

**EDGEMONT  
COMMUNITY SERVICES DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2025**

**NIGRO & NIGRO<sup>PC</sup>**

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*For the Fiscal Year Ended June 30, 2025*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Edgemont Community Services District  
Riverside, California

### Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Edgemont Community Services District (District) as of and for the year ended June 30, 2025, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Change in Accounting Principle

As described in Notes 1 and 11 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences and Statement No. 102, Certain Risk Disclosures. Our opinion is not modified with respect to these matters.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Illumination Fund, Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Prior-Year Comparative Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 13, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
November 13, 2025

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# *Financial Statements*

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**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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

**FINANCIAL HIGHLIGHTS**

- The District's net position increased 8.63%, or \$1,863,778 from the prior year's net position of \$21,601,913 to \$23,465,691 as a result of this year's operations.
- Total revenues from all sources increased by 7.44%, or \$246,039 from \$3,305,796 to \$3,551,835 from the prior year, primarily due to an increase in sewer charges.
- Total expenses for the District's operations before depreciation expense decreased by 6.10% or \$99,207 from \$1,627,222 to \$1,528,015 from the prior year.

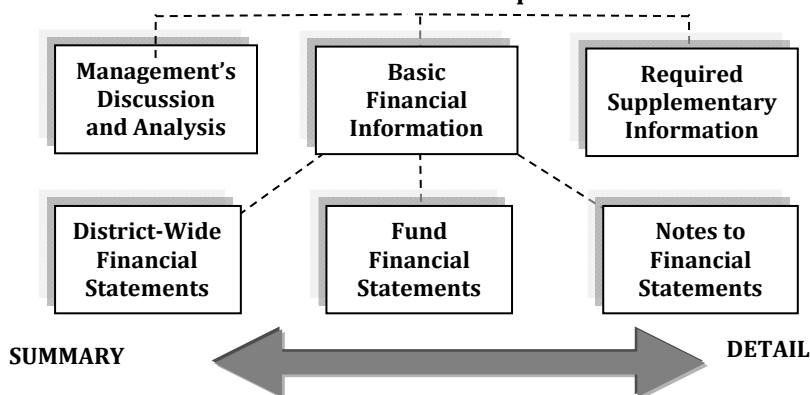
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (sewer operations) are provided in the *proprietary funds statements*.

**Figure A-1. Organization of Edgemont Community Services District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

| <b>Type of Statements</b>                     | <b>District-Wide</b>   | <b>Governmental Fund</b>   | <b>Proprietary Funds</b>   |
|---|--|--|--|
| <i>Scope</i>                                  | Entire District  | The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services  | Activities of the District that operate like a business, such as sewer operations  |
| <i>Required financial statements</i>          | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul> |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  |
| <i>Type of asset/liability information</i>    | All assets and liabilities, both financial and capital, short-term and long-term                                 | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included  | All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can  |
| <i>Type of inflow/outflow information</i>     | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   |

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as sewer, street lighting, and administration. State and local programs finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges fees to cover the costs of services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's proprietary fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows.

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION**

**Analysis of Net Position**

**Table A-1: Condensed Statement of Net Position**

|                                       | Governmental Activities |                     | Business-Type Activities |                      | Total                |                      |
|---------------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|                                       | June 30, 2025           | June 30, 2024       | June 30, 2025            | June 30, 2024        | June 30, 2025        | June 30, 2024        |
| <b>ASSETS:</b>                        |                         |                     |                          |                      |                      |                      |
| Current assets                        | \$ 1,879,897            | \$ 1,527,555        | \$ 10,610,375            | \$ 9,444,719         | \$ 12,490,272        | \$ 10,972,274        |
| Non-current assets                    | 21,472,646              | 21,623,011          | 8,316,828                | 8,416,633            | 29,789,474           | 30,039,644           |
| <b>Total assets</b>                   | <b>23,352,543</b>       | <b>23,150,566</b>   | <b>18,927,203</b>        | <b>17,861,352</b>    | <b>42,279,746</b>    | <b>41,011,918</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> | <b>8,292</b>            | <b>18,815</b>       | <b>19,349</b>            | <b>43,901</b>        | <b>27,641</b>        | <b>62,716</b>        |
| <b>LIABILITIES:</b>                   |                         |                     |                          |                      |                      |                      |
| Current liabilities                   | 17,245                  | 10,015              | 173,983                  | 170,672              | 191,228              | 180,687              |
| Non-current liabilities               | 3,968                   | 3,889               | 9,259                    | 9,075                | 13,227               | 12,964               |
| <b>Total liabilities</b>              | <b>21,213</b>           | <b>13,904</b>       | <b>183,242</b>           | <b>179,747</b>       | <b>204,455</b>       | <b>193,651</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  | <b>18,601,465</b>       | <b>19,205,949</b>   | <b>35,776</b>            | <b>73,121</b>        | <b>18,637,241</b>    | <b>19,279,070</b>    |
| <b>NET POSITION</b>                   |                         |                     |                          |                      |                      |                      |
| Investment in capital assets          | 384,423                 | 396,822             | 8,316,828                | 8,416,633            | 8,701,251            | 8,813,455            |
| Unrestricted                          | 4,353,734               | 3,552,706           | 10,410,706               | 9,235,752            | 14,764,440           | 12,788,458           |
| <b>Total net position</b>             | <b>\$ 4,738,157</b>     | <b>\$ 3,949,528</b> | <b>\$ 18,727,534</b>     | <b>\$ 17,652,385</b> | <b>\$ 23,465,691</b> | <b>\$ 21,601,913</b> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$23,465,691 as of June 30, 2025.

By far the largest portion of the District's net position (37% as of June 30, 2025) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal year 2025, the District shows a positive balance in its unrestricted net position of \$14,764,440 that may be utilized in future years.

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Analysis of Revenues and Expenses**

**Table A-2: Condensed Statement of Activities**

|                                     | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                      | <u>Total</u>         |                      |
|-------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                     | <u>June 30, 2025</u>           | <u>June 30, 2024</u> | <u>June 30, 2025</u>            | <u>June 30, 2024</u> | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
| <b>REVENUES:</b>                    |                                |                      |                                 |                      |                      |                      |
| Program revenues                    | \$ 36,825                      | \$ 23,353            | \$ 653,141                      | \$ 497,549           | \$ 689,966           | \$ 520,902           |
| General revenues                    | 2,438,603                      | 2,436,258            | 423,266                         | 348,636              | 2,861,869            | 2,784,894            |
| <b>Total revenues</b>               | <b>2,475,428</b>               | <b>2,459,611</b>     | <b>1,076,407</b>                | <b>846,185</b>       | <b>3,551,835</b>     | <b>3,305,796</b>     |
| <b>EXPENSES:</b>                    |                                |                      |                                 |                      |                      |                      |
| Operations                          | 285,737                        | 264,235              | 1,242,278                       | 1,362,987            | 1,528,015            | 1,627,222            |
| Depreciation expense                | 12,399                         | 12,399               | 147,643                         | 148,351              | 160,042              | 160,750              |
| <b>Total expenses</b>               | <b>298,136</b>                 | <b>276,634</b>       | <b>1,389,921</b>                | <b>1,511,338</b>     | <b>1,688,057</b>     | <b>1,787,972</b>     |
| <b>Operating transfers in/(out)</b> | <b>(1,388,663)</b>             | <b>(1,844,672)</b>   | <b>1,388,663</b>                | <b>1,844,672</b>     | <b>-</b>             | <b>-</b>             |
| <b>Change in net position</b>       | <b>788,629</b>                 | <b>338,305</b>       | <b>1,075,149</b>                | <b>1,179,519</b>     | <b>1,863,778</b>     | <b>1,517,824</b>     |
| <b>NET POSITION:</b>                |                                |                      |                                 |                      |                      |                      |
| Beginning of year                   | 3,949,528                      | 3,611,223            | 17,652,385                      | 16,472,866           | 21,601,913           | 20,084,089           |
| End of year                         | \$ 4,738,157                   | \$ 3,949,528         | \$ 18,727,534                   | \$ 17,652,385        | \$ 23,465,691        | \$ 21,601,913        |

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased by \$1,863,778 during the fiscal year ended June 30, 2025.

