RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Audited Financial Statements
and Compliance Report

June 30, 2021

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RANCHO MURIETA COMMUNITY SERVICES DISTRICT

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rancho Murieta Community Services District
Rancho Murieta, California

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of each major fund and the fiduciary fund of the Rancho Murieta Community Services District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on the Water and Sewer Funds

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above for the Water and Sewer funds present fairly, in all material respects, the financial position of each major fund and the fiduciary fund of the District as of June 30, 2021, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Drainage, Solid Waste and Security Funds

In our opinion, the financial statements referred to above are present fairly, in all material respects, the financial position of the Drainage, Solid Waste and Security Funds of the District, as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 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.

Matter Giving Rise to the Qualified Opinion on the Water and Sewer Funds

Management has not adopted a methodology for verifying that easements and developer-donated infrastructure have been recorded in Water and Sewer Funds and, accordingly, has not verified the completeness of its capital assets. Accounting principles generally accepted in the United States of

America require that such capital assets be valued and reflected in the financial statements, which would increase the assets, and investment in capital assets and change depreciation expense in the Water and Sewer Funds. The amounts by which this departure would affect the capital assets and depreciation expense of the Water and Sewer Funds has not been determined.

Correction of Errors

As discussed in Note 14, correction of errors were made during the current year. Accordingly, adjustments have been made to Net Position as of July 1, 2020 to correct these errors.

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 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, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 26, 2024

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As management of the Rancho Murieta Community Services District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $37,618,771 (net position). Of this amount, $7,910,035 is restricted for capital projects, leaving the District in an overall deficit of ($665,287) in unrestricted net position. Included in the deficit in unrestricted net position is ($791,404) related to interfund borrowing from water augmentation and sewer capital improvement reserves in a prior fiscal year for construction of a water treatment plant. Net of the negative impact from this interfund borrowing, the District had a positive balance of $126,113 in unrestricted net position.
- The District's total net position increased by $5,002,885 during the 2020-2021 fiscal year; restatement for correction of errors accounted for increases of $4,885,000 and $441,770 in net investment in capital assets and unrestricted net position respectively. The District grew reserves restricted for capital projects by $632,159.

Overview of the Basic Financial Statements

This annual financial report consists of four parts: (1) Management's Discussion and Analysis; (2) the Basic Financial Statements; (3) Notes to Basic Financial Statements; and (4) Required Supplementary Information.

This discussion and analysis provides an introduction and brief description of the District's basic financial statements, which include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

The *Statement of Net Position*, commonly referred to as the Balance Sheet, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* reflects all of the current year's revenues and expenses. All of the current year's revenues and expenses are recorded using the accrual basis of accounting by recognizing revenues in the period they are earned and expenses in the period they are incurred without regard to the timing of the related cash flows. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through its rates, fees and other charges. The District's profitability and creditworthiness can also be determined from this statement.

The *Statement of Cash Flows* provides information about the District's cash receipts and cash payments during the reporting period as well as net changes in cash resulting from operations, non-capital financing, capital and related financing activities, and investing. The statement explains where cash came from and where cash was used and the change in the cash balance during the reporting period.

The District's basic financial statements are organized by fund. **Fund Financial Statements** report on groupings of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives. The accounts of the District are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenses. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in these basic financial statements into two broad categories which, in aggregate, include two fund types as follows:

1. PROPRIETARY FUND TYPE

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and special taxes; and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, managerial control, accountability, or other purposes. Revenues are fully accrued to include unbilled services at fiscal year-end. The District uses enterprise funds to account for the Water, Sewer, Drainage, Solid Waste and Security activities of the District.

2. FIDUCIARY FUND TYPE

Agency Funds

Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and other governmental units and/or other funds. Since the resources of these funds are not available to support the District's own activities, they are not reflected in the government-wide financial statements.

Basic financial statements can be found on pages **11-20** of this report.

Notes to the 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 financial statements can be found on pages **21-41** of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by $37,618,771 (net position) at the close of the most recent fiscal year.

Condensed Financial Information
Rancho Murieta Community Services District Net Position

	June 30, 2021	June 30, 2020
Assets		
Current and Other Assets	$ 13,875,963	$ 11,744,518
Capital Assets - net of accumulated depreciation	30,396,246	26,449,035
Total Assets	**$ 44,272,209**	**$ 38,193,553**
Deferred Outflow of Resources	$ 1,831,418	$ 1,917,545
Liabilities		
Current Liabilities	$ 1,658,613	$ 766,804
Long-term Liabilities	6,516,211	6,308,517
Total Liabilities	**$ 8,174,824**	**$ 7,075,321**
Deferred Inflow of Resources	$ 310,032	$ 419,891
Net Position		
Net Investment in Capital Assets	$ 30,374,023	$ 26,445,071
Restricted for Capital Projects	7,910,035	7,277,876
Unrestricted Net Position	(665,287)	(1,107,061)
Total Net Position	**$ 37,618,771**	**$ 32,615,886**

- The District's total net position increased by $5,002,885 during the current fiscal year. The net investment in capital assets increased $3,928,952 due mostly to a restatement to record easements previously not recorded (see Note 14). Restricted net position increased $632,159 as restricted sources of revenues exceeded capital spending. Unrestricted net position increased $441,774.
- Restricted cash and investments, which are capital reserves designated for capital improvements and replacements, increased $663,540 due to fees collected exceeding capital project expenditures during the fiscal year.
- The District's Net Pension Liability increased by $319,462, primarily due to the District's share of the pension liability increasing.
- The District's Net OPEB Liability increased by $33,211 due to actual benefit payments exceeding estimates made by the actuaries. This increase, along with the increase in the Net Pension Liability, caused the District's Total Noncurrent Liabilities to increase by $207,694, or 3.29% during the current fiscal year.
- The District had two (2) inter-fund borrowings as of June 30, 2021. Each of these borrowings are being repaid through monthly installments and interest is calculated based on the earnings reported monthly by LAIF.
    - WTP#1 Borrowing from Sewer Capital Replacement Reserves - $573,950
    - WTP#1 Borrowing from Water Augmentation Reserves - $191,323

- By far the largest portion of the District's net position (81%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

Enterprise-Type Activities – Water, Sewer, Drainage, Solid Waste and Security
Rancho Murieta Community Services District Changes in Net Position

	June 30, 2021	June 30, 2020
Revenues		
Operating revenues	$ 6,799,888	$ 6,462,222
Nonoperating revenues	812,488	877,753
Capital revenues	877,469	1,376,820
Total Revenues	8,489,845	8,716,795
Operating Expenses		
Water	1,551,872	1,211,210
Sewer	871,617	925,718
Drainage	159,889	142,638
Solid waste	628,100	672,942
Security	1,064,175	1,014,436
General and administration	3,072,569	3,927,830
Depreciation	1,415,425	1,538,107
Nonoperating expense	50,083	253,957
Total Expenses	8,813,730	9,686,838
Change in Net Position	(323,885)	(970,043)
Net Position, Beginning of Fiscal Year	32,615,886	33,585,929
Restatement for change in accounting principal	5,326,770	-
Net Position, End of Fiscal Year	$ 37,618,771	$ 32,615,886

Key elements of the enterprise activities are as follows:

- Total operating revenues increased 5% year-over-year. Water operating revenues increased by $171,572 or 6%. Sewer operating revenues increased by $50,143 or 3%. Security operating revenues increased $110,770 or 8%. Drainage operating revenues decreased ($31,433) or -12%. Solid Waste revenues increased $36,614 or 5%.
- Non-operating revenues decreased ($65,275) or -7% due largely to a decrease in interest earnings from the prior year.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Water operating expenses (excluding depreciation) increased $340,662 or 28% primarily due to increased costs for utilities, dam inspection, chemicals and water meters, and post repair road paving.

