Edgemont

Community Services District

Annual Financial Report
For the Fiscal Year Ended
June 30, 2023

Edgemont

Community Services District

Board of Directors as of June 30, 2023

Name	Title	Elected/ Appointed	Term Expires
Michael Addie	President	Elected	11/2026
Cheryl L. Franklin	Vice President	Elected	11/2024
Moses Taylor Jr.	Director	Elected	11/2026
Crystal Smith	Director	Elected	11/2024
Brenda Addie	Director	Elected	11/2026

Jessica Pfalmer, General Manager
Edgemont Community Services District
P.O. Box 5436
Riverside, California 92517
(951) 784-2632
https://edgemontcsd.specialdistrict.org/

Edgemont Community Services District

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

Edgemont Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023

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Financial Section

C.J. Brown & Company CPAs
An Accountancy Corporation

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Jonathan Abadesco, CPA
Jeffrey Palmer

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Cypress, California 90630
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Independent Auditor's Report

Board of Directors
Edgemont Community Services District
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Edgemont Community Services District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Edgemont Community Services District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

Auditor's Responsibilities for the Audit of the Financial Statements, continued

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, 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 on pages 4 through 7, and the required supplementary information on pages 36 through 39, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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. That report can be found on pages 40 and 41.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
December 14, 2023

Edgemont Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Edgemont Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased by 7.63% or $1,423,451 to $20,084,089 due to ongoing operations.
- Total revenues increased by 10.29% or $302,164 to $3,237,666.
- Total expenses increased by 17.22% or $275,590 to $1,875,660.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets and deferred outflows of resources) and obligations to creditors (liabilities and deferred inflows of resources). 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 revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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 Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting 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 it. Think of the District's net position – the difference between assets and deferred outflows of resources less 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 is 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 the District's property tax base and the types of grants the District applies for to assess the *overall financial health* of the District.

Fund Financial Statements

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

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

Fund Financial Statements, continued

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, continued

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 35.

Government-wide Financial Analysis

Statement of Net Position

The following table is a summary of the statements of net position at June 30, 2023 and 2022.

Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Total District	
	2023	2022	2023	2022	2023	2022
Assets:						
Current assets	$ 1,709,242	1,398,521	8,114,993	7,476,352	9,824,235	8,874,873
Non-current assets	21,742,462	21,850,640	8,564,984	8,668,249	30,307,446	30,518,889
Total assets	23,451,704	23,249,161	16,679,977	16,144,601	40,131,681	39,393,762
Deferred outflows of resources	31,373	71,795	73,203	167,521	104,576	239,316
Liabilities:						
Current liabilities	11,368	67,994	167,491	212,346	178,859	280,340
Non-current liabilities	7,955	46,690	18,559	108,942	26,514	155,632
Total liabilities	19,323	114,684	186,050	321,288	205,373	435,972
Deferred inflows of resources	19,852,531	20,441,368	94,264	95,100	19,946,795	20,536,468
Net position:						
Net investment in capital assets	409,222	421,621	8,564,984	8,668,249	8,974,206	9,089,870
Unrestricted	3,202,001	2,343,283	7,907,882	7,227,485	11,109,883	9,570,768
Total net position	$ 3,611,223	2,764,904	16,472,866	15,895,734	20,084,089	18,660,638

Government-wide Financial Analysis, continued

Statement of Net Position, continued

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 exceeded liabilities by $20,084,089 as of June 30, 2023. At June 30, 2023, the District's total net position is made-up of two components: (1) net investment in capital assets in the amount of $8,974,206 and (2) unrestricted in the amount of $11,109,883.

Statement of Activities

The following table is a summary of the statements of activities for the years ended June 30, 2023 and 2022.

Condensed Statements of Activities

	Governmental Activities		Business-type Activities		Total District	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	$ 30,687	22,123	690,736	675,546	721,423	697,669
General revenues:						
Property taxes	1,046,239	971,143	-	-	1,046,239	971,143
Interest earnings	686,590	653,107	194,935	25,104	881,525	678,211
Lease income	588,479	588,479	-	-	588,479	588,479
Total revenues	2,351,995	2,234,852	885,671	700,650	3,237,666	2,935,502
Expenses:						
General	191,229	226,651	-	-	191,229	226,651
Illumination	98,592	84,288	-	-	98,592	84,288
Sewer	-	-	1,585,839	1,289,131	1,585,839	1,289,131
Total expenses	289,821	310,939	1,585,839	1,289,131	1,875,660	1,600,070
Transfers from(to) other fund	(1,277,300)	(1,660,269)	1,277,300	1,660,269	-	-
Change in net position	784,874	263,644	577,132	1,071,788	1,362,006	1,335,432
Net position, beginning of year as previously stated	2,764,904	2,501,260	15,895,734	14,823,946	18,660,638	17,325,206
Prior period adjustment (note 9)	61,445	-	-	-	61,445	-
Net position, beginning of year as restated	2,826,349	2,501,260	15,895,734	14,823,946	18,722,083	17,325,206
Net position, end of year	$ 3,611,223	2,764,904	16,472,866	15,895,734	20,084,089	18,660,638