Total revenues from all sources increased by 7.44%, or \$246,039 from \$3,305,796 to \$3,551,835 from the prior year, primarily due to an increase in sewer charges.

Total expenses for the District's operations before depreciation expense decreased by 6.10% or \$99,207 from \$1,627,222 to \$1,528,015, from the prior year.

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2025, the District reported a total fund balance in its governmental funds of \$4,364,742. An amount of \$4,357,816 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budgeted expenditures for the District's General Fund at year-end were \$450,236 more than actual and \$17,127 more than actual for the Illumination Fund. Actual revenues were more than budgeted by \$961,072 for the General Fund and \$4,406 for the Illumination Fund.

**LEASE RECEIVABLE ADMINISTRATION**

**Table A-3: Lease Receivable**

| <b>Balance</b>      |                  |                  | <b>Balance</b>       |
|---------------------|------------------|------------------|----------------------|
| <b>July 1, 2024</b> | <b>Additions</b> | <b>Deletions</b> | <b>June 30, 2025</b> |
| \$ 21,325,128       | \$ -             | \$ (98,940)      | \$ 21,226,188        |

At the end of fiscal year 2024, the District's lease receivable amounted to \$21,226,188. The lease receivable balance includes the District's ground lease with Sycamore Canyon Business Park, LLC. The receivable decreased by \$98,940.

See Note 3 for further information on the District's lease receivable.

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**CAPITAL ASSET ADMINISTRATION**

**Table A-4: Capital Assets at Year End, Net of Depreciation**

|                                  | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                      | <u>Total</u>         |                      |
|----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                  | <u>June 30, 2025</u>           | <u>June 30, 2024</u> | <u>June 30, 2025</u>            | <u>June 30, 2024</u> | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
| Capital assets:                  |                                |                      |                                 |                      |                      |                      |
| Non-depreciable assets           | \$ 219,948                     | \$ 219,948           | \$ 2,745,569                    | 2,697,731            | \$ 2,965,517         | \$ 2,917,679         |
| Depreciable assets               | 614,011                        | 614,011              | 7,765,537                       | 7,765,537            | 8,379,548            | 8,379,548            |
| Accumulated depreciation         | <u>(449,536)</u>               | <u>(437,137)</u>     | <u>(2,194,278)</u>              | <u>(2,046,635)</u>   | <u>(2,643,814)</u>   | <u>(2,483,772)</u>   |
| <b>Total capital assets, net</b> | <u>\$ 384,423</u>              | <u>\$ 396,822</u>    | <u>\$ 8,316,828</u>             | <u>\$ 8,416,633</u>  | <u>\$ 8,701,251</u>  | <u>\$ 8,813,455</u>  |

At the end of fiscal year 2025, the District's investment in capital assets amounted to \$8,701,251 (net of accumulated depreciation). Net capital asset additions amounted to \$47,838 for various projects.

See Note 4 for further information on the District's capital assets.

**FACTORS AFFECTING CURRENT FINANCIAL POSITION**

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at 5055 Canyon Crest Dr, Riverside, California 92507 or (951) 784-2632.

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Statement of Net Position*  
*June 30, 2025*

| <b>ASSETS</b>   | <b>Primary Government</b>          |                                     |                      |
|---|------------------------------------|-------------------------------------|----------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |
| <b>Current assets:</b>                                  |                                    |                                     |                      |
| Cash and investments (Note 2)                           | \$ 1,686,047                       | \$ 10,498,071                       | \$ 12,184,118        |
| Accrued interest receivable                             | 12,794                             | 88,595                              | 101,389              |
| Property taxes and assessments receivable               | 36,165                             | 15,871                              | 52,036               |
| Lease receivable (Note 3)                               | 137,965                            | -                                   | 137,965              |
| Prepaid items   | 6,926                              | 7,838                               | 14,764               |
| <b>Total current assets</b>                             | <b>1,879,897</b>                   | <b>10,610,375</b>                   | <b>12,490,272</b>    |
| <b>Non-current assets:</b>                              |                                    |                                     |                      |
| Lease receivable (Note 3)                               | 21,088,223                         | -                                   | 21,088,223           |
| Capital assets – not being depreciated (Note 4)         | 219,948                            | 2,745,569                           | 2,965,517            |
| Capital assets – being depreciated, net (Note 4)        | 164,475                            | 5,571,259                           | 5,735,734            |
| <b>Total non-current assets</b>                         | <b>21,472,646</b>                  | <b>8,316,828</b>                    | <b>29,789,474</b>    |
| <b>Total assets</b>                                     | <b>23,352,543</b>                  | <b>18,927,203</b>                   | <b>42,279,746</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                                    |                                     |                      |
| Pension related deferred outflows of resources (Note 6) | 8,292                              | 19,349                              | 27,641               |
| <b>Total deferred outflows of resources</b>             | <b>8,292</b>                       | <b>19,349</b>                       | <b>27,641</b>        |
| <b>LIABILITIES</b>                                      |                                    |                                     |                      |
| <b>Current liabilities:</b>                             |                                    |                                     |                      |
| Accounts payable and accrued expenses                   | 17,245                             | 173,983                             | 191,228              |
| <b>Total current liabilities</b>                        | <b>17,245</b>                      | <b>173,983</b>                      | <b>191,228</b>       |
| <b>Non-current liabilities:</b>                         |                                    |                                     |                      |
| Net pension liability (Note 6)                          | 3,968                              | 9,259                               | 13,227               |
| <b>Total non-current liabilities</b>                    | <b>3,968</b>                       | <b>9,259</b>                        | <b>13,227</b>        |
| <b>Total liabilities</b>                                | <b>21,213</b>                      | <b>183,242</b>                      | <b>204,455</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |                                    |                                     |                      |
| Deferred lease inflows (Note 3)                         | 18,586,133                         | -                                   | 18,586,133           |
| Pension related deferred inflows of resources (Note 6)  | 15,332                             | 35,776                              | 51,108               |
| <b>Total deferred inflows of resources</b>              | <b>18,601,465</b>                  | <b>35,776</b>                       | <b>18,637,241</b>    |
| <b>NET POSITION</b>                                     |                                    |                                     |                      |
| Investment in capital assets                            | 384,423                            | 8,316,828                           | 8,701,251            |
| Unrestricted  | 4,353,734                          | 10,410,706                          | 14,764,440           |
| <b>Total net position</b>                               | <b>\$ 4,738,157</b>                | <b>\$ 18,727,534</b>                | <b>\$ 23,465,691</b> |

