FALLBROOK REGIONAL HEALTH DISTRICT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended
June 30, 2024
(With Comparative Amounts as of June 30, 2023)

NIGRO & NIGRO PC

FALLBROOK REGIONAL HEALTH DISTRICT
For the Fiscal Year Ended June 30, 2024
Table of Contents

FINANCIAL SECTION

Page

Independent Auditors' Report 1
Management's Discussion and Analysis 4
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Position 11
Statement of Activities 12
Governmental Funds Financial Statements:
Governmental Funds Balance Sheet 13
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position 14
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances 15
Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 16
Notes to Financial Statements 17

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund 29

SUPPLEMENTARY INFORMATION

Consolidating Schedule – Statement of Net Position 30
Consolidating Schedule – Statement of Activities 31

OTHER INDEPENDENT AUDITORS' REPORTS

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* 32

Financial Section

NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Fallbrook Regional Health District
Fallbrook, California

Opinion

We have audited the accompanying financial statements of the governmental activities and general fund of Fallbrook Regional Health District (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2024, and the respective changes in financial position 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.

Management's Responsibility for the Financial Statements

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

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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Auditors' 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 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 budgetary comparison information 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, 2023, 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, 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 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, 2024

Management's Discussion and Analysis (MD&A) offers readers of Fallbrook Regional Health District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2024. 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 5.88%, or $686,338 from the prior year's net position of $11,671,479 to $12,357,817 as a result of this year's operations.
- Total revenues from all sources increased by 15.91%, or $406,455 from $2,554,922 to $2,961,377, from the prior year, primarily due to an increase in investment earnings of $333,543.
- Total expenses for the District's operations decreased by 3.48% or $81,919 from $2,356,958 to $2,275,039, from the prior year, primarily due to an decrease in depreciation of $177,897.

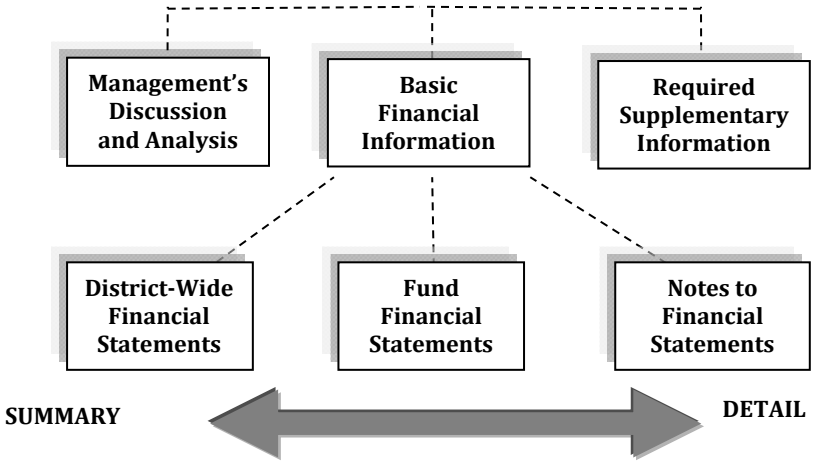
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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.

Figure A-1. Organization of Fallbrook Regional Health District's Annual Financial Report



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

Type of Statements	District-Wide	Governmental Fund
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as donations and library programs
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	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
Type of inflow/outflow information	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

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 library services 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 one fund, the General Fund.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	June 30, 2024	June 30, 2023	Change
Assets:			
Current assets	$ 9,758,254	$ 8,951,149	$ 807,105
Non-current assets	-	336,966	(336,966)
Capital assets, net	2,871,722	2,485,200	386,522
Total assets	12,629,976	11,773,315	856,661
Liabilities:			
Current liabilities	252,055	78,259	173,796
Non-current liabilities	20,104	23,577	(3,473)
Total liabilities	272,159	101,836	170,323
Net position:			
Investment in capital assets	2,871,722	2,485,200	386,522
Unrestricted	9,486,095	9,186,279	299,816
Total net position	$ 12,357,817	$ 11,671,479	$ 686,338

At the end of fiscal year 2024, the District shows a positive balance in its unrestricted net position of $9,486,095 that may be utilized in future years.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (Continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	June 30, 2024	June 30, 2023	Change
Operating expenses	$ 2,275,039	$ 2,356,958	$ 81,919
Operating loss	(2,275,039)	(2,356,958)	81,919
Non-operating revenues	2,961,377	2,554,922	406,455
Change in net position	686,338	197,964	488,374
Net position – beginning of period	11,671,479	11,473,515	197,964
Net position – end of period	$ 12,357,817	$ 11,671,479	$ 686,338

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the net position of the District increased by $686,338 during the fiscal year ended June 30, 2024.

