an elected five member board. 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 reporting entity are based on the provisions of GASB Cod. Sec. 2100 "Defining the Financial Reporting Entity." The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statement of net position and the statement of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80. 103 "Proprietary Fund Accounting and Financial Reporting" and as a consequence will continue to apply GASB Statements and Interpretations.

Estimates

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

Revenue Recognition

The District recognizes revenues from benefit and other fees when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers benefit and other fees to be operating revenues.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful benefit fees totaled $68,572 at June 30, 2021.

Taxes and Assessments

The District's assessments are billed by the County of Riverside (County) to property owners. The District's property tax calendar for the fiscal year ended June 30, 2021 was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1
	Second Installment - February 1
Delinquent Date:	First Installment - December 10
	Second Installment - April 10

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. The District has an arrangement with the County whereby the County remits taxes which are delinquent as of each June 30 to the District in exchange for the right to retain the delinquent taxes, penalties, and interest when these amounts are subsequently collected.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Capital Assets

Capital assets purchased or acquired with a cost exceeding $5,000 and an estimated useful life of more than one year are reported at historical cost. Donated capital assets, donated works of art, and similar items and capital assets received in service concession agreements are reported at acquisition value. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	Useful Life
Roads	40 years
Culverts	45 years
Building	40 years
Construction equipment	7 years
Dips	20 years
Signs	20 years
Transportation equipment	5 years
Guard rails	20 years
Office furniture	7 years
Other assets	7 years

Depreciation totaled $637,235 for the year ended June 30, 2021.

Classification of Liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

Compensated Absences

Accumulated and unpaid vacation totaling $40,037 is accrued when incurred and included in noncurrent liabilities at June 30, 2021.

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively. Deferred outflows of resources and deferred inflows of resources are more fully described in Note 8.

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 pays an annual premium for commercial insurance covering bodily injury, property damage, personal injury, non-owned and hired automobile liability, owned automobile liability-combined single limit, and public official's errors and omissions with a $5 million limit per occurrence and annual aggregate limit and a $1,000 deductible. In addition, the District carries commercial insurance for other risks of loss such as fire damage liability and uninsured motorist with a $1 million limit and a $1,000 deductible. The District also carries coverage for employment practices liability with a $5 million limit and a $10,000 deductible. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District has added a crime policy that will insure the District up to $3 million dollars per occurrence against employee theft, forgery, burglary and computer and funds transfer fraud with a $25,000 deductible.

Pensions

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

Economic Dependency

Benefit fees are derived exclusively from property owners who reside within the District's boundaries.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 6, 2022, the date the financial statements were available to be issued.

Note 2 - Cash and Investments:

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

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA. Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Funds (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None

The District's Investment Policy is more restrictive than the California Government Code in the following ways:

- No investment of funds of the District shall be permitted in repurchase or reverse repurchase agreements presently permitted by Government Code Section 53601(i) and 53635(i), or financial futures or financial option contracts presently permitted by Government Code Section 53601.

- All investments shall mature not later than 365 days from the date of investment.

Note 2 - Cash and Investments: (Continued)

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

Cash and investments held by the District were comprised of the following at June 30, 2021:

	Maturity in 1 Year or Less
Cash on hand	$ 300
California Local Agency Investment Fund (LAIF)	5,899,022
Deposits with financial institutions	638,838
Total Cash and Cash Equivalents	$ 6,538,160
Financial Statement Classification:	
Current:	
Cash and cash equivalents	$ 6,436,551
Restricted:	
Cash and cash equivalents	101,609
Total Cash and Cash Equivalents	$ 6,538,160

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk is by investing only in cash deposits with financial institutions and the California Local Agency Investment Fund in order to provide the liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity at June 30, 2021.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year end for each investment type.

Investment	Rating as of Year End Standard & Poor's
California Local Agency Investment Fund (LAIF)	Not Rated

Note 2 - Cash and Investments: (Continued)

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2021.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2021, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2021, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

Investment in State Investment Pool

The District is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The statement of cash flows has been prepared by considering all investments purchased with a maturity of three months or less to be cash equivalents. The following is a detail at June 30, 2021:

California Local Agency Investment Fund (LAIF)	$ 5,899,022
Deposits with financial institutions	638,838
Cash on hand	300
Total	$ 6,538,160

Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for, the following at June 30, 2021:

Funding Source	Use	
Deposits	Deposits	$ 101,609

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

Note 4 - Capital Assets:

