

**CITY OF CANYON LAKE,
CALIFORNIA**

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

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City of Canyon Lake
Annual Financial Report
For the Fiscal Year Ended June 30, 2025

Table of Contents

	Page
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15 – 16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Funds	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Basic Financial Statements	26 – 56
Required Supplementary Information	
Budgetary Comparison Schedule	
General Fund	57
Gas Tax Special Revenue Fund	58
Measure A Fund	59
Schedule of Proportionate Share of the Net Pension Liability	60
Schedule of Plan Contributions	61
Schedule of Changes in Total OPEB Liability and Related Ratios	62
Schedule of OPEB Plan Contributions	63

City of Canyon Lake
Annual Financial Report
For the Fiscal Year Ended June 30, 2025
Table of Contents, (Continued)

	<u>Page</u>
Supplementary Schedules	
Nonmajor Governmental Funds	64
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canyon Lake, California, (hereafter, the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required pension and other post-employment benefits schedules as listed on 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.



To the Honorable Mayor and Members of the City Council
City of Canyon Lake, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2025, on our consideration of the City'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 the City'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 City's internal control over financial reporting and compliance.

LSL, LLP

Irvine, California
November 18, 2025

Management's Discussion and Analysis

As management of the City of Canyon Lake, California (City), we are pleased to offer to the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the end of fiscal year 2025 by \$17,705,833. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is referred to as net position.
- The City's total net position increased by \$369,191 during fiscal year 2024-2025.
- As of June 30, 2025, the City's governmental funds reported combined fund balances of \$10,731,576, a decrease of \$(631,368) from the prior fiscal year, and \$3,709,550 of the governmental funds' fund balances are assigned and unassigned.
- As of June 30, 2025, the unassigned fund balance for the General Fund was \$3,502,288 or 38.5 percent of total General Fund expenditures.
- The City's total debt for governmental activities decreased by \$252,900 as a result of a new lease liability of \$29,107 offset by principal payments of \$282,007. The unfunded pension liability of \$612,430 and the unfunded OPEB liability of \$905,457 are included in these financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Canyon Lake's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner that is similar to a private-sector business.

Government-wide financial statements include a statement of net position and a statement of activities. The statement of net position presents information on all of the City's assets, deferred outflows of resources and liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases may provide a useful indicator on whether the financial position of the City is improving or deteriorating.

The *statement of activities* provides information showing how the City's net position changed during the most recent fiscal year. These changes are reported using the full accrual basis of accounting that is when the economic event occurs, rather than when cash is received or paid. Under this basis of accounting, revenues and expenses are reported in the statement for some items that will only result in future cash inflows or outflows such as vacation earned but not paid and uncollected taxes.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, building and planning, animal control, and public works. The business-type activities of the City include rental activities.

The government-wide financial statements can be found on pages 14 - 16 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike 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 the City's near-term financing requirements.

Because the focus of governmental funds is more narrow 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Gas Tax, and Measure A Special Revenue Funds, and the Capital Projects Fund which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, and Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund and the Major Special Revenue Funds Gas Tax, and Measure A in order to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 17 - 20 of this report.

Proprietary Funds: The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for rental activities of a City-owned building.

Proprietary funds provide the same kind of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the City's rental activities, which is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on pages 24 - 25 of this report.

Notes to the basic financial statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26 - 56 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI), as listed on the Table of Contents and which can be found on pages 57 - 63.

Combining statements for nonmajor governmental funds are presented immediately following the required supplementary information and can be found on pages 65- 66 of this report.

Government-wide financial analysis

As noted earlier, net position may, over time, serve as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2025, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$17,705,833 as summarized below:

Statement of Net position

The City's net position only include infrastructure assets such as roads, streets, lighting systems, drainage systems, bridges, etc. that were added in the fiscal years ending June 30, 2004, through 2025. Historically, the City has not recorded these assets. Under GASB 34, the City has elected not to retroactively include the value of major infrastructure assets in the statement of net position.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 12,085,715	\$ 12,371,588	\$ 371,434	\$ 263,723	\$ 12,457,149	\$ 12,635,311
Capital assets (net of depreciation/ amortization)	9,194,767	8,189,894	-	-	9,194,767	8,189,894
Total assets	21,280,482	20,561,482	371,434	263,723	21,651,916	20,825,205
Deferred outflows of resources:						
Pension related items	345,389	371,944	-	-	345,389	371,944
OPEB related	162,783	177,032	-	-	162,783	177,032
	508,172	548,976	-	-	508,172	548,976
Liabilities:						
Current and other liabilities	1,718,420	1,322,918	51,316	210	1,769,736	1,323,128
Long-term liabilities	2,337,987	2,484,262	-	-	2,337,987	2,484,262
Total liabilities	4,056,407	3,807,180	51,316	210	4,107,723	3,807,390
Deferred inflows of resources:						
Pension related items	2,956	7,040	-	-	2,956	7,040
OPEB related	343,576	161,812	-	-	343,576	161,812
	346,532	168,852	-	-	346,532	168,852
Net position:						
Net investment in capital assets	8,214,170	6,956,397	-	-	8,214,170	6,956,397
Restricted	3,274,385	2,505,732	-	-	3,274,385	2,505,732
Unrestricted	5,897,160	7,672,297	320,118	263,513	6,217,278	7,935,810
Total net position	\$ 17,385,715	\$ 17,134,426	\$ 320,118	\$ 263,513	\$ 17,705,833	\$ 17,397,939

Excluding the unknown value of infrastructure assets, net investment in capital assets represents 46.39 percent of the City's net position. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position, \$3,274,385 or 18.49 percent, represent resources that are subject to restrictions on how they may be used. The remaining balance, (unrestricted net position), is \$6,217,278.

Statement of Activities: The statement of activities shows how the City's net position changed during the fiscal years 2024-25 and 2023-24. Provided below is a summary of changes in net position.

Statement of Changes in Net position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 2,023,222	\$ 1,414,534	\$ 116,823	\$ 84,003	\$ 2,140,045	\$ 1,498,537
Operating grants and contributions	1,368,910	2,786,543	-	-	1,368,910	2,786,543
Capital grants and contributions	38,250	178,269	-	-	38,250	178,269
General revenues	7,031,761	6,928,488	102,642	-	7,134,403	6,928,488
Total revenues	10,462,143	11,307,834	219,465	84,003	10,681,608	11,391,837
Expenses:						
General government	3,280,150	2,648,043	-	-	3,280,150	2,648,043
Public safety	5,394,077	4,801,482	-	-	5,394,077	4,801,482
Public works	953,491	1,331,010	-	-	953,491	1,331,010
Community development	481,102	488,456	-	-	481,102	488,456
Rental activities	-	-	135,412	57,401	135,412	57,401
Interest on long-term debt	40,737	39,365	27,448	18,419	68,185	57,784
Total expenses	10,149,557	9,308,356	162,860	75,820	10,312,417	9,384,176
Change in net position	312,586	1,999,478	56,605	8,183	369,191	2,007,661
Net position - beginning, restated	17,073,129	15,134,948	263,513	255,330	17,336,642	15,390,278
Net position - ending	\$ 17,385,715	\$ 17,134,426	\$ 320,118	\$ 263,513	\$ 17,705,833	\$ 17,397,939

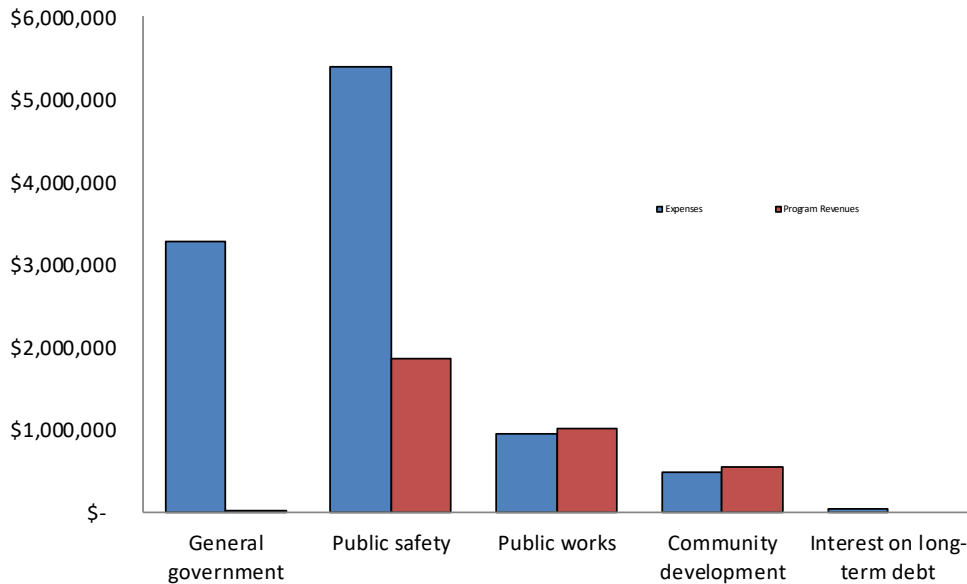
The City's net position increased overall by \$369,191 during the current fiscal year. The reason for the increase is explained in the governmental activity's discussion below.

