

**Capistrano Bay Community Services District**

**Basic Financial Statements and  
Independent Auditor's Report**

**For the fiscal year ended June 30, 2024**

**Capistrano Bay Community Services District  
Basic Financial Statements  
For the fiscal year ended June 30, 2024**

**Table of Contents**

	<u>Page No.</u>
<b>Financial Section</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to the Basic Financial Statements	14
Required Supplementary Information	
Budgetary Comparison Schedule - All Funds Combined	25
Notes to Budgetary Comparison Schedule - All Funds Combined	26
<b>Report on Internal Controls and Compliance</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27

## **Financial Section**



735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscpa.net

*Independent Auditor's Report*

**PARTNERS**

Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Brenda L. Odle, CPA, MST (Partner Emeritus)  
Terry P. Shea, CPA (Partner Emeritus)

**MANAGERS / STAFF**

Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
John Maldonado, CPA, MSA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA  
Jeffrey McKennan, CPA  
Monica Wysocki, CPA  
Jacob Weatherbie, CPA, MSA  
Bolim Han, CPA, MAcc  
Anny Gonzalez, CPA

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

To the Board of Directors  
Capistrano Bay Community Services District  
Capistrano Beach, California

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Capistrano Bay Community Services District (the District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2024, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

The District's 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 Responsibility***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2024, 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 solely 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 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.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 10, 2024

**Capistrano Bay Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Capistrano Bay Community Services District (the District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position decreased by 7.82% or \$288,390 to \$3,401,636 in 2024 as a result of this year's operations.
- During the year, the District's property tax revenues increased by 4.40% or \$57,970 in 2024.
- Total revenues from all sources increased by 4.75% or \$77,083 to \$1,699,235 in 2024 primarily due to the increase in property taxes.
- Total expenses increased by 13.07% or \$229,821 to \$1,987,625 in 2024.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

**Government-Wide Financial Statements**

***Statement of Net Position and Statement of Activities***

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the *overall health* of the District.

**Capistrano Bay Community Service District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024**

**Governmental Funds Financial Statements**

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

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

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

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 of the District exceeded liabilities by \$3,401,636 as of June 30, 2024.

	<u>2024</u>	<u>2023</u>	<u>% change</u>	<u>\$ change</u>
Assets:				
Current and other	\$ 720,114	\$ 951,567	-24.32%	\$(231,453)
Capital, net	<u>3,600,172</u>	<u>3,699,977</u>	-2.70%	(99,805)
Total assets	<u>4,320,286</u>	<u>4,651,544</u>		
Liabilities:				
Current	54,427	56,004	-2.82%	(1,577)
Due in more than one year	<u>864,223</u>	<u>905,514</u>	-4.56%	(41,291)
Total liabilities	<u>918,650</u>	<u>961,518</u>		
Net position:				
Investment in capital assets	2,695,628	2,756,353	-2.20%	(60,725)
Unrestricted	<u>706,008</u>	<u>933,673</u>	-24.38%	(227,665)
Total net position	<u>\$ 3,401,636</u>	<u>\$ 3,690,026</u>	-7.82%	(288,390)



**Capistrano Bay Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024**

A portion of the District's net position, 79.23% or \$2,695,628 as of June 30, 2024, reflects its investment in capital assets (net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. As of June 30, 2024, the District had outstanding debt of \$904,544 related to capital assets. The District uses these capital assets to operate the District; consequently, these assets are *not* available for future spending. At the end of fiscal year 2024, the District showed a positive balance in its unrestricted net position of \$706,008 that may be utilized in future years.

The condensed statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the change in net position was a decrease of \$288,390 for the fiscal year ended June 30, 2024 due to ongoing operations of the District. This decrease is primarily due to continued Shoreline Protection expenses during the year.