- The Sewer Department collects, treats, and disposes of Rancho Murieta community waste water. Sewer operating expenses (excluding depreciation) decreased ($54,101) or -6% due to decreased salary and salary-related costs offset by increased costs for utilities and maintenance and repairs.
- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses increased $17,251, or 12% due to increases in legal, consulting, utilities and chemicals offset by decreases in salary and salary-related costs.
- Solid Waste services are provided by contract through California Waste Recovery Services. Operating expenses for Solid Waste decreased $44,842, or -7%. This decrease is the result of lesser overall contract and other charges.
- The Security department provides gate and patrol services. Operating expenses for Security services increased $49,739 or 5%. This increased is primarily related to increased costs for temporary staffing, maintenance of vehicles, equipment and the safety center, and IT-related costs offset by reducted salary and salary-related costs.
- The Administration department covers the staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. The Administration department is not a reporting entity for financial statement purposes and its activities, revenues, and costs are allocated to the Water, Sewer, Drainage, Solid Waste and Security funds on a prorated basis. Allocated, district-wide Administration costs are combined with individual department administration costs on the Statement of Revenues, Expenses, and Changes in Net Position and are shown as General and Administrative costs. District-wide General and Administrative costs decreased ($855,261) or -22%. This decrease is due to a decrease in salary and salary related costs, consulting and legal fees.

Capital Assets

	June 30, 2020	Additions	Adjustments/ Deletions	June 30, 2021
Depreciable Capital Assets				
Water Transmission	$ 8,035,938	$ 11,616	$ 32,885	$ 8,080,439
Water Treatment	22,962,307		37,379	22,999,686
Collection Facilities	4,950,838	22,795	(303)	4,973,330
Drainage Facilities	63,386	19,435	(20,520)	62,301
Sewer treatment and disposal	15,969,441	252,268	195,111	16,416,820
Lake Chesbro Protection	259,946			259,946
Waste Discharge	651,616		(102,464)	549,152
Buildings and improvements	800,101		(50,272)	749,829
Vehicles & Equipment	1,793,899	160,794	(78,139)	1,876,554
Total Depreciable Capital Assets	55,487,472	466,908	13,677	55,968,057
Less - Accumulated Depreciation	(29,936,922)	(1,415,425)	303,846	(31,048,501)
Net Depreciable Capital Assets	25,550,550	(948,517)	317,523	24,919,556
Non-Depreciable Capital Assets				
Construction in Progress	306,794		(306,794)	-
Land	591,690		4,885,000	5,476,690
Total Non-Depreciable Capital Assets	898,484		4,578,206	5,476,690
Net Capital Assets	$ 26,449,034	$ (948,517)	$ 4,895,729	$ 30,396,246

Capital Assets. The District's investment in capital assets as of June 30, 2021 amounted to $30,396,246 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and equipment. The total increase in the District's investment in capital assets for the current fiscal year was (15%).

Major capital asset events during the current fiscal year included the following:

- Recognition of irrigation easements granted in a prior fiscal year
- West DAF Electrical Panel
- East/West DAF Tank
- Tractor
- SSTL Saturation Tank

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2021-2022 annual budget on June 16, 2021 which provides for the District's operating and capital costs for the 2021-2022 fiscal year.

The District's rates for Water, Sewer, Drainage, Security and Solid Waste services are reviewed annually by staff and the Board of Directors. For fiscal year 2021-2022, the District increased rates by approximately 14.7% for Water services. Sewer service rates increased by 21.7% and Solid Waste rates went up 22.0%. Special tax rates for Security and Drainage each went up 2.0%. Overall, the average customer's monthly bill for 2021-2022 is projected to increase $27.16 or 14.53% compared to the previous year.

New capital asset projects provided for in the fiscal year 2021-2022 budget include:

- New Financial System (this was scaled down to a new billing system)
- Replacement Vehicles (replace two vehicles)
- Rio Oso Pump Replacement
- WTP Back Left Drying Bed
- Replacement of Sewer Jetter
- Fix Reynosa 6" Wastewater Line
- Automate East & West DAF Sludge Valves
- Replace Jeep Patrol Vehicle

Development will continue to be a major focus for the District in the coming year(s). As of February 20224, the development (as shown on the Sacramento County planning website) included 795 single-family lots on roughly 338 acres and approximately 39 acres of general commercial property. These proposed development plans will continue to be revised and modified as the various projects move forward.

The District continues to manage and account for CFD 2014-1. This CFD (Community Facilities District) was formed at the request of the developers of the Murieta Inn & Spa and Rancho Murieta North Properties to finance their portion of the WTP#1 Expansion and Upgrade project. Under CFD 2014-1 tax exempt bonds were sold on January 29, 2015 and provided $4,358,245 of bond revenue for the project. Bond maturities stretch from 2018 to 2044 and tax assessments are levied annually (through Sacramento County) for payment of interest and principle to bond investors.

Requests for Information

This financial report is designed to provide a general overview of the Rancho Murieta Community Services District's finances for all those with an interest in the District's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rancho Murieta Community Services District, General Manager, P.O. Box 1050, Rancho Murieta, CA 95683.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2021

	Major Funds		
	Water	Sewer	Drainage
ASSETS			
Current Assets:			
Cash and investments	$ 1,467,366	$ 685,127	$ 285,758
Accounts receivable	1,241,544	166,861	22,115
Assessments receivable	10,016	2,583	1,090
Interest receivable	2,285	3,592	491
Notes receivable, current portion		21,997	
Prepaid expenses	31,742	21,137	3,562
Due from developers	7,767		
Total Current Assets	2,760,720	901,297	313,016
Capital Assets:			
Non-depreciable	13,640	5,463,050	
Depreciable, net	16,910,050	7,652,615	41,651
Total Capital Assets, Net	16,923,690	13,115,665	41,651
Other Assets:			
Cash and investments - restricted	4,130,096	3,405,109	329,208
Notes receivable		92,517	
Advances to other funds		573,950	
Total Other Assets	4,130,096	4,071,576	329,208
TOTAL ASSETS	23,814,506	18,088,538	683,875
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - pensions	342,552	262,342	54,162
Deferred outflow - OPEB	352,251	238,008	38,081
TOTAL DEFERRED OUTFLOWS	694,803	500,350	92,243
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 24,509,309	$ 18,588,888	$ 776,118
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 927,082	$ 200,886	$ 2,538
Accrued payroll	51,786	4,725	756
Developer deposits	268,103		
Customer deposits	9,002	4,214	575
Compensated absences	8,920	6,810	491
Lease liabilities - due within one year	2,110	1,711	
Total Current Liabilities	1,267,003	218,346	4,360
Noncurrent Liabilities:			
Compensated absences - due after one year	35,485	3,309	1,006
Lease liabilities - due after one year	4,420	5,132	
Advances from other funds	573,950		
Net pension liability	1,509,151	1,152,232	236,653
Net OPEB liability	774,382	591,239	121,432
Total Noncurrent Liabilities	2,897,388	1,751,912	359,091
TOTAL LIABILITIES	4,164,391	1,970,258	363,451
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow - pensions	51,129	79,067	16,855
Deferred inflow - OPEB	37,936	25,632	4,101
TOTAL DEFERRED INFLOWS	89,065	104,699	20,956
TOTAL LIABILITIES AND DEFERRED INFLOWS	4,253,456	2,074,957	384,407
NET POSITION			
Net investment in capital assets	16,917,160	13,108,822	41,651
Restricted for capital projects	4,130,096	3,405,109	329,208
Unrestricted	(791,403)		20,852
Total Net Position	20,255,853	16,513,931	391,711
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 24,509,309	$ 18,588,888	$ 776,118

The notes to the basic financial statements are an integral part of this statement.