Capital assets consist of the following at June 30:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets Not Being Depreciated:				
Construction in progress	$ -	$ 27,404	$ -	$ 27,404
Capital Assets Not Being Depreciated	-	27,404	-	27,404
Capital Assets Being Depreciated:				
Roads	21,869,614	-	-	21,869,614
Culverts	3,144,129	-	-	3,144,129
Building	549,204	-	-	549,204
Construction equipment	298,234	-	-	298,234
Dips	180,383	-	-	180,383
Signs	161,079	-	-	161,079
Transportation equipment	111,088	-	-	111,088
Guard rails	101,697	-	-	101,697
Office furniture	54,257	-	-	54,257
Other assets	28,410	-	-	28,410
Total Capital Assets Being Depreciated	26,498,095	-	-	26,498,095
Less: Accumulated Depreciation	(15,162,714)	(637,235)	-	(15,799,949)
Net Capital Assets Being Depreciated	11,335,381	(637,235)	-	10,698,146
Net Capital Assets	$ 11,335,381	$ (609,831)	$ -	$ 10,725,550

Note 5 - Noncurrent Liabilities:

Noncurrent liabilities consist of the following at June 30:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Deposits (Note 7)	$ 96,009	$ 8,000	$ (2,400)	$ 101,609	$ -
Compensated absences (Note 1)	37,323	40,037	(37,323)	40,037	-
Net pension liability (Note 8)	1,164,027	194,066	(141,060)	1,217,033	-
Capital lease obligation (Note 6)	210,103	-	(42,021)	168,082	21,952
	$ 1,507,462	$ 242,103	$ (222,804)	$ 1,526,761	$ 21,952

Note 6 - Capital Lease Obligation:

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, net of accumulated depreciation of $162,539 at June 30, 2021. The following is a schedule of the related future minimum lease payments under the capital lease obligation:

Years Ended June 30	Principal	Interest	Total
2022	$ 21,952	$ 5,001	$ 26,953
2023	45,884	8,022	53,906
2024	48,654	5,252	53,906
2025	51,592	2,314	53,906
Total	$ 168,082	$ 20,589	$ 188,671

Note 7 - Deposits:

Deposits consist of amounts collected from property owners and developers for inspections as well as funding future improvements. Deposits consist of the following at June 30, 2021:

Permits	$ 45,200
Utilities	36,000
Deposits for future improvements	20,409
Total Deposits	$ 101,609

Note 8 - Defined Benefit Pension Plan:

General Information About the Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Risk Pool Plan of the De Luz Community Services District (all Plans), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The Plan consists of the Miscellaneous Plan and the PEPRA Miscellaneous Plan.

Note 8 - Defined Benefit Pension Plan: (Continued)

General Information About the Pension Plan (Continued)

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. Miscellaneous plan members with five years of service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustment for each plan is applied as specified by the Public Employees Retirement Law, per contract. The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	PEPRA
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.000% to 2.500%	1.000% to 2.500%
Required employee contribution rates	7.951%	6.750%
Required employer contribution rates	10.823%	6.985%

The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial process. The Plans actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

The District reported the following net pension liability for its proportionate share of net position liability of the risk pool at June 30, 2021:

	Proportionate Share of Net Pension Liability
Miscellaneous Risk Pool	$ 1,217,033

Note 8 - Defined Benefit Pension Plan: (Continued)

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

The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2019, the valuation date, was calculated as follows:

- In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to the miscellaneous risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans as of the valuation date, June 30, 2019.

- Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability of the risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2020, the measurement date, was calculated as follows:

- Each risk pool's total pension liability was computed at the measurement date, June 30, 2020, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2020, was computed by subtracting the respective risk pool's fiduciary net pension from its total pension liability.

- The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2020, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the total pension liability and fiduciary net position as of June 30, 2020, to obtain the total pension liability and fiduciary net position as of June 30, 2020. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

Note 8 - Defined Benefit Pension Plan: (Continued)

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

The District's proportionate share percentage of the net pension liability as of June 30, 2019 and June 30, 2020, was as follows:

	Miscellaneous Risk Pool
Proportion at measurement date - June 30, 2019	0.029068%
Proportion at measurement date -June 30, 2020	0.028853%
Change - Increase (Decrease)	(0.00215)%

The District recognized pension expense of $176,090 for the plan for the year ended June 30, 2021. As of June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions after measurement date	$ 141,060	$ -
Differences between expected and actual experience	62,717	-
Changes of assumptions	-	8,680
Changes in proportions	-	22,437
Differences between actual and required contributions	9,321	-
Net difference between projected and actual earnings on pension plan investments	36,154	-
Total	$ 249,252	$ 31,117

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30	Deferred Outflows/(Inflows) Of Resources
2022	$ 3,996
2023	31,013
2024	24,727
2025	17,339
Total	$ 77,075

Note 8 - Defined Benefit Pension Plan: (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Age and Length of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS' membership data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2019 based on June 30, 2018 Valuations,* that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the Public Employee's Benefit Fund (PERF). In making its decision, the CalPERS Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies.