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2025*

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| <b>Functions/Programs</b>             | <b>Expenses</b>     | <b>Program Revenues</b>     |
|---------------------------------------|---------------------|-----------------------------|
|                                       |                     | <b>Charges for Services</b> |
| <b>Primary government:</b>            |                     |                             |
| <b>Governmental activities:</b>       |                     |                             |
| General government                    | \$ 205,407          | \$ -                        |
| Illumination                          | 92,729              | 36,825                      |
| <b>Total governmental activities</b>  | <b>298,136</b>      | <b>36,825</b>               |
| <b>Business-type activities:</b>      |                     |                             |
| Sewer                                 | 1,389,921           | 653,141                     |
| <b>Total business-type activities</b> | <b>1,389,921</b>    | <b>653,141</b>              |
| <b>Total primary government</b>       | <b>\$ 1,688,057</b> | <b>\$ 689,966</b>           |

**EDGEMONT COMMUNITY SERVICES DISTRICT***Statement of Activities (continued)**For the Fiscal Year Ended June 30, 2025*

| <b>Functions/Programs</b>                    | <b>Net (Expense) Revenue<br/>and Changes in Net Position</b> |                                     |                  |
|--|--|-------------------------------------|------------------|
|  | <b>Governmental<br/>Activities</b>                           | <b>Business-Type<br/>Activities</b> | <b>Total</b>     |
| <b>Primary government:</b>                   |  |                                     |                  |
| <b>Governmental activities:</b>              |  |                                     |                  |
| General government                           | \$ (205,407)   | \$ -                                | \$ (205,407)     |
| Illumination                                 | (55,904)   | -                                   | (55,904)         |
| <b>Total governmental activities</b>         | <b>(261,311)</b>   | <b>-</b>                            | <b>(261,311)</b> |
| <b>Business-type activities:</b>             |  |                                     |                  |
| Sewer  | -  | (736,780)                           | (736,780)        |
| <b>Total business-type activities</b>        | <b>-</b>   | <b>(736,780)</b>                    | <b>(736,780)</b> |
| <b>Total primary government</b>              | <b>(261,311)</b>   | <b>(736,780)</b>                    | <b>(998,091)</b> |
| <b>General revenues:</b>                     |  |                                     |                  |
| Property taxes                               | 1,148,001  | -                                   | 1,148,001        |
| Investment earnings                          | 702,123  | 423,266                             | 1,125,389        |
| Rental revenue                               | 588,479  | -                                   | 588,479          |
| <b>Total general revenues</b>                | <b>2,438,603</b>   | <b>423,266</b>                      | <b>2,861,869</b> |
| <b>Operating transfers in/(out) (Note 9)</b> | <b>(1,388,663)</b>   | <b>1,388,663</b>                    | <b>-</b>         |
| <b>Change in net position</b>                | <b>788,629</b>   | <b>1,075,149</b>                    | <b>1,863,778</b> |
| <b>Net position:</b>                         |  |                                     |                  |
| Beginning of year                            | 3,949,528  | 17,652,385                          | 21,601,913       |
| End of year                                  | \$ 4,738,157   | \$ 18,727,534                       | \$ 23,465,691    |

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2025*

| <u>Assets</u>   | <u>General<br/>Government</u> | <u>Illumination<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------------|------------------------------|---|
| <b>Assets:</b>  |                               |                              |   |
| Cash and investments  | \$ 1,642,292                  | \$ 43,755                    | \$ 1,686,047                            |
| Accrued interest receivable   | 12,428                        | 366                          | 12,794                                  |
| Property taxes and assessments receivable                                 | 34,738                        | 1,427                        | 36,165                                  |
| Inter-fund receivable (Note 5)  | 1,523                         | (1,523)                      | -                                       |
| Lease receivable  | 21,226,188                    | -                            | 21,226,188                              |
| Prepaid items   | 6,926                         | -                            | 6,926                                   |
| <b>Total assets</b>   | <b>\$ 22,924,095</b>          | <b>\$ 44,025</b>             | <b>\$ 22,968,120</b>                    |
| <b><u>Liabilities, Deferred Inflows of Resources and Fund Balance</u></b> |                               |                              |   |
| <b>Liabilities:</b>   |                               |                              |   |
| Accounts payable and accrued expenses                                     | \$ 9,235                      | \$ 8,010                     | \$ 17,245                               |
| <b>Total liabilities</b>  | <b>9,235</b>                  | <b>8,010</b>                 | <b>17,245</b>                           |
| <b>Deferred inflows of resources:</b>                                     |                               |                              |   |
| Deferred inflows of resources   | 18,586,133                    | -                            | 18,586,133                              |
| <b>Total deferred inflows of resources</b>                                | <b>18,586,133</b>             | <b>-</b>                     | <b>18,586,133</b>                       |
| <b>Fund balance: (Note 7)</b>   |                               |                              |   |
| Nonspendable  | 6,926                         | -                            | 6,926                                   |
| Unassigned  | 4,321,801                     | 36,015                       | 4,357,816                               |
| <b>Total fund balance</b>   | <b>4,328,727</b>              | <b>36,015</b>                | <b>4,364,742</b>                        |
| <b>Total liabilities, deferred inflows or resources and fund balance</b>  | <b>\$ 22,924,095</b>          | <b>\$ 44,025</b>             | <b>\$ 22,968,120</b>                    |

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2025*

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|  |                            |
|--|----------------------------|
| <b>Total Fund Balances - Total Governmental Funds</b>  | <u>\$ 4,364,742</u>        |
| Amounts reported for governmental activities in the statement of net position are different because:   |                            |
| Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.                   | 384,423                    |
| Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources. | 8,292                      |
| Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:        |                            |
| Net pension liability  | (3,968)                    |
| Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.   | <u>(15,332)</u>            |
| Total adjustments  | <u>373,415</u>             |
| <b>Net Position of Governmental Activities</b>   | <u><u>\$ 4,738,157</u></u> |

**EDGEMONT COMMUNITY SERVICES DISTRICT***Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2025*

|  | <u>General<br/>Government</u> | <u>Illumination<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------------|------------------------------|---|
| <b>Revenues:</b>                                   |                               |                              |   |
| Taxes:   |                               |                              |   |
| Property taxes                                     | \$ 1,128,677                  | \$ 19,324                    | \$ 1,148,001                            |
| Charges for services                               | -                             | 36,825                       | 36,825                                  |
| Rental revenue                                     | 588,479                       | -                            | 588,479                                 |
| Investment earnings                                | 700,916                       | 1,207                        | 702,123                                 |
| <b>Total revenues</b>                              | <u>2,418,072</u>              | <u>57,356</u>                | <u>2,475,428</u>                        |
| <b>Expenditures:</b>                               |                               |                              |   |
| Current:   |                               |                              |   |
| Salaries and benefits                              | 31,953                        | 7,905                        | 39,858                                  |
| Materials and services                             | 165,557                       | 85,725                       | 251,282                                 |
| <b>Total expenditures</b>                          | <u>197,510</u>                | <u>93,630</u>                | <u>291,140</u>                          |
| <b>Excess of revenues over(under) expenditures</b> | 2,220,562                     | (36,274)                     | 2,184,288                               |
| <b>Other financing sources(uses):</b>              |                               |                              |   |
| Operating transfers in/(out) (Note 9)              | <u>(1,442,794)</u>            | <u>54,131</u>                | <u>(1,388,663)</u>                      |
| <b>Change in fund balance</b>                      | 777,768                       | 17,857                       | 795,625                                 |
| <b>Fund balances:</b>                              |                               |                              |   |
| Beginning of year, as restated (Note 8)            | <u>3,550,959</u>              | <u>18,158</u>                | <u>3,569,117</u>                        |
| End of year  | <u>\$ 4,328,727</u>           | <u>\$ 36,015</u>             | <u>\$ 4,364,742</u>                     |