Governmental activities: Net position from governmental activities assets increased by \$312,586. Key elements of the increase are as follows:

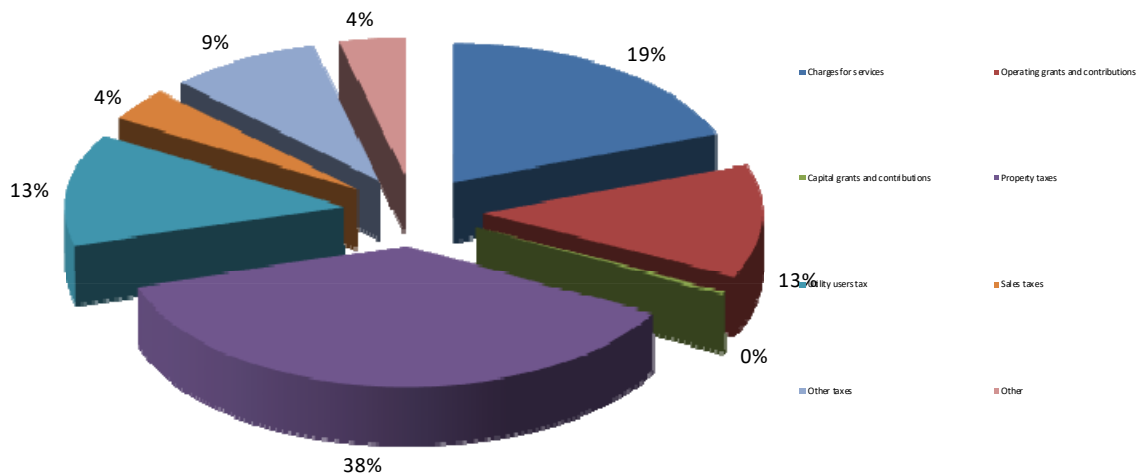
- Measure A Fund revenues over the expenditures of \$294,068.
- Gas Tax Fund revenues over expenditures of \$502,709
- Governmental expenditures reduced by capital asset purchases of \$2,106,026, offset by depreciation and amortization expense of \$927,692.

The charts below provide graphic representation of the City's expenses compared to program revenues by function and its revenue by source.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



The governmental activities expenses and program revenues chart is designed to reflect expenses associated with each City function and the revenues that are directly attributable to each function. It is important to note that general revenues such as property, sales and other taxes are not directly attributable to specific functions and are therefore used to support program activities citywide. Regarding the revenues by source chart, it shows that 38 percent of governmental activities revenues came from property tax revenue.

Business-type activities: For the City's business-type activities, the results for the current fiscal year were positive. Overall net position increased by \$56,605 to an ending balance of \$320,118. The Rental Fund accounts for the activity of two City-owned commercial buildings.

Financial Analysis of City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. Please refer to pages 17 - 20 for more detail on governmental funds.

As of June 30, 2025, the City's governmental funds reported combined ending fund balances of \$10,731,576, a decrease of \$(631,368) in comparison with the prior year. Of the \$10,731,576 \$3,709,550 or 34.57 percent constitutes assigned and unassigned fund balance. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending or constraints are placed on the use of resources, respectively. The increase in governmental fund balance is due to an increase in the fund balance of the General Fund of \$16,026, an increase in the Gas Tax Fund of \$502,709 an increase in Measure A Fund of \$294,608, a decrease in the Capital Projects Fund of \$(1,416,047) and a decrease of non-major governmental funds of \$(28,124). For the General Fund this is a decrease of \$804,079 from the last fiscal year's increase of \$820,105. General Fund revenues of \$9,125,876 were up \$551,713 over the prior year amount of \$8,574,163. The major components of the increase are, Property Taxes increased \$123,701 due to higher assessed values, Utility Users Tax increased \$411,202, and EMS Subscriptions increased by \$467,868 due to an increase in the fee to reflect actual costs. These were offset by decreases in Grant Revenues of \$225,806 and Construction and Building Permits of \$30,291. General Fund expenditures of \$9,106,315 were up \$2,106,475 from the prior year amount of \$6,999,840. The major components of this are an increase in salaries and benefits across all Departments of \$498,201. The Law Enforcement costs for the General Fund increased by \$1,164,000 as the City used ARPA Funds for \$1,284,692 for public safety costs in Fiscal Year 2023-24. The increase in the Gas Tax Fund is revenues of \$664,231 were more than expenditures of \$161,522, as the prior year included \$910,128 in right-of-way purchases. The increase in the Measure A Fund is revenues of \$338,253 were more than the expenditures of \$44,185, as the prior year decrease included a capital improvement project of \$362,500. The decrease in the Capital Projects Fund is the result of the \$1,284,692 transferred in from the General Fund in Fiscal Year 2023-24 to be used for the City Hall remodeling project and the expenditure of \$1,307,700 for the City Hall Improvement Project in the current fiscal year.

General Fund Financial and Budgetary Highlights

The General Fund is the chief operating fund of the City. On June 30, 2025, unassigned fund balance was \$3,502,288. As a measure of the General Fund's financial condition, it may be useful to compare the unassigned fund balance to total expenditures. Unassigned fund balance represents 38.46 percent of General Fund expenditures. For the fiscal year, the General Fund's fund balance increased \$16,026 from the prior year. The differences between the General Fund budget and actual are summarized below:

- General Fund actual revenues were above budget by \$306,919 mainly due to higher than anticipated property taxes, EMS subscription fees, and utility user's tax.
- Actual expenditures were \$147,391 less than the final budgeted amount of \$9,106,315, with police and fire protection services being lower than anticipated.

Capital Assets, Intangible Assets and Debt Administration

Capital Assets: City investment in capital assets for its governmental type activities as of June 30, 2025, amounted to \$9,194,767 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, machinery/vehicles, intangible assets (leases and SBITA) and infrastructure assets.

Capital and intangible assets events during the current fiscal year included the following:

- Converting of 31520 Railroad Canyon Road for City Hall purposes for \$400,000.
- City Hall improvements for \$1,239,168.
- Remodeling of Fire Station Kitchen for \$38,653.
- Furniture and equipment for \$394,151.
- New equipment leases of \$29,107.

Additional information on the City's capital assets can be found on page 40 in the notes to the basic financial statements and a summary is provided below.

City of Canyon Lake Capital Assets (net of depreciation/amortization)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 500,399	\$ 353,856	\$ -	\$ -	\$ 500,399	\$ 353,856
Building and improvements	3,175,731	1,760,374	-	-	3,175,731	1,760,374
Machinery, equipment and vehicles	1,669,767	1,560,404	-	-	1,669,767	1,560,404
Infrastructure	3,790,541	4,303,251	-	-	3,790,541	4,303,251
Construction in progress	-	105,001	-	-	-	105,001
Intangible right to use assets:						
Equipment	69,581	40,474	-	-	69,581	40,474
Buildings	-	-	-	-	-	-
SBITA	-	66,534	-	-	-	66,534
Total	\$ 9,206,019	\$ 8,189,894	\$ -	\$ -	\$ 9,206,019	\$ 8,189,894

Long-term liabilities: At the end of fiscal year 2025, the City's total long-term liabilities outstanding was \$980,597. This amount was comprised of a \$356,841 Loan from the CLPOA for the purchase of the Fire Station, two vehicle leases with PNC Bank of \$574,171, other leases for \$49,585.

Outstanding long-term liabilities of the City is summarized below, and additional information can be found on pages 41 - 43 in the notes to basic financial statements.

**City of Canyon Lake
Outstanding Long-Term Liabilities**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
PNC Equipment Lease	\$ 456,621	\$ 525,277	\$ -	\$ -	\$ 456,621	\$ 525,277
PNC Equipment Lease	117,550	154,926	-	-	117,550	154,926
CLPOA Loan	356,841	446,826	-	-	356,841	446,826
Other Leases	49,585	38,043	-	-	49,585	38,043
SBITA Liability	-	68,425	-	-	-	68,425
Total long-term liabilities	<u>\$ 980,597</u>	<u>\$ 1,233,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,597</u>	<u>\$ 1,233,497</u>

Pension Plan Obligations

The City implemented GASB Statement No. 68 during fiscal year 2014-15 which resulted in an ending net pension liability of \$615,663 on June 30, 2024, and \$612,430 on June 30, 2025. Additional information can be found on pages 44 - 50 in the notes to the basic financial statements.

The City implemented GASB Statement No. 75 during fiscal year 2017-18 which resulted in an ending total OPEB liability of \$814,628 on June 30, 2024, and \$905,457 on June 30, 2025. Additional information can be found on pages 51 - 53 in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing the budget for fiscal year 2025-26, management was conservative in its projections for revenues and budgeted increases in public safety costs as dictated by the police contracts and fire services.

The Operating Budget for fiscal year 2025-26 anticipates having a surplus of \$50,101 for the General Fund.

- Anticipated General Fund Revenues of \$8,674,450, an increase of \$253,589 from the previous year due to projected increases in property taxes, EMS Subscription fees, and interest income.
- Proposed General Fund Expenditures of \$8,624,349, an increase of \$358,001 over the previous year, due to increased costs in personnel for City employees, increased costs in insurance.

Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in the annual budget preparation, can be obtained from the City's 2025-26 Budget which is available at City Hall.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the City Clerk, City of Canyon Lake, 31516 Railroad Canyon Road, Canyon Lake, California 92587, or call (951) 244-2955.

**City of Canyon Lake
Statement of Net Position
June 30, 2025**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 9,357,076	\$ -	\$ 9,357,076
Investments in real estate	-	2,222,501	2,222,501
Receivables:			
Accounts	203,981	-	203,981
Interest	31,261	-	31,261
Intergovernmental	389,089	-	389,089
Deposits	-	61,700	61,700
Prepaid items	191,541	-	191,541
Internal balances	1,912,767	(1,912,767)	-
Capital assets, not being depreciated/amortized	500,399	-	500,399
Capital assets, net of accumulated depreciation/ amortization	8,694,368	-	8,694,368
Total assets	<u>21,280,482</u>	<u>371,434</u>	<u>21,651,916</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	345,389	-	345,389
OPEB related items	162,783	-	162,783
	<u>508,172</u>	<u>-</u>	<u>508,172</u>
LIABILITIES			
Accounts payable	966,731	51,316	1,018,047
Accrued interest payable	4,323	-	4,323
Accrued payroll payable	128,522	-	128,522
Unearned revenues	258,886	-	258,886
Compensated absences, due within one year	139,623	-	139,623
Lease payable, due within one year	16,328	-	16,328
Financing payable, due within one year	108,946	-	108,946
Notes payable, due within one year	95,061	-	95,061
Noncurrent liabilities:			
Compensated absences	59,838	-	59,838
Lease payable	33,257	-	33,257
Financing payable	465,225	-	465,225
Notes payable	261,780	-	261,780
Net OPEB liability	905,457	-	905,457
Net pension liability	612,430	-	612,430
Total liabilities	<u>4,056,407</u>	<u>51,316</u>	<u>4,107,723</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	2,956	-	2,956
OPEB related items	343,576	-	343,576
	<u>346,532</u>	<u>-</u>	<u>346,532</u>
NET POSITION			
Net investment in capital assets	8,214,170	-	8,214,170
Restricted	3,274,385	-	3,274,385
Unrestricted	5,897,160	320,118	6,217,278
Total net position	<u>\$ 17,385,715</u>	<u>\$ 320,118</u>	<u>\$ 17,705,833</u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Statement of Activities
For the Fiscal Year Ended June 30, 2025**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,280,150	\$ -	\$ 5,848	\$ -
Public safety	5,394,077	1,477,848	343,546	38,250
Public works	953,491	-	1,019,516	-
Community development	481,102	545,374	-	-
Interest on long-term debt	40,737	-	-	-
Total governmental activities	10,149,557	2,023,222	1,368,910	38,250
Business-type activities:				
Rental	135,412	116,823	-	-
Interest on long-term debt	27,448	-	-	-
Total business-type activities	162,860	116,823	-	-
Total Primary Government	\$ 10,312,417	\$ 2,140,045	\$ 1,368,910	\$ 38,250

General revenues:

Taxes:

- Property tax, levied for general purpose
- Utility users tax
- Transient occupancy tax
- Franchise tax
- Sales tax
- Other taxes

Use of money and property

Other

Transfers

Total general revenues

Change in net position

Net position, beginning of year

Adoption of new GASB

Net position, beginning of year, as restated

Net position, end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,274,302)	\$ -	\$ (3,274,302)
(3,534,433)	-	(3,534,433)
66,025	-	66,025
64,272	-	64,272
(40,737)	-	(40,737)
(6,719,175)	-	(6,719,175)
-	(18,589)	(18,589)
-	(27,448)	(27,448)
-	(46,037)	(46,037)
(6,719,175)	(46,037)	(6,765,212)
3,946,649	-	3,946,649
1,365,858	-	1,365,858
65,681	-	65,681
667,655	-	667,655
405,285	-	405,285
181,260	-	181,260
267,005	-	267,005
165,010	70,000	235,010
(32,642)	32,642	-
7,031,761	102,642	7,134,403
312,586	56,605	369,191
17,134,426	263,513	17,397,939
(61,297)	-	(61,297)
17,073,129	263,513	17,336,642
\$ 17,385,715	\$ 320,118	\$ 17,705,833

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Balance Sheet
Governmental Funds
June 30, 2025**

	General	Special Revenue Funds		Capital Projects Fund	Total Non-major Governmental Funds	Total Governmental Funds
		Gas Tax Fund	Measure A Fund	Capital Projects		
ASSETS						
Cash and investments	\$ 5,999,947	\$ 1,407,195	\$ 1,651,786	\$ 209,327	\$ 88,821	\$ 9,357,076
Receivables:						
Accounts	203,981	-	-	-	-	203,981
Interest	31,261	-	-	-	-	31,261
Intergovernmental	256,712	80,069	48,758	-	3,550	389,089
Prepaid items	191,541	-	-	-	-	191,541
Due from other funds	80,699	-	-	-	-	80,699
Advances from other funds	1,832,068	-	-	-	-	1,832,068
Total assets	<u>\$ 8,596,209</u>	<u>\$ 1,487,264</u>	<u>\$ 1,700,544</u>	<u>\$ 209,327</u>	<u>\$ 92,371</u>	<u>\$ 12,085,715</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 958,872	\$ 5,794	\$ -	\$ 2,065	\$ -	\$ 966,731
Accrued payroll payable	128,522	-	-	-	-	128,522
Unearned revenues	258,886	-	-	-	-	258,886
Total liabilities	<u>1,346,280</u>	<u>5,794</u>	<u>-</u>	<u>2,065</u>	<u>-</u>	<u>1,354,139</u>
Fund Balances:						
Nonspendable	2,023,609	-	-	-	-	2,023,609
Restricted	-	1,481,470	1,700,544	-	92,371	3,274,385
Committed	1,724,032	-	-	-	-	1,724,032
Assigned	-	-	-	207,262	-	207,262
Unassigned	3,502,288	-	-	-	-	3,502,288
Total fund balances	<u>7,249,929</u>	<u>1,481,470</u>	<u>1,700,544</u>	<u>207,262</u>	<u>92,371</u>	<u>10,731,576</u>
Total liabilities and fund balances	<u>\$ 8,596,209</u>	<u>\$ 1,487,264</u>	<u>\$ 1,700,544</u>	<u>\$ 209,327</u>	<u>\$ 92,371</u>	<u>\$ 12,085,715</u>

The accompanying notes are an integral part of these financial statements

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

Fund balances of governmental funds	\$ 10,731,576
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,194,767
Deferred outflow of resources relate to:	
Pension related deferred outflows of resources	345,389
OPEB related deferred outflows of resources	162,783
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. Therefore, interest payable is not reported as a liability in governmental funds.	(4,323)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position.	
Balances at June 30, are:	
Compensated absences	\$ (199,461)
Financing payable	(574,171)
Lease payable	(49,585)
CLPOA loan payable	(356,841)
Net OPEB liability	(905,457)
Net pension liability	(612,430)
	(2,697,945)
Deferred inflows of resources relate to:	
Pension related deferred outflows of resources	(2,956)
OPEB related deferred outflows of resources	(343,576)
	(346,532)
Net position of governmental activities	\$ 17,385,715

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025

	Special Revenue Funds				Capital Projects Fund Capital Projects	Total Non-major Governmental Funds	Total Governmental Funds
	General	Gas Tax Fund	Measure A Fund	(Formerly Major Fund) Miscellaneous Grants Fund			
REVENUES							
Taxes	\$ 6,547,650	\$ -	\$ -		\$ -	\$ -	\$ 6,547,650
Licenses and permits	1,942,349	-	-		-	-	1,942,349
Fines and forfeitures	11,255	-	-		-	-	11,255
Intergovernmental	213,499	619,158	281,427		-	363,615	1,477,699
Use of money and property	267,005	45,073	56,826		-	2,810	371,714
Other	144,118	-	-		-	-	144,118
Total revenues	<u>9,125,876</u>	<u>664,231</u>	<u>338,253</u>		<u>-</u>	<u>366,425</u>	<u>10,494,785</u>
EXPENDITURES							
Current:							
General government	3,163,497	-	-		-	900	3,164,397
Public safety	4,600,123	-	-		-	372,883	4,973,006
Public works	206,499	161,522	-		-	-	368,021
Community development	481,102	-	-		-	-	481,102
Capital outlay	400,000	-	44,185		1,416,047	20,766	1,880,998
Debt service:							
Principal	213,582	-	-		-	-	213,582
Interest and fiscal charges	41,512	-	-		-	-	41,512
Total expenditures	<u>9,106,315</u>	<u>161,522</u>	<u>44,185</u>		<u>1,416,047</u>	<u>394,549</u>	<u>11,122,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,561</u>	<u>502,709</u>	<u>294,068</u>		<u>(1,416,047)</u>	<u>(28,124)</u>	<u>(627,833)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	24,358	-	-		-	-	24,358
Transfers out	(57,000)	-	-		-	-	(57,000)
Proceeds from lease issuance	29,107	-	-		-	-	29,107
Total other financing sources	<u>(3,535)</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>(3,535)</u>
Net change in fund balances	<u>16,026</u>	<u>502,709</u>	<u>294,068</u>		<u>(1,416,047)</u>	<u>(28,124)</u>	<u>(631,368)</u>
Fund balances, beginning of year	7,233,903	978,761	1,406,476	15,818	1,623,309	104,677	11,362,944
Change within financial reporting entity	-	-	-	(15,818)	-	15,818	-
Fund balances, beginning of year, as restated	<u>7,233,903</u>	<u>978,761</u>	<u>1,406,476</u>	<u>-</u>	<u>1,623,309</u>	<u>120,495</u>	<u>11,362,944</u>
Fund balances, end of year	<u>\$ 7,249,929</u>	<u>\$ 1,481,470</u>	<u>\$ 1,700,544</u>	<u>\$ -</u>	<u>\$ 207,262</u>	<u>\$ 92,371</u>	<u>\$ 10,731,576</u>