	<u>2024</u>	<u>2023</u>	<u>% change</u>	<u>\$ change</u>
Expenses:	<u>\$ 1,987,625</u>	<u>\$ 1,757,804</u>		
Total expenses	<u>1,987,625</u>	<u>1,757,804</u>	13.07%	\$ 229,821
Program revenues:				
Charges for services	<u>312,069</u>	<u>299,252</u>	4.28%	12,817
Net program expense	<u>1,675,556</u>	<u>1,458,552</u>	14.88%	217,004
General revenues:				
Property taxes	<u>1,376,594</u>	<u>1,318,624</u>	4.40%	57,970
Investment earnings	<u>10,572</u>	<u>4,276</u>	147.24%	6,296
Total general revenues	<u>1,387,166</u>	<u>1,322,900</u>	4.86%	64,266
Change in net position	<u>\$ (288,390)</u>	<u>\$ (135,652)</u>	112.60%	(152,738)

**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, 2024, the District's General Fund reported a total fund balance of \$549,823. \$549,626 of this amount is *unassigned* fund balance. The District's Roads Fund reported a fund balance of \$157,322. All of this amount is *assigned* fund balance. The District also has \$197 in nonspendable fund balance related to prepaid expenses.

**Capistrano Bay Community Services District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024**

**Capital Asset Administration**

Changes in capital assets for fiscal year 2024 were as follows:

	<u>2024</u>	<u>2023</u>	<u>% change</u>	<u>\$ change</u>
Land	\$ 2,490,000	\$ 2,490,000	0.00%	\$ -
Depreciable assets	2,878,480	2,877,174	0.05%	1,306
Accumulated depreciation	<u>(1,768,308)</u>	<u>(1,667,197)</u>	6.06%	(101,111)
Total capital assets, net	<u>\$ 3,600,172</u>	<u>\$ 3,699,977</u>	-2.70%	(99,805)

At the end of fiscal year 2024, the District's investment in capital assets amounted to \$3,600,172 (net of accumulated depreciation). The decrease in capital assets is primarily due to current year depreciation expense. The District's investment in capital assets is fully analyzed in Note 3 to the basic financial statements.

**Long-term Liabilities Administration**

Changes in long-term liabilities for fiscal year 2024 were as follows:

	<u>2024</u>	<u>2023</u>	<u>% change</u>	<u>\$ change</u>
Long-term liabilities	\$ 903,254	\$ 944,918	-4.41%	\$ (41,664)
Less current portion	<u>(40,321)</u>	<u>(39,404)</u>	2.33%	(917)
Total long-term liabilities	<u>\$ 862,933</u>	<u>\$ 905,514</u>	-4.70%	(42,581)

At the end of fiscal year 2024, the District had a receivable from an employee for \$1,290 for compensated absences and \$904,544 in loan payable, of which \$864,223 is designated as long-term. The District's long-term liabilities is fully analyzed in Note 4 to the basic financial statements.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 35000 Beach Road, Capistrano Beach, CA 92624.

## **Basic Financial Statements**

**Capistrano Bay Community Services District**  
**Statement of Net Position**  
**June 30, 2024**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 676,022
Receivables, net:	
Accounts	16,576
Property tax	26,029
Other	1,290
Prepays	197
Capital assets not being depreciated	2,490,000
Capital assets being depreciated, net	1,110,172
 Total assets	 4,320,286
<b>Liabilities</b>	
Accounts payable	295
Interest payable	2,427
Deposits	11,384
Noncurrent liabilities:	
Due within one year	40,321
Due in more than one year	864,223
 Total liabilities	 918,650
<b>Net position</b>	
Net investment in capital assets	2,695,628
Unrestricted	706,008
 Total net position	 \$ 3,401,636

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

**Capistrano Bay Community Services District  
Statement of Activities  
For the year ended June 30, 2024**

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Governmental Activities</u>
General government	\$ 1,878,039	\$ 308,515	\$ -	\$ -	\$ (1,569,524)
Roads	109,586	3,554	-	-	(106,032)
 Total governmental activities	 <u>\$ 1,987,625</u>	 <u>\$ 312,069</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>(1,675,556)</u>
 <b>General revenues:</b>					
Property taxes					1,376,594
Investment earnings					<u>10,572</u>
Total general revenues					<u>1,387,166</u>
Change in net position					(288,390)
 <b>Net position</b>					
Beginning of year					<u>3,690,026</u>
End of year					<u>\$ 3,401,636</u>

