DIABLO COMMUNITY SERVICES DISTRICT

Audited Financial Statements

June 30, 2026

(This page intentionally left blank.)

DIABLO COMMUNITY SERVICES DISTRICT

Table of Contents

Independent Auditor's Report 1
Management's Discussion and Analysis 4

Financial Statements

Statement of Net Position 11
Statement of Activities 12
Balance Sheet – Governmental Fund and Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position 13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund and Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Find Balance of the Statement of Activities 14
Notes to the Basic Financial Statements 15

Required Supplementary Information

Budgetary Comparison Schedule – General Fund 23

Compliance Report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards und 24

(This page intentionally left blank.)

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Diablo Community Services District
Diablo, California

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Diablo Community Services District (District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of June 30, 2026 and the respective changes in financial position 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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, evident regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting polices 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 judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

October 2, 2026

Management's Discussion and Analysis

The purpose of management's discussion and analysis (MD&A) is to help readers understand what the financial statements and notes in this financial report say about the Diablo Community Services District's (District) financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances.

This financial report is designed to provide our customers and creditors with a general overview of District finances and demonstrate District accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District at P.O. Box 321, Diablo, California, 94528.

District Description

The Diablo Community Services District (District) is a California Special District established in 1969 to provide security services to the residents of Diablo and maintain the roads, bridges, specific culverts, and a pedestrian/equestrian trail (Kay's Trail) between Alameda Diablo and Mt. Diablo Scenic Blvd. The District contracts with the Contra Costa County Sheriff's Department for security and contracts with third-party contractors to provide road maintenance. Security costs are consistent from one year to the next and road maintenance costs fluctuate year to year depending on the maintenance needs. The District is funded with Contra Costa County Ad Valorem Tax revenue and a voter-approved Special Tax.

Overview of the Financial Statements

The District's financial report contains basic financial statements. Those financial statements present the District's finances at both an overall and a detailed level. The first two—the government-wide financial statements—cover the District's governmental activities. Governmental activities comprise the District's most basic functions, such as public safety and road, bridge, and specific culvert maintenance. Governmental activities are primarily financed by taxes paid by District residents.

The remaining basic financial statements present the District's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports one group of funds: the Governmental Fund, which reports all of the governmental activities.

The next section of this financial report contains notes to financial statements, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements

The District's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting (See Figure A-1). In other words, they comprehensively report all types of financial statement elements:

• *Assets*—resources the District controls, from short-term assets like cash to long-term assets.
• *Liabilities*—amounts the District owes, from short-term liabilities such as accounts payable to long-term liabilities.
• *Deferred outflows of resources and deferred inflows of resources*—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related
• *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items.

Figure A-1. Types of Information Reported in the District's Financial Statements

	Government-Wide	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial short term and long term	Only current financial resources, such as cash, taxes, receivable, and accounts payable
Types of revenues and additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received	Only revenues that are measurable and available to finance expenditures of that year
Types of expenses, deductions and expenditures	All types of expenses/deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid	Only expenditures for which the related governmental fund liabilities incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies, beginning on page 13.

Analysis of the District's Finances

One of the most important questions asked about the District's finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Position and Statement of Activities report information about the District activities in a way that will help answer this question. These two statements report the net position of the District and changes in it. You can think of District's net position – the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

Table A-1 shows that as of June 30, 2026, the District's total net position—assets and deferred outflows minus liabilities and deferred inflows—was $1.6 million, an increase of $396 thousand or 32 percent compared with 2025. This increase was due to an increase in unrestricted net position. The increase in net position resulted from the financial performance of governmental activities. The following sections of MD&A analyze the finances of the governmental activities.