Net position increased by 7.63% or $1,423,451 to $20,084,089, as a result of ongoing operations.

Total revenues increased by 10.29% or $302,164 to $3,237,666. Program revenues increased 3.40% or $23,754 to $721,423, primarily due to increases in charges and services. General revenues increased 12.44% or $278,410 to $2,516,243, primarily due to increases of $203,314, and $75,096 in interest earnings, and property taxes, respectively.

Total expenses increased by 17.22% or $275,590 to $1,875,660, primarily due to increases of $296,708, and $14,304 in sewer operating expenses, and illumination operating expenses, respectively, which were offset by a decrease of $35,422 in general fund expenses.

Governmental Activities Budgetary Highlights

The final actual expenditures for the year ended June 30, 2023, was less than budgeted by $947,096 for the General Fund, and more than budgeted by $4,992 for the Illumination Fund. Actual revenues for the year ended June 30, 2023, were more than the anticipated budget by $464,608 for the General Fund, and more than budgeted by $13,848 for the Illumination Fund. At June 30, 2023, there were no differences between the original and final amended budgets. (See Budgetary Comparison Schedule for the General Fund and Illumination Fund under Required Supplementary Information section on pages 38 and 39).

Lease Receivable Administration

		Balance 2022	Additions	Principal Payment	Balance 2023
Lease receivable	$	21,521,971	-	(92,952)	21,429,019
Total lease receivable		21,521,971	-	(92,952)	21,429,019
Less: current portion		(92,952)			(95,779)
Total non-current portion	$	21,429,019			21,333,240

At the end of fiscal year 2023, the District's lease receivable amounted to $21,429,019. The lease receivable balance includes the District's ground lease with Sycamore Canyon Business Park, LLC.

See Note 3 to the basic financial statements for further information.

Capital Asset Administration

		Governmental Activities		Business-type Activities		Total District	
		2023	2022	2023	2022	2023	2022
Capital assets:							
Non-depreciable assets	$	219,948	219,948	2,697,731	2,947,921	2,917,679	3,167,869
Depreciable assets		614,011	614,011	7,765,537	7,473,184	8,379,548	8,087,195
Total capital assets		833,959	833,959	10,463,268	10,421,105	11,297,227	11,255,064
Accumulated depreciation		(424,737)	(412,338)	(1,898,284)	(1,752,856)	(2,323,021)	(2,165,194)
Total capital assets, net	$	409,222	421,621	8,564,984	8,668,249	8,974,206	9,089,870

At June 30, 2023, the District's investment in capital assets amounted to $8,974,206 (net of accumulated depreciation). This investment in capital assets includes land, sewer capacity rights, structures and improvements, office furniture and equipment, and construction in progress.

See Note 4 to the basic financial statements for further information.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Manager, Jessica Pfalmer, at Edgemont Community Services District, P.O. Box 5436 Riverside, California, 92517 or (951) 784-2632.