Note 8 - Defined Benefit Pension Plan: (Continued)

Discount Rate (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategy Allocation	Real Return Years 1 - 10[a]	Real Return Years 11 +[b]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)
	100.0%		

[a]An expected inflation of 2.0% used for this period
[b]An expected inflation of 2.92% used for this period

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
De Luz Community Services' proportionate share of the Miscellaneous Risk Pool's net pension liability	$ 1,747,796	$ 1,217,033	$ 778,481

Note 9 - Other Postemployment Benefits:

General Information About the OPEB Plan

Plan Description - The District administers a single-employer defined benefit other postemployment healthcare (OPEB) plan providing health plan coverage to eligible retired employees and their spouses. The District offers retirees the option to obtain coverage under the same medical plan as its active employees if such coverage is offered by the plan. Employees become eligible to retire after age 50-52 (Miscellaneous - PEPRA) with at least 5 years of District eligible service currently funded on a pay-as-you-go basis. The Board of Directors retains the authority to establish and amend the benefit terms.

Benefits Provided - The Plan provides healthcare benefits for eligible retirees and surviving spouses. Effective July 1, 2019 for employees retiring on or after that date the District will contribute 100% of the monthly premiums for the employee and 75% of the monthly premium for the spouse for the same medical, dental, and vision plan provided to employees.

Employees Covered - As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan.:

Active employees	3
Retirees or beneficiaries currently receiving benefit payments	2
Retirees employees entitled to but not yet receiving benefit payments	-
	5

Funding Policy/Contributions - The contribution requirements of plan members and the District are established 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. During the fiscal year ended June 30, 2021, the District's cash contributions to a trust were $-0- and the benefit payments were $36,863 resulting in total payments of $36,863.

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal Level % of Salary Method
Actuarial Assumptions:	
Discount Rate	2.19%
Inflation	2.8%
Salary Increases	2.80%
Mortality Rate	Employees and Retirees: SOA Pub-2010 General Head County Weighted Mortality Table fully generational using scale MP-2021.
Pre-Retirement Turnover	According to the termination rates under the 2021 experience study for the CalPERS Pension Plan.
Healthcare Trend Rate	4.5% Annually

Note 9 - Other Postemployment Benefits: (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.19 percent. The projection of cash flows used to determine the discount rate assumed that the District will continue to fund on the pay-as-you-go basis.

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2020	$ 1,726,719	$ -	$ 1,726,719
		-	
Changes recognized for the measurement period:		-	
Service cost	71,039	-	71,039
Interest	47,333	-	47,333
Contributions - employer	-	36,863	(36,863)
Benefit payments	(36,863)	(36,863)	-
Change in assumptions	152,392	-	152,392
Difference between expected and actual experience	(59,792)	-	(59,792)
Net Changes	174,109	-	174,109
Balance at June 30, 2021	$ 1,900,828	$ -	$ 1,900,828

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage-point higher than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	$ 2,293,102	$ 1,900,828	$ 1,596,656

Note 9 - Other Postemployment Benefits: (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease Initial Rate of 6.0% Decreasing to 3.5%	Current Healthcare Cost Trend Rates Initial Rate of 7.0% Decreasing to 4.5%	1% Increase Initial Rate of 8.0% Decreasing to 5.5%
Net OPEB liability	$ 1,575,829	$ 1,900,828	$ 2,317,600

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $129,947. The District reported deferred outflows of resources related to OPEB from the following sources at June 30, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual experience	$ -	$ 52,318
Changes in assumptions	133,343	-
Total	$ 133,343	$ 52,318

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Date June 30	Deferred Outflows/(Inflows) Of Resources
2022	$ 11,575
2023	11,575
2024	11,575
2025	11,575
2026	11,575
Thereafter	23,150
Total	$ 81,025

Note 10 - Commitments and Contingencies:

Operating Lease

The District leases a yard to store their equipment on a month-to-month basis. The lease provides for monthly rental charges of $600. Rental expense under this lease was $6,000 for the year ended June 30, 2021.