Table A-1 District's Net Position

	2026	2025
Assets		
Deposits and investments	$ 2,135,823	$ 1,825,138
Right-of-use lease asset, net	4,883	15,847
Total assets	2,140,706	1,840,985
Liabilities		
Accounts payable	30,241	31,859
Accrued liabilities	30,994	114,455
Lease liability	4,883	15,847
Unearned revenue	457,878	457,878
Total liabilities	523,996	620,039
Net position		
Unrestricted	1,616,710	1,220,946
Total net position	$ 1,616,710	$ 1,220,946

Governmental activities

Table A-2 shows that revenues continued to exceed expenses in the current year, increasing net position. The total net position of the District's governmental activities was over $1.6 million, an increase of $396 thousand or 32 percent from 2025. This increase was primarily due to a lack of large infrastructure projects.

Table A-2 Changes in District's Net Position

	2026	2025	Percentage Change
Revenues			
Program revenues			
Charge for services	$ 1,169	$ 1,148	2%
Operating grants	0	8,200	-100%
General revenues			
Ad valorem taxes	641,931	622,966	3%
Measure B special tax	352,379	340,195	4%
Interest income	173	146	19%
Total revenues	995,653	972,655	2%
Expenses			
General government	166,171	162,712	2%
Public safety	329,640	361,592	-9%
Public works	104,078	217,199	-52%
Total expenses	599,889	741,503	-19%
Changes in Net Position	$ 395,764	$ 231,152	71%
Net Position - Beginning	1,220,946	989,794	
Net Position - Ending	$ 1,616,710	$ 1,220,946	

Growth in Revenues:

The District's primary revenue sources are ad valorem property taxes and Measure B Special taxes (general revenues). The property tax revenue is received from Contra Costa County (the County) based on the County's revenue allocation formula. The District does not have any role in determining the allocation; however, the amount received does not change significantly from year to year. The District budgets its property tax revenue using the prior year's allocation, plus an annual inflation adjustment.

The District held a special all-mail ballot election in March 2018. The ballot asked voters to approve a proposed Measure B special tax to replace the current security and road maintenance fees and to provide for road, bridge, culvert and trail maintenance and improvements, and security/police protection for the Diablo community. The ballot measure was approved by the voters and was effective in 2019. In 2026, revenue from the Measure B Special Tax was $352 thousand.

Revenue growth in 2026 was $22,998, or 2%. If you remove the one-time operating grant of $8,200 in 2025, revenue growth was $31,198, or 3%. The 3% growth in revenue is the percentage growth in Ad Valorem tax revenue in 2026. As stated above, the District does not have any role in determining the annual revenue amount.

Reduction in Expenses:

The primary functions of the District are to maintain the roads, bridges, and culverts (that lie under the District's maintained roads) and Kay's Trail, and to provide security patrols within its boundaries. Both purposes were fulfilled. The District also has recreation powers and the power to install and maintain street lighting. However, this last power has never been exercised. The reasons for not exercising this power include resident reluctance to street lighting, cost, and lack of need. The recreation power was added in 1999 to provide maintenance of a pedestrian/equestrian trail (Kay's Trail) between Alameda Diablo and Mt. Diablo Scenic Blvd. The Trail (Kay's Trail) is maintained on an "as needed" basis. In 2026, the District spent $330 thousand on sheriff patrols and $104 thousand on road, bridge, and culvert maintenance.

Expenses were lower in 2026 by $141,614, or 19%. The primary reason for the lower expenses was the decrease in public works expenditures of $113,121, or 52%. The District made the decision in 2026 to delay road maintenance projects until 2027 and 2028 to allow the East Bay Municipal Utility District (EBMUD) to replace the Community's aging water lines that lie beneath the roads in 2027. The District will resume its road maintenance projects once the EBMUD project is complete. Public Safety expenses were lower in 2026 by $31,952 or 9%. The lower public safety expense was due to lower sheriff overtime charges.

Governmental funds

The District reports one major fund in the governmental fund financial statements: the General Fund. Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective. The District's general fund increased by 32 percent in 2026. This increase in fund balance is attributable to a lower spend on large infrastructure projects. East Bay Municipal Utility District (EBMUD) is scheduled to replace the Community's aging water lines that lie beneath the roads in 2027. The District has postponed major infrastructure maintenance projects until the EBMUD project is complete.