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

**Capistrano Bay Community Services District  
Balance Sheet – Governmental Funds  
June 30, 2024**

	General Fund	<u>Non-major Fund</u> Roads Fund	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 535,276	\$ 140,746	\$ 676,022
Accounts receivable, net	-	16,576	16,576
Property tax receivable	26,029	-	26,029
Prepays	197	-	197
	<u>561,502</u>	<u>157,322</u>	<u>718,824</u>
Total assets	<u>\$ 561,502</u>	<u>\$ 157,322</u>	<u>\$ 718,824</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 295	\$ -	\$ 295
Deposits	11,384	-	11,384
	<u>11,679</u>	<u>-</u>	<u>11,679</u>
Total liabilities	<u>11,679</u>	<u>-</u>	<u>11,679</u>
Fund balance:			
Nonspendable	197	-	197
Assigned	-	157,322	157,322
Unassigned	549,626	-	549,626
	<u>549,823</u>	<u>157,322</u>	<u>707,145</u>
Total fund balances	<u>549,823</u>	<u>157,322</u>	<u>707,145</u>
Total liabilities and fund balances	<u>\$ 561,502</u>	<u>\$ 157,322</u>	<u>\$ 718,824</u>

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

**Capistrano Bay Community Services District  
 Reconciliation of the Balance Sheet of Governmental  
 Funds to the Statement of Net Position  
 June 30, 2024**

<b>Fund balance of governmental funds</b>	\$ 707,145
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	3,600,172
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds.</p>	
Interest payable	(2,427)
Loan payable	(904,544)
Compensated absences payable	1,290
	1,290
<b>Net position of governmental activities</b>	<b>\$ 3,401,636</b>

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

**Capistrano Bay Community Services District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2024**

	General Fund	<u>Non-major Fund</u> Roads Fund	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 1,376,594	\$ -	\$ 1,376,594
User fees	226,891	-	226,891
Parking fees	50,830	-	50,830
Trash collection	3,600	-	3,600
Investment earnings	10,572	-	10,572
Other	10,618	20,130	30,748
	<hr/>	<hr/>	<hr/>
Total revenues	1,679,105	20,130	1,699,235
<b>Expenditures</b>			
Current:			
Salaries and wages	218,085	-	218,085
Repairs and maintenance	75,857	13,830	89,687
Professional services	768,165	-	768,165
Security services	574,042	-	574,042
Utilities	96,851	-	96,851
Insurance	49,802	-	49,802
Other	63,825	-	63,825
Debt service:			
Principal	39,080	-	39,080
Interest	30,049	-	30,049
	<hr/>	<hr/>	<hr/>
Total expenditures	1,915,756	13,830	1,929,586
Net change in fund balances	(236,651)	6,300	(230,351)
<b>Fund balances</b>			
Beginning of year	786,474	151,022	937,496
	<hr/>	<hr/>	<hr/>
End of year	\$ 549,823	\$ 157,322	\$ 707,145
	<hr/>	<hr/>	<hr/>

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



**Capistrano Bay Community Services District  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
For the year ended June 30, 2024**

**Net change in fund balance - total governmental funds** \$ (230,351)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	5,269
Depreciation expense	(105,074)

The issuance of debt provides current financial resources to governmental funds, but the issuing debt increases long-term liabilities in the statement of net assets, while the repayment of the principal of debt consumes current financial resources.

Change in interest payable	102
Principal paid	39,080

Compensated absences expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	2,584
--	-------

**Change in net position of governmental activities** \$ (288,390)

**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 1: Reporting entity and summary of significant accounting policies**

**A. Organization and operations of the reporting entity**

Capistrano Bay Community Services District (the District) is located in Capistrano Beach, California and was formed December 8, 1959, under the provisions of the Community Services District Law, Section 61000-61934 of the Government Code for the purpose of furnishing street lighting, road maintenance, solid waste disposal and security services for residents of the District. The District is governed by a Board of Directors consisting of five members elected at large. The Board employs and is assisted by a General Manager, Secretary/Clerk of the Board, and such other personnel as are required to operate the District.

General administration and management of the District is under the direction of a duly elected Board of Directors consisting of five members. The members of the Board of Directors as of June 30, 2024 were as follows:

Patrick McNulty – President  
Vacant – Vice President  
Brad Jenkins – Director  
Felica Lurner - Director  
Ross Misher - Director

**B. Basis of accounting and measurement focus**

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

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Financial reporting is based upon all pronouncements of the Governmental Accounting Standards Board (GASB).