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities*

*For the Fiscal Year Ended June 30, 2025*

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|  |                          |
|--|--------------------------|
| <b>Net Changes in Fund Balance - Total Governmental Funds</b>  | <u>\$ 795,625</u>        |
| Amounts reported for governmental activities in the statement of activities is different because:  |                          |
| Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:      |                          |
| Change in net pension expense  | 5,403                    |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense. |                          |
| Depreciation expense   | <u>(12,399)</u>          |
| <b>Total adjustments</b>   | <u>(6,996)</u>           |
| <b>Change in Net Position of Governmental Activities</b>   | <u><u>\$ 788,629</u></u> |

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Balance Sheets – Proprietary Funds*  
*June 30, 2025*

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| <u>ASSETS</u>  | <u>Sewer<br/>Operations</u> |
|--|-----------------------------|
| <b>Current assets:</b>   |                             |
| Cash and investments   | \$ 10,498,071               |
| Accrued interest receivable  | 88,595                      |
| Property taxes and assessments receivable                                | 15,871                      |
| Prepaid items  | 7,838                       |
| <b>Total current assets</b>  | <u>10,610,375</u>           |
| <b>Non-current assets:</b>   |                             |
| Capital assets – not being depreciated                                   | 2,745,569                   |
| Capital assets – being depreciated, net                                  | 5,571,259                   |
| <b>Total non-current assets</b>  | <u>8,316,828</u>            |
| <b>Total assets</b>  | <u>18,927,203</u>           |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>                             |                             |
| Pension related deferred outflows of resources                           | 19,349                      |
| <b>Total deferred outflows of resources</b>                              | <u>19,349</u>               |
| <b>Total assets and deferred outflows of resources</b>                   | <u>\$ 18,946,552</u>        |
| <b><u>LIABILITIES</u></b>  |                             |
| <b>Current liabilities:</b>  |                             |
| Accounts payable and accrued expenses                                    | \$ 173,983                  |
| <b>Total current liabilities</b>   | <u>173,983</u>              |
| <b>Non-current liabilities:</b>  |                             |
| Net pension liability  | 9,259                       |
| <b>Total non-current liabilities</b>                                     | <u>9,259</u>                |
| <b>Total liabilities</b>   | <u>183,242</u>              |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                              |                             |
| Pension related deferred inflows of resources                            | 35,776                      |
| <b>Total deferred inflows of resources</b>                               | <u>35,776</u>               |
| <b><u>NET POSITION</u></b>   |                             |
| Net investment in capital assets   | 8,316,828                   |
| Unrestricted   | 10,410,706                  |
| <b>Total net position</b>  | <u>18,727,534</u>           |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <u>\$ 18,946,552</u>        |

**EDGEMONT COMMUNITY SERVICES DISTRICT***Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2025*

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|  | <b>Sewer<br/>Operations</b> |
|--|-----------------------------|
| <b>Operating revenues:</b>                 |                             |
| Sewer charges                              | \$ 579,889                  |
| Other charges and services                 | 58,852                      |
| <b>Total operating revenues</b>            | <b>638,741</b>              |
| <b>Operating expenses:</b>                 |                             |
| Operations                                 | 1,242,278                   |
| <b>Total operating expenses</b>            | <b>1,242,278</b>            |
| Operating income(loss) before depreciation | (603,537)                   |
| Depreciation expense                       | (147,643)                   |
| <b>Operating income(loss)</b>              | <b>(751,180)</b>            |
| <b>Non-operating revenue(expense):</b>     |                             |
| Investment earnings                        | 423,266                     |
| <b>Total non-operating, net</b>            | <b>423,266</b>              |
| <b>Capital contributions:</b>              |                             |
| Connection fees                            | 14,400                      |
| <b>Total capital contributions</b>         | <b>14,400</b>               |
| <b>Operating transfers in</b>              | 1,388,663                   |
| <b>Change in net position</b>              | <b>1,075,149</b>            |
| <b>Net position:</b>                       |                             |
| Beginning of year                          | 17,652,385                  |
| End of year                                | <b>\$ 18,727,534</b>        |

**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2025*

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|  | <b>Sewer<br/>Operations</b> |
|--|-----------------------------|
| <b>Cash flows from operating activities:</b>   |                             |
| Cash receipts from customers and others  | \$ 635,899                  |
| Cash paid to employees for salaries and benefits   | (84,496)                    |
| Cash paid to vendors and suppliers   | <u>(1,166,694)</u>          |
| <b>Net cash provided by (used in) operating activities</b>                                     | <u>(615,291)</u>            |
| <b>Cash flows from non-capital financing activities:</b>                                       |                             |
| Operating transfer in  | <u>1,388,663</u>            |
| <b>Net cash provided by (used in) non-capital financing activities</b>                         | <u>1,388,663</u>            |
| <b>Cash flows from capital and related financing activities:</b>                               |                             |
| Acquisition and construction of capital assets   | (47,838)                    |
| Connection fees  | <u>14,400</u>               |
| <b>Net cash used in capital/financing activities</b>   | <u>(33,438)</u>             |
| <b>Cash flows from investing activities:</b>   |                             |
| Investment earnings  | <u>422,667</u>              |
| <b>Net cash provided by investing activities</b>   | <u>422,667</u>              |
| <b>Net increase(decrease) in cash</b>  | 1,162,601                   |
| <b>Cash and cash equivalents:</b>  |                             |
| Beginning of year  | <u>9,335,470</u>            |
| End of year  | <u><u>\$ 10,498,071</u></u> |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>        |                             |
| <b>Operating income(loss)</b>  | <u>\$ (751,180)</u>         |
| <b>Adjustments to reconcile operating income to net cash provided by operating activities:</b> |                             |
| Depreciation expense   | 147,643                     |
| <b>Changes in account balances:</b>  |                             |
| (Increase)decrease in assets:  |                             |
| Property taxes and assessments receivables   | (2,842)                     |
| Prepaid items  | 386                         |
| (Increase)decrease in deferred outflows of resources   | 24,552                      |
| Increase(decrease) in liabilities:   |                             |
| Accounts payable and accrued expenses  | 3,311                       |
| Net pension liability  | 184                         |
| Increase(decrease) in deferred inflows of resources  | <u>(37,345)</u>             |
| <b>Total adjustments</b>   | <u>135,889</u>              |
| <b>Net cash provided by (used in) operating activities</b>                                     | <u><u>\$ (615,291)</u></u>  |

# EDGEMONT COMMUNITY SERVICES DISTRICT

## *Notes to Financial Statements*

*June 30, 2025*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Organization**

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.

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

#### **B. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

#### **C. Basis of Presentation, Basis of Accounting**

##### **1. Basis of Presentation**

###### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

# EDGEMONT COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2025

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

#### C. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### **Government-Wide Financial Statements (continued)**

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### **Fund Financial Statements**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the 'current financial resources' measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The primary revenue sources susceptible to accrual are property taxes, charges for services, and interest associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

###### **Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

**Illumination Fund:** This fund is used to account for resources used in providing street lighting within the District's service area.

# EDGEMONT COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2025

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

#### C. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Enterprise Funds

**Sewer Fund:** This fund is used to account for all financial resources used in providing sewer services in the areas served by the District.