Table A-3 shows governmental fund reserves and expenditures. The discussion regarding governmental activities is equally applicable to the finances of those governmental funds.

Table A-3 Revenues, Expenditures, and Changes in Fund Balance

	General Fund	
	2026	2025
Revenues		
Property taxes	$ 641,931	$ 622,966
Measure B special tax	352,379	340,195
Traffic fines	1,169	1,148
Interest income	173	146
Contract reimbursements		8,200
Total revenues	995,653	972,655
Expenditures		
Current		
General government	166,171	162,712
Public safety	329,640	361,592
Public works	104,078	217,199
Total expenditures	599,889	741,503
Net Change in Fund Balance	395,764	231,152
Fund Balance - Beginning	1,220,946	989,794
Fund Balance - Ending	$ 1,616,710	$ 1,220,946

Significant Capital Assets

At the end of fiscal year 2026, the District had no (net of accumulated depreciation) capital assets. The following table summarizes District capital assets at historical cost for the fiscal year ended June 30, 2026.

	2026	2025
Equipment and computers	$ 2,500	$ 2,500
Accumulated depreciation	(2,500)	(2,500)
Total capital assets	$ -	$ -

Additional information on capital assets can be found in Note 3 to the financial statements.

Currently known facts, decisions, or conditions

The District is aware of two developments that will have an impact on the District's finances in the future and were therefore incorporated into next year's budget:

1. The 2022-23 Winter Storm FEMA Disaster Relief Funds.
2. The replacement of the District's three bridges

FEMA Disaster Relief Funds

In response to the 2022-2023 Winter Storm event, which caused significant infrastructure damage to District roads, the District applied for and received FEMA disaster relief funds. The District has unearned revenue of $457,878 to stabilize a temporary repair of a creek bank that failed during the 2022-2023 storm. The permanent repair of the creek bank is scheduled to occur in the fall of 2026. The District's 2027 budget reflects the reduction in cash and unearned revenue of $457,878.

Replacement of the District's Three Bridges

The District maintains three bridges in Diablo. Two are located on Alameda Diablo, and one is located on Caballo Ranchero. All three bridges are nearing the end of their useful life and will require replacement. The District's 2027 budget includes $25,000 in general government expense to hire financial advisors, engineers, and legal counsel to advise the District on the funding and bridge replacement process. The project is expected to take several years.

Significant Accomplishments of Fiscal Year 2026 are Noted Below:

The primary functions of the District are to maintain the roads, bridges, and culverts (that lie under the District's maintained roads) and Kay's Trail in Diablo and provide security patrols within its boundaries. Both purposes were fulfilled.

Economic Factors and Next Year's Budgets and Rates

Because of the consistency and predictability in the District's revenues and expenditures, the District is able to establish a budget and mostly operate within that budget. From time to time, some items must be addressed that do not appear in the budget, such as additional road maintenance costs resulting from storms, flooding and fallen trees, and additional security costs in response to temporary spikes in vandalism, burglaries or traffic violations. In 2026, there was a budget vs actual difference of $765 thousand, which was primarily due to lower road maintenance costs of $695 thousand and lower sheriff overtime costs of $66 thousand. A schedule showing the District's original and final budget amounts compared with the amounts actually paid and received is provided in our annual report on page 22.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

DIABLO COMMUNITY SERVICES DISTRICT

Statement of Net Position

Year Ended June 30, 2026

	Governmental Activities
Assets	
Cash and cash equivalents	$ 2,135,823
Right-of-use lease asset, net	4,883
Total assets	2,140,706
Liabilities	
Accounts payable	30,241
Accrued liabilities	30,994
Lease liability	4,883
Unearned revenue	457,878
Total liabilities	523,996
Net Position	
Unrestricted	1,616,710
Total net position	$ 1,616,710