Table A-3: Total Revenues

	June 30, 2024	June 30, 2023	Increase (Decrease)
Non-operating revenues:			
Property taxes	$ 2,511,314	$ 2,353,404	$ 157,910
Investment earnings	436,587	103,044	333,543
Grants	-	96,827	(96,827)
Other revenues	13,476	1,647	11,829
Total general revenues	2,961,377	2,554,922	406,455
Total revenues	$ 2,961,377	$ 2,554,922	$ 406,455

Total revenues from all sources increased by 15.91%, or $406,455 from $2,554,922 to $2,961,377, from the prior year, primarily due to an increase in investment earnings.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (Continued)

Analysis of Revenues and Expenses (Continued)

Table A-4: Total Expenses

	June 30, 2024	June 30, 2023	Increase (Decrease)
Operating expenses:			
Salaries and wages	$ 777,285	$ 663,848	$ 113,437
Employee benefits	121,102	88,537	32,565
Materials and services	552,016	555,040	(3,024)
Community healthcare programs	759,129	806,129	(47,000)
Depreciation	65,507	243,404	(177,897)
Total expenses	$ 2,275,039	$ 2,356,958	$ (81,919)

Total expenses for the District's operations decreased by 3.48% or $81,919 from $2,356,958 to $2,275,039, from the prior year, primarily due to a decrease in depreciation of $177,897.

GOVERNMENTAL FUNDS FINANCIAL ANAYLSIS

The focus of the District's *governmental funds* is to provide information on current inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved 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 reported a total fund balance of $9,526,303. An amount of $9,468,095 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District at year-end were $252,852 less than actual. The variance is principally due to under budgeting materials and services. Actual revenues were more than the anticipated budget by $448,391, mostly due to excess property taxes received then budgeted.

CAPITAL ASSET ADMINISTRATION

Table A-5: Capital Assets at Year End, Net of Depreciation

	Balance June 30, 2024	Balance June 30, 2023
Capital assets:		
Non-depreciable assets	$ 852,890	$ 490,291
Depreciable assets	2,386,721	2,297,291
Accumulated depreciation	(367,889)	(302,382)
Total capital assets, net	$ 2,871,722	$ 2,485,200

At the end of fiscal year 2024, the District's investment in capital assets amounted to $2,871,722 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements and equipment. Major capital asset additions during the year include equipment additions totaling $452,029.

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 District's 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 CEO at (760) 731-9187.

FALLBROOK REGIONAL HEALTH DISTRICT
Statement of Net Position
June 30, 2024
(With Comparative Amounts as of June 30, 2023)

ASSETS	2024	2023
Current assets:		
Cash and investments (Note 2)	$ 9,702,695	$ 8,880,870
Accrued interest receivable	16,418	22,622
Property taxes receivable	21,141	24,875
Note receivable (Note 3)	-	22,782
Prepaid items	18,000	-
Total current assets	9,758,254	8,951,149
Non-current assets:		
Note receivable (Note 3)	-	336,966
Capital assets – not being depreciated (Note 4)	852,890	490,291
Capital assets – being depreciated, net (Note 4)	2,018,832	1,994,909
Total non-current assets	2,871,722	2,822,166
Total assets	12,629,976	11,773,315
Current liabilities:		
Accounts payable and accrued expenses	231,951	54,682
Compensated absences (Note 5)	20,104	23,577
Total current liabilities	252,055	78,259
Non current liabilities:		
Compensated absences (Note 5)	20,104	23,577
Total liabilities	272,159	101,836
Net position:		
Investment in capital assets	2,871,722	2,485,200
Unrestricted	9,486,095	9,186,279
Total net position	$ 12,357,817	$ 11,671,479

FALLBROOK REGIONAL HEALTH DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2024
(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)