Major Funds		
Solid Waste	Security	Total
$ 305,981	$ 777,288	$ 3,521,520
67,851	140,594	1,638,965
292	3,211	17,192
217	199	6,784
		21,997
1,691	27,104	85,236
		7,767
376,032	948,396	5,299,461
		5,476,690
	315,240	24,919,556
	315,240	30,396,246
	45,622	7,910,035
		92,517
		573,950
	45,622	8,576,502
376,032	1,309,258	44,272,209
44,711	175,620	879,387
19,041	304,650	952,031
63,752	480,270	1,831,418
$ 439,784	$ 1,789,528	$ 46,103,627
$ 56,415	$ 64,839	$ 1,251,760
378	32,177	89,822
		268,103
1,915	3,447	19,153
402	5,651	22,274
	3,680	7,501
59,110	109,794	1,658,613
40	17,436	57,276
	5,170	14,722
		573,950
193,977	787,551	3,879,564
99,534	404,112	1,990,699
293,551	1,214,269	6,516,211
352,661	1,324,063	8,174,824
14,512	45,940	207,503
2,051	32,809	102,529
16,563	78,749	310,032
369,224	1,402,812	8,484,856
	306,390	30,374,023
	45,622	7,910,035
70,560	34,704	(665,287)
70,560	386,716	37,618,771
$ 439,784	$ 1,789,528	$ 46,103,627

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2021

	Major Funds		
	Water	Sewer	Drainage
Operating Revenues			
Service charges	$ 2,604,254	$ 1,497,691	
Special taxes			$ 221,674
Other charges	219,007	13,610	6,012
Total Operating Revenues	2,823,261	1,511,301	227,686
Operating Expenses			
Source of supply	347,303		
Treatment	676,148		
Transmission and distribution	528,421		
Sewer collection		225,281	
Sewer treatment and disposal		646,336	
Drainage			159,889
Gate services			
Patrol services			
Solid waste			
General and administrative	1,620,982	934,123	108,668
Depreciation	805,155	556,144	5,075
Total Operating Expenses	3,978,009	2,361,884	273,632
Net Income (Loss) from Operations	(1,154,748)	(850,583)	(45,946)
Nonoperating Revenue (Expenses):			
Taxes	354,848	91,152	52,547
Interest revenue	15,202	26,512	3,081
Loss on disposal of capital assets	(3,763)	(16,685)	
Interest expense	(7,109)		
Total Nonoperating Revenue (Expenses)	359,178	100,979	55,628
Change in Net Position Before Capital Contributions	(795,570)	(749,604)	9,682
Capital Contributions			
Capital replacement reserve fees	268,325	234,293	
Debt reserve fee	187,901		
Security impact fee			
Water augmentation fees	84,667		
Capital improvement fees	37,118	26,945	5,252
Total Capital Contributions	578,011	261,238	5,252
Change in Net Position	(217,559)	(488,366)	14,934
Net position, beginning of year, as previously reported	20,031,642	12,117,297	376,777
Restatement for error corrections - Note 14	441,770	4,885,000	
Net position, beginning of year, as restated	20,473,412	17,002,297	376,777
Net Position, End of Year	$ 20,255,853	$ 16,513,931	$ 391,711

The notes to the basic financial statements are an integral part of this statement.

Major Funds		
Solid Waste	Security	Total
$ 754,047		$ 4,855,992
	$ 1,437,102	1,658,776
	46,491	285,120
754,047	1,483,593	6,799,888
		347,303
		676,148
		528,421
		225,281
		646,336
		159,889
	615,641	615,641
	448,534	448,534
628,100		628,100
144,956	263,840	3,072,569
	49,051	1,415,425
773,056	1,377,066	8,763,647
(19,009)	106,527	(1,963,759)
	266,207	764,754
1,342	1,597	47,734
	(22,361)	(42,809)
	(165)	(7,274)
1,342	245,278	762,405
(17,667)	351,805	(1,201,354)
		502,618
		187,901
	6,000	6,000
		84,667
	26,968	96,283
	32,968	877,469
(17,667)	384,773	(323,885)
88,227	1,943	32,615,886
		5,326,770
88,227	1,943	37,942,656
$ 70,560	$ 386,716	$ 37,618,771

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2021

	Major Funds		
	Water	Sewer	Drainage
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 2,006,802	$ 1,506,822	$ 226,885
Payments to employees	(439,126)	(1,260,844)	(182,464)
Payments to suppliers	(1,709,661)	(276,428)	(32,492)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(141,985)	(30,450)	11,929
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Assessments received	369,172	100,520	61,406
Amounts received/ (paid) from other goverments	491,223	37,981	7,801
Amounts received/ (paid) from other funds	(140,926)	140,926	
Other amounts received			
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	719,469	279,427	69,207
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(39,113)	(381,397)	
Water Augmentation fees received	84,667		
Debt reserve fee received	187,901		
Payments on capital lease			
Inerest paid	(7,109)		
Capital fees received	305,443	261,238	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	531,789	(120,159)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	21,509	34,510	4,243
NET CASH PROVIDED BY INVESTING ACTIVITIES	21,509	34,510	4,243
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,130,782	163,328	85,379
Cash and cash equivalents at beginning of year	4,460,150	4,034,580	524,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,590,932	$ 4,197,908	$ 609,714

The notes to the basic financial statements are an integral part of this statement.