##### 2. Measurement Focus, Basis of Accounting

###### Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

##### 3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

## EDGEMONT COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2025

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

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

###### 1. Cash and Cash Equivalents

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

###### 2. Investments

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

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

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

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

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

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

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

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

**3. Lease Receivable and Deferred Inflows of Resources**

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investment, short-term leases, de minimis leases, and leases that transfer ownership of the underlying asset. As lessor, the leased right-to-use asset underlying the lease is not recognized. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**4. Prepaid Items**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**5. Capital Assets**

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$10,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

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

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and improvements | 7-50 years             |
| Furniture and equipment    | 5-7 years              |

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

# EDGEMONT COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 7. Pensions

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

The following timeframes are used for pension reporting:

Valuation Date June 30, 2023

Measurement Date June 30, 2024

Measurement Period July 1, 2023 to June 30, 2024

##### 8. Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period.

Transactions between funds that represent lending/borrowing arrangements outstanding at the end of a fiscal year are referred to as due to/from other funds.

##### 9. Net Position

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

- **Investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of " investment in capital assets."

##### 10. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

# EDGEMONT COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 10. Fund Balances (continued)

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

#### E. Minimum Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds 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 balances 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.

#### F. Use of Estimates

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

#### G. Property Taxes

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

The property tax calendar is as follows:

Lien date January 1  
Levy date July 1  
Due dates November 1 and February 1  
Collection dates December 10 and April 10

#### H. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

# EDGEMONT COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2025

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

#### I. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2025, the District implemented a new pronouncement as follows:

##### **GASB Statement No. 102 – Certain Risk Disclosures**

This GASB Statement requires state and local governments to disclose vulnerabilities due to certain concentrations and constraints that could significantly impact their financial health. A concentration refers to a dependency on a specific source such as a major revenue stream, customer, supplier, or workforce while a constraint involves legal, regulatory, contractual, or other external limitations that restrict an entity's ability to respond to those risks. If these factors make the government vulnerable to a near-term severe impact, disclosure is required in the notes to the financial statements. The goal of Statement No. 102 is to improve transparency and provide users with better insight into potential risks that could affect a government's financial condition. The District adopted the Statement as of July 1, 2024. See Note 11 for the effect of this Statement.

### NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2025, consisted of the following:

| <u>Description</u>  | <u>Balance</u>       |
|---|----------------------|
| Deposits held with financial institutions                       | \$ 124,431           |
| Deposits with Riverside County Treasury Investment Pool (RCTIP) | 12,059,687           |
| Total   | <u>\$ 12,184,118</u> |

#### **Demand Deposits**

At June 30, 2025, the carrying amount of the District's demand deposits were \$124,431 and the financial institution's balance was \$157,456. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110 percent of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

## **EDGEMONT COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2025*

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#### **NOTE 2 – CASH AND INVESTMENTS (continued)**

##### **Custodial Credit Risk**

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. 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 (such as RCTIP).

##### **Riverside County Treasury Investment Pool (RCTIP)**

The District is a voluntary participant in the Riverside County Treasury Investment Pool (RCTIP) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Riverside County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Riverside Administrative Office – 4080 Lemon Street, 4<sup>th</sup> Floor – Capital Markets – Riverside, CA 92506 or the Treasurer and Tax Collector's office website at [www.countytreasurer.org](http://www.countytreasurer.org).

RCTIP is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. For financial reporting purposes, the District considers the RCTIP a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2025, the District held \$12,059,687 in RCTIP.

## EDGEMONT COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2025

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#### NOTE 3 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District’s lease receivable is as follows:

| Description                     | Balance<br>July 1, 2024 | Additions | Deletions   | Balance<br>June 30, 2025 |
|---------------------------------|-------------------------|-----------|-------------|--------------------------|
| <b>Governmental-activities:</b> |                         |           |             |                          |
| Ground lease                    | \$ 21,325,128           | \$ -      | \$ (98,940) | \$ 21,226,188            |
| Total                           | \$ 21,325,128           | \$ -      | \$ (98,940) | \$ 21,226,188            |

The District is reporting a total lease receivable of \$21,226,188 and a total related deferred inflows of resources of \$18,586,133 for the year ending June 30, 2025. Also, the District is reporting total lease revenue of \$588,479 and interest revenue of \$638,401 related to lease payments received.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 3.00% to discount the lease revenue to the net present value. In some cases leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered “volatile leases.” Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility.

The Included Leases are summarized as follows:

#### **Sycamore Canyon Business Park, LLC**

On February 28, 2007, the District signed a fifty-year lease agreement as the lessor with Sycamore Canyon Business Park, LLC (Company) for the lease of land. The terms of the agreement required 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, 2025, the District received total rental payments in the amount of \$737,340.

An initial lease receivable was recorded in the amount of \$21,577,569. As of June 30, 2025, the value of the lease receivable was \$21,226,188. The lease is required to make monthly fixed payments of \$53,647 for the first 48 months, then increasing 15.0% every four years. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 3% to discount the lease revenue to the net present value. The value of the deferred inflow of resource was \$18,586,133 as of June 30, 2025. The District recognized lease revenue of \$588,479 and interest revenue of \$638,401 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of the original lease period. Since this is considered a volatile lease only the initial lease period has been recognized.

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2025

**NOTE 3 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)**

Minimum future lease receipts for the next five fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Principal Payments</u> | <u>Interest Payments</u> | <u>Total</u>  |
|--------------------|---------------------------|--------------------------|---------------|
| 2026               | \$ 137,965                | \$ 582,170               | \$ 720,135    |
| 2027               | 173,425                   | 630,275                  | 803,700       |
| 2028               | 178,700                   | 625,000                  | 803,700       |
| 2029               | 184,135                   | 619,565                  | 803,700       |
| 2030               | 238,384                   | 613,540                  | 851,924       |
| 2031-2035          | 1,570,957                 | 2,940,623                | 4,511,580     |
| 2036-2040          | 2,353,301                 | 2,650,263                | 5,003,564     |
| 2041-2045          | 3,320,931                 | 2,226,633                | 5,547,564     |
| 2046-2050          | 4,585,334                 | 1,637,830                | 6,223,164     |
| 2051-2055          | 6,097,492                 | 844,188                  | 6,941,680     |
| 2056-2057          | 2,385,564                 | 63,115                   | 2,448,679     |
| Total              | 21,226,188                | \$ 13,433,202            | \$ 34,659,390 |
| Current            | (137,965)                 |                          |               |
| Long-term          | \$ 21,088,223             |                          |               |

Changes in the District’s deferred inflows of resources related to leases is as follows:

| <u>Description</u>              | <u>Balance July 1, 2024</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2025</u> |
|---------------------------------|-----------------------------|------------------|------------------|------------------------------|
| <i>Governmental-activities:</i> |                             |                  |                  |                              |
| Ground lease                    | \$ 19,174,612               | -                | \$ (588,479)     | 18,586,133                   |
| Total                           | \$ 19,174,612               | \$ -             | \$ (588,479)     | \$ 18,586,133                |

The amounts reported as deferred inflows of resources related to the leases for the year ended June 30, 2025, will be amortized in future periods as follows:

| <u>Amortization Period Fiscal Year Ended June 30</u> | <u>Deferred Inflows of Resources</u> |
|--|--------------------------------------|
| 2026   | \$ 539,439                           |
| 2027   | 588,479                              |
| 2028   | 588,479                              |
| 2029   | 588,479                              |
| 2030   | 588,479                              |
| 2031-2035  | 2,942,396                            |
| 2036-2040  | 2,942,396                            |
| 2041-2045  | 2,942,396                            |
| 2046-2050  | 2,942,396                            |
| 2051-2055  | 2,942,396                            |
| 2056-2057  | 980,798                              |
| Total  | \$ 18,586,133                        |