	2024	2023
Operating expenses:		
Salaries and wages	$ 777,285	$ 663,848
Employee benefits	121,102	88,537
Materials and services	552,016	555,040
Community healthcare programs	759,129	806,129
Depreciation	65,507	243,404
Total operating expenses	2,275,039	2,356,958
Operating loss	(2,275,039)	(2,356,958)
Non-operating revenues:		
Property taxes	2,511,314	2,353,404
Investment earnings and change in fair-value	436,587	103,044
Grant revenue	-	96,827
Other revenues	13,476	1,647
Total non-operating revenues	2,961,377	2,554,922
Change in net position	686,338	197,964
Net position:		
Beginning of year	11,671,479	11,473,515
End of year	$ 12,357,817	$ 11,671,479

FALLBROOK REGIONAL HEALTH DISTRICT
Balance Sheet – Governmental Funds
June 30, 2024
(With Comparative Amounts as of June 30, 2023)

	General Fund	
ASSETS	**2024**	**2023**
Assets:		
Cash and investments	$ 9,702,695	$ 8,880,870
Accrued interest receivable	16,418	22,622
Property taxes receivable	21,141	24,875
Note receivable	-	336,966
Prepaid items	18,000	-
Total assets	$ 9,758,254	$ 9,265,333
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued payroll and related liabilities	$ 231,951	$ 54,682
Total liabilities	231,951	54,682
Deferred inflows of resources		
Unavailable revenues from note receivable	-	336,966
Total deferred inflows	-	336,966
Fund balances: (Note 6)		
Nonspendable	18,000	-
Assigned	40,208	47,154
Unassigned	9,468,095	8,826,531
Total fund balances	9,526,303	8,873,685
Total liabilities, deferred inflows, and fund balances	$ 9,758,254	$ 9,265,333

FALLBROOK REGIONAL HEALTH DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024
(With Comparative Amounts as of June 30, 2023)

	2024	2023
Fund Balance of Governmental Funds	$ 9,526,303	$ 8,873,685
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	2,871,722	2,485,200
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:		
Compensated absences	(40,208)	(47,154)
Deferred inflows from unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as revenue in the period that amounts become available.	-	359,748
Total adjustments	2,831,514	2,797,794
Net Position of Governmental Activities	$ 12,357,817	$ 11,671,479

FALLBROOK REGIONAL HEALTH DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2024
(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)

	General Fund	
	2024	**2023**
Revenues:		
Property taxes	$ 2,511,314	$ 2,353,404
Investment earnings change in fair-value	436,587	103,044
Grant revenue	-	96,827
Other revenues	13,476	1,647
Total revenues	2,961,377	2,554,922
Expenditures:		
Current operations:		
Salaries and wages	784,231	626,097
Employee benefits	121,102	88,537
Materials and services	552,016	578,539
Community healthcare programs	759,129	806,129
Capital outlay	452,029	158,473
Total expenditures	2,668,507	2,257,775
Excess of revenues over expenditures	292,870	297,147
Other financing sources (uses):		
Principal received from note receivable	359,748	109,240
Net change in fund balance	652,618	406,387
Fund Balance:		
Beginning of year	8,873,685	8,467,298
End of year	$ 9,526,303	$ 8,873,685

FALLBROOK REGIONAL HEALTH 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, 2024
(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)

	2024	2023
Net Change in Fund Balance – Governmental Funds	$ 652,618	$ 406,387
Amount 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:		
Capital outlay	452,029	158,473
Depreciation expense	(65,507)	(243,404)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:		
Net change in compensated absences	6,946	(14,252)
Principal received on note is reported as a revenue in governmental funds. However, principal payments reduce the note receivable in the statement of net position and does not result in revenue in the statement of activities.	(359,748)	(109,240)
Total adjustments	33,720	(208,423)
Change in Net Position of Governmental Activities	$ 686,338	$ 197,964

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Fallbrook Regional Health District (District) formerly known as the Fallbrook Hospital District, is organized under the provisions of the Health and Safety Code of the state of California to provide and operate health care facilities in Fallbrook, California, and unincorporated areas within the County of San Diego, California (County).

The Fallbrook Regional Health District Foundation (the "Foundation") is a California non-profit public benefit corporation whose purpose is to establish an organization to raise and administer funds and assets that are donated, bequeathed, or devised by any lawful manner in order to promote the availability of and access to high quality health and wellness related services to the people of the Fallbrook Regional Health District and the communities it serves or for other purposes approved by the Board of Directors in conjunction with the policies established by the Board of Directors of the Fallbrook Regional Health District.