Major Funds		
Solid Waste	Security	Total
$ 748,069	$ 1,485,757	$ 5,974,335
(858,948)	(390,225)	(3,131,607)
79,999	(1,103,108)	(3,041,690)
(30,880)	(7,576)	(198,962)
82	738,850	1,270,030
6,394	25,960	569,359
6,476	764,810	1,839,389
	(26,963)	(447,473)
		84,667
		187,901
	4,886	4,886
		(7,109)
	26,968	593,649
	4,891	416,521
1,836	1,993	64,091
1,836	1,993	64,091
(22,568)	764,118	2,121,039
328,549	52,792	9,400,406
$ 305,981	$ 816,910	$ 11,521,445

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2021

	Major Funds		
	Water	Sewer	Drainage
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:			
Cash and investments	$ 1,467,366	$ 685,127	$ 285,758
Cash and investments - restricted	4,130,096	3,405,109	329,208
TOTAL CASH AND CASH EQUIVALENTS	$ 5,597,462	$ 4,090,236	$ 614,966
RECONCILIATION OF OPERATING LOSSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Net (loss) income from operations	$ (1,154,748)	$ (850,583)	$ (45,946)
Adjustments to reconcile net loss from operations to net cash provided (used) by operating activities:			
Capital assets written off	(79,425)	3,138	644
Depreciation and amortization	805,155	556,144	5,075
Changes in operating assets and liabilities:			
Accounts receivable	(814,671)	3,495	1,127
Prepaid expenses	37,637	3,404	630
Due from developers	5,174		
Accounts payable	853,779	82,314	(2,268)
Accrued payroll	20,594	(7,341)	(2,411)
Deposits	21,765	(8,019)	(1,937)
Compensated absences	3,267	(21,289)	(768)
Net pension liability	124,271	94,880	19,487
Net OPEB liability	97,483	111,067	32,171
Deferred outflows	7,343	16,768	9,120
Deferred inflows	(69,609)	(14,428)	(2,995)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$ (141,985)	$ (30,450)	$ 11,929

The notes to the basic financial statements are an integral part of this statement.

Major Funds		
Solid Waste	Security	2021
$ 305,981	$ 777,288	$ 3,521,520
	45,622	7,910,035
$ 305,981	$ 822,910	$ 11,431,555
$ (19,009)	$ 106,527	$ (1,963,759)
528	2,144	(72,971)
	49,051	1,415,425
(5,841)	7,048	(808,842)
58	(14,156)	27,573
		5,174
(88,554)	23,083	868,354
(963)	7,695	17,574
(145)	(4,914)	6,750
(1,414)	(2,977)	(23,181)
15,973	64,851	319,462
74,478	(281,988)	33,211
(5,573)	58,469	86,127
(418)	(22,409)	(109,859)
$ (30,880)	$ (7,576)	$ (198,962)

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

As of June 30, 2021

		Total Custodial Funds
Assets		
Cash and investments		$ 584,847
Restricted cash		391,607
	TOTAL ASSETS	976,454
Liabilities		
Accounts payable		234
	TOTAL LIABILITIES	234
Net Position		
Restricted for other governments		976,220
	TOTAL NET POSITION	$ 976,220

The notes to the basic financial statements are an integral part of this statement.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

June 30, 2021

		Total Custodial Funds
Additions		
Property taxes		$ 1,119,265
Interest and investment earnings		162,664
	TOTAL ADDITIONS	1,281,929
Deductions		
General government		23,381
Debt Service:		
Principal		135,000
Interest and other charges		252,710
	TOTAL DEDUCTIONS	411,091
	NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	870,838
Net position, beginning of year		105,382
	NET POSITION, END OF YEAR	$ 976,220

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies: The Rancho Murieta Community Services District (District) was formed in 1982, under California State Government Code 61600 and currently provides water, sewer, drainage, solid waste and security services throughout the Rancho Murieta Community. The District's financial and administrative functions are governed by a five-member Board of Directors elected by the voting population within the District.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity: The accompanying basic financial statements present the District and its component unit. The component unit discussed below is include in the District's reporting entity because of the significance of its operational and financial relationship with the District.

Community Facilities District No. 2014-1 (CFD 2014-1) was created for the purpose of acquiring, constructing and maintaining water facilities within the Rancho Murieta boundaries. The District is not obligated to repay debt of the CFD 2014-1 but functions as an agent for the property owners by collecting assessments, forwarding collections to special assessment debt holders, and, if appropriate, initiating foreclosures on delinquent property owners. Because of the special financing relationships, the CFD 2014-1 has been included in the financial statements as a fiduciary component unit.

Basis of Presentation: The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles followed by governmental entities in the United States of America.

The District's resources are allocated to and accounted for in these basic financial statements as five enterprise fund types of the proprietary fund group and one agency fund. The operation of a fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

The Fiduciary fund is used to account for assets held by the District in a fiduciary capacity for special assessment districts. They consist entirely of Custodial Funds. The financial activities of these funds are excluded from the District-wide financial statements but are presented in separate Fiduciary Fund financial statements.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Net position is segregated into amounts invested

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

in capital assets, net of related debt, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The agency funds do not involve the results of operations and do not use a measurement basis.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

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

Enterprise funds are accounted for on a flow of economic resources measurement focus, which means that all assets, deferred outflows, liabilities, and deferred inflows associated with the activity are included on the balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds use the "economic resources" measurement focus and the accrual basis of accounting.

Major Funds: Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total or five percent of all fund-type totals. The District may also select other funds it believes should be presented as major funds. The District reports all of its proprietary funds as major funds.

The District reports on the following major proprietary funds:

Water – This fund accounts for the activities of providing water to the residents of the District.

Sewer – This fund accounts for the activities of collecting and treating wastewater of the residents in the District.

Drainage – This fund accounts for the activities of providing drainage to the residents of the District.

Solid Waste – This fund accounts for the activities of collecting solid waste of the residents of the District.

Security – This fund accounts for the activities of providing security to the residents of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgeting: Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following July 1. The budgets are a management tool and not a legal requirement.

Cash and Investments: For purposes of the statement of cash flows the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Amounts held in the State of California Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP) are considered to be cash and cash equivalents due to their highly liquid nature.

Restricted Cash and Investments: Certain capital expansion fees and capital replacement fees charged to customers are classified as restricted cash and investments because their use is legally restricted by the Water Code or District ordinance. Restricted cash and investments are not available for general operational expenses.

Property Taxes: Secured property taxes are levied on January 1 and are payable in two installments on November 1 and February 1, which become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Sacramento County (County) bills and collects the property taxes and allocates a portion to the District. Property tax revenues are recognized in the fiscal year for which they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The District is under the Teeter Plan and thus can receive 100% of the property tax apportionment each fiscal year, eliminating the need for an allowance for uncollectible tax. The County, in return, receives all penalties and interest. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

Capital Assets: Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at fair value at the date of donation. The District’s policy is to capitalize all capital assets with costs exceeding $5,000, except for buildings, land improvements and infrastructure, which will be capitalized if it exceeds $25,000. Repair, maintenance and minor replacements of capital assets are expensed.

Capital assets are depreciated using the straight-line method, which means the costs of the capital asset is divided by its expected useful life in years and the result is charged to expense each year until the capital asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Buildings	40 years
Improvements	20 – 50 years
Equipment	5 – 15 years

Compensated Absences: All earned vacation, which is payable upon termination or retirement, is accrued as compensated absences, in accordance with GASB Statement No. 16. Sick leave benefits are not vested to the employee.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the District's OPEB plan (Plan), and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the District's pension and OPEB plans as described in Notes E and F.