DIABLO COMMUNITY SERVICES DISTRICT

Statement of Activities

Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
General government	$ 166,171		$ -	$ (166,171)
Public safety	329,640	$ 1,169		(328,470)
Public works	104,078			(104,078)
Total governmental activities	$ 599,889	$ 1,169	$ -	(598,719)
General revenues and subventions				
Property taxes, levied for general purposes				994,310
Interest and investment earnings				173
Total, general revenues				994,483
Change in Net Position				395,764
Net Position - Beginning				1,220,946
Net Position - Ending				$ 1,616,710

DIABLO COMMUNITY SERVICES DISTRICT

Balance Sheet – Governmental Fund

Year Ended June 30, 2026

	General Fund
Assets	
Cash and cash equivalents	$ 2,135,823
Total assets	$ 2,140,706
Liabilities and Fund Balances	
Liabilities	
Accounts payable	$ 30,241
Accrued liabilities	30,994
Unearned revenue	457,878
Total liabilities	523,996
Fund Balances	
Unassigned	1,616,710
Total fund balances	1,616,710
Total liabilities and fund balances	$ 2,141,176

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total Fund Balance - Governmental Fund		$ 1,616,710
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 as assets in governmental funds.		
Cost of capital assets	$ 2,500	
Accumulated depreciation	(2,500)	
Total capital assets - net		-
Right-of-use asset and lease liability used in governmental activities are not financial resources and, therefore, are not reported as assets and liabilities in governmental funds.		
Right-of-use asset, net	4,883	
Lease liability	(4,883)	
Total net position - governmental activities		$ 1,616,710

DIABLO COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund

Year Ended June 30, 2026

Revenues	
Property Taxes	$ 641,931
Measure B Special Tax	352,379
Traffic Fines-Charge for Services	1,169
Interest Income	173
Total Revenues	995,653
Expenditures	
General government	166,171
Public Safety	329,640
Public Works	104,078
Total Expenditures	599,889
Net Change in Fund Balance	395,764
Fund Balance - Beginning	1,220,946
Fund Balance - Ending	$ 1,616,710

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Total Net Change in Fund Balances - Governmental Fund		$ 395,764
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities		
Depreciation expense	$ -	
Total capital assets - net		-
The net effect of transactions involving capital assets (i.e., disposal of assets) is to decrease net position.		-
Change in Net Position of Governmental Activities		$ 395,764

Note 1 - Summary of Significant Accounting Policies

General

The Diablo Community Services District (the District) is a California special district formed in September 1969 by the Contra Costa Board of Supervisors under provisions of Part 2.7, Section 13801-1399 of the Health and Safety Code. funded. The Diablo Public Utility District (DPUD) was formed on March 23, 1951, under Section 14010 of the Health and Safety Code to construct roads and bridges within Diablo. In 1969, the DPUD was terminated and replaced with the Diablo Community Services District. The District reorganization was initiated by Diablo residents so that security services could be provided to the community by the District. The creation of the new District caused no changes in the governing body, and the assets and liabilities of the DPUD were transferred to the reorganized District. The District is funded by ad valorem and Measure B special taxes.

The function of the District is to provide security and the maintenance of roads, bridges and specific culverts within the unincorporated community of Diablo, which is located at the foot of Mount Diablo, northeast of the Town of Danville. The District also has the power to install and maintain street lighting, and recreation powers. Recreation powers were added in 1999 to allow the District to own and maintain the pedestrian/equestrian (Kay's Trail) between Alameda Diablo and Mt. Diablo Scenic Blvd. Kay's Trail is maintained on an "as needed" basis.

The Board of Directors is an elected governmental body and consists of five members including a president, a vice president and three members. If a member resigns before the end of his/her term the Board of Directors shall either appoint an interim director or hold an election to fill the vacancy to serve out the remaining term. If a vacancy is not filled within 60 days, the Board of Supervisors may appoint a person to fill the vacancy or order the District to call an election to fill the vacancy.