**Government-wide Financial Statements**

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

**Capistrano Bay Community Services District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2024**

**Note 1: Reporting entity and summary of significant accounting policies (continued)**

***B. Basis of accounting and measurement focus (continued)***

***Governmental Funds Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its public safety fund as its General Fund, and its major fund, in these financial statements to meet the qualifications of Generally Accepted Accounting Principles.

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

**General Fund** - This fund is used to account for the revenues received from property taxes and other general revenues as well as the expenditures for the District's municipal services.

The District also reports the following capital projects fund:

**Roads** - This fund is used to account for road maintenance and operations expenditures.

***C. Assets, liabilities and net position***

***1. Use of estimates***

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

***2. Cash and investments***

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

**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 1: Reporting entity and summary of significant accounting policies (continued)**

**C. Assets, liabilities and net position (continued)**

**3. Investments and investment policy**

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

- Local Agency Investment Fund (LAIF)
- Certificates of deposit
- Passbook savings accounts

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

*Investment in State Investment Pool*

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

**4. Prepaid expenses**

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

**5. Capital assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000 (and a useful life over three years). Donated assets are recorded at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Structures	40 years
Infrastructure (roads and drainage systems)	30 years
Entryway	25 years
Security equipment	5 to 12 years
Maintenance equipment	3 to 15 years
Administrative (office equipment)	3 to 10 years

**6. Compensated absences**

The District's personnel policies provide for paid vacation and sick leave (employee benefits) to its full-time employees and is granted each year on January 1st. Liabilities for vacation leave are recorded when granted. Full cash payment is paid each year for unused vacation at the employee's anniversary date or upon termination. Accrued sick leave is not available upon retirement or termination.

**Capistrano Bay Community Services District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2024**

**Note 1: Reporting entity and summary of significant accounting policies (continued)**

**C. Assets, liabilities and net position (continued)**

**7. Property taxes and special assessments**

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations. Secured property taxes are levied on July 1 and become delinquent on December 10 and April 10, for the first and second installments, respectively. Unsecured personal property taxes are collected in one installment and become delinquent August 31.

Property taxes and special assessments are allocated on the County of Orange's annual tax bills to property owners who receive service by the District. The County of Orange's Tax Collector's Office collects the property taxes and special assessment payments from the property owners and transfers the collections to the District's bank account.

**8. Budgetary policies**

Prior to June 30th each fiscal year, the District adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenditures and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. Actual expenses may not exceed budgeted appropriations, except by 2/3 vote of the Board. Formal budgetary integration is employed as a management control device during the year. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**9. Net position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted net position** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted net position first, followed by the unrestricted net position as they are needed.

**10. Fund balance**

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

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 1: Reporting entity and summary of significant accounting policies (continued)**

**C. Assets, liabilities and equity (continued)**

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

The Board of Directors establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution, or this is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the committed, assigned, unassigned, and unrestricted resources as they are needed.

*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.

**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 2: Cash and investments**

Cash and investments are presented in the financial statements as of June 30, 2024 as follows:

Statement of net position	
Cash and investments	<u>\$ 676,022</u>

Cash and investments as of June 30, 2024 consisted of the following:

Statement of net position	
Bank deposits with financial institutions	\$ 307,730
Certificate of deposit	350,000
Local Agency Investment Fund	<u>18,292</u>
Total cash and investments	<u>\$ 676,022</u>

*Investment in State investment pool*

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the Treasurer of the State of California, Director of Finance and State Controller. The District may invest up to \$75 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at [www.treasurer.ca.gov](http://www.treasurer.ca.gov). LAIF has a limit of 15 transaction per month, with a \$5,000 minimum. Any withdrawal over \$10,000,000 requires 24-hour notice.

The District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

*Credit risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Neither the LAIF nor the certificate of deposit are rated by such an organization.

*Concentration of credit*

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total District investments for the year ended June 30, 2024, are the certificate of deposit which represents 52% of cash and investments.

**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 2: Cash and investments (continued)**

*Custodial credit risk*

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has deposits with various banks with various bank balances as of June 30, 2024, respectively. Of the bank balances, up to \$250,000 per bank for specific accounts are federally insured and any remaining balances are collateralized in accordance with the Code (Local Agency Deposit Security Law).

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

*Interest rate risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. Currently, LAIF and the certificates of deposit have a maturities of 12 months or less.

*Fair value measurement*

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has no investments subject to the fair value hierarchy established by generally accepted accounting principles.