Deferred Compensation Plan: The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributed to those amounts, are maintained in a trust. Participants have sole rights under the plan in an amount equal to the fair value of the deferred account for each participant.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements: In June 2017, the GASB issued Statement No. 87, Leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement were implemented during the year ended June 30, 2021.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

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

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments consisted of the following at June 30, 2021:

Enterprise Funds:	
Cash and investments	$ 3,521,520
Restricted cash and investments	7,910,035
Fiduciary Funds:	
Cash and investments	584,847
Restricted cash	391,607
Total cash and investments	$ 12,408,009

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments were classified under GASB Statement No. 40 as follows at June 30, 2021:

Deposits with financial institutions	$ 2,605,602
Investments	9,802,409
Total Cash	$ 12,408,011

Investments Authorized by the California Government Code and the District's Investment Policy: The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of the debt agreement and not the provisions of the California Government Code or the District's Investment Policy.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Investment pools authorized under CA Statues governed by Government Code	N/A	None	$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Account	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	270 days	20%	None
Negotiable Certificates of Deposit	2 years	20%	None
Re-purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None
Municipal Obligations	5 years	20%	None
Supranational debt	5 years	30%	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. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call date as of June 30, 2021:

Investment Type	Total	Remaining Maturity: 12 Months or Less	Remaining Maturity: 13 to 48 Months
Local Agency Investment Fund	$ 8,308,734	$ 8,308,734	
CAMP investment pool	640,344	640,344	
Treasury funds	853,331	853,331	
Total	$ 9,802,409	$ 9,802,409	

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of June 30, 2021 for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings as of fiscal year end: AAAm/AAA	Ratings as of fiscal year end: Not rated
Local Agency Investment Fund	$ 8,308,734	N/A		$ 8,308,734
CAMP investment pool	640,344	N/A	$ 640,344	
Treasury funds	853,331	N/A	853,331	
Total investments	$ 9,802,409		$ 1,493,675	$ 8,308,734

Concentration of Credit Risk: The investment policy of the District limited the amount that can be invested in any one issuer to the amount stipulated by the California Government Code. As of June 30, 2021, the District had no investments which represent more than 5% of its total investment in any one issuer (other than mutual funds and external investment pools).

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 District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived

NOTE 2 - CASH AND INVESTMENTS (Continued)

by the government 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 agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2021, the carrying amount of the District's deposits were $2,605,602 and the balances in financial institutions were $2,974,626. Of the balance in financial institutions, $748,980, was covered by federal depository insurance and $2,225,646 was collateralized by securities pledged by the financial institution.

Investments in LAIF: LAIF is stated at net asset value. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The total fair value amount invested by all public agencies in LAIF is $193,463,490,765 and is managed by the State Treasurer. Of that amount, 2.31% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 291 days at June 30, 2021.

Investments in CAMP: The District is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The District reports its investments in CAMP at the pool share, which approximates fair value. At June 30, 2021, these investments of the pool had an average maturity of 52 days.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

The District's investment in the money market mutual fund is considered Level 2 because the value is calculated using amortized cost of the securities held in the fund, not the market value. The District's investment in LAIF and CAMP are considered uncategorized.

NOTE 3 – ADVANCES BETWEEN FUNDS

In May 2014, the Sewer Fund advanced the Water Fund $1,500,000 for the water treatment plant expansion. Principal payments of approximately $11,800, plus interest at the current investment earnings rate, will be paid monthly through February 2026. Interest expense during the year ended June 30, 2021 was $3,471 in the Water Fund. The interest rate on the loan at June 30, 2021 was 0.262%. As of June 30, 2021, $573,950 was outstanding on this advance.

NOTE 4 – NOTES RECEIVABLE

In June 2021, the District loaned $114,514 to the Rancho Murieta Country Club to replace the recycled water irrigation pumps. The loan has an initial interest rate of 2%, which will be updated to the LAIF interest rate, but not less than 2%. The loan is due in monthly payments of $2,007.17 through June 30, 2026.

NOTE 5 – CAPITAL ASSETS

A. Capital assets activity

The activity in the capital assets for the year ended June 30, 2021 are summarized below:

	Restated Balance at July 1, 2020	Additions	Deletions	Adjustments	Balance at June 30, 2021
Water Fund					
Capital Assets not being depreciated:					
Construction in progress	$ 40,719			$ (40,719)	
Land	13,640				$ 13,640
Total Capital Assets not being depreciated	54,359			(40,719)	13,640
Capital Assets being depreciated:					
Water transmission	8,035,938	$ 11,616	$ (7,834)	40,719	8,080,439
Water treatment	22,962,307		(27,153)	64,532	22,999,686
Vehicles and equipment	608,843	27,497	(29,955)	19,311	625,696
Subtotal	31,607,088	39,113	(64,942)	124,562	31,705,821
Less: Accumulated Depreciation	(14,047,377)	(805,155)	61,179	(4,418)	(14,795,771)
Total Capital Assets being depreciated, net	17,559,711	(766,042)	(3,763)	120,144	16,910,050
Total Capital Assets, Net	$ 17,614,070	$ (766,042)	$ (3,763)	$ 79,425	$ 16,923,690

NOTE 5 – CAPITAL ASSETS (Continued)

	Restated Balance at July 1, 2020	Additions	Deletions	Adjustments	Balance at June 30, 2021
Sewer Fund					
Capital Assets not being depreciated:					
Construction in progress	$ 266,075			$ (266,075)	
Land	5,463,050				$ 5,463,050
Total Capital Assets not being depreciated	5,729,125			(266,075)	5,463,050
Capital Assets being depreciated:					
Collection facilities	4,950,838	$ 22,795	$ (303)		4,973,330
Pumping facility	128,096	68,032			196,128
Treatment plant/facilities	15,841,345	184,236	(173,428)	368,539	16,220,692
Vehicles and equipment	658,317	106,334	(36,054)	(5,284)	723,313
Lake Chesbro Protection	259,946				259,946
Disposal Facilities	549,152				549,152
Discharge	102,464			(102,464)	-
Telemetry building	514,972		(15,595)		499,377
Subtotal	23,005,130	381,397	(225,380)	260,791	23,421,938
Less: Accumulated Depreciation	(15,424,021)	(556,144)	208,695	2,146	(15,769,324)
Total Capital Assets being depreciated, net	7,581,109	(174,747)	(16,685)	262,937	7,652,614
Total Capital Assets, Net	$ 13,310,234	$ (174,747)	$ (16,685)	$ (3,138)	$ 13,115,665
Drainage					
Depreciable assets:					
Drainage facility	$ 63,386			$ (1,085)	$ 62,301
Subtotal	63,386			(1,085)	62,301
Less: Accumulated Depreciation	(16,016)	$ (5,075)		441	(20,650)
Total Capital Assets, Net	$ 47,370	$ (5,075)	$ -	$ (644)	$ 41,651
Solid Waste					
Depreciable assets:					
Vehicles and equipment	$ 890			$ (890)	$ -
Subtotal					
Less: Accumulated Depreciation	(362)			362	
Total Capital Assets, Net	$ 528	$ -	$ -	$ (528)	$ -
Security					
Depreciable assets:					
Vehicles and equipment	$ 525,849	$ 26,963	$ (21,655)	$ (3,612)	$ 527,545
Buildings and improvements	285,130		(34,677)		250,453
Subtotal	810,979	26,963	(56,332)	(3,612)	777,998
Less: Accumulated Depreciation	(449,146)	(49,050)	33,972	1,466	(462,758)
Total Capital Assets, Net	$ 361,833	$ (22,087)	$ (22,360)	$ (2,146)	$ 315,240

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense is charged to the water and electric funds based on their usage of related assets. The amounts allocated were as follows:

Water	$ 805,155
Sewer	556,144
Drainage	5,075
Security	49,051
Total Depreciation Expense	$ 1,415,425

NOTE 6 – LONG-TERM LIABILITIES

The District's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance at July 1, 2020	Additions	Retirements	Balance at June 30, 2021	Due within One Year
Compensated absences	$ 102,731		$ (23,181)	$ 79,550	$ 22,274
Lease liabilities	3,964	$ 19,959	(1,700)	22,223	7,501
Net pension liability	3,560,102	319,462		3,879,564	
Net OPEB liability	1,957,488	33,211		1,990,699	
Total	$ 5,624,285	$ 372,632	$ (24,881)	$ 5,972,036	$ 29,775

Capital Leases: On January 16, 2021, the District Board of Directors authorized the financing and purchase of a Konica Copier lease through a Caltronics contract. The cost of the contract was $22,811. The District will make 48 monthly payments for four years with the payment amount of $475. The accumulated depreciation on the copier at June 30, 2021 totaled $2,851.