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 4 - CAPITAL ASSETS**

**Governmental Activities**

Changes in capital assets for governmental activities for the year were as follows:

|                                | <u>Balance</u><br><u>July 1, 2024</u> | <u>Additions</u>   | <u>Deletions/<br/>Transfers</u> | <u>Balance</u><br><u>June 30, 2025</u> |
|--------------------------------|---------------------------------------|--------------------|---------------------------------|--|
| Non-depreciable assets:        |                                       |                    |                                 |  |
| Land                           | \$ 219,948                            | \$ -               | \$ -                            | \$ 219,948                             |
| Total non-depreciable assets   | <u>219,948</u>                        | <u>-</u>           | <u>-</u>                        | <u>219,948</u>                         |
| Depreciable assets:            |                                       |                    |                                 |  |
| Structures and improvements    | 606,560                               | -                  | -                               | 606,560                                |
| Office furniture and equipment | <u>7,451</u>                          | <u>-</u>           | <u>-</u>                        | <u>7,451</u>                           |
| Total depreciable assets       | <u>614,011</u>                        | <u>-</u>           | <u>-</u>                        | <u>614,011</u>                         |
| Accumulated depreciation:      |                                       |                    |                                 |  |
| Structures and improvements    | (430,410)                             | (11,916)           | -                               | (442,326)                              |
| Office furniture and equipment | <u>(6,727)</u>                        | <u>(483)</u>       | <u>-</u>                        | <u>(7,210)</u>                         |
| Total accumulated depreciation | <u>(437,137)</u>                      | <u>(12,399)</u>    | <u>-</u>                        | <u>(449,536)</u>                       |
| Total depreciable assets, net  | <u>176,874</u>                        | <u>(12,399)</u>    | <u>-</u>                        | <u>164,475</u>                         |
| Total capital assets, net      | <u>\$ 396,822</u>                     | <u>\$ (12,399)</u> | <u>\$ -</u>                     | <u>\$ 384,423</u>                      |

Depreciation expense was charged to governmental activities as follows:

| <u>Depreciation Expense per Fund</u> |           |
|--------------------------------------|-----------|
| General government                   | \$ 12,399 |

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 4 – CAPITAL ASSETS (continued)**

**Business-Type Activities and Proprietary Funds**

Changes in capital assets for business-type activities for the year were as follows:

|                                | <u>Balance</u><br><u>July 1, 2024</u> | <u>Additions</u>   | <u>Deletions/<br/>Transfers</u> | <u>Balance</u><br><u>June 30, 2025</u> |
|--------------------------------|---------------------------------------|--------------------|---------------------------------|--|
| Non-depreciable assets:        |                                       |                    |                                 |  |
| Sewer capacity rights          | \$ 2,422,697                          | \$ -               | \$ -                            | \$ 2,422,697                           |
| Construction-in-progress       | 275,034                               | 47,838             | -                               | 322,872                                |
| Total non-depreciable assets   | <u>2,697,731</u>                      | <u>47,838</u>      | <u>-</u>                        | <u>2,745,569</u>                       |
| Depreciable assets:            |                                       |                    |                                 |  |
| Structures and improvements    | 7,765,537                             | -                  | -                               | 7,765,537                              |
| Total depreciable assets       | <u>7,765,537</u>                      | <u>-</u>           | <u>-</u>                        | <u>7,765,537</u>                       |
| Accumulated depreciation:      |                                       |                    |                                 |  |
| Structures and improvements    | (2,046,635)                           | (147,643)          | -                               | (2,194,278)                            |
| Total accumulated depreciation | <u>(2,046,635)</u>                    | <u>(147,643)</u>   | <u>-</u>                        | <u>(2,194,278)</u>                     |
| Total depreciable assets, net  | <u>5,718,902</u>                      | <u>(147,643)</u>   | <u>-</u>                        | <u>5,571,259</u>                       |
| Total capital assets, net      | <u>\$ 8,416,633</u>                   | <u>\$ (99,805)</u> | <u>\$ -</u>                     | <u>\$ 8,316,828</u>                    |

**NOTE 5 – INTER-FUND RECEIVABLES/PAYABLES**

As of June 30, 2025, inter-fund receivables/payables between the District’s funds were as follows:

| <u>Due from</u>                   | <u>Due to</u> | <u>Amount</u>          |
|-----------------------------------|---------------|------------------------|
| Illumination Fund                 | General Fund  | <u>\$ 1,523</u>        |
| <b>Receivable by General Fund</b> |               | <u><u>\$ 1,523</u></u> |

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN**

**Summary**

The following total balances on the statement of net position will be addressed in this footnote as follows:

| <u>Description</u>                | <u>2025</u> |
|-----------------------------------|-------------|
| Pension related deferred outflows | \$ 27,641   |
| Net pension liability             | 13,227      |
| Pension related deferred inflows  | 51,108      |

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

**A. General Information about the Pension Plan**

**Plan Description, Benefits Provided, and Employees Covered**

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

**The Plans**

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

|   | <u>Miscellaneous<br/>Plans</u>        |
|---|---------------------------------------|
|   | <u>PEPRA</u>                          |
| Hire date   | On or after<br><u>January 1, 2013</u> |
| Benefit formula                                   | 2.0% @ 62                             |
| Benefit vesting schedule                          | 5-years or service                    |
| Benefits payments                                 | monthly for life                      |
| Retirement age                                    | 52 - 62 & up                          |
| Monthly benefits, as a % of eligible compensation | 1.0% to 2.0%                          |
| Required member contribution rates                | 7.750%                                |
| Required employer contribution rates              | 7.870%                                |

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

**A. General Information about the Pension Plan (continued)**

At June 30, 2024, the following Miscellaneous Plans members were covered by the benefit terms:

| <u>Plan Members</u>                | <u>Miscellaneous<br/>Plans<br/>PEPRA</u> |
|------------------------------------|--|
| Active members                     | 1  |
| Transferred and terminated members | -  |
| Retired members and beneficiaries  | -  |
| <b>Total plan members</b>          | <b>1</b>                                 |

**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.

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

**A. General Information about the Pension Plan (continued)**

**Contribution Description**

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

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

| <b>Contribution Type</b>   | <b>Miscellaneous<br/>Plans<br/>PEPRA</b> |
|----------------------------|--|
| Contributions – employer   | \$ 7,249                                 |
| Contributions – members    | 5,528                                    |
| <b>Total contributions</b> | <b>\$ 12,777</b>                         |

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

**Proportionate Share of Net Pension Liability and Pension Expense**

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

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

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

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

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

| <u>Plan Type and Balance Descriptions</u>      | <u>Plan Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Change in Plan Net Pension Liability</u> |
|--|-------------------------------------|------------------------------------|---|
| <b>CalPERS – Miscellaneous Plan:</b>           |                                     |                                    |   |
| Balance as of June 30, 2023 (Measurement Date) | \$ 179,277                          | \$ 166,313                         | \$ 12,964                                   |
| Balance as of June 30, 2024 (Measurement Date) | \$ 219,109                          | \$ 205,882                         | \$ 13,227                                   |
| <b>Change in Plan Net Pension Liability</b>    | <u>\$ 39,832</u>                    | <u>\$ 39,569</u>                   | <u>\$ 263</u>                               |

The District’s proportionate share percentage of the net pension liability for the Miscellaneous Plans for the June 30, 2024, measurement date was as follows:

| <u>CalPERS – Miscellaneous Plan</u>               | <u>Percentage Share of Risk Pool</u>    |   | <u>Change Increase/ (Decrease)</u> |
|---|---|---|------------------------------------|
|   | <u>Fiscal Year Ending June 30, 2025</u> | <u>Fiscal Year Ending June 30, 2024</u> |                                    |
| Measurement Date                                  | June 30, 2024                           | June 30, 2023                           |                                    |
| Percentage of Risk Pool Net Pension Liability     | 0.000273%                               | 0.000259%                               | 0.000014%                          |
| Percentage of Plan (PERF C) Net Pension Liability | 0.000273%                               | 0.000259%                               | 0.000014%                          |

For the year ended June 30, 2025, the District recognized pension expense/(credit) in the amounts of (\$10,765) for the CalPERS Miscellaneous Plan.