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2025**

Net change in fund balances - total governmental funds \$ (631,368)

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

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

Cost of assets capitalized	2,106,026
Depreciation and amortization expense	(927,692)
Capital assets disposed of	(173,461)

Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period proceeds were received from:

Lease acquisition	(29,107)
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Governmental funds report principal payments as expenditures. In the statement of activities, principal payments are applied to the appropriate long-term liability.

Principal payments on PNC leases	106,032
Principal payments on leases	17,565
Principal payments on SBITA liability	68,425
Principal payments on loan	89,985

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Pension related net of adjustments	(19,238)
OPEB related net of adjustments	(286,842)
Increase in compensated absences payable	(8,514)
Decrease in accrued interest payable on long-term liabilities	775

Change in net position of governmental activities	\$ 312,586
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The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Statement of Net Position -
Proprietary Funds
June 30, 2025**

	<u>Enterprise Fund Rental</u>
ASSETS	
Current Assets:	
Investment in real estate	\$ 2,222,501
Deposits	61,700
Total current assets	2,284,201
Total assets	2,284,201
LIABILITIES	
Current Liabilities:	
Accounts payable	51,316
Due to other funds	80,699
Advances to other funds	1,832,068
Total current liabilities	1,964,083
Total liabilities	1,964,083
NET POSTION	
Unrestricted	320,118
Total net position	\$ 320,118

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Statement of Revenues, Expenses, and Changes in Net Position -
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

	<u>Enterprise Fund</u>
	<u>Rental</u>
OPERATING REVENUES	
Rental income	\$ 116,823
Total operating revenues	116,823
OPERATING EXPENSES	
Property management	1,961
Repairs and maintenance	77,124
Utilities	16,933
Property assessments	37,208
Property taxes	1,660
Other operating expenses	526
Total operating expenses	135,412
Operating loss	(18,589)
NON-OPERATING REVENUES AND EXPENSES	
Interest expense	(27,448)
Contributions	70,000
Total non-operating revenue and expenses	42,552
Income (loss) before transfers	23,963
TRANSFERS	
Transfers in	57,000
Transfers out	(24,358)
Change in net position	56,605
Net Position, Beginning	263,513
Net Position, Ending	\$ 320,118

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025**

	Enterprise Fund Rental
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 116,823
Payments to suppliers for goods and services	(84,306)
Net cash provided by operating activities	32,517
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Deposits	(61,700)
Net cash used for non-capital financing activities	(61,700)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Transfers in from other funds	57,000
Transfers to other funds	(24,358)
Investment in real estate	(1,095,262)
Capital debt proceeds	1,413,364
Principal payments	(1,413,364)
Contributions	70,000
Due from other funds	2,697
Interfund loan	1,046,554
Interest payments	(27,448)
Net cash provided by capital financing activities	29,183
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	\$ -
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (18,589)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase (decrease) in operating liabilities:	
Accounts payable	51,106
Net cash provided by operating activities	\$ 32,517

The accompanying notes are an integral part of these financial statements

**City of Canyon Lake
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025**

	<u>Custodial Fund</u>
ASSETS	
Cash and investments	\$ 4,035
Receivables:	
Intergovernmental	<u>46,410</u>
 Total assets	 <u>50,445</u>
LIABILITIES	
Accounts payable	<u>50,445</u>
NET POSITION	
Restricted for taxing entities and other agencies	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2024

	Custodial Fund
ADDITIONS	
Refuse fees collected for other agency	\$ 2,060,149
Fees collected for other government	40,756
Total additions	2,100,905
DEDUCTIONS	
Payment to other agencies	2,060,149
Payment of fees collected to other government	40,756
Total deductions	2,100,905
Change in net position	-
Net Position, Beginning	-
Net Position, Ending	\$ -

The accompanying notes are an integral part of these financial statements

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the reporting entity

The City of Canyon Lake was incorporated on December 1, 1990 under the laws of the State of California and enjoys all the rights and privileges pertaining to “General Law” cities. The City operates under a council-manager form of government and currently provides a wide variety of services to its citizens, including public safety, public services, community development, general administrative and other services.

There are no separate legal entities over which the City is financially accountable for.

b. Government-wide and fund financial statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1: Organization and Summary of Significant Accounting Policies (continued)

c. Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Agency funds use the accrual basis of accounting but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, 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 they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Under the modified-accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property taxes collected after year-end, as available if they are collected within 60 days of the end of the current fiscal period. Other revenue susceptible to accrual includes sales tax, state gasoline taxes, investment income, and certain other intergovernmental revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, as well as compensated absences and claims and judgments, which are recognized when due.

d. Fund classifications

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government not accounted and reported in another fund.

The *Gas Tax Fund* accounts for the repair and maintenance of streets and traffic signals of the City.

The *Measure A Fund* is used to account for the construction, reconstruction, alteration, and maintenance of the streets of the City.

The *Capital Projects Fund* is used to account for City-wide capital improvement projects.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1: Organization and Summary of Significant Accounting Policies (continued)

d. Fund classifications (continued)

The City reports the following major proprietary fund:

The *Rental Fund* accounts for the activities of two City-owned building.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue resources that are restricted or committed to expenditures for specific purposes other than debt service and capital projects.

The *Fiduciary Fund* is used to account for the resources held by the City in a fiduciary capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

e. Financial statement elements

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. The City's policy is to hold investments until maturity or until market values equal or exceed cost. The State Treasurers Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the Pool is the same as the fair value of the Pool shares.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1: Organization and Summary of Significant Accounting Policies (continued)

e. Financial statement elements (continued)

Receivables and payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes

The County of Riverside collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st, the second installment is due February 1st. All taxes are delinquent, if unpaid, on December 10th and April 10th respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31st.

Prepaid costs

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

Capital assets

Capital assets, which include property, plant and equipment, lease and subscription assets and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than or equal to \$1,000 (amount not rounded) and an estimated useful life of at least two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value at the date of acquisition.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025**

Note 1: Organization and Summary of Significant Accounting Policies (continued)

e. Financial statement elements (continued)

Capital assets (continued)

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	39
Building Improvements	10
Infrastructure	20-50
Vehicles	5-10
Office equipment	5-10
Lease assets - equipment	5-10
Lease assets - buildings	5-10
Subscription assets	5-10

Use of estimates

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

Compensated absences

The City provides to its employees a comprehensive annual leave program. Leave pay is payable at the time it is taken or upon termination.

The total amount of liability for compensated absences is segregated between short-term and long-term with both portions reflected in the government-wide statements. The short-term portion is determined to be the amount due to employees for future absences which is attributable to services already rendered and which is expected to be paid during the next fiscal year.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1: Organization and Summary of Significant Accounting Policies (continued)

e. Financial statement elements (continued)

Long-term obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1: Organization and Summary of Significant Accounting Policies (continued)

e. Financial statement elements (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then. The City currently has pension and OPEB related deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has pension and OPEB related deferred inflows of resources.

Fund balance

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1: Organization and Summary of Significant Accounting Policies (continued)

e. Financial statement elements (continued)

Fund balance, (continued)

The City Council may establish (and modify or rescind) fund balance commitments by passage of an ordinance or resolution.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

New accounting pronouncements

Governmental Accounting Standards Board Statement No. 101

For the fiscal year ended June 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement 101, *Compensated Absences*. This Statement provides guidance on the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 2: Budgetary Information

The City prepares its budgets on the basis of estimated actual expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis consistent with generally accepted accounting principles.

Each year, the City Manager submits a proposed budget to the City Council during May. The City Council holds budget hearings during May and June. The final budget is adopted by the City Council in June.

No budget expenditures can be disbursed without proper appropriations. Once the budget is adopted, no additional funds can be authorized without the City Council's approval. The level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the individual fund level. The City Manager can authorize budget transfers between departments without additional appropriations.

Throughout the year, budgeted expenditures are reviewed and projections are made by the City Manager. Therefore, any necessary changes are submitted for approval to the City Council with a recorded action for any budget adjustments.