On August 26, 2016, the District Board of Directors authorized the financing and purchase of another security vehicle. The cost of the vehicle was $18,416 and the District took out a $9,521 lease to finance a portion of the purchase. The District will make monthly payments of $157 for four years with the interest rate set at 5.70%. The accumulated depreciation on the vehicle at June 30, 2021 totaled $18,109.

NOTE 7 – NET POSITION

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities, and deferred inflows. Net Position is divided into three categories as follows:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets, excluding unspent proceeds.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions

NOTE 7 – NET POSITION (Continued)

which the District cannot unilaterally alter. These include connection fees restricted to capital expansion by Section 66013 of the Water Code and service charges received for use on capital projects consisting of the following:

	Water	Sewer	Drainage	Security
RESTRICTED:				
Capital replacements	$ 2,102,698	$ 3,314,065		
Water augmentation	2,027,398			
Capital improvements		91,044	$ 329,208	
Security projects				$ 45,622
TOTAL RESTRICTED NET POSITION	$ 4,130,096	$ 3,405,109	$ 329,208	$ 45,622

The District's Water Treatment Plant Construction Fund, which has a deficit balance of $791,404 borrowed from the water augmentation restricted net position to partially fund the water treatment plant project. The balance owed at June 30, 2021 is $191,323. Monthly principal and interest payments of approximately $4,000 are being made.

Unrestricted describes the portion of net position which is not restricted as to use.

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. They are reported as part of the District's unrestricted net position.

NOTE 8 – PENSION PLANS

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan, a cost sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues a publicly available report that includes 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 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Optional Settlement 2 Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 8 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect for the year ended June 30, 2021 is summarized as follows for each rate plan:

Hire date	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	11.031%	7.732%

In addition to the contribution rates above, the District was required to make payments totaling $289,558 toward its unfunded actuarial liability during the year ended June 30, 2020. The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The total contributions paid to the Plan were $430,634 for the year ended June 30, 2021.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2021, the District reported a net pension liability for its proportionate share of the Plan's net pension liability of $3,879,564.

The District's net pension liability is measured as the proportionate share of the Plan's net pension liability. The net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30 was as follows:

Proportion - June 30, 2020	0.08890%
Proportion - June 30, 2021	0.09197%
Change - Increase	0.00307%

NOTE 8 – PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the District recognized pension expense of $670,387. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 430,634	
Differences between actual and expected experience	199,925	
Changes in assumptions		(27,672)
Differences between employer's contributions and proportionate share of contributions		(179,831)
Change in employer's proportion	133,580	
Net differences between projected and actual earnings on plan investments	115,248	
Total	$ 879,387	$ (207,503)

The $430,634 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2020 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows as of June 30, 2021:

Year Ended June 30	
2022	$ 12,337
2023	93,335
2024	80,303
2025	55,275
	$ 241,250

Actuarial Assumptions: The total pension liability at the June 30, 2020 measurement dates was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Mortality - pre-retirement	Derived using CalPERS Membership Data

NOTE 8 – PENSION PLANS (Continued)

The mortality table used was developed based in CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale, 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% in the June 30, 2020 valuation. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement dates of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%		(0.92)%
Total	100.0%		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

NOTE 8 – PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	$	5,950,494
Current Discount Rate		7.15%
Net Pension Liability	$	3,879,564
1% Increase		8.15%
Net Pension Liability	$	2,168,419

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District's other postemployment benefits (OPEB) healthcare plan (the Plan) provides medical benefits to employees that directly retire from the District and their eligible dependents, subject to a monthly limitation pursuant to Government Code Section 22892, as amended by AB 2544, under an agent multiple-employer defined benefit plan. Eligibility rules include retirement from the District at age 50 or later with five years of service for employees hired prior to January 1, 2016 and 10 years of service for employees hired after January 1, 2016. When the retiree and/or spouse turn 65, benefits are reduced to include coverage provided by Medicare. Employees hired before January 1, 2016 are eligible for lifetime medical benefits under the CalPERS medical program up to a cap of $272 to $768 per month. Employees hired after January 1, 2016 must have 10 years of PERS service and are eligible for benefits at 50% of the cap of $272 to $768 per month, increasing 5% per year until reaching 100% after 20 years.

Contributions: The contribution requirements of the District are established and may be amended by the District's Board of Directors. Plan members are currently not required to contribute. The District participates in the Public Agency Retirement Services Trust (PARS), an irrevocable trust established to fund OPEB. The Trust is administrated by PARS, and is managed by an appointed board not under the control of the District's Board of Directors. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Pre-funding contributions made by the District are at the discretion of the Board of Directors.

For the year ended June 30, 2021, the District paid $217,152 of current retiree premiums and contributed $56,605 in the form of an implied subsidy of retirement premiums.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Employees Covered by Benefit Terms: As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit payments	21
Active employees	28
Total	49

Net OPEB Liability: The District's net OPEB liabilities as of June 30, 2020 were measured as of June 30, 2020, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.26%
Salary increases	3.25%
Discount rate	7.00%
Mortality rate	CalPERS 2017 mortality pre-retirement
Healthcare trend rate	Non-medicare 6.85% for 2021, decreasing to an ultimate rate of 5.0% in 2029, Medicare 5.0%

Retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Long-term Expected Rate of Return (2)
Global Equity	48.25%	5.65%
Fixed Income	45.0%	1.39%
Real Estate Investment Trusts	1.75%	5.06%
Cash	5.0%	0.00%
Total	100.0%	

(1) The table shows the target asset allocation in the PARS moderate investment policy.
(2) JP Morgan arithmetic Long Term Capital Market Assumptions and expected inflation of 2.26%.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Discount Rate: The discount rates used to measure the net OPEB liabilities was 7.00%, which was the same discount rate used in the previous valuations. The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net positions were projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments were applied to all periods of projected benefit payments to determine the net OPEB liabilities.

