

CAPISTRANO BAY DISTRICT
AGENDA REPORT
APRIL MEETING
December 9, 2025

Financial Report

ITEM 9b

Draft Annual Financial Audit

The full draft copy of the FY25 Financial Audit and Report was circulated to all Directors just before Thanksgiving. Given the distractions of the holidays and the length of the financial report, it's likely that the full report has not been carefully reviewed.

The purpose of the financial audit is to assess the honesty and integrity of the District's reporting and provide proof by way of a somewhat complicated mathematical process – which is very difficult to follow for non-accountant/non-financial professionals.

To briefly summarize the full 35-page report, some highlighted excerpts are provided on the following pages to assist you in understanding the health of the District's financial position:

- Pg 2: net position is up by 12.22%
prop. tax increased by 5.93%
total expenses decreased by 1.04%
- Pg. 3: no deficiencies in internal control by District staff
random document field testing resulted in no instances of noncompliance

A full copy of the draft financial audit will be available during the Board meeting.

DRAFT
SUBJECT TO
CHANGE

ITEM NO. 9b

Capistrano Bay Community Services District

Basic Financial Statements and
Independent Auditor's Report

For the fiscal year ended June 30, 2025

**Capistrano Bay Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2025**

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, 2025. 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 increase by 12.22% or \$415,592 to \$3,817,228 in 2025 as a result of this year's operations.
- During the year, the District's property tax revenues increased by 5.93% or \$81,564 in 2025.
- Total revenues from all sources increased by 5.72% or \$79,385 to \$1,466,551 in 2025 primarily due to the increase in property taxes.
- Total expenses decreased by 1.04% or \$20,709 to \$1,966,916 in 2025.

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.

**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**

Independent Auditor's Report

Board of Directors
Capistrano Bay Community Services District
Capistrano Beach, 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* (Government Auditing Standards) the financial statements of the governmental activities of the Capistrano Bay Community Services District, California (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November XX, 2025.

Report on 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.

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.

Report on 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 financial statements. 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*.