Other Post Employment Benefit (OPEB)

Other than what is provided in the form of pension benefits to its retirees, the District has not previously paid for additional postemployment benefits. Effective July 1, 2019 for employees retiring on or after that date, the District will contribute 100% of the monthly premium for the employee and 75% of the monthly premium for the spouse for the same medical, dental and vision plan provided to employees.

Litigation

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	June 30, 2019 to June 30, 2020

As such, the District's net OPEB liability was $-0- at the measurement date June 30, 2020.

There are pending lawsuits in which the District is involved. The District's management and legal counsel estimate that the potential claims against the District, not covered by insurance, if unfavorable decisions are rendered in these pending legal actions, would not materially affect the operations or financial condition of the District.

Grant Funding

The District has received grant funding for various purposes that may be subject to review and audit by the funding agencies. Such potential audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the funding source. Management is of the opinion that no material liabilities will result from such potential audits.

Coronavirus Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The District is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the District's customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 11 - New Governmental Accounting Standards:

GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 " Certain Asset Retirement Obligations". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 87

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 "Leases". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 88

In April 2018, the Governmental Accounting Standards Board issued Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

GASB No. 89

In June 2018, the Governmental Accounting Standards Board issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The requirements of this Statement are effective for reporting periods beginning after December 14, 2019. Earlier application is encouraged. The District has elected to implement this pronouncement and has not capitalized any interest cost for the year ended June 30, 2021.

GASB No. 90

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90 "Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Note 11 - New Governmental Accounting Standards: (Continued)

GASB No. 91

In May 2019, the Governmental Accounting Standards Board issued Statement No. 91 "Conduit Debt Obligations". The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The effective date of this pronouncement has been postponed by 12 months by GASB Statement No. 95. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

GASB No. 92

In January 2020, the Governmental Accounting Standards Board issued Statement No. 92 "Omnibus 2020". The requirements of this statement are effective at various dates up to and including fiscal years and reporting periods beginning after June 15, 2021. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement did not and is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 93

In March 2020, the Governmental Accounting Standards Board issued Statement No. 93 "Replacement of Interbank Offered Rates". The requirements of this statement are effective at various dates up to and including reporting periods ending after December 31, 2021 The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. This pronouncement is not expected to have a material effect on the financial statements of the District in the year of implementation.

GASB No. 94

In March 2020, the Governmental Accounting Standards Board issued Statement No. 94 "Public - Private and Public - Public Partnerships and Availability Payment Arrangements". The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The effective date of this pronouncement has been postponed by 12 months by GASB Statement 95. As used in this pronouncements these Partnerships are an arrangement in which the government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset such as infrastructure or other capital assets for a period of time in an exchange or an exchange-like transaction. The statement also provides guidance on accounting and financial reporting for availability payment arrangements in which the government compensates the operator for services that may include the designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not yet determined the effects of this pronouncement on the financial statements in the year of implementation.

Note 11 - New Governmental Accounting Standards: (Continued)

GASB No. 95

In May 2020, the Governmental Accounting Standards Board issued Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance". The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing for one year the effective dates of GASB Statements 83, 84, 88 – 93 as well as implementation guides 2018-1, 2019-1 and 2019-2. In addition, the effective dates of GASB Statement 87 and Implementation Guide 2019-3 have been postponed by 18 months.

GASB No. 96

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96 "Subscription-Based Information Technology Arrangements (SBITA's)". This Statement (1) defines SBITA's (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. Earlier application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Net 12 - Net Position:

During the year ended June 30, 2021, the District recognized its net OPEB liability as required under GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Effective July 1, 2019 for employees retiring on or after that date, the District will contribute 100% of the monthly premiums for the employee and 75% of the monthly premiums for the spouse for the same medical, dental and vision plan provided to employees.

GASB 75 requires the liability of employers for defined benefit OPEB (Net OPEB Liability) to be measured as the portion of the present value of the projected benefit payments to be provided to current active and inactive employees that is attributed to those employees past periods of service (total OPEB Liability), less the amount of the OPEB Plan's fiduciary net position. As a result, the District recorded a net OPEB obligation of $1,726,719 and a corresponding reduction in previously reported net position at June 30, 2020.