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

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

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Account Description</b>  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Pension contributions made after the measurement date                         | \$ 7,249                                      | \$ -   |
| Difference between actual and proportionate share of employer contributions   | 18,192  | -  |
| Adjustment due to differences in proportions                                  | -   | (51,108)                                     |
| Differences between expected and actual experience                            | 1,099   | -  |
| Differences between projected and actual earnings on pension plan investments | 761   | -  |
| Changes in assumptions  | 340   | -  |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                         | <b>\$ 27,641</b>                              | <b>\$ (51,108)</b>                           |

The District will recognize \$7,249 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2026.

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

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

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

**Proportionate Share of Net Pension Liability and Pension Expense (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Amortization Period</u><br><u>Fiscal Year Ended June 30</u> | <u>Deferred</u><br><u>Outflows/(Inflows)</u><br><u>of Resources</u> |
|--|---|
| 2026   | \$ (30,098)   |
| 2027   | (644)   |
| 2028   | 287   |
| 2029   | (261)   |
| <b>Total</b>   | <u>\$ (30,716)</u>  |

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2024 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2023, total pension liability, respectively. The June 30, 2024, total pension liabilities were based on the following actuarial methods and assumptions:

|  |   |
|--|---|
| <p>Actuarial Cost Method</p> <p>Actuarial Assumptions:</p> <p>Discount Rate</p> <p>Price Inflation Salary Increases</p> <p>Salary Increases</p> <p>Investment Rate of Return</p> <p>Mortality Rate Table</p> <p>Post Retirement Benefit Increase</p> | <p>Entry Age Actuarial Cost Method</p> <p>6.90%</p> <p>2.30%</p> <p>Varies by entry age and service</p> <p>6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation</p> <p>Derived using CalPERS' membership data for all funds.</p> <p>The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter</p> |
|--|---|

## EDGEMONT COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2025

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#### NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

###### Long-term Expected Rate of Return

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

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

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

<sup>1</sup> An expected inflation of 2.30% is used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

###### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

###### Subsequent Events

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

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)**

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

For the year ended June 30, 2025 for the CalPERS Miscellaneous Plans:

| Plan Type                    | Plan's Net Pension Liability/(Asset) |                                |                             |
|------------------------------|--------------------------------------|--------------------------------|-----------------------------|
|                              | Discount Rate - 1%<br>5.90%          | Current Discount<br>Rate 6.90% | Discount Rate + 1%<br>7.90% |
| CalPERS – Miscellaneous Plan | \$ 42,794                            | \$ 13,227                      | \$ (11,111)                 |

**Pension Plan Fiduciary Net Position**

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

**NOTE 7 – FUND BALANCES**

At June 30, 2025, fund balances of the District's governmental funds were classified as follows:

| Description               | General<br>Government | Illumination<br>Fund | Total<br>Governmental<br>Funds |
|---------------------------|-----------------------|----------------------|--------------------------------|
| <b>Nonspendable</b>       |                       |                      |                                |
| Prepaid items             | \$ 6,926              | \$ -                 | \$ 6,926                       |
| <b>Unassigned</b>         | 4,321,801             | 36,015               | 4,357,816                      |
| <b>Total fund balance</b> | \$ 4,328,727          | \$ 36,015            | \$ 4,364,742                   |

## EDGEMONT COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2025

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#### NOTE 8 – PRIOR PERIOD ADJUSTMENT

Beginning fund balance as of July 1, 2024 was restated by \$2,150,516, for the District's lease activity for the adoption of *GASB No. 87 – Leases* as noted below:

| <u>Description</u>                      | <u>Balance</u>             |
|---|----------------------------|
| <b>Net position:</b>                    |                            |
| Beginning of year, as previously stated | \$ 1,418,601               |
| Lease receivable                        | 21,325,128                 |
| Deferred lease inflows                  | <u>(19,174,612)</u>        |
| Total adjustments                       | <u>2,150,516</u>           |
| Beginning of year, as restated          | <u><u>\$ 3,569,117</u></u> |

#### NOTE 9 – INTERFUND 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, 2025, inter-fund transfers between the District's funds consist of the following:

| <u>Description</u>                     | <u>General<br/>Fund</u> | <u>Illumination<br/>Fund</u> | <u>Sewer<br/>Fund</u> |
|--|-------------------------|------------------------------|-----------------------|
| <b>Other financing sources (uses):</b> |                         |                              |                       |
| Operating transfers                    | <u>\$ (1,442,794)</u>   | <u>\$ 54,131</u>             | <u>\$ 1,388,663</u>   |

#### NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2025, the District purchased commercial insurance policies for liability, property, crime damage, and workers' compensation insurance.

There were no reductions in insurance coverage from the previous year and the amount of settled claims has not exceeded insurance coverage for each of the past three fiscal years.

## **EDGEMONT COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2025*

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#### **NOTE 11 – RISK DISCLOSURE: CONCENTRATION OF REVENUE SOURCE (GASB STATEMENT No. 102)**

For the fiscal year ended June 30, 2025, approximately 32% of the District's total revenues were derived from property taxes and 18% from sewer user fees and illumination assessments collected within the Riverside County. In addition, approximately 35% of total revenues were generated from rental income related to District-owned land. This reliance exposes the District to a concentration risk as defined under GASB Statement No. 102, *Risk Disclosures*. A significant decline in assessed property values, changes in county tax collection policies, demand for the land it leases or broader economic conditions affecting Riverside County could materially impact the District's primary funding source.

The District monitors tax collection trends and maintains reserves in accordance with its financial policies to mitigate the potential impact of delayed or reduced revenues.

In accordance with GASB Statement No. 102, Risk Disclosures, this note serves to disclose the concentration of revenue and associated risks that could significantly impact the District's financial position and results of operations.

#### **NOTE 12 – COMMITMENTS AND CONTINGENCIES**

The District enters into various agreements with private parties for design, construction, and modification of District-owned facilities. The financing of such construction contracts is being provided primarily from the District's capital outlay reserves. As of June 30, 2025, the District estimates it will cost approximately \$1,269,625 to complete projects currently in construction-in-progress.

##### **Excluded Leases – Short-Term Leases and De Minimis Leases**

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

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

##### **Litigation**

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

#### **NOTE 13 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 13, 2025, the date on which the financial statements were available to be issued.