Basic Financial Statements

Edgemont Community Services District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activites	Total
Assets:			
Current assets:			
Cash and cash equivalents (note 2)	$ 1,548,659	8,013,100	9,561,759
Accrued interest receivable	11,893	69,110	81,003
Accounts receivable	-	15,318	15,318
Accounts receivable - other	165	16,229	16,394
Lease receivable - current (note 3)	95,779	-	95,779
Property taxes and assessments receivable	39,573	-	39,573
Inter-fund receivable (note 4)	4,598	-	4,598
Prepaid expenses	8,575	1,236	9,811
Total current assets	1,709,242	8,114,993	9,824,235
Non-current assets:			
Lease receivable - non-current (note 3)	21,333,240	-	21,333,240
Capital assets – not being depreciated (note 4)	219,948	2,697,731	2,917,679
Capital assets – being depreciated (note 4)	189,274	5,867,253	6,056,527
Total non-current assets	21,742,462	8,564,984	30,307,446
Total assets	23,451,704	16,679,977	40,131,681
Deferred outflows of resources:			
Deferred pension outflows (note 6)	31,373	73,203	104,576
Total deferred outflows of resources	31,373	73,203	104,576
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	11,152	161,671	172,823
Accrued salaries and related payables	216	1,222	1,438
Inter-fund payable	-	4,598	4,598
Total current liabilities	11,368	167,491	178,859
Non-current liabilities:			
Net pension liability (note 6)	7,955	18,559	26,514
Total non-current liabilities	7,955	18,559	26,514
Total liabilities	19,323	186,050	205,373
Deferred inflows of resources:			
Deferred lease inflows (note 3)	19,812,131	-	19,812,131
Deferred pension inflows (note 6)	40,400	94,264	134,664
Total deferred inflows of resources	19,852,531	94,264	19,946,795
Net position: (note 7)			
Net investment in capital assets	409,222	8,564,984	8,974,206
Unrestricted	3,202,001	7,907,882	11,109,883
Total net position	$ 3,611,223	16,472,866	20,084,089

See accompanying notes to the basic financial statements

Edgemont Community Services District
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense)Revenue and Changes in Net Position: Governmental Activities	Business-type Activities	2023
Governmental activities					
General	$ 191,229	-	(191,229)	-	(191,229)
Illumination	98,592	30,687	(67,905)	-	(67,905)
Total governmental	289,821	30,687	(259,134)	-	(259,134)
Business-type activities					
Sewer	1,585,839	690,736	-	(895,103)	(895,103)
Total business-type	1,585,839	690,736	-	(895,103)	(895,103)
Total	$ 1,875,660	721,423	(259,134)	(895,103)	(1,154,237)
General revenues:					
Property taxes			$ 1,046,239	-	1,046,239
Interest earnings			686,590	194,935	881,525
Rental income			588,479	-	588,479
Total general revenues			2,321,308	194,935	2,516,243
Transfers from(to) other funds (note 5)			(1,277,300)	1,277,300	-
Changes in net position			784,874	577,132	1,362,006
Net position, beginning of year, as previously stated			2,764,904	15,895,734	18,660,638
Prior period adjustment (note 9)			61,445	-	61,445
Net position, beginning of year, as restated (note 9)			2,826,349	15,895,734	18,722,083
Net position, end of year			$ 3,611,223	16,472,866	20,084,089

See accompanying notes to the basic financial statements

Edgemont Community Services District
Balance Sheet – Governmental Fund
June 30, 2023

		General Fund	Illumination Fund	Total Fund
Assets:				
Cash and cash equivalents	$	1,504,733	43,926	1,548,659
Accrued interest receivable		11,680	213	11,893
Accounts receivable – other		165	-	165
Property taxes receivable		38,305	1,268	39,573
Inter-fund receivable (note 5)		15,794	(11,196)	4,598
Prepaid expenses		8,490	85	8,575
Total assets	$	1,579,167	34,296	1,613,463
Liabilities:				
Accounts payable and accrued expenses	$	3,555	7,818	11,373
Accrued payroll and related expenses		144	72	216
Total liabilities		3,699	7,890	11,589
Fund balance (note 8):				
Nonspendable		8,490	85	8,575
Unassigned		1,566,978	26,321	1,593,299
Total fund balance		1,575,468	26,406	1,601,874
Total liabilities and fund balance	$	1,579,167	34,296	1,613,463

Continued on next page

See accompanying notes to the basic financial statements

Edgemont Community Services District
Reconciliation of the Balance Sheet – Governmental Fund
to the Statement of Net Position
June 30, 2023

Reconciliation:

Fund balance - Governmental Funds	$	1,601,874
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not in the governmental fund balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole as follows:		
Non-depreciable capital assets		219,948
Depreciable capital assets, net		189,274
Lease receivables used in governmental activities are not current financial resources and, therefore, not in the governmental fund balance sheet. However, the statement of net position includes those receivables among the assets of the District as a whole as follows:		
Lease receivable		21,429,019
Deferred outflows(inflows) of resources are not financial resources(uses) and, therefore, are not reported in the governmental fund balance sheet. However, they are reported in the statement of net position as follows:		
Deferred pension outflows		31,594
Deferred pension inflows		(40,400)
Deferred lease inflows		(19,812,131)
Net pension liability		(7,955)
Total adjustments		2,009,349
Net position of Governmental Activities	$	3,611,223