B. 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). 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, charges for services, and other nonexchange transactions.

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.

The consolidated financial statements include the Fallbrook Regional Health District and the Fallbrook Regional Health District Foundation. All significant inter-company transactions have been eliminated.

Fund Financial Statements
The fund financial statements provide information about the District's funds. The District reports only the following governmental fund:

General Fund: This fund is used to account for all financial resources of the District.

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

B. Basis of Presentation, Basis of Accounting (Continued)

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.

C. Assets, Liabilities, 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. 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.

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

C. Assets, Liabilities, and Net Position (Continued)

3. 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 $500. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets which are general 3 to 10 years for both building and improvements and equipment.

4. Compensated Absences

It is the District's policy to permit contract employees to accumulate earned but unused vacation leave time, Noncontract employees may accumulate earned but unused vacation leave time up to a maximum of 30 days. All employees may accrue unused sick leave time up to a maximum of 30 days. Upon termination, all employees are entitled to a lump-sum payment of 25% of accrued sick leave, not to exceed 15 days.

5. 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 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.

6. 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.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

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

C. Assets, Liabilities, and Net Position (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.

7. 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 assessments and fees because of temporary revenue shortfalls or unpredicted onetime expenditures.

D. 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.

E. 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 San Diego 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 San Diego Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

F. Budgetary Accounting

An annual unappropriated budget, which establishes the total spending authority for the General Fund, is adopted by the Board of Directors just prior to the beginning of the District's fiscal year. Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year. Expenditures cannot legally exceed appropriations at the fund level. Appropriations for the General Fund lapse at the end of the fiscal year. The Board of Directors may authorize amendments to the budget during the year as deemed necessary. Budgeted amounts were not amended for the fiscal year ended June 30, 2024.

NOTE 2 – CASH AND INVESTMENTS

Cash and cash equivalents at June 30, 2024, consist of the following:

Description	June 30, 2024
Petty Cash	$ 138
Demand deposits with financial institutions	1,407,851
Local Agency Investment Fund (LAIF)	1,332,324
California CLASS	1,052,143
CalTRUST	5,910,239
Total cash and investments	$ 9,702,695

Demand Deposits
At June 30 2024, the carrying amount of the District's demand deposits were $1,407,851, and the financial institution's balance was $1,438,897. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund (LAIF)
The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests its funds to manage the State's cash flow and strengthen the financial security of local public agencies. PMIA's policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and has a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers funds in LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, the District held $1,332,324 in LAIF.

California Cooperative Liquid Assets Securities System (California CLASS)
The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of power entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen an diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds.

The management of California CLASS is under the direction of a Board of Trustees comprised of eligible Participants of the program. The Board of Trustees has appointed Public Trust Advisors, LLC to serve as the Investment Advisor and Administrator of the program and has appointed U.S. Bank as the Custodian.

The District is a voluntary participant in California CLASS. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by California CLASS for the entire California CLASS portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by California CLASS. California CLASS is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. The California Class Prime and Enhanced Cash funds receive a credit rating of AAAm (S&P Global Ratings) and AAAf/S1 (FitchRatings), respectively. For financial reporting purposes, the District considers California CLASS a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, the District held $1,052,143 in California CLASS.

NOTE 2 – CASH AND INVESTMENTS (Continued)

CalTRUST

The District is a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasures and investment officers. The Board of Trustees sets overall policy for CalTRUST and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2024, the District has $5,910,239 invested with CalTRUST in two different funds. The medium-term fund has a targeted portfolio duration of 1 to 3 years. The S&P rating of the medium-term fund is AA-f/S1. As of June 30, 2024, the District's investment in the medium-term fund is $4,876,554. The liquidity fund has a maximum duration of 60days. The S&P rating of the liquidity fund is AAAm. As of June 30, 2024, the District's investment in the liquidity fund is $1,033,685. Amounts that may be withdrawn from the Medium-Term Pool are based on the net asset value per share and the number of shares held by participants. CalTRUST investments are subject to market risk as a result of changes in interest rates.