Formal budgetary integration is employed as a management control device during the year for all the governmental type funds. Budgets for all the governmental type funds are adopted on a basis consistent with generally accepted accounting principles, except for the Capital Projects Fund which does not have a legally adopted budget. Budgeted amounts are as originally adopted and are further amended by the City Council.

**City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025**

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

Statement of Net position	
Cash and investments	\$ 9,357,076
Investments in real estate	2,222,501
Statement of Fiduciary Net Position	
Cash and investments	<u>4,035</u>
Total cash and investments	<u><u>\$ 11,583,612</u></u>

Cash and investments as of June 20, 2025 consists of the following:

Deposits with financial institutions	\$ 2,276,146
Cash on hand	300
Investments	<u>9,307,166</u>
Total cash and investments	<u><u>\$ 11,583,612</u></u>

The City follows the practice of pooling cash and investments of all funds except for funds held by a fiscal agent. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on cash balances. Interest income from cash and investments with a fiscal agent is credited directly to the related fund.

The City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 3: Cash and Investments (continued)

Authorized investments

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
U. S. Treasuries	5 years	None	None
Money Market Accounts	N/A	10%	5%
Certificates of Deposit	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	50%	None
Federal Agency Securities	5 years	None	None
Bankers Acceptances	180 days	10%	5%
Commercial Paper	270 days	10%	10%
Medium-Term Notes	5 years	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	10%	None

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations are presented below.

<u>Investment type</u>	<u>Total</u>	<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25 to 60 months</u>
Local Agency Investment Fund	\$ 11,407	\$ 11,407	\$ -	\$ -
Negotiable certificates of deposit	492,040	492,040	-	-
U.S. Treasury Bills	2,123,232	2,123,232	-	-
Federal agency securities	1,775,399	1,035,132	740,267	-
Corporate debt securities	248,609	124,890	123,719	-
Money market	2,433,978	2,433,978	-	-
Real estate	2,222,501	2,222,501	-	-
Totals	<u>\$ 9,307,166</u>	<u>\$ 8,443,180</u>	<u>\$ 863,986</u>	<u>\$ -</u>

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 3: Cash and Investments (continued)

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. Information about the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each type of investment held by the City can be found below.

Investment type	Total	Minimum legal rating	Ratings as of year end
Local Agency Investment Fund	\$ 11,407	N/A	Not rated
Negotiable certificates of deposit	492,040	N/A	Not rated
U.S. Treasury Bills	2,123,232		
Federal agency securities	1,775,399	AA-a2	Aa1
Corporate debt securities	248,609	A	Aaa,A2
Money market	2,433,978	N/A	Not rated
Real estate	2,222,501	N/A	Not rated
Totals	<u>\$ 9,307,166</u>		

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer (other than Mutual Funds and External Investment Pools) that represent 5% or more of the City's investments are as follows:

Issuer	Investment Type	Reported Amounts
Federal Home Loan Bank	Federal agency securities	\$ 1,180,753
U.S. Treasury	U.S. Treasury Bills	2,123,232

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 3: 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 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 California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2025, the City had deposits of \$2,333,265 with financial institutions in excess of federal depository insurance limits that were held in collateralized accounts.

Investments in State Investment Pool

The City 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 City's investment in this Pool is reported in the accompanying financial statements at amounts based upon the City'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. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the City's investment in this pool is measured on uncategorized inputs not defined as level 1, 2 or 3.

LAIF has reported to its participating agencies that, as of June 30, 2025, the carrying amount (at amortized cost) of the Pool was \$178,938,897,012 and the estimated fair value of the pool was \$179,918,091,940. The City's proportionate share of the Pool's market value (as determined by LAIF) as of June 30, 2025, was \$11,407. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Fair Value Measurement

The City 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.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 3: Cash and Investments (continued)

The City has the following recurring fair value measurements as of June 30, 2025:

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable certificates of deposit	\$ 492,040	\$ -	\$ 492,040	\$ -
U.S. Treasury Bills	2,123,232	-	2,123,232	-
Federal agency securities	1,775,399	-	1,775,399	-
Corporate debt securities	248,609	-	248,609	-
Money Market	2,433,978	-	2,433,978	-
	7,073,258	<u>\$ -</u>	<u>\$ 7,073,258</u>	<u>\$ -</u>
Uncategorized:				
Local Agency Investment Fund	11,407			
Real estate	2,222,501			
Totals	<u>\$ 9,307,166</u>			

Note 4: Interfund Receivables, Payables and Transfers

The composition of interfund balances on June 30, 2025, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Rental Fund	<u>\$ 80,699</u>

The above amount owed to the General Fund is for negative cash balance on June 30, 2025, of \$80,699. The negative cash amount will be repaid to the General Fund in Fiscal Year 2025-26.

Advances to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Rental Fund	<u>\$ 1,832,068</u>

The above amount owed to the General Fund is for advances to the Rental Fund for the purchase of two buildings and is being repaid monthly, final payments are due April 14, 2055 on one advance and March 14, 2045 on the second advance.

Interfund Transfers:

Fund Receiving Transfers	Fund Making Transfers	Amount
Rental Fund	General Fund	\$ 57,000
General Fund	Rental Fund	24,358
		<u>\$ 81,358</u>

The transfer to the Rental Fund is for the capital improvements and the transfer to the General Fund is related to the City converting the use of a building to City offices.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/ amortized:				
Land	\$ 353,856	\$ 146,543	\$ -	\$ 500,399
Construction in progress	105,001	-	105,001	-
Total capital assets, not being depreciated/amortized	<u>458,857</u>	<u>146,543</u>	<u>105,001</u>	<u>500,399</u>
Capital assets, being depreciated/ amortized:				
Buildings	2,264,260	1,536,225	-	3,800,485
Machinery & equipment	981,119	394,151	-	1,375,270
Vehicles	1,586,684	-	-	1,586,684
Infrastructure	10,728,255	-	-	10,728,255
Lease equipment	40,474	29,107	-	69,581
Subscriptions	87,396	-	87,396	-
Total capital assets, being depreciated/amortized	<u>15,688,188</u>	<u>1,959,483</u>	<u>87,396</u>	<u>17,560,275</u>
Less accumulated depreciation/ amortization for:				
Buildings	(503,886)	(120,868)	-	(624,754)
Machinery & equipment	(477,134)	(123,229)	-	(600,363)
Vehicles	(530,265)	(161,559)	-	(691,824)
Infrastructure	(6,425,004)	(512,710)	-	(6,937,714)
Lease equipment	(1,926)	(9,326)	-	(11,252)
Subscriptions	(18,936)	-	18,936	-
Total accumulated depreciation/ amortization	<u>(7,957,151)</u>	<u>(927,692)</u>	<u>18,936</u>	<u>(8,865,907)</u>
Total capital assets, being depreciated/amortized, net	<u>7,731,037</u>	<u>1,031,791</u>	<u>68,460</u>	<u>8,694,368</u>
Governmental activities capital assets, net	<u>\$ 8,189,894</u>	<u>\$ 1,178,334</u>	<u>\$ 173,461</u>	<u>\$ 9,194,767</u>

Depreciation/amortization expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 105,313
Public safety	297,265
Public works	525,114
Total depreciation/amortization expense - governmental activities	<u>\$ 927,692</u>

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 6: Compensated Absences

Liabilities for compensated absences are typically liquidated by the General Fund.

	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Compensated Absences	\$ 190,947	\$ 8,514	\$ 199,461	\$ 139,623

Note 7: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt					
<i>Direct borrowings:</i>					
PNC Equipment Finance	\$ 525,277	\$ -	\$ 68,656	\$ 456,621	\$ 70,681
PNC Equipment Finance	154,926	-	37,376	117,550	38,265
CLPOA Loan	446,826	-	89,985	356,841	95,061
Toshiba Copier Lease - 3	38,043	-	7,116	30,927	7,354
Security Equipment Lease	-	29,107	10,449	18,658	8,974
SBITA Liabilities	68,425	-	68,425	-	-
Governmental activities					
long-term debt	\$ 1,233,497	\$ 29,107	\$ 282,007	\$ 980,597	\$ 220,335

Equipment Financing – PNC No. 98994503-1

On March 26, 2021, the City entered into a ten-year financing agreement with PNC Equipment Finance LLC for the financing of a 2021 Pierce Enforcer Pumper fire truck. The initial balance of the Agreement was \$719,662 with interest at 2.95%. With annual principal and interest payments of \$84,151 from March 26, 2022, to March 26, 2031. The balance on June 30, 2025, is \$456,621.