**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 3: Capital assets**

Changes in capital assets for the year were as follows:

	Beginning balance	Additions	Deletions	Ending balance
<i>Capital assets not being depreciated</i>				
Land	\$ 2,490,000	\$ -	\$ -	\$ 2,490,000
Total capital assets not being depreciated	2,490,000	-	-	2,490,000
<i>Capital assets being depreciated</i>				
Structures	212,669	-	-	212,669
Security	40,058	5,269	(2,368)	42,959
Maintenance	33,952	-	-	33,952
Administrative	1,595	-	(1,595)	-
Road system	1,023,806	-	-	1,023,806
Storm drains	156,529	-	-	156,529
Entryway	1,408,565	-	-	1,408,565
Total depreciable assets	2,877,174	5,269	(3,963)	2,878,480
Accumulated depreciation				
Structures	(109,442)	(5,400)	-	(114,842)
Security	(31,729)	(3,742)	2,368	(33,103)
Maintenance	(33,952)	-	-	(33,952)
Administrative	(1,419)	(176)	1,595	-
Road system	(669,816)	(34,127)	-	(703,943)
Storm drains	(89,225)	(5,217)	-	(94,442)
Entryway	(731,614)	(56,412)	-	(788,026)
Total accumulated depreciation	(1,667,197)	(105,074)	3,963	(1,768,308)
Total capital assets being depreciated, net	1,209,977	(99,805)	-	1,110,172
Total capital assets, net	\$ 3,699,977	\$ (99,805)	\$ -	\$ 3,600,172

Depreciation expense was charged to governmental activities as follows:

General government	\$ 9,318
Roads	95,756
Total	\$ 105,074

**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 4: Long-term liabilities**

The changes to long-term liabilities balances on June 30, 2024 were as follows:

	Beginning balance	Additions	Deletions	Ending balance	Current portion
Loan payable - direct borrowing	\$ 943,624	\$ -	\$ (39,080)	\$ 904,544	\$ 40,321
Compensated absences	1,294	7,384	(9,968)	(1,290)	-
<b>Total</b>	<b>\$ 944,918</b>	<b>\$ 7,384</b>	<b>\$ (49,048)</b>	<b>\$ 903,254</b>	<b>\$ 40,321</b>

Compensated absences comprise unpaid vacation leave which is accrued as earned. The District's liability for compensated absences is determined annually. Currently, the District has a receivable of \$1,290 due to more vacation being taken than carried forward and earned during the year.

The District entered into a lease agreement (financed purchase) to purchase certain real property located within the District. The purchase price was \$2,490,000 with the District financing \$1,000,000 with an interest rate of 3.15%. The agreement requires semiannual principal and interest payments of \$34,564, due in June and December, over the next 20 years.

The remaining debt service requirements are as follows:

Fiscal year June 30,	Principal	Interest	Total
2025	\$ 40,321	\$ 28,807	\$ 69,128
2026	41,601	27,527	69,128
2027	42,921	26,207	69,128
2028	44,284	24,844	69,128
2029	45,689	23,439	69,128
2030-2034	251,150	94,493	345,643
2035-2039	293,632	52,013	345,645
2040-2041	144,946	7,875	152,821
<b>Totals</b>	<b>\$ 904,544</b>	<b>\$ 285,205</b>	<b>\$ 1,189,749</b>

In the event of default, the lender may exercise any and all remedies available under law or granted under the agreement; provided, however, that notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the payments or otherwise declare any payments not then in default to be immediately due and payable. If an event of default occurs and is continuing hereunder, the lender at its option may terminate this agreement and re-lease all or any portion of the property, subject to the site lease. If the lender terminates the agreement at its option and in the manner hereinafter provided due to a default by the District notwithstanding any re-entry upon the property by the lender in any manner whatsoever or the re-leasing of the property), the District nevertheless agrees to pay to the lender all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of payments and additional payments.