NOTE 3 – NOTE RECEIVABLE

The District's note receivable is from the sale of one of the District's properties in the amount of $487,500 in June 2020. The original note called for interest only payments due monthly with the entire amount of the principal due March 27, 2022. During the fiscal year ended June 30, 2022, the note was renegotiated. The renegotiated note called for a $17,500 lump-sum payment toward the existing principal balance, a one-year extension at 5% interest with $2,500 per month payments during the one year, and a lump-sum payment due at the end of the one-year extension. During the fiscal year ended June 30, 2023, the note was renegotiated. The renegotiated note called for a $100,000 lump-sum toward existing principal balance, a one-year extension at a 5.50% interest rate with $3,500 per month payments during that one year, and a final lump-sum payment due in March 2024. Principal and interest payments received during the fiscal year ended June 30, 2024 amounted to $359,749 and $16,102 respectively.

NOTE 4 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

Description	Balance July 1, 2023	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2024
Non-depreciable capital assets:				
Land	$ 490,291	$ -	$ -	$ 490,291
Construction-in-progress	-	362,599	-	362,599
Total non-depreciable capital assets	490,291	362,599	-	852,890
Depreciable capital assets:				
Buildings and improvements	2,211,820	89,430	-	2,301,250
Equipment	85,471	-	-	85,471
Total depreciable capital assets	2,297,291	89,430	-	2,386,721
Accumulated depreciation:				
Buildings and improvements	(247,193)	(56,158)	-	(303,351)
Equipment	(55,189)	(9,349)	-	(64,538)
Total accumulated depreciation	(302,382)	(65,507)	-	(367,889)
Total depreciable capital assets, net	1,994,909	23,923	-	2,018,832
Total capital assets, net	$ 2,485,200	$ 386,522	$ -	$ 2,871,722

NOTE 5 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave which is accrued as earned. The District's liability for compensated absences is determined annually. The changes to the compensated absences balance at June 30, 2024 were as follows:

Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year	Due in More Than One Year
$ 47,154	$ 58,500	$ (65,446)	$ 40,208	$ 20,104	$ 20,104

NOTE 6 – FUND BALANCES

At June 30, 2024, fund balances of the District's governmental funds were classified as follows:

Description	Balance
Nonspendable:	
Prepaid items	$ 18,000
Assigned:	
Compensated absences	40,208
Unassigned	
Unassigned	9,468,095
Total fund balances	$ 9,526,303

NOTE 7– DEFINED CONTRIBUTION PENSION PLAN

The District has a Section 408(p) defined contribution pension plan as allowed under the Internal Revenue Code. The plan type sponsored by the District is the Savings Incentive Match Plan for Employees of Small Employers (SIMPLE), which was effective on January 6, 2006. The Plan is a defined contribution retirement plan in which the employer's contribution is nondiscretionary and is based on a formula that is not related to profit. The Plan sponsor guarantees no benefit and bears no investment risk while the Plan participants bear all investment risk and have no guaranteed level of benefits.

Eligible noncontract employees may begin participating in the Pension Plan following one-month probationary employment period. The Administrator may begin participating on the first day of the month following the employment date of work. The Plan in entirely funded by District contributions of up to 3% of their salary to the deferred compensation plan. Participants are fully vested upon joining the plan. Plan provisions and contribution requirements are established and may be amended by the District. Participants are eligible to begin receiving benefits at age 55.

Total employer contributions paid by the District amounted to $19,409.

Funds paid into the Plan by the District are placed in a SIMPLE IRA account at a financial institution determined by the Plan participants. The financial information of the defined contribution pension plan is not in the accompanying financial statements.

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

A.	**Entity**	SDRMA
B.	**Purpose**	To pool member contributions and realize the advantages of self-insurance
C.	**Participants**	As of June 30, 2023 – 493 member agencies
D.	**Governing board**	Seven representatives employed by members
E.	**District payments for FY 2024:**	
	Property/Liability policy	$32,587
F.	**Condensed financial information**	June 30, 2023

	June 30, 2023
Statement of net position:	
Total assets	$ 146,574,993
Deferred outflows	1,664,198
Total liabilities	76,343,471
Deferred inflows	274,517
Net position	$ 71,621,203
Statement of revenues, expenses and changes in net position:	
Total revenues	$ 100,884,445
Total expenses	(96,706,371)
Change in net position	4,178,074
Beginning – net position	67,343,129
Ending – net position	$ 71,521,203

G. Member agencies share of year-end financial position Not Calculated

NOTE 8 – RISK MANAGEMENT (Continued)

At June 30, 2024, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $2,500,000, combined single limit at $2,500,000 per occurrence.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of $800 million per occurrence, subject to a $2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.
- Public official's personal liability up to $1,000,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of $500 per claim.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 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 9 – COMMITMENTS AND CONTINGENCIES

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, d*e 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.