See accompanying notes to the basic financial statements

Edgemont Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2023

		General Fund	Illumination Fund	Total Fund
Revenues:				
Property taxes	$	1,028,068	18,171	1,046,239
Interest earnings		685,980	610	686,590
Lease income		94,060	-	94,060
Illumination fees		-	22,687	22,687
Other revenue		-	8,000	8,000
Total revenues		1,808,108	49,468	1,857,576
Expenditures:				
Cost of services		8,505	71,609	80,114
Professional services		95,886	17,736	113,622
Utilities		2,230	120	2,350
Repairs and maintenance		7,851	-	7,851
Office supplies		5,842	765	6,607
Insurance		3,390	174	3,564
Salaries and benefits		31,114	8,188	39,302
General and administrative		24,012	-	24,012
Total expenditures		178,830	98,592	277,422
Excess(deficiency) of revenue over expenditures		1,629,278	(49,124)	1,580,154
Other financing sources(uses):				
Operating transfers in(out) (note 5)		(1,332,306)	55,006	(1,277,300)
Net change in fund balance		296,972	5,882	302,854
Fund balance, beginning of year		1,278,496	20,524	1,299,020
Fund balance, end of year	$	1,575,468	26,406	1,601,874

Continued on next page

See accompanying notes to the basic financial statements

Edgemont Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Reconciliation:

Net Change in Fund Balance – Governmental Fund	$	302,854
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:		
Depreciation expense		(12,399)
Lease receivable		(92,952)
Some expenses reported in the statement of activites do not require the use of current finanial resources and, therefore, are not reported as expenses in governmental fund as follows:		
Net change in lease inflows for the current period		588,479
Net change in pension obligations for the current period		(1,108)
Total adjustments		482,020
Changes in net position of Governmental Activities	$	784,874

See accompanying notes to the basic financial statements

Edgemont Community Services District
Statement of Net Position – Enterprise Fund
June 30, 2023

		2023
Assets:		
Current assets:		
Cash and cash equivalents	$	8,013,100
Accrued interest receivable		69,110
Accounts receivable		15,318
Accounts receivable – other		16,229
Prepaid expenses and other assets		1,236
Total current assets		8,114,993
Non-current assets:		
Capital assets – not being depreciated		2,697,731
Capital assets – being depreciated, net		5,867,253
Total non-current assets		8,564,984
Total assets		16,679,977
Deferred outflows of resources:		
Deferred pension outflows		73,203
Total deferred outflows of resources:		73,203
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses		161,671
Accrued salaries and related payables		1,222
Inter-fund payable		4,598
Total current liabilities		167,491
Non-current liabilities		
Net pension liability		18,559
Total non-current liabilities		18,559
Total liabilities		186,050
Deferred inflows of resources:		
Deferred pension inflows		94,264
Total deferred inflows of resources:		94,264
Net position:		
Net investment in capital assets		8,564,984
Unrestricted		7,907,882
Total net position	$	16,472,866

See accompanying notes to the basic financial statements

Edgemont Community Services District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund
For the Year Ended June 30, 2023

		2023
Operating revenues:		
Sewer charges	$	463,959
Connection fees		82,800
Other charges and services		143,977
Total operating revenues		690,736
Operating expenses:		
Cost of services		891,069
Professional services		386,975
Utilities		4,504
Office supplies		937
Insurance		26,385
Salaries and benefits		124,522
General and administrative		6,019
Total operating expenses		1,440,411
Operating loss before depreciation		(749,675)
Depreciation		(145,428)
Operating loss		(895,103)
Non-operating revenues:		
Interest earnings		194,935
Total non-operating revenues		194,935
Net loss		(700,168)
Transfers from other funds		1,277,300
Changes in net position		577,132
Net position, beginning of year		15,895,734
Net position, end of year	$	16,472,866

See accompanying notes to the basic financial statements

Edgemont Community Services District
Statement of Cash Flows – Enterprise Fund
For the Year Ended June 30, 2023

		2023
Cash flows from operating activities:		
Cash receipts from customers	$	703,606
Cash paid to employees		(70,460)
Cash paid to vendors and suppliers		(1,411,068)
Net cash used in operating activities		(777,922)
Cash flows from non-capital financing activities:		
Operating transfer in		1,277,300
Net cash provided by non-capital financing activities		1,281,898
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(42,163)
Net cash used in capital and financing activities		(42,163)
Cash flows from investing activities:		
Interest earnings		137,662
Net cash provided by investing activities		137,662
Net increase in cash and cash equivalents		599,475
Cash and cash equivalents, beginning of year		7,413,625
Cash and cash equivalents, end of year	$	8,013,100