Changes in the Net OPEB Liability: Changes in the net OPEB liability were as follows during the year ended June 30, 2021:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	$ 3,957,571	$ 2,000,082	$ 1,957,489
Changes in the year:			
Service cost	125,957		125,957
Interest	279,650		279,650
Differences between expected and actual experience	(13,776)		(13,776)
Contributions - employer		292,596	(292,596)
Investment income		66,025	(66,025)
Benefit payments	(180,096)	(180,096)	
Net changes	211,735	178,525	33,210
Balance at June 30, 2020	$ 4,169,306	$ 2,178,607	$ 1,990,699

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	$ 2,514,700	$ 1,990,699	$ 1,556,790

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	$ 1,519,695	$ 1,990,699	$ 2,564,138

OPEB Plan Fiduciary Net Position: Separately issued financial statements for PARS may be obtained from Public Agency Retirement Services, 4350 Von Karman Avenue, Newport Beach, CA 95660.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended December 31, 2021, the District recognized OPEB expense of $362,945. At June 30, 2021, the District had deferred inflows related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 273,757	
Difference between projected and actual earnings	73,214	
Change in assumptions		$ (85,798)
Difference between expected and actual experience	605,060	(16,731)
Total	$ 952,031	$ (102,529)

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over 5 years for investment earning differences and over the expected average remaining service lifetime of 7.64 years for other changes and differences as follows:

Year Ended June 30	
2021	$ 101,216
2022	110,365
2023	112,098
2024	105,837
2024	90,265
Thereafter	55,964
	$ 575,745

NOTE 10 – SPECIAL ASSESSMENT DISTRICT

The District adopted a resolution for the formation of Rancho Murieta Community Services District Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) CFD 2014-1. CFD 2014-1 was formed as part of a financing plan for public infrastructure Facilities and other governmental Facilities to support the development of a hotel and other commercial, residential and mixed use properties being developed on approximately 828 acres of land within the District boundaries of CFD 2014-1. On January 29, 2015 bonds in the amount of $5,960,000 were issued to finance the costs of the Facilities and to finance costs associated with the issuance of bonds. During the 2014-2015 fiscal year, a special tax was approved by voters and has been authorized by the Board of Directors to be levied on lots and parcels within CFD 2014-1 commencing with the fiscal year 2016-17 tax levy. Proceeds from the Special Tax will be used to repay the bonded indebtedness and associated costs. The District is acting as an agent for the property owners and is not liable for repayment of the bonds.

The amount of special assessment debt at June 30, 2021, is:

Community Facilities District No. 2014-1	$ 5,565,000

NOTE 11 – INSURANCE

The District participates in the Golden State Risk Management Authority (GSRMA), a public entity risk pool of California water agencies, for general and auto liability, employee liability, property damage and workers compensation liability. GSRMA provides insurance through the pool up to a certain level, beyond which group-purchased commercial excess insurance is obtained.

The District pays an annual premium to GSRMA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the GSRMA. The District's deductibles and maximum coverage are as follows:

Coverage	GSRMA	Commercial Insurance	Deductible
General and auto liability	$ 250,000	$ 1,000,000	None
Property damage	$ 5,000 to 25,000	$ 25,000,000	$ 250 to 1,000
Employee	$ 25,000	$ 10,000,000	$ 2,500
Workers compensation liability	$ 300,000	Statutory	None

NOTE 12 – REVENUE LIMITATION IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by the voters in November 1996 will regulate the District's ability to impose, increase, and extend taxes and assessments. Any new, increased, or extended taxes and assessments subject to the provisions of Proposition 218 requires voter approval before it can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in future years by the voters.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants: Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Commitments: The District entered into a solid waste agreement with California Waste Recovery System in 2013 that lasts through October 31, 2025. The current charge for these services is $53,000 per month.

The District received funding from landowners for the construction of Phase 1 of the water treatment plant expansion, of which $540,000 was to be reserved to fund a portion of the Phase 2 expansion. This reserve amount was used by the District to cover cost overruns on the Phase 1 construction. Should construction of Phase 2 move forward, the District would be required to provide the $540,000 of funding on the project within 12 months of notification that Phase 2 will proceed. The remaining cost of Phase 2 would be funded by the landowners. It is unknown whether the landowners will seek to move forward with Phase 2 of the project.

NOTE 14 – RESTATEMENT

During the year ended June 30, 2021, the District determined that delinquent CFD assessments for past years of debt service, other related CFD expenditures and delinquencies were recorded in the District's financial statements during fiscal year 2020. These funds were meant to be distributed between both the CFD and the District. This correction was made as of June 30, 2021, and, as a result, the District's net position increased by $441,770.

During the year ended June 30, 2021, the District determined that irrigation easements acquired in 2008 were not recorded as a capital asset of the District. The value of these easements was added to capital assets and net investment in capital assets as of July 1, 2020, which totaled $4,885,000.

REQUIRED SUPPLEMENTARY INFORMATION

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SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Last 10 Years

	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.09197%	0.08890%	0.08381%	0.08399%	0.07992%	0.07967%	0.08554%
Proportionate share of the net pension liability	$ 3,879,564	$ 3,560,102	$ 3,158,658	$ 3,310,789	$ 2,776,304	$ 2,185,709	$ 2,114,104
Covered payroll - measurement period	$ 2,011,198	$ 1,777,349	$ 1,700,521	$ 1,844,259	$ 1,854,042	$ 1,776,986	$ 1,776,986
Proportionate share of the net pension liability as a percentage of covered payroll	192.90%	200.30%	185.75%	179.52%	149.74%	123.00%	118.97%
Plan fiduciary net position as a percentage of the total pension liability	59.65%	68.19%	75.68%	73.42%	78.44%	81.69%	79.18%
Notes to Schedule:							
Reporting valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Change in benefit terms: None							

Changes in assumptions: The discount rate was changed from 7.5% (net of administrative expenses) to 7.65% in the June 30, 2015 actuarial valuation. The discount rate was changed to 7.15% in the June 30, 2018 actuarial valuation.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN Last 10 Years

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 430,634	$ 393,756	$ 336,982	$ 282,817	$ 269,924	$ 250,997	$ 222,235
Contributions in relation to the actuarially determined contributions	(430,634)	(393,756)	(336,982)	(282,817)	(269,924)	(250,997)	(222,235)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll - fiscal year	$ 2,011,198	$ 2,011,198	$ 1,777,349	$ 1,700,521	$ 1,844,259	$ 1,854,042	$ 1,776,986
Contributions as a percentage of covered payroll	21.41%	19.58%	18.96%	16.63%	14.64%	13.54%	12.51%
Notes to Schedule:							
Contribution valuation date	June 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and assumptions used to determine contribution rates:	Entry age normal cost method						
Amortization method	Level percentage of payroll, closed						
Remaining amortization period	Varies by rate plan, not more than 30 years						
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service						
Payroll growth	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return and discount rate	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	50 to 67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.						
Mortality	Most recent CalPERS Experience Study						

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be added prospectively as they become available.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2021

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Years

Measurement period	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 125,957	$ 119,959	$ 120,587	$ 120,587
Interest	279,650	218,561	202,076	193,101
Differences between expected and actual experience	(13,776)	819,620	(9,086)	(13,414)
Changes in assumptions		(116,222)		
Benefit payments	(180,096)	(170,520)	(114,202)	(101,226)
Net change in total OPEB liability	211,735	871,398	199,375	199,048
Total OPEB liability - beginning	3,957,570	3,086,172	2,886,797	2,687,749
Total OPEB liability - ending (a)	$ 4,169,305	$ 3,957,570	$ 3,086,172	$ 2,886,797
Plan fiduciary net position				
Contributions - employer	$ 292,596	$ 352,020	$ 328,402	$ 189,009
Net investment income	66,025	93,530	121,097	127,890
Benefit payments	(180,096)	(170,520)	(114,202)	
Administrative expenses			(5,456)	(4,337)
Net change in plan fiduciary net position	178,525	275,030	329,841	312,562
Plan fiduciary net position - beginning	2,000,082	1,725,052	1,395,211	1,082,649
Plan fiduciary net position - ending (b)	$ 2,178,607	$ 2,000,082	$ 1,725,052	$ 1,395,211
Net OPEB liability - ending (a)-(b)	$ 1,990,698	$ 1,957,488	$ 1,361,120	$ 1,491,586
Plan fiduciary net position as a percentage of the total OPEB liability	52.25%	50.54%	55.90%	48.33%
Covered - employee payroll - measurement period	$ 1,734,776	$ 1,933,439	$ 1,755,788	$ 1,770,521
Net OPEB liability as percentage of covered - employee payroll	114.75%	101.24%	77.52%	84.25%
Notes to schedule:				
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Benefit changes. None.