Grant Awards
Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation
The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties.

Construction Commitments
As of June 30, 2024, the District had commitments with respects to unfinished capital projects of approximately $968,000 to be paid from local funds in future years.

NOTE 10 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 13, 2024, the date which the financial statements were available to be issued.

Required Supplementary Information

FALLBROOK REGIONAL HEALTH DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2024

	Adopted Original Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	$ 2,277,713	$ 2,511,314	$ 233,601
Investment earnings	73,920	436,587	362,667
Other revenues	44,602	13,476	(31,126)
Total revenues	2,396,235	2,961,377	565,142
Expenditures:			
Current:			
Salaries and wages	786,227	784,231	1,996
Employee benefits	173,851	121,102	52,749
Materials and services	679,180	552,016	127,164
Community healthcare programs	739,780	759,129	(19,349)
Capital outlay	-	452,029	(452,029)
Total expenditures	2,379,038	2,668,507	(289,469)
Excess of revenues over expenditures	$ 17,197	292,870	$ 275,673
Other financing sources (uses):			
Principal received from note receivable		359,748	
Net change in fund balance		652,618	
Fund balance:			
Beginning of year		8,873,685	
End of year		$ 9,526,303	

Supplementary Information

FALLBROOK REGIONAL HEALTH DISTRICT

Consolidating Schedule – Statement of Net Position
For the Fiscal Year Ended June 30, 2024

ASSETS	FRHD	Foundation	Intercompany Eliminations	Consolidated
Current assets:				
Cash and investments	$ 9,677,263	$ 25,432	$ -	$ 9,702,695
Accrued interest receivable	16,009	-	(208)	15,801
Property taxes receivable	21,141	-	-	21,141
Prepaid items	18,000	-	-	18,000
Loan due from foundation	25,000	-	(25,000)	-
Total current assets	9,757,413	25,432	(25,208)	9,757,637
Non-current assets:				
Capital assets – not being depreciated	852,890	-	-	852,890
Capital assets – being depreciated, net	2,018,832	-	-	2,018,832
Total non-current assets	2,871,722	-	-	2,871,722
Total assets	12,629,135	25,432	(25,208)	12,629,359
Current liabilities:				
Accounts payable and accrued expenses	231,334	-	-	231,334
Accrued interest payable	-	208	(208)	-
Compensated absences	20,104	-	-	20,104
Loan due to District		25,000	(25,000)	-
Total liabilities	251,438	25,208	(25,208)	251,438
Non current liabilities:				
Compensated absences	20,104	-	-	20,104
Total deferred inflows of resources	20,104	-	-	20,104
Net position:				
Investment in capital assets	2,871,722	-	-	2,871,722
Unrestricted	9,485,871	224	-	9,486,095
Total net position	$ 12,357,593	$ 224	$ -	$ 12,357,817

FALLBROOK REGIONAL HEALTH DISTRICT

Consolidating Schedule – Statement of Activities
For the Fiscal Year Ended June 30, 2024

	2024	Foundation	Intercompany Eliminations	Consolidated
Operating expenses:				
Salaries and wages	$ 777,285	$ -	$ -	$ 777,285
Employee benefits	121,102	-	-	121,102
Materials and services	552,001	15	-	552,016
Community healthcare programs	759,129	-	-	759,129
Depreciation	65,507	-	-	65,507
Total operating expenses	2,275,024	223	(208)	2,275,039
Operating loss	(2,275,024)	(223)	208	(2,275,039)
Non-operating revenues:				
Property taxes	2,511,314	-	-	2,511,314
Investment earnings and change in fair-value	436,598	197	(208)	436,587
Other revenues	13,226	250	-	13,476
Total non-operating revenues	2,961,138	447	(208)	2,961,377
Change in net position	686,114	224	-	686,338
Net position:				
Beginning of year	11,671,479	-	-	11,671,479
End of year	$ 12,357,593	$ 224	$ -	$ 12,357,817

Other Independent Auditors' Report

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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
Fallbrook Regional Health District
Fallbrook, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of Fallbrook Regional Health District (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 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 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 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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*.

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, 2024