**Capistrano Bay Community Services District**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2024**

**Note 5: Equity**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Notes 1.C.9 and 1.C.10 for a description of these categories). A detailed schedule of fund balances and their funding composition on June 30, 2024 is as follows:

Description	Amount
Nonspendable	197
Assigned for road improvements	\$ 157,322
Unassigned	549,626
Total fund balance	\$ 707,145

The District's net investment in capital assets is as follows:

Description	Amount
Capital assets:	
Land	\$ 2,490,000
Depreciable assets	2,878,480
Accumulated depreciation	(1,768,308)
Total capital assets	3,600,172
Loan payable	(904,544)
Net investment in capital assets	\$ 2,695,628

**Note 6: 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. For its liability coverage, the District purchases insurance from private insurers. For workers compensation insurance, the District participates in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (the Authority). The Authority is a risk-pooling, self-insurance authority created under the provisions of California Government Code Section 6500 et. sec.

The Authority is governed by a board consisting of a representative from a member agency. The board controls the operations of the Authority including selection of CEO and approval of operating budgets. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Copies of the Authority's annual financial report may be obtained from their office at 1112 "I" Street, Suite 300, Sacramento, CA 95814. Copies are also available on the Member Plus Portal and mailed to members each year. At June 30, 2024, the District's participation in the self-insurance programs of the Authority was as follows:

- Workers' compensation coverage and employer's liability up to statutory limits per occurrence for workers' compensation and \$10 million for employer's liability coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage.

**Capistrano Bay Community Services District  
Notes to the Basic Financial Statements  
For the year ended June 30, 2024**

**Note 6: Risk management (continued)**

The District's liability coverage, purchased from private insurers, is as follows:

- Commercial liability coverage with limits up to \$1,000,000 per occurrence with no deductibles. In addition, the District has purchased an umbrella liability policy with coverage up to \$50,000,000 per occurrence.
- Directors' and officers' coverage up to \$1,000,000 for personal injury and \$2,000,000 for general aggregate with a \$1,000 deductible.
- Automobile liability coverage with limits of \$1,000,000 with no deductible.
- Employee dishonesty coverage up to \$2,000,000 per loss includes public employee dishonesty, forgery or alteration and theft with a \$10,000 deductible.
- Property loss coverage of \$495,000 per occurrence with a \$1,000 deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2024, 2023, and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024, 2023, and 2022.

**Note 7: Commitments and contingencies**

*Short-term leases*

The District leases space within the railroad right of way from the Orange County Transportation Authority for the purpose of providing parking space for District residents. Costs associated with the lease are borne by District residents which pay a yearly fee for each parking space. The lease commenced on January 1, 1998, and continues on a month-to-month basis which may be terminated by either party upon one year's notice. Provisions of the lease call for annual rent payments of \$15,100 for the first year, increasing by \$2,000 per year for the next seven years. Thereafter, terms of the lease call for annual lease payment adjustments based on the Consumer Price Index. As of June 30, 2024, the rent expense was \$49,658.

*Litigation*

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

**Note 8: Expenditures in excess of budget**

As of June 30, 2024 expenditures exceeding the budget in all funds combined are as follows:

<u>Expenditure category</u>	<u>Expenditures</u>	<u>Budgeted - Final</u>	<u>Excess</u>
Professional services	\$ 768,165	\$ 505,978	\$ (262,187)
Security services	574,042	570,007	(4,035)

**Required Supplementary Information**

**Required Supplementary Information**  
**Capistrano Bay Community Services District**  
**Budgetary Comparison Schedule – All Funds Combined**  
**For the year ended June 30, 2024**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,341,482	\$ 1,341,482	\$ 1,376,594	\$ 35,112
User fees	227,379	227,379	226,891	(488)
Parking fees	51,220	51,220	50,830	(390)
Trash collection	3,480	3,480	3,600	120
Investment earnings	1,000	1,000	10,572	9,572
Other	40,475	40,475	30,748	(9,727)
Total revenues	<u>1,665,036</u>	<u>1,665,036</u>	<u>1,699,235</u>	<u>34,199</u>
<b>Expenditures</b>				
Current:				
Salaries and wages	241,920	241,920	218,085	23,835
Repairs and maintenance	140,682	140,682	89,687	50,995
Professional services	505,978	505,978	768,165	(262,187)
Security services	570,007	570,007	574,042	(4,035)
Utilities	105,666	105,666	96,851	8,815
Insurance	50,246	50,246	49,802	444
Other	181,408	181,408	63,825	117,583
Debt service:				
Principal	39,080	39,080	39,080	-
Interest	30,049	30,049	30,049	-
Capital outlay	-	-	-	-
Total expenditures	<u>1,865,036</u>	<u>1,865,036</u>	<u>1,929,586</u>	<u>(64,550)</u>
Net change in fund balances	<u>(200,000)</u>	<u>(200,000)</u>	<u>(230,351)</u>	<u>(30,351)</u>
<b>Fund balance</b>				
Beginning of year	<u>937,496</u>	<u>937,496</u>	<u>937,496</u>	<u>-</u>
End of year	<u>\$ 737,496</u>	<u>\$ 737,496</u>	<u>\$ 707,145</u>	<u>\$ (30,351)</u>