Equipment Financing – PNC No. 98994503-2

On March 26, 2021, the City entered into a seven-year lease agreement with PNC Equipment Finance LLC for the financing of a 2021 Firematic 500 GPM Type 6 Fire Apparatus fire truck. The initial balance of the Agreement was \$261,920 with interest at 2.38%. With annual principal and interest payments of \$41,063 from March 26, 2022, to March 26, 2028. The balance on June 30, 2025, is \$117,550.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 7: Long-Term Liabilities (continued)

The annual debt service requirements for the equipment financing payable outstanding on June 30, 2025, are as follows:

Year Ending June 30,	Lease No. 98994503-1		Lease No. 98994503-2		Total
	Principal	Interest	Principal	Interest	
2026	\$ 70,681	\$ 13,470	\$ 38,265	\$ 2,798	\$ 125,214
2027	72,766	11,385	39,176	1,887	125,214
2028	74,913	9,238	40,109	954	125,214
2029	77,122	7,029	-	-	84,151
2030	79,398	4,753	-	-	84,151
2031	81,741	7,164	-	-	88,905
	<u>\$ 456,621</u>	<u>\$ 53,039</u>	<u>\$ 117,550</u>	<u>\$ 5,639</u>	<u>\$ 632,849</u>

Toshiba Copier Lease

On April 8, 2024, the City entered into a 63-month lease as Lessee for the use of Toshiba printer. An initial lease liability was recorded in the amount of \$40,474. As of June 30, 2025, the value of the lease liability is \$30,927. The City is required to make monthly fixed payments of \$689 commencing April 8, 2024 and ending June 8, 2029. The lease has an interest rate of 0.28%. The Equipment estimated useful life was 63 months as of the contract commencement. The value of the right to use asset as of June 30, 2025, of \$40,474 with accumulated amortization of \$9,635 is included with Equipment - Leased Printers on the Capital Assets Disclosure (Note 5).

The annual debt service requirements for the leases payable outstanding on June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 7,354	\$ 910	\$ 8,264
2027	7,600	664	8,264
2028	7,855	409	8,264
2029	8,118	146	8,264
	<u>\$ 30,927</u>	<u>\$ 2,129</u>	<u>\$ 33,056</u>

Security Equipment Lease

On April 1, 2025, the City entered into a 36-month lease as Lessee for the use of security equipment. An initial lease liability was recorded in the amount of \$29,107. As of June 30, 2025, the value of the lease liability is \$18,658. The City is required to make annual fixed payments of \$10,449 commencing May 1, 2025 and ending May 1, 2027. The lease has an interest rate of 7.91%. The Equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of June 30, 2025, of \$29,107 with accumulated amortization of \$1,617 is included Lease Equipment Disclosure (Note 5).

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 7: Long-Term Liabilities (continued)

The annual debt service requirements for the leases payable outstanding on June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 8,974	\$ 1,476	\$ 10,450
2027	9,684	766	10,450
	<u>\$ 18,658</u>	<u>\$ 2,242</u>	<u>\$ 20,900</u>

CLPOA Loan

In July 2023, the City entered into an agreement with the Canyon Lake Property Owners Association (CLPOA) for the purchase of real estate located at 28730 Vacation Drive, Canyon Lake, CA 92587 for \$1,390,000 to be used as a fire station. The City paid \$900,000 down and incurred a loan of \$490,000. The Loan bears interest at 5.50% per annum. The City is required to make 60 monthly payments including principal and interest of \$9,360 commencing January 1, 2024, through December 2029.

The annual debt service requirements for the loan payable outstanding on June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 95,061	\$ 17,254	\$ 112,315
2027	100,423	11,892	112,315
2028	106,089	6,226	112,315
2029	55,268	889	56,157
	<u>\$ 356,841</u>	<u>\$ 36,261</u>	<u>\$ 393,102</u>

Business-Type Activities:

Long-term debt	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Direct borrowings:</i>					
Note Payable - CBB	\$ -	\$ 1,413,364	\$ 1,413,364	\$ -	\$ -

In March of 2020, the entered into a Promissory Note with Citizens Business Bank for a variable rate Revolving Line of Credit in the amount of \$2,000,000. The Line was renewed on January 29, 2025 and matures on March 11, 2026. The loan bears an interest rate based on an index which is the Citizens Business Bank Prime Rate Index. The current rate is 7.5%. During the current fiscal year the City borrowed \$1,413,364 for the purchase of commercial real estate and subsequently repaid the loan during the fiscal year. The principal balance as of June 30, 2025, is \$0 as the loan was repaid in full.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8: Retirement Plan

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors two miscellaneous plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8: Retirement Plan (continued)

A. General Information about the Pension Plan (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect on June 30, 2025, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7.000%	7.750%
Required employer contribution rates	11.880%	7.870%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer contributions to the Plan for the fiscal year ended June 30, 2025 were \$157,110.

B. Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025**

Note 8: Retirement Plan (continued)

B. Net Pension Liability (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The collective total pension liability for the June 30, 2024 measurement period was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. The collective total pension liability was based on the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

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

Long-term Expected Rate of Return

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

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

**City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025**

Note 8: Retirement Plan (continued)

B. Net Pension Liability (continued)

Long-term Expected Rate of Return (continued)

The expected real rates of return by asset class are as follows:

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100%</u>	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management study.

Discount Rate

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

Subsequent Events

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

**City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025**

Note 8: Retirement Plan (continued)

B. Net Pension Liability (continued)

Pension Plan Fiduciary Net Position

Information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS’ audited financial statements, which are publicly available reports that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

C. Proportionate Share of Net Pension Liability

The following table shows the Plan’s proportionate share of the net pension liability over the measurement period.

	Plan Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2023 (MD)	\$ 2,432,723	\$ 1,817,060	\$ 615,663
Balance at: 6/30/2024 (MD)	2,713,578	2,101,148	612,430
Net Changes during 2023-24	\$ 280,855	\$ 284,088	\$ (3,233)

Valuation Date (VD), Measurement Date (MD).

The City’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov.

The City’s proportionate share of the net pension liability for the Miscellaneous Plan as of the June 30, 2023, and 2024 measurement dates was as follows:

Proportionate Share - June 30, 2023	<u>Miscellaneous</u> 0.01231%
Proportionate Share - June 30, 2024	<u>0.01266%</u>
Change - Increase (Decrease)	<u>0.00035%</u>

**City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025**

Note 8: Retirement Plan (continued)

C. Proportionate Share of Net Pension Liability (continued)

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

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.9 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.9 percent) or 1 percentage-point higher (7.9 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan's Net Pension Liability	\$ 978,601	\$ 612,430	\$ 311,017

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 8: Retirement Plan (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2023), the City's net pension liability was \$615,663. For the measurement period ending June 30, 2024 (the measurement date), the City incurred a pension expense/(income) of \$176,350.

As of June 30, 2025, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 52,950	\$ (2,066)
Changes of Assumptions	15,741	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	35,257	-
Change in Employer's Proportion	13,375	(890)
Difference in Actual vs. Projected Contributions	70,956	-
Pension Contributions Subsequent to Measurement Date	157,110	-
Total	\$ 345,389	\$ (2,956)

These amounts above are net of outflows and inflows recognized in the 2023-24 measurement period expense. Contributions subsequent to the measurement date of \$157,110 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

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

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2026	\$ 73,369
2027	109,629
2028	14,407
2029	(12,082)
Thereafter	-
	\$ 185,323

D. Payable to the Pension Plan

At June 30, 2025, the City reported a payable of \$4,634 for the outstanding amount of contributions to the pension plan required for the year then ended.

**City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025**

Note 9: Other Postemployment Benefits (OPEB)

The City has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple employer plan defined benefit retiree healthcare plan. The Plan provides post-employment medical insurance to eligible retirees through the California Public Employees Retirement System. State statutes within the Public Employees' Retirement Law establish menus of benefit provisions as well as other requirements and may be amended by CalPERS. The District selected an optional benefit provision specifically for health benefits in compliance with the Public Employees Medical and Hospital Care Act (PEMHCA). A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2025 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	30
Inactive employees or beneficiaries currently receiving benefits	1
Total	31

Contributions

The contribution requirements of the Plan are established by the City Council. On February 19, 2014, the City Council adopted Resolution No. 2014-7 to reduce the amount of employer's contribution to the minimum amount under PEMHCA, based upon a formula established by the Public Employees Retirement System, and Resolution No. 2014-8 to confirm the contribution will be for employees with a minimum of 20 years of services to the City. For the fiscal year ended June 30, 2025, the City's required minimum payments amounted to \$4,809 in payment for premiums.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2025 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2024, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	June 30, 2025
Discount Rate	5.20%
Inflation	2.50%
Healthcare Trend	4.00%
Salary Increases	2.75%
Mortality Rate	2021 CalPERS Mortality for Miscellaneous and School Employees 2021 CalPERS Mortality for Safety Employees
Pre-Retirement Turnover Healthcare Trend Rate	2021 CalPERS 2.0% at 62 Rates for Miscellaneous Employees, 2021 CalPERS 2.7% at 57 Rates for Fire Employees

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9: Other Postemployment Benefits (OPEB) (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Net OPEB Liability

The changes in the total OPEB liability for the HC Plan are as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net OPEB Liability/(Asset) (c)= (a) - (b)</u>
Balance at June 30, 2024			
(Measurement Date June 30, 2024)	\$ 865,749	\$ 51,121	\$ 814,628
Changes recognized for the measurement period:			
Service Cost	267,629	-	267,629
Interest	39,402	2,421	36,981
Changes of assumptions	(208,527)	-	(208,527)
Change in benefit terms	-	-	-
Experience (gains)/losses	-	-	-
Contributions - employer	-	4,101	(4,101)
Investment gains/(losses)	-	1,464	(1,464)
Benefit payments	(4,101)	(4,101)	-
Administrative expenses	-	(311)	311
Net Changes	<u>94,403</u>	<u>3,574</u>	<u>90,829</u>
Balance at June 30, 2025			
(Measurement Date June 30, 2025)	<u>\$ 960,152</u>	<u>\$ 54,695</u>	<u>\$ 905,457</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025:

	<u>1% Decrease 4.20%</u>	<u>Current Discount Rate 5.20%</u>	<u>1% Increase 5.20%</u>
Net OPEB Liability	\$ 1,068,411	\$ 905,457	\$ 778,445

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9: Other Postemployment Benefits (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2025:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 715,784	\$ 905,457	\$ 1,138,962

Change of Assumptions

The discount rate increased from 3.95% to 5.20% in the current year.