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***Required Supplementary Information***

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**EDGEMONT COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2025*

|  | <u>Adopted<br/>Original<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|--|---------------------|---|
| <b>REVENUES:</b>                           |  |                     |   |
| Taxes:                                     |  |                     |   |
| Property taxes                             | \$ 690,000                             | \$ 1,128,677        | \$ 438,677                                  |
| Rental revenue                             | 737,000                                | 588,479             | (148,521)                                   |
| Investment earnings                        | 30,000                                 | 700,916             | 670,916                                     |
| <b>Total revenues</b>                      | <u>1,457,000</u>                       | <u>2,418,072</u>    | <u>961,072</u>                              |
| <b>EXPENDITURES:</b>                       |  |                     |   |
| Current:                                   |  |                     |   |
| Salaries and benefits                      | 35,500                                 | 31,953              | 3,547                                       |
| Materials and services                     | 612,246                                | 165,557             | 446,689                                     |
| <b>Total expenditures</b>                  | <u>647,746</u>                         | <u>197,510</u>      | <u>450,236</u>                              |
| <b>REVENUES OVER(UNDER)EXPENDITURES</b>    | 809,254                                | 2,220,562           | 1,411,308                                   |
| <b>OTHER FINANCING SOURCES(USES):</b>      |  |                     |   |
| Transfers in(out)                          | <u>(1,435,400)</u>                     | <u>(1,442,794)</u>  | <u>(7,394)</u>                              |
| <b>Total other financing sources(uses)</b> | <u>(1,435,400)</u>                     | <u>(1,442,794)</u>  | <u>(7,394)</u>                              |
| <b>NET CHANGE IN FUND BALANCES</b>         | <u>\$ (626,146)</u>                    | 777,768             | <u>\$ 1,403,914</u>                         |
| <b>FUND BALANCES:</b>                      |  |                     |   |
| Beginning of year                          |  | <u>3,550,959</u>    |   |
| End of year                                |  | <u>\$ 4,328,727</u> |   |

**Notes to the Budgetary Comparison Schedule:**

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 SERVICES DISTRICT**  
*Budgetary Comparison Schedule – Illumination Fund*  
*For the Fiscal Year Ended June 30, 2025*

|  | <u>Adopted<br/>Original<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|--|------------------|---|
| <b>REVENUES:</b>                           |  |                  |   |
| Taxes:                                     |  |                  |   |
| Property taxes                             | \$ 17,300                              | \$ 19,324        | \$ 2,024                                    |
| Charges for services                       | 35,000                                 | 36,825           | 1,825                                       |
| Investment earnings                        | 650                                    | 1,207            | 557   |
| <b>Total revenues</b>                      | <u>52,950</u>                          | <u>57,356</u>    | <u>4,406</u>                                |
| <b>EXPENDITURES:</b>                       |  |                  |   |
| Current:                                   |  |                  |   |
| Salaries and benefits                      | 9,680                                  | 7,905            | 1,775                                       |
| Materials and services                     | 101,077                                | 85,725           | 15,352                                      |
| <b>Total expenditures</b>                  | <u>110,757</u>                         | <u>93,630</u>    | <u>17,127</u>                               |
| <b>REVENUES OVER(UNDER)EXPENDITURES</b>    | (57,807)                               | (36,274)         | 21,533                                      |
| <b>OTHER FINANCING SOURCES(USES):</b>      |  |                  |   |
| Transfers in(out)                          | 35,400                                 | 54,131           | 18,731                                      |
| <b>Total other financing sources(uses)</b> | <u>35,400</u>                          | <u>54,131</u>    | <u>18,731</u>                               |
| <b>NET CHANGE IN FUND BALANCES</b>         | <u>\$ (22,407)</u>                     | 17,857           | <u>\$ 40,264</u>                            |
| <b>FUND BALANCES:</b>                      |  |                  |   |
| Beginning of year                          |  | <u>18,158</u>    |   |
| End of year                                |  | <u>\$ 36,015</u> |   |

**Notes to the Budgetary Comparison Schedule:**

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 SERVICES DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2025*

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**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

| <b>Measurement Date</b> | <b>District's Proportion of the Net Pension Liability</b> | <b>District's Proportionate Share of the Net Pension Liability</b> | <b>District's Covered Payroll</b> | <b>District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</b> | <b>Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability</b> |
|-------------------------|---|--|-----------------------------------|---|--|
| June 30, 2021           | 0.002878%   | \$ 155,631   | \$ 61,102                         | 254.71%   | -14.64%  |
| June 30, 2022           | 0.000230%   | 26,514   | 60,580                            | 43.77%  | 82.59%   |
| June 30, 2023           | 0.000104%   | 12,964   | 64,855                            | 19.99%  | 92.77%   |
| June 30, 2024           | 0.000109%   | 13,227   | 66,830                            | 19.79%  | 93.96%   |

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

**From fiscal year June 30, 2021 to June 30, 2022:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2022 to June 30, 2023:**

The discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%.

**From fiscal year June 30, 2023 to June 30, 2024:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2024 to June 30, 2025:**

There were no significant changes in assumptions.

\*Fiscal year 2021 was the first measurement date year of implementation; therefore only 4 years are shown.

**EDGEMONT COMMUNITY SERVICES DISTRICT**

*Schedule of Pension Contributions*

*For the Fiscal Year Ended June 30, 2025*

**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

| <b>Fiscal Year</b> | <b>Actuarially Determined Contribution</b> | <b>Contributions in Relation to the Actuarially Determined Contribution</b> | <b>Contribution Deficiency (Excess)</b> | <b>Covered Payroll</b> | <b>Contributions as a Percentage of Covered Payroll</b> |
|--------------------|--|---|---|------------------------|---|
| June 30, 2020      | \$ 1,151                                   | \$ (1,151)  | \$ -                                    | \$ 112,029             | 1.03%   |
| June 30, 2021      | 21,263                                     | (21,263)  | -                                       | 61,102                 | 34.80%  |
| June 30, 2022      | 21,147                                     | (118,785)   | (97,638)                                | 60,580                 | 196.08%   |
| June 30, 2023      | 4,778                                      | (4,778)   | -                                       | 64,855                 | 7.37%   |
| June 30, 2024      | 5,097                                      | (5,097)   | -                                       | 66,830                 | 7.63%   |
| June 30, 2025      | 6,180                                      | (7,249)   | (1,069)                                 | 71,326                 | 10.16%  |

**Notes to Schedule:**

| <b>Fiscal Year</b> | <b>Valuation Date</b> | <b>Actuarial Cost Method</b> | <b>Asset Valuation Method</b> | <b>Inflation</b> | <b>Investment Rate of Return</b> |
|--------------------|-----------------------|------------------------------|-------------------------------|------------------|----------------------------------|
| June 30, 2020      | June 30, 2018         | Entry Age                    | Fair Value                    | 2.50%            | 7.15%                            |
| June 30, 2021      | June 30, 2019         | Entry Age                    | Fair Value                    | 2.50%            | 7.15%                            |
| June 30, 2022      | June 30, 2020         | Entry Age                    | Fair Value                    | 2.50%            | 7.15%                            |
| June 30, 2023      | June 30, 2021         | Entry Age                    | Fair Value                    | 2.30%            | 6.90%                            |
| June 30, 2024      | June 30, 2022         | Entry Age                    | Fair Value                    | 2.30%            | 6.90%                            |
| June 30, 2025      | June 30, 2023         | Entry Age                    | Fair Value                    | 2.30%            | 6.90%                            |

**Amortization Method**

Level percentage of payroll, closed

**Salary Increases**

Depending on age, service, and type of employment

**Investment Rate of Return**

Net of pension plan investment exper

**Retirement Age**

Miscellaneous 2.0%@62

**Mortality**

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2020 was the first measurement date year of implementation; therefore only 6 years are shown.

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***Other Independent Auditors' Report***

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

Board of Directors  
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 Edgemont Community Services District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Edgemont Community Services District's basic financial statements, and have issued our report thereon dated November 13, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Edgemont Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Murrieta, California  
November 13, 2025