Continued on next page

See accompanying notes to the basic financial statements

Edgemont Community Services District
Statement of Cash Flows – Enterprise Fund, continued
For the Year Ended June 30, 2023

		2023
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(895,103)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		145,428
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Decrease (increase) in assets:		
Accounts receivable		(5,457)
Accounts receivable – other		18,327
Prepaids and other assets		5,237
Decrease (increase) in deferred outflows of resources		
Deferred pension outflows		94,318
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(49,513)
Accrued salaries and related payables		60
Net pension liability		(90,383)
Increase (decrease) in deferred inflows of resources:		
Deferred pension inflows		(836)
Total adjustments		117,181
Net cash used in operating activities	$	(777,922)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Edgemont Community Services District (District) is a California special district organized on March 25, 1957. It is located in the Edgemont area of the County of Riverside, straddling the border of the cities of Moreno Valley and Riverside. The District provides sewer and street lighting services to over 1,000 customers.

B. Basis of Accounting and Measurement Focus

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

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-type activities. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the difference in total fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund as its major fund in these statements to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

The accrual basis of accounting is followed by the proprietary enterprise fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services which are recorded at year end.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as sewage services and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities, or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type;

b) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined; or

c) The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Fund

General – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. This fund also includes all activities and assets of the emergency and unemployment compensation funds.

Illumination – This fund is used to account for resources used in providing street lighting in the areas served by the District.

Enterprise Fund

Sewer – This fund acts as the primary operating fund of the District. It is used to account for all financial resources used in providing sewer services in the areas served by the District.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncement in the current year:

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (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 implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles 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 disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following areas:

- Riverside County Treasurer Fund
- Checking and savings accounts at local financial institutions

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

5. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

6. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $1,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized. Sewage capacity rights are recorded at cost and belong to the District indefinitely. Depreciation is recorded on a straight-line basis over the estimated useful lives ranging from five to fifty years.

7. Lease Receivable

The District's lease receivable are measured at the present value of payments expected to be received during the lease term.

8. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction 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.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

9. Pensions, continued

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

- Valuation date: June 30, 2021
- Measurement date: June 30, 2022
- Measurement period: July 1, 2021 to June 30, 2022

10. Property Taxes and Assessments

The Riverside County Assessor's Office assesses all real and personal property within the County each year. The Riverside County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Riverside County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Riverside County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1 to June 30
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

11. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* and *restricted* components of net position.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance, continued

12. Fund Balance

The governmental fund financial statements report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance –** amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making or by a body or an official designated for that purpose.
- **Unassigned fund balance** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

The District believes that sound financial management principles require sufficient funds to be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balance classifications are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023, consist of the following:

		Governmental Activities	Business-type Activities	Total
Deposits held with financial institutions	$	43,671	-	43,671
Deposits held with Riverside County Treasurer		1,504,988	8,013,100	9,518,088
Total	$	1,548,659	8,013,100	9,561,759

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1(D)(3) to the financial statements.

Investment in Riverside County Treasurer Fund

The Riverside County Pooled Investment Fund (RCPIF) is a pooled investment fund program governed by the County of Riverside Board of Supervisors and administered by the County of Riverside Treasurer and Tax Collector. Investments in RCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. RCPIF does not impose a maximum investment limit.

Investment in Riverside County Treasurer Fund, continued

The County of Riverside's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the County of Riverside Administrative Office – 4800 Lemon Street, 4th Floor – Capital Markets – Riverside, CA 92506, or the Treasurer and Tax Collector's Office website at www.countytreasurer.org.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision: 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 public agencies. Of the District's bank balances, up to $250,000, is federally insured and the remaining balance is collateralized in accordance with the code.

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.

(2) Cash and Cash Equivalents, continued

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has 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.

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 a rating assigned by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer beyond that is stipulated by the California Government code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the District's total investments as of June 30, 2023.