See accompanying note to budgetary comparison schedule

**Required Supplementary Information**  
**Capistrano Bay Community Services District**  
**Notes to Budgetary Comparison Schedule – All Funds Combined**  
**For the year ended June 30, 2024**

**Note 1 - Budgetary Information**

The District adopts an annual budget prepared on the full accrual basis of accounting for all funds. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. Actual expenses may not exceed budgeted appropriations, except by 2/3 vote of the Board. Formal budgetary integration is employed as a management control device during the year.

Actual expenditures in the budgetary comparison schedule are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current revenues and expenditures are included. The budgeted amounts are presented using the *accrual basis of accounting*. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Below is a reconciliation of the final budget amounts on the full accrual basis to the actual amounts on the full accrual basis as of June 30, 2024.

	Budgeted amounts <u>Final</u>	Modified accrual actual amounts	Adjustment	Accrual basis actual amounts	Variance with final budget
<b>Revenues</b>					
Property taxes	\$ 1,341,482	\$ 1,376,594	\$ -	\$ 1,376,594	\$ 35,112
User fees	227,379	226,891	-	226,891	(488)
Parking fees	51,220	50,830	-	50,830	(390)
Trash collection	3,480	3,600	-	3,600	120
Investment earnings	1,000	10,572	-	10,572	9,572
Other	40,475	30,748	-	30,748	(9,727)
Total revenues	<u>1,665,036</u>	<u>1,699,235</u>	<u>-</u>	<u>1,699,235</u>	<u>34,199</u>
<b>Expenditures</b>					
Current:					
Salaries and wages	241,920	218,085	(2,584)	215,501	26,419
Repairs and maintenance	140,682	89,687	-	89,687	50,995
Professional services	505,978	768,165	-	768,165	(262,187)
Security services	570,007	574,042	(5,269)	568,773	1,234
Utilities	105,666	96,851	-	96,851	8,815
Insurance	50,246	49,802	-	49,802	444
Other	181,408	63,825	-	63,825	117,583
Debt service:					
Principal	39,080	39,080	(39,080)	-	39,080
Interest	30,049	30,049	(102)	29,947	102
Depreciation expense	-	-	105,074	105,074	(105,074)
Total expenditures	<u>1,865,036</u>	<u>1,929,586</u>	<u>58,039</u>	<u>1,987,625</u>	<u>(122,589)</u>
Net change in fund balance	<u>\$ (200,000)</u>	<u>\$ (230,351)</u>	<u>\$ (58,039)</u>	<u>\$ (288,390)</u>	<u>\$ 156,788</u>

The reconciling adjustments are made up of the following:

Adjustments:	
Cost of assets capitalized, less net book value of disposals	\$ 5,269
Change in accrued interest payable	102
Principal paid on debt	39,080
Depreciation expense	(105,074)
Change in compensated absences	2,584
Total adjustments	<u>\$ (58,039)</u>

## **Report on Internal Controls and Compliance**





ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscpa.net

## 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

### PARTNERS

Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Brenda L. Odle, CPA, MST (Partner Emeritus)  
Terry P. Shea, CPA (Partner Emeritus)

### *Independent Auditor's Report*

Board of Directors  
Capistrano Bay Community Services District  
Capistrano Beach, California

### MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
John Maldonado, CPA, MSA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA  
Jeffrey McKennan, CPA  
Monica Wysocki, CPA  
Jacob Weatherbie, CPA, MSA  
Bolim Han, CPA, MAcc  
Anny Gonzalez, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Capistrano Bay Community Services District, California (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 10, 2024.

### ***Internal control over financial reporting***

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

### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

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

Our consideration of internal control over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



***Compliance and other matters***

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

***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.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 10, 2024