Amortization of Deferred Inflows and Outflows of Resources

As of the fiscal year ended June 30, 2025 the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 114,026	\$ (305,423)
Differences between expected and actual experience	48,757	(36,244)
Differences between projected and actual return on assets	-	(1,909)
Total	\$ 162,783	\$ (343,576)

The deferred items will be amortized and recognized in pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2026	\$ (13,978)
2027	(13,978)
2028	(13,975)
2029	(13,730)
2030	(13,438)
Thereafter:	(111,694)
	\$ (180,793)

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 10: Risk Management

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-one participating member agencies: twenty-one cities, four transit agencies and six special districts. The City participates in the liability, employment practices liability, property, auto physical damage, crime and cyber liability insurance programs of PERMA. The City joined PERMA on July 1, 2011.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a \$10,000 self-insured retention for this coverage and participates in risk sharing pools for losses up to \$1 million, followed by PERMA's membership in the Public Risk Innovation, Solutions, and Management (PRISM) for \$49 million of excess liability coverage.

The employment practices liability program provides up to \$50 million coverage for employment related lawsuits, such as wrongful termination and discrimination. The City self-insures up to \$25,000 per occurrence and participates in the Employment Risk Management Authority (ERMA) for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in PRISM for liability coverage.

The property insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis and all risk, eliminating the traditional commercial "named peril" policy.

The auto physical damage insurance program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Auto physical damage coverage is written on an agreed amount basis.

The crime insurance program provides public employee dishonesty, forgery or alteration, and computer fraud coverage under a master insurance policy.

The cyber liability program provides coverage for information security & privacy liability, privacy notification costs, regulatory defense & penalties, website media content liability, cyber extortion, first party data protection & business interruption losses.

The City is insured with PERMA for workers' compensation claims. There is no deductible requirement for this coverage.

The amount of the settlements has not exceeded the above coverage for the past three fiscal years.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 11: Commitments and Contingencies

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would not have a material effect on the City's financial position.

Note 12: Fund Balance

The City has established certain fund balance designations to report the amounts in the following funds, which represent available spendable resources which are restricted, committed or assigned for a specific purpose:

	Major Funds					Total
	General Fund	Gas Tax Fund	Measure A Fund	Capital Projects Fund	Non-Major Governmental Funds	
Fund Balances:						
Nonspendable:						
Prepaid items	\$ 191,541	\$ -	\$ -	\$ -	\$ -	\$ 191,541
Advances from other funds	1,832,068	-	-	-	-	1,832,068
Restricted for:						
Public works	-	1,481,470	1,700,544	-	87,036	3,269,050
Public safety	-	-	-	-	5,335	5,335
Committed to:						
Emergency reserve	862,435	-	-	-	-	862,435
Contingency reserve	431,217	-	-	-	-	431,217
Equipment replacement	430,380	-	-	-	-	430,380
Assigned to:						
Capital projects	-	-	-	207,262	-	207,262
Unassigned:	3,502,288	-	-	-	-	3,502,288
	<u>\$ 7,249,929</u>	<u>\$ 1,481,470</u>	<u>\$ 1,700,544</u>	<u>\$ 207,262</u>	<u>\$ 92,371</u>	<u>\$10,731,576</u>

Note 13: Jointly Governed Organization

The City, in conjunction with 4 other governmental entities, created the Southwest Communities Financing Authority (Authority) on November 30, 2004. The Authority was formed to issue bonds for the construction of an animal shelter to be used by the member agencies. The Authority's board is comprised of one member from each participating entity. The City has the following fiscal obligations: debt repayment of bonds issued, administrative costs and operation of the animal shelter. The debt service payments and the animal shelter operating costs will be prorated to each member based on the percentage of the animals housed at the facility, on an annual basis. The administrative costs will be borne equally by all members. The City incurred costs of \$133,873 for the fiscal year ended June 30, 2025, which included \$17,984 in debt service costs on the bonds issued. To obtain the financial statements for the Authority please contact the Authority at 33751 Mission Trail, Wildomar, CA 92595.

City of Canyon Lake
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 14: Changes to or Within the Financial Reporting Entity

Change in Major Fund Presentation (Column A)

The Miscellaneous Grants Fund was reported as a Major Fund for Fiscal Year 2023-24, however in Fiscal Year 2024-25 the Fund did not meet the quantitative threshold for a major fund.

Adoption of a new Accounting Principle (Column B)

The City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. The adoption resulted in an increase of Compensated Absences payable of \$61,297 as of June 30, 2024 and resulted in the restatement of beginning net position in the governmental activities.

	<u>June 30, 2024 As Previously Reported</u>	<u>Change to or Within the Financial Reporting Entity (A)</u>	<u>Adoption of New Accounting Principal (B)</u>	<u>June 30, 2024 As Restated</u>
Government-Wide				
Governmental Activities	\$ 17,134,426	\$ -	\$ (61,297)	\$ 17,073,129
Business-Type Activities	263,513	-	-	263,513
Total Primary Government	<u>\$ 17,397,939</u>	<u>\$ -</u>	<u>\$ (61,297)</u>	<u>\$ 17,336,642</u>
Governmental Funds				
Major Funds:				
General Fund	\$ 7,233,903	-	-	\$ 7,233,903
Gas Tax Fund	978,761	-	-	978,761
Measure A Fund	1,406,476	-	-	1,406,476
Miscellaneous Grants Fund	15,818	(15,818)	-	-
Capital Projects Fund	1,623,309	-	-	1,623,309
Nonmajor Funds	104,677	15,818	-	120,495
Total Governmental Funds	<u>\$ 11,362,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,362,944</u>
Proprietary Fund				
Rental Fund	<u>\$ 263,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,513</u>
Fiduciary Funds				
Custodial Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

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City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,069,861	\$ 6,219,486	\$ 6,547,650	\$ 328,164
Licenses and permits	2,060,000	2,050,000	1,942,349	(107,651)
Fines and forfeitures	15,000	15,000	11,255	(3,745)
Intergovernmental	44,000	242,718	213,499	(29,219)
Use of money and property	200,000	204,753	267,005	62,252
Other	32,000	87,000	144,118	57,118
Total revenues	8,420,861	8,818,957	9,125,876	306,919
EXPENDITURES				
Current:				
General government	2,498,933	3,032,973	3,163,497	(130,524)
Public safety	4,572,087	4,742,935	4,600,123	142,812
Public works	173,500	234,600	206,499	28,101
Community development	766,734	588,104	481,102	107,002
Capital outlay	-	400,000	400,000	-
Debt service:				
Principal	213,582	213,582	213,582	-
Interest and fiscal charges	41,512	41,512	41,512	-
Total expenditures	8,266,348	9,253,706	9,106,315	147,391
Excess (deficiency) of revenues over (under) expenditures	154,513	(434,749)	19,561	454,310
OTHER FINANCING SOURCES				
Transfers in	-	-	24,358	24,358
Transfers out	-	(60,000)	(57,000)	3,000
Proceeds from lease issuance	-	-	29,107	29,107
Total other financing sources	-	(60,000)	(3,535)	56,465
Net change in fund balance	154,513	(494,749)	16,026	510,775
Fund balance, beginning of year	7,233,903	7,233,903	7,233,903	-
Fund balance, end of year	<u>\$ 7,388,416</u>	<u>\$ 6,739,154</u>	<u>\$ 7,249,929</u>	<u>\$ 510,775</u>

City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
Gas Tax Special Revenue
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 594,820	\$ 594,820	\$ 619,158	\$ 24,338
Use of money and property	4,200	4,200	45,073	40,873
Total revenues	<u>599,020</u>	<u>599,020</u>	<u>664,231</u>	<u>65,211</u>
EXPENDITURES				
Current:				
Public works	234,705	234,705	161,522	73,183
Capital outlay	120,000	120,000	-	120,000
Total expenditures	<u>354,705</u>	<u>354,705</u>	<u>161,522</u>	<u>193,183</u>
Net change in fund balance	244,315	244,315	502,709	258,394
Fund balance, beginning of year	<u>978,761</u>	<u>978,761</u>	<u>978,761</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,223,076</u>	<u>\$ 1,223,076</u>	<u>\$ 1,481,470</u>	<u>\$ 258,394</u>