(3) Lease Receivable

Governmental Activities:

Changes in lease receivable for the year ended June 30, were as follows:

	2022	Additions	Principal Payment	2023	Current	Non-current
Governmental activities:						
Ground lease	$ 21,521,971	-	(92,952)	21,429,019	95,779	21,333,240

Sycamore Canyon Business Park, LLC

On February 28, 2007, the District entered into a lease agreement with Sycamore Canyon Business Park, LLC (Company). The Company has agreed to lease the land from the District. The terms of the agreement require the Company to pay the District a basic annual rent (rent) of $501,044 in equal monthly installments on the first day of each calendar month commencing on March 1, 2007. At the Company's option, the Company may extend the original term of the agreement for one additional period of 25 years, subject to all provisions of the lease, including but not limited to provisions for adjustments to any variations in rent.

On November 14, 2016, the agreement was amended to include a provision on the tenth anniversary of the commencement date, that the rent is subject to adjustment by an appraisal process to determine the annual fair market rent, provided that the rent shall never increase by more than fifteen (15%) over the rent in effect immediately prior to such adjustment date. Commencing March 1, 2017, the Company shall pay annual rent of $643,764 payable in equal monthly installments. During the fiscal year ended June 30, 2023, the District received total rental payments in the amount of $738,448.

Following the implementation of GASB Statement No. 87, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023, the balance of lease receivable and deferred lease inflows amounted to $21,429,019, and $19,812,131, respectively.

(3) Lease Receivable

Principal and interest requirements to maturity are as follows:

Year	Principal	Interest	Total
2024	$ 95,779	641,561	737,340
2025	98,692	638,648	737,340
2026	146,323	635,257	781,580
2027	173,425	630,275	803,700
2028	178,700	625,000	803,700
2029-2033	1,258,412	3,025,320	4,283,732
2034-2038	2,023,674	2,781,722	4,805,396
2039-2043	2,946,156	2,414,063	5,360,219
2044-2048	4,050,160	1,894,589	5,944,749
2049-2053	5,402,528	1,188,572	6,591,100
2054-2057	5,055,170	291,490	5,346,660
Total	21,429,019	14,766,497	36,195,516
Current	(95,779)		
Non-current	$ 21,333,240		

(4) Capital Assets

Governmental Activities

Change in capital assets for 2023, were as follows:

	Balance 2022	Additions	Deletions/ Transfers	Balance 2023
Non-depreciable assets:				
Land	$ 219,948	-	-	219,948
Total non-depreciable assets	219,948	-	-	219,948
Depreciable assets:				
Structures and improvements	606,560	-	-	606,560
Office furniture and equipment	7,451	-	-	7,451
Total depreciable assets	614,011	-	-	614,011
Accumulated depreciation:				
Structures and improvements	(406,577)	(11,916)	-	(418,493)
Office furniture and equipment	(5,761)	(483)	-	(6,244)
Total accumulated depreciation	(412,338)	(12,399)	-	(424,737)
Total depreciable assets, net	201,673			189,274
Total capital assets, net	$ 421,621			409,222

(4) Capital Assets, continued

Business-type Activities

Change in capital assets for 2023, were as follows:

	Balance 2022	Additions	Deletions/ Transfers	Balance 2023
Non-depreciable assets:				
Sewer capacity rights	$ 2,422,697	-	-	2,422,697
Construction in progress	525,224	42,163	(292,353)	275,034
Total non-depreciable assets	2,947,921	42,163	(292,353)	2,697,731
Depreciable assets:				
Structures and improvements	7,473,184	292,353	-	7,765,537
Total depreciable assets	7,473,184	292,353	-	7,765,537
Accumulated depreciation:				
Structures and improvements	(1,752,856)	(145,428)	-	(1,898,284)
Total accumulated depreciation	(1,752,856)	(145,428)	-	(1,898,284)
Total depreciable assets, net	5,720,328			5,867,253
Total capital assets, net	$ 8,668,249			8,564,984

(5) Internal Transfers

Inter-fund Operational Transfers

Inter-fund transfers are used to move financial resources between the General fund, the Illumination fund, and the Sewer fund, to absorb the operating deficit and to support the operations of each respective fund.

As of June 30, 2023, inter-fund receivables/payables between the District's funds were as follows:

Due from	Due to	Amount
Illumination Fund	General Fund	$ 15,794
Receivable by General Fund		$ 15,794

For the year ended June 30, 2023, inter-fund transfers consist of the following:

Transfer from	Transfer to	Amount
General Fund	Illumination Fund	$ 55,006
General Fund	Sewer Fund	1,277,300
Transfer from General Fund		$ 1,332,306

(6) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's 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 or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

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 non-duty disability after 10 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. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect as of June 30, 2023, are summarized as follows:

	PEPRA
Hire date	On or after January 1, 2013
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years of service
Benefit payments	monthly for life
Retirement age	52 - 62
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%
Required employee contribution rates	7.47%
Required employer contribution rates	7.47%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in rate. Funding contribution for the Plan is 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. For the year ended June 30, 2023, contributions to the Plan was $4,778.