Changes in assumptions. In the June 30, 2019 valuation, the average per capita claims costs was updated to reflect 2019 and 2020 premiums. Also, actuarial asumptions were updated to reflect the 2017 CalPERS studies.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
Last 10 Years

	2021	2020	2019	2018
Actuarially or contractually determined contribution - employer fiscal year	$ 278,685	$ 278,685	$ 298,011	$ 286,184
Contributions in relation to the determined contributions	(292,596)	(292,596)	(352,020)	(328,402)
Contribution deficiency (excess)	$ (13,911)	$ (13,911)	$ (54,009)	$ (42,218)
Covered - employee payroll - employer fiscal year	$ 1,734,776	$ 1,996,276	$ 1,933,439	$ 1,777,349
Contributions as a percentage of covered - employee payroll	16.87%	14.66%	18.21%	18.70%

Notes to Schedule:

	2021	2020	2019	2018
Valuation date	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal cost method
Amortization method	Level percentage of ernings or service of the individual between entry age and assumed exit age.
Asset valuation method	Market value of assets
Inflation	2.26%
Healthcare cost trend rates	Pre 65: 2020: 6.85% in 2021 trending down to 5.00% in 2029; Post 65: 2020: 5.00% in all future years.
Salary increases	3.25% annual increases
Investment rate of return	7.00% 7.00% 7.00% 7.00%
Retirement age	50-75 years. Probabilities of retirement are based on the 2017 CalPERS experience study.
Mortality	Based on 2017 CalPERS experience study.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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COMPLIANCE REPORT

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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*

To the Board of Directors
Rancho Murieta Community Services District
Rancho Murieta, California

We have audited, 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, the financial statements of the funds and the fiduciary fund of the Rancho Murieta Community Services District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and schedule of prior year findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and schedule of prior year findings as items 2021-001, 2021-002, 2019-001, 2019-004, and 2019-007, to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and schedule of prior year findings as items 2019-009 and 2019-011 to be significant deficiencies.

To the Board of Directors
Rancho Murieta Community Services District

Compliance and Other Matters

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

Response to Findings

Government Auditing Standards require auditors to perform limited procedures on the District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

February 26, 2024

MATERIAL WEAKNESSES IN INTERNAL CONTROL

Current Year Findings

Finding 2021-001: Year-End Closing Procedures

Condition: The audit was delayed because of delays in producing closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors, due to the District having difficulty finding qualified staff.

To ensure the year-end closing process proceeds more quickly and smoothly, we recommend developing a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The District needs to ensure that all balance sheet accounts are reviewed and reconciled to supporting schedules and are reviewed and approved prior to the beginning of the audit.

Recommendation: We recommend that the District streamline accounting processes to create timely, accurate financial reporting. Reconciliations of account balances should be performed throughout the year. A closing procedures checklist would ensure account balances are reviewed and corrected prior to the start of the audit. The review function should include monitoring compliance with District policy and generally accepted accounting principles. Procedures should be in place to prepare the required reconciliations at year-end and post entries needed to close the books prior to the start of the audit.

District's response: Agreed. The District has new management in place and procedures for regular, periodic financial reporting and account reconciliations. A closing procedures checklist is being developed and account balances will be reviewed and corrected prior to the start of audits including required reconciliations and entries needed to close the accounting books. The District's review process will include monitoring compliance with District policies and generally accepted accounting principles.

Finding 2021-002: Developer-constructed infrastructure

Condition: Developer-constructed infrastructure that is deeded to the District does not appear to have been recorded as capital assets in the District's general ledger. One transaction was identified dating back to 2007, but there may be others.

Criteria: A complete and accurate capital asset listing, including developer-constructed assets, needs to be maintained.

Cause: It appears certain policies and procedures related to developer-donated infrastructure have not been put into place.

Effect: This situation creates a misstatement of the capital assets.

Recommendation: We recommend the District evaluate the extent of developer-donated infrastructure received and estimate and record the amount of developer-donated assets and related depreciation in its general ledger and capital asset listing.

District's response: Agreed. The District is beginning an evaluation of developer-donated infrastructure received and will estimate and record the amount of developer-donated assets and related depreciation in the general accounting ledger as well as the fixed assets subledger. The District anticipates identifying all developer-donated infrastructure and having the appropriate adjustments made to the accounting records for the FY 21-22 financial close.

MATERIAL WEAKNESSES IN INTERNAL CONTROLS

Prior Year Findings

Finding 2020-001: Year-End Closing Procedures

Condition: The audit was delayed because of delays in producing closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors, which resulted in numerous adjustments. The large number of adjustments identified during the course of the audit indicates that the District does not have the internal controls in place to prevent or detect misstatements on a timely basis.

We believe that the year-end closing process could proceed more quickly and smoothly by developing a logical order for closing procedures. The required closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The District needs to ensure that all balance sheet accounts are reviewed and reconciled to supporting schedules and are reviewed and approved prior to the beginning of the audit.

Recommendation: We recommend that the District streamline accounting processes to create timely, accurate financial reporting. A closing procedures checklist would ensure account balances are reviewed and corrected prior to the start of the audit. The review function should include monitoring compliance with District policy and generally accepted accounting principles. Procedures should be in place to prepare the required reconciliations at year-end and post entries needed to close the books prior to the start of the audit.

Current Status: This issue still exists. See current year 2021-001.

District's response: The District agrees with the condition stated in the finding. The District has had high turnover in key accounting positions and difficulties in onboarding new staff. At the time of the audit, the District was not able to locate any documented procedures identifying considerations in the year-end closing process. The District will document all processes required to complete the year-end close and monitor account balances prior to the start of the audit. All accounting staff will be trained on new processes and will be informed of any revisions. We anticipate these measures to be implemented prior to close of FY 2023-24.

Finding 2020-002: Developer-constructed infrastructure

Condition: Developer-constructed infrastructure that is deeded to the District does not appear to have been recorded as capital assets in the District's general ledger.

Criteria: A complete and accurate capital asset listing, including developer-constructed assets, needs to be maintained.

Cause: It appears certain policies and procedures related to developer-donated infrastructure have not been put into place.

Effect: This situation creates a misstatement of the capital assets.

Recommendation: We recommend the District evaluate the extent of developer-donated infrastructure received and estimate and record the amount of developer-donated assets and related depreciation in its general ledger and capital asset listing

Current Status: This issue still exists. See current year finding 2021-002.

District's response: The District is currently reviewing and maintaining