Reporting Entity

Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does not meet the definition of a component unit. Diablo Community Services District meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the types of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days at the end of the current fiscal period to pay current liabilities. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. The following revenue resources are considered to be both measurable and available at fiscal year-end: interest, taxes, and other local sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Basis of Presentation - Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all the activities of the District. The District reports governmental activities, which are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 revenues are reported instead as general revenues.

Basis of Presentation - Fund Financial Statements

The accounting system of the District is organized and operated based on separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. An emphasis is placed on major funds within the governmental category. The following is the District's major and only governmental fund:

General Fund - The General Fund is used to account for all financial resources of the District. The General Fund balance is available to the District for any purpose, provided it is expended or transferred according to the general laws of California and the regulations of the District.

Capital Assets and Depreciation

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the balance sheet of the fund financial statements.

The District capitalizes assets that have a cost of $2,500 or in excess of and a useful life of more than one year. Assets are valued at cost when determinable or estimated cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The District does not possess any infrastructure. The roads and bridges are privately owned, and the District has the authority to maintain them. All capital assets purchased are stated at cost. Depreciation of capital assets is computed using the straight-line method. The estimated useful life of the equipment is 3-5 years.

Accrued Liabilities

All payables and accrued liabilities, if applicable, are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as liabilities of the fund.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance

Fund balance is classified into five different components. The components are non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District currently does not have any restricted funds.
- Committed – amounts that can be used only for specific purposes determined by a formal action of the Governing Board through a resolution. The Governing Board is the highest level of decision-making authority for the District. The constraint remains binding unless removed in the same formal manner by the Governing Board. The Board's action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently. The District currently does not have any committed funds.
- Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The responsibility for assigning amounts for specific purposes has been delegated to the accounting director by the Governing Board. The District currently does not have any assigned funds.
- Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the highest level of decision-making authority has provided otherwise in its commitment or assignment actions.

Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10, respectively.

The County of Contra Costa bills and collects the taxes on behalf of the District and distributes property tax revenues to the District four times a year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

Leases

The District determines if an arrangement is or contains a lease at inception. Leases are included in right of- use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The District does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

New Pronouncements

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to provide key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement were implemented as June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued, requires the date through which subsequent events have been evaluated to be disclosed and provides other disclosure requirements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2026.

The District is currently analyzing the impact of the required implementation of these new statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - Cash and Cash Equivalents

Summary of Deposits

Cash and cash equivalents as of June 30, 2026, consist of $2,135,823 of deposits with financial institutions. $457,878 represents an advance payment from FEMA for 2023 Winter Storm repairs that will be expended in 2027.

General Authorizations

The table below identifies the investment types that are authorized for the District by the California Government Code. Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the following schedules.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	n/a	20%	10%
Money Market Mutual Funds	n/a	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	n/a	None	None
Local Agency Investment Fund (LAIF)	n/a	None	None
Joint Powers Authority Pools	n/a	None	None

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District’s policy, as well as 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 public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2026, the District’s total bank balance was $2,135,823, of which $250,000 was insured by the Federal

Deposit Insurance Corporation (FDIC), and $1,885,823 was collateralized, but not in the name of the District.

Note 3 - Capital Assets

Changes in capital assets for the year ended June 30, 2026, were as follows:

	Balance June 30, 2025	Additions	Dispositions	Balance June 30, 2026
Capital assets being depreciated				
Equipment and computers	$ 2,500	$ -	$ -	$ 2,500
Total capital assets being depreciated	2,500	-	-	2,500
Less accumulated depreciation				
Equipment and computers	(2,500)			(2,500)
Total accumulated depreciation	(2,500)	-	-	(2,500)
Total capital assets	$ -	$ -	$ -	$ -

Note 4 - Leases

The District evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the District's right to use underlying assets for the lease term, and the lease liability represents the District's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms and discounted using the District's estimated incremental borrowing rate.

The District leases cameras under an operating lease through November 2026. The ROU asset is recorded net of accumulated amortization at $26,582 as of June 30, 2026. The weighted-average discount rate used to calculate the lease liability as of June 30, 2026, was 9.5%. As of June 30, 2026, the weighted-average remaining lease term for the District's operating lease was approximately .42 years. Total expense under the operating lease was $12,082 for 2026. Payments totaling $5,000 are due through November 2026.