(6) Defined Benefit Pension Plan, continued

Net Pension Liability

As of the fiscal year ended June 30, 2023, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

		2023
Proportionate share of net pension liability	$	26,514

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2023, the net pension liability of the Plan is measured as of June 30, 2022 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 (the valuation date), rolled forward to June 30, 2022, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's changes in the proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2022, was as follows:

	Proportionate Share	
Proportion – June 30, 2021	0.00288	%
Proportion – June 30, 2022	0.00023	
Change in proportionate share	(0.00265)	%

Deferred Pension Outflows(Inflows) of Resources

For the year ended June 30, 2023, the District recognized pension credit of $109,580. As of the fiscal year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Description		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	4,778	-
Differences between actual and expected experience		176	-
Changes in assumptions		2,717	-
Net difference between projected and actual earnings on plan investments		4,857	-
Differences between actual contribution and proportionate share of contribution		92,048	
Net adjustment due to differences in proportion of net pension liability		-	134,664
Total	$	104,576	134,664

(6) Defined Benefit Pension Plan, continued

Deferred Pension Outflows(Inflows) of Resources, continued

For the year ended June 30, 2023, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled $4,778; and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows (Inflows) of Resources
2024	$ 378
2025	(11,326)
2026	(26,887)
2027	2,971
2028	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 and 2020, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2021 and 2020
Measurement dates	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data for all funds
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	C Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

(6) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Classification	Real Return 1-10[1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

[1] An expected inflation of 2.30% used for this period.
[2] Figures are based on the 2021-22 Asset Liability Management Study.

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

The following table presents the District's proportionate share of the net pension liability for the Plan, 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 one-percentage point lower and one-percentage point higher than the current rate.

(6) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate, continued

As of June 30, 2023, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher are as follows:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	$ 47,275	26,514	9,434

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 38 and 39 for the Required Supplementary Information.

(7) Net Position

The details of net position are as follows:

	Governmental Activities	Business-type Activities	2023
Net investment in capital assets			
Capital assets – not being depreciated	$ 219,948	2,697,731	2,917,679
Capital assets – being depreciated, net	189,274	5,867,253	6,056,527
Total net investment in capital assets	409,222	8,564,984	8,974,206
Unrestricted			
Nonspendable			
Prepaid expenses	8,575	1,236	9,811
Total nonspendable	8,575	1,236	9,811
Spendable			
Operating	3,193,426	7,906,646	11,100,072
Total spendable	3,193,426	7,906,646	11,100,072
Total unrestricted	3,202,001	7,907,882	11,109,883
Total net position	$ 3,611,223	16,472,866	20,084,089

(8) Fund Balance

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.12 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2023, is as follows:

	General Fund	Illumination Fund	2023
Nonspendable			
Prepaid expenses	$ 8,490	85	8,575
Total nonspendable	8,490	85	8,575
Unassigned			
Operations	1,566,978	26,321	1,593,299
Total fund balance	$ 1,575,468	26,406	1,601,874

(9) Prior Period Adjustment

In fiscal year 2023, the District determined that the unearned lease revenue account should have been eliminated as a result of implementing GASB 87 in fiscal year 2022. Therefore, the District has recorded a prior period adjustment to net position in the amount of $61,445 at July 1, 2022.

	Governmental Activities	Business-type Activities	Total
Net position at July 1, 2022, as previously stated	$ 2,764,904	15,895,734	18,660,638
Effect of adjustment - unearned lease revenue	61,445	-	61,445
Total adjustments	61,445	-	61,445
Net position at July 1, 2022, as restated	$ 2,826,349	15,895,734	18,722,083

(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's management believes these risks of loss are mitigated by the purchase of commercial insurance policies.

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(12) Commitments and Contingencies

Commitments

In conjunction with the sewage capacity rights acquired from the City of Riverside (City), the District is obligated to pay the City service charges to cover its proportionate share of the cost of operating the City's sewage treatment plant. Operating costs vary yearly for recurring expenses based on capacity use and the repairs made to the plant. Total service charges paid to the City for the year ended June 30, 2023, amounted to $552,498.