**City of Canyon Lake
Required Supplementary Information
Budgetary Comparison Schedule
Measure A Fund
For the Fiscal Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 285,000	\$ 285,000	\$ 281,427	\$ (3,573)
Use of money and property	4,500	4,500	56,826	52,326
Total revenues	<u>289,500</u>	<u>289,500</u>	<u>338,253</u>	<u>48,753</u>
EXPENDITURES				
Current:				
Capital outlay	76,150	76,150	44,185	31,965
Total expenditures	<u>76,150</u>	<u>76,150</u>	<u>44,185</u>	<u>31,965</u>
Net change in fund balance	213,350	213,350	294,068	80,718
Fund balance, beginning of year	<u>1,406,476</u>	<u>1,406,476</u>	<u>1,406,476</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,619,826</u></u>	<u><u>\$ 1,619,826</u></u>	<u><u>\$ 1,700,544</u></u>	<u><u>\$ 80,718</u></u>

City of Canyon Lake
Required Supplementary Information
Schedule of the Local Government's Proportionate Share of the
Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years
For the Fiscal Year Ended June 30, 2025

Measurement Date	Employer's Proportion	Employer's	Employer's Covered	Employer's	Pension Plan's
	of the Collective Net	Proportionate Share of		Proportionate Share of	
	Pension Liability ¹	the Collective Net	Payroll	the Collective Net	as a percentage of the
		Pension Liability		Pension Liability as a	Total Pension Liability
				percentage of the	
				Employer's Covered	
				Payroll	
6/30/2015	0.00332%	\$ 228,126	\$ 241,941	94.29%	82.84%
6/30/2016	0.00369%	319,581	257,514	124.10%	77.98%
6/30/2017	0.00384%	380,550	408,132	93.24%	77.26%
6/30/2018	0.00389%	375,028	367,763	101.98%	78.15%
6/30/2019	0.00408%	417,619	399,181	104.62%	76.64%
6/30/2020	0.00421%	458,117	514,343	89.07%	75.42%
6/30/2021	0.00468%	252,921	668,955	37.81%	87.32%
6/30/2022	0.01173%	548,927	839,744	65.37%	74.89%
6/30/2023	0.01231%	615,663	1,065,824	57.76%	74.69%
6/30/2024	0.01266%	612,430	1,272,099	48.14%	77.43%

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

**City of Canyon Lake
Required Supplementary Information
Schedule of Plan Contributions
Last 10 Years
For the Fiscal Year Ended June 30, 2025**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015-16	\$ 28,593	\$ (28,593)	\$ -	\$ 257,514	11.10%
2016-17	36,602	(36,602)	-	408,132	8.97%
2017-18	38,386	(38,386)	-	367,763	10.44%
2018-19	49,184	(49,184)	-	399,181	12.32%
2019-20	66,387	(66,387)	-	514,343	12.91%
2020-21	82,957	(82,957)	-	668,955	12.40%
2021-22	101,915	(101,915)	-	839,744	12.14%
2022-23	125,961	(125,961)	-	1,065,824	11.82%
2023-24	139,716	(139,716)	-	1,272,099	10.98%
2024-25	157,110	(157,110)	-	1,424,093	11.03%

Notes to Schedule:

Change in Benefit Terms: There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

City of Canyon Lake
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
as of the Measurement Date
Last 10 Years*
For the Fiscal Year Ended June 30, 2025

Measurement Period	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service Cost	\$ 21,629	\$ 22,224	\$ 24,506	\$ 84,100	\$ 87,584	\$200,124	\$ 201,263	\$ 267,629
Interest on the Total OPEB Liability	4,592	5,011	6,109	7,445	9,241	18,954	26,986	39,402
Actual and expected experience difference	-	-	-	-	-	-	-	-
Changes in assumptions	-	7,672	162,794	4,165	(115,651)	(11,912)	(19,356)	(208,527)
Experience (gains)/losses	-	-	(54,994)	-	42,480	-	20,199	-
Changes in benefit terms	-	-	-	-	27,522	-	-	-
Benefit payments	(4,412)	(4,588)	(4,733)	(3,972)	(4,139)	(3,536)	(4,094)	(4,101)
Net change in Total OPEB Liability	21,809	30,319	133,682	91,738	47,037	203,630	224,998	94,403
Total OPEB Liability - beginning	112,536	134,345	164,664	298,346	390,084	437,121	640,751	865,749
Total OPEB Liability - ending	\$134,345	\$164,664	\$298,346	\$390,084	\$437,121	\$640,751	\$ 865,749	\$ 960,152
Plan Fiduciary Net Position								
Contribution - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,094	\$ 4,101
Investment gains/(losses)	-	-	-	-	-	-	1,232	3,885
Benefit payments	-	-	-	-	-	-	(4,094)	(4,101)
Administrative expense	-	-	-	-	-	-	(111)	(311)
Net change in Plan Fiduciary Net Position	-	-	-	-	-	-	51,121	3,574
Plan Fiduciary Net Position - beginning	-	-	-	-	-	-	-	51,121
Plan Fiduciary Net Position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,121	\$ 54,695
Total OPEB Liability - ending	\$134,345	\$164,664	\$298,346	\$390,084	\$437,121	\$640,751	\$ 814,628	\$ 905,457
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.90%	5.70%
Covered payroll	\$300,891	\$371,707	\$483,844	\$607,262	\$633,633	\$992,399	\$ 1,170,253	\$ 1,245,627
Total OPEB liability as a percentage of covered employee payroll	44.65%	44.30%	61.66%	64.24%	68.99%	64.57%	69.61%	72.69%

Notes to schedule:

Contributions are not based on a measure of pay for the OPEB plan, therefore covered employee payroll is used.

The following assumptions were changed from the prior valuation:

Discount rate increased to 5.20% from 3.95% by using the BondBuyer 20 Index.

* Fiscal Year 2017-18 was the first year of implementation, additional years information will be added as it becomes available.

**City of Canyon Lake
 Required Supplementary Information
 Schedule of OPEB Plan Contributions
 For the Fiscal Year Ended June 30, 2025**

Fiscal Year Ended June 30	2024	2025
Contractually or Statutorily Determined Contributions (C/S DC)	\$ 54,094	\$ 4,740
Contributions in relation to the C/S DC	(54,094)	(4,101)
Contribution deficiency/(excess)	\$ -	\$ 639
Covered payroll	\$ 1,170,253	\$ 1,245,627
Contribution as a percentage of covered payroll	4.62%	0.33%

Notes to schedule:

None

Methods and assumptions used to determine contributions:

N/A

* Fiscal Year 2017-18 was the first year of implementation.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Miscellaneous Grants Fund – This fund is used to account for specific revenue resources that are restricted or committed to expenditure for specific purposes other than capital projects.

AQMD – This fund is used to account for the receipt of AB 2766 funds to implement programs that reduce air pollution from motor vehicles. Local Governments receive forty percent of the motor vehicle registration fee surcharge of \$4 per vehicle collected by the Department of Motor Vehicles.

Law Enforcement Grants – This fund is used to account for the *Supplemental Law Enforcement Grant* funds used for front line law enforcement services, and for the *California Law Enforcement Equipment Program* for the purchase of equipment to assist law enforcement to prevent and reduce crime.

**City of Canyon Lake
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025**

	Special Revenue Funds			Total Non-major Governmental Funds
	Miscellaneous Grants Fund	AQMD	Law Enforcement Grants	
ASSETS				
Cash and investments	\$ -	\$ 83,486	\$ 5,335	\$ 88,821
Receivables:				
Intergovernmental	-	3,550	-	3,550
Total assets	\$ -	\$ 87,036	\$ 5,335	\$ 92,371
 FUND BALANCES				
Fund Balances:				
Restricted for:				
Public works	\$ -	\$ 87,036	\$ -	\$ 87,036
Public safety	-	-	5,335	5,335
Total fund balances	\$ -	\$ 87,036	\$ 5,335	\$ 92,371

City of Canyon Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025

	Special Revenue Funds			Total Non-major Governmental Funds
	(Formerly Major) Miscellaneous Grants Fund	AQMD	Law Enforcement Grants	
REVENUES				
Intergovernmental	\$ 154,731	\$ 14,221	\$ 194,663	\$ 363,615
Use of money and property	-	2,810	-	2,810
Total revenues	<u>154,731</u>	<u>17,031</u>	<u>194,663</u>	<u>366,425</u>
EXPENDITURES				
Current:				
General government	900	-	-	900
Public safety	148,883	-	224,000	372,883
Capital Outlay	<u>20,766</u>	-	-	<u>20,766</u>
Total expenditures	<u>170,549</u>	<u>-</u>	<u>224,000</u>	<u>394,549</u>
Net change in fund balances	<u>(15,818)</u>	<u>17,031</u>	<u>(29,337)</u>	<u>(28,124)</u>
Fund balances, beginning of year, as previously reported	-	70,005	34,672	104,677
Change within financial reporting entity	<u>15,818</u>	-	-	<u>15,818</u>
Fund Balances, beginning of year, restated	<u>15,818</u>	<u>70,005</u>	<u>34,672</u>	<u>120,495</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 87,036</u>	<u>\$ 5,335</u>	<u>\$ 92,371</u>

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