There are no future minimum lease payments under noncancelable operating leases with terms greater than one year.

Note 5 - Commitments and Contingent Liabilities

Litigation

The District may from time to time be involved in litigation arising from the normal course of business. The District is not currently a party to any legal proceedings.

Note 6 - Risk Management

The District participates in the Golden State Risk Management Authority (GSRMA), a joint powers agency comprised of California governmental agencies for general, property, automobile, employment practices and public officials' errors and omissions. Loss contingency reserves established by the GSRMA are funded by contributions from member agencies. The District pays an annual contribution to the GSRMA that includes its pro-rata share of excess insurance premiums, charges for pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the GSRMA. GSRMA provides insurance through the pool up to a certain level, beyond which group purchased commercial excess insurance is obtained.

The District's self-insured retention level and maximum coverage under the GSRMA are as follows:

	Pool Coverage	Commercial Coverage	Self-Insured Retention
GSRMA			
General	$ 500,000	$ 1,000,000	$ -
Property	$ 25,000	$ 25,000,000	$ 1,000
Automobile liability	$ 500,000	$ 1,000,000	$ -
Employee dishonesty	$ 25,000	$ 10,000,000	$ 2,500

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

DIABLO COMMUNITY SERVICES DISTRICT

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2026

	Budgeted Amounts (GAAP Basis)		Variance with Original Budget Over(Under)	Actual	Variance with Final Budget
	Original	Final	Final Budget	(GAAP Basis)	Over(Under)
Revenues					
Property taxes	$ 628,932	$ 628,932		$ 641,931	$ 12,999
Measure B Special Tax	350,401	350,401		352,379	1,978
Traffic fines	-	-		1,169	1,169
Interest income	-	-		173	173
Total revenues	979,333	979,333	-	995,652	16,319
Expenditures					
General government	152,298	152,298		166,171	13,873
Public safety	396,479	396,479		329,640	(66,839)
Public works	800,000	800,000		104,078	(695,922)
Total expenditures	1,348,777	1,348,777	-	599,889	(748,888)
Net Change in Fund Balances	(369,444)	(369,444)	-	395,763	765,207
Fund Balance - Beginning	1,220,946	1,220,946		1,220,946	-
Fund Balance - Ending	$ 851,502	$ 851,502	$ -	$ 1,616,709	$ 765,207

Note to Budgetary Comparison Schedule – General Fund

The District adopts a budget annually for the general fund. From the effective date of the budget, which is adopted by the Board of Directors and controlled by the District, the legal level of budgetary control is at the expenditure level. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Budgetary Revenues

The District's 2026 Ad Valorem Property Tax revenue was higher than budgeted by $13 thousand or 2 percent. This higher figure is primarily due to property sales in Diablo at higher values than the county assessed value. The District has no control over the revenue allocation and forecasts revenue using the current allocation plus an annual inflation amount.

Budget Expenditures

General Government 2026 expenditures were higher than budgeted by $13 thousand or 9% due to legal costs associated with the EBMUD waterline replacement project.

The District's Public Safety 2026 expenditures were lower than expected by $67 thousand or 17% due to lower sheriff overtime costs. Overtime is utilized based on the needs of the community. Upticks in crime, vandalism, or unsafe vehicle or bicycle use will cause the District to utilize overtime. The District had very few such incidents in 2026.

Public works expenditures in 2026 were lower than budgeted by $696 thousand or 87%, due to delays in large infrastructure projects as a result of delayed regulatory permits and postponed road maintenance to allow EBMUD to complete its waterline replacement project.

(This page intentionally left blank.)

COMPLIANCE REPORT

(This page intentionally left blank.)

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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

Board of Directors
Diablo Community Services District
Diablo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Diablo Community Services District (District) as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 2026.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Richardson & Company, LLP

October 2, 2026