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.

(13) Subsequent Event

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of December 14, 2023, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

Edgemont Community Service District
Budgetary Comparison Schedule – General Fund
June 30, 2023

		Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Revenues:						
Property taxes	$	605,000	-	605,000	1,028,068	423,068
Interest earnings		1,500	-	1,500	685,980	684,480
Lease income		737,000	-	737,000	94,060	(642,940)
Total revenues		1,343,500	-	1,343,500	1,808,108	464,608
Expenditures:						
Cost of services		-	-	-	8,505	(8,505)
Professional services		-	-	-	95,886	(95,886)
Utilities		-	-	-	2,230	(2,230)
Repairs and maintenance		-	-	-	7,851	(7,851)
Office supplies		-	-	-	5,842	(5,842)
Insurance		-	-	-	3,390	(3,390)
Salaries and benefits		-	-	-	31,114	(31,114)
General and administrative		-	-	-	24,012	(24,012)
Total expenditures		1,125,926	-	1,125,926	178,830	947,096
Excess of revenues over expenditures		217,574	-	217,574	1,629,278	1,411,704
Other financing sources:						
Operating transfers out		(1,436,557)	-	(1,436,557)	(1,332,306)	104,251
Net change in fund balance		(1,218,983)	-	(1,218,983)	296,972	1,515,955
Fund balance, beginning of year		1,278,496		1,278,496	1,278,496	
Fund balance, end of year	$	59,513		59,513	1,575,468	

Notes to Required Supplementary Information

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Prior to the beginning of each fiscal year, the District adopts and files an itemized statement of estimated operating expenditures, reserve requirements, and anticipated revenues in addition to property taxes with the Riverside County Auditor-Controller. The sources of financing for these operating costs and reserve requirements are (1) available fund balance carried forward from the preceding year, (2) revenue other than property taxes, and (3) property taxes. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and the accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

Edgemont Community Service District
Budgetary Comparison Schedule – Illumination Fund
June 30, 2023

		Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Revenues:						
Property taxes	$	14,100	-	14,100	18,171	4,071
Interest earnings		20	-	20	610	590
Illumination fees		21,500	-	21,500	22,687	1,187
Other revenue			-	-	8,000	8,000
Total revenues		35,620	-	35,620	49,468	13,848
Expenditures:						
Cost of services and general expenses		82,600	-	82,600	80,856	1,744
Professional services		11,000	-	11,000	17,736	(6,736)
Total expenditures		93,600	-	93,600	98,592	(4,992)
Deficiency of revenues over expenditures		(57,980)	-	(57,980)	(49,124)	8,856
Other financing sources:						
Operating transfers in		27,047	-	27,047	55,006	109,100
Net change in fund balance		(30,933)	-	(30,933)	5,882	117,956
Fund balance, beginning of year		20,524		20,524	20,524	
Fund balance, end of year	$	(10,409)		(10,409)	26,406	

Notes to Required Supplementary Information

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Prior to the beginning of each fiscal year, the District adopts and files an itemized statement of estimated operating expenditures, reserve requirements, and anticipated revenues in addition to property taxes with the Riverside County Auditor-Controller. The sources of financing for these operating costs and reserve requirements are (1) available fund balance carried forward from the preceding year, (2) revenue other than property taxes, and (3) property taxes. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and the accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

Edgemont Community Service District
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2023
Last Ten Years*

Description		Measurement Dates 06/30/22	06/30/21
District's proportion of the net pension liability		0.00023%	0.00288%
District's proportionate share of the net pension liability	$	26,514	155,632
District's covered-employee payroll	$	62,935	115,390
District's proportionate share of the net pension liability(asset) as a percentage of its covered-employee payroll		42.13%	138.92%
Plan's fiduciary net position as a percentage of the plan's total pension liability		76.68%	88.29%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

Edgemont Community Service District
Schedule of Pension Plan Contributions
As of June 30, 2023
Last Ten Years*

Description		Fiscal Years Ended 06/30/23	06/30/22
Actuarially determined contribution	$	4,778	118,785
Contributions in relation to the actuarially determined contribution		(4,778)	(118,785)
Contribution deficiency(excess)	$	-	-
District's covered payroll	$	62,935	115,390
Contribution's as a percentage of covered-employee payroll		7.59%	102.94%

Notes to the Schedule of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Edgemont Community Services District
Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Edgemont Community Services District (District), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
December 14, 2023