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016
Proportion of the Net Pension Liability	0.028853%	0.029068%	0.029430%	0.029177%	0.029725%
Proportionate Share of the Net Pension Liability	$ 1,217,033	$ 1,164,027	$ 1,109,138	$ 1,150,158	$ 1,032,600
Covered Payroll - Measurement Period	$ 480,469	$ 450,358	$ 412,418	$ 415,607	$ 400,074
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	253.30%	258.47%	268.94%	276.74%	258.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.49%	71.19%	71.09%	68.81%	69.23%

	Measurement Date June 30, 2015	Measurement Date June 30, 2014	Measurement Date June 30, 2013	Measurement Date June 30, 2012	Measurement Date June 30, 2011
Proportion of the Net Pension Liability	0.023310%	0.029383%	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability	$ 877,312	$ 726,206	$ N/A	$ N/A	$ N/A
Covered Payroll - Measurement Period	$ 392,147	$ 398,462	$ N/A	$ N/A	$ N/A
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	223.72%	182,25%	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	77.30%	N/A	N/A	N/A

Notes to Schedule:

Change in Benefit Terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in Assumptions - The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 and 2017, 7.65% in 2018.

Omitted Years - GASB Statement No 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULES OF CONTRIBUTIONS FOR THE PENSION PLAN
LAST TEN YEARS

	Fiscal Year 2020 - 2021	Fiscal Year 2019 - 2020	Fiscal Year 2018 - 2019	Fiscal Year 2017 - 2018	Fiscal Year 2016 - 2017
Contractually Required Contribution/ (Actuarially Determined)	$ 141,060	$ 124,671	$ 131,787	$ 116,884	$ 143,840
Contributions in Relation to the Actuarially Determined Contribution	141,060	124,671	131,787	149,047	143,840
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ (32,163)	$ -
Covered Payroll - Fiscal Year	$ 558,014	$ 480,469	$ 450,358	$ 412,418	$ 415,607
Contributions as a Percentage of Covered Payroll	25.28%	25.95%	29.26%	36.14%	34.61%

	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015	Fiscal Year 2013 - 2014	Fiscal Year 2012 - 2013	Fiscal Year 2011 - 2012
Contractually Required Contribution/ (Actuarially Determined)	$ 101,045	$ 91,576	$ N/A	$ N/A	$ N/A
Contributions in Relation to the Actuarially Determined Contribution	101,045	91,576	N/A	N/A	N/A
Contribution Deficiency (Excess)	$ -	$ -	$ N/A	$ N/A	$ N/A
Covered Payroll - Fiscal Year	$ 400,074	$ 392,147	$ N/A	$ N/A	$ N/A
Contributions as a Percentage of Covered Payroll	25.26%	23.35%	N/A	N/A	N/A

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULES OF CONTRIBUTIONS FOR THE PENSION PLAN (CONTINUED)
LAST TEN YEARS

Notes to Schedules:

Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2016	June 30, 2015	-	-	-

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

Omitted Years - GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Measurement Period		
Total OPEB Liability		
Service cost	$	71,039
Interest		47,333
Benefit payments		(36,863)
Change in Assumptions		152,392
Differences between expected and actual experience		(59,792)
Net change in total OPEB liability		174,109
Total OPEB Liability - Beginning		1,726,719
Total OPEB Liability - Ending (a)	$	1,900,828
Plan Fiduciary Net Position		
Net investment income		36,863
Administrative expense		(36,863)
Net Change in Plan Fiduciary Net Position		-
Plan Fiduciary Net Position - Beginning		-
Plan Fiduciary Net Position - Ending (b)	$	-
District's Net OPEB Liability - Ending (a) - (b)	$	1,900,828
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0%
Covered-Employee Payroll - Measurement Period	$	234,875
Net OPEB Liability as Percentage of Covered-Employee Payroll		809.3%

Notes to Schedule:

Valuation Date	June 30, 2017
Measurement Period - Fiscal Year Ended	June 30, 2017

Benefit Changes - None

Changes in Assumptions - None

Omitted Years - The Plan was effective July 1, 2019. No Information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

DE LUZ COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

SCHEDULE OF CONTRIB UTIONS TO THE OPEB PLAN

Statutory Required Contributions - Employer Fiscal Year	$	36,863
Contributions in Relation to the Actuarially Determined Contributions		36,863
Contribution Deficiency (Excess)	$	-
Covered-Employee Payroll - Employer Fiscal Year	$	N/A
Contributions as a Percentage of Covered-Employee Payroll		N/A%

Notes to Schedule:

Valuation Date	June 30, 2019
Measurement Period - Fiscal Year Ended	June 30, 2019

An actuarially determined contribution rate was not calculated. The required contributions report represent retiree premium payments.

Omitted Years - The Plan was effective July 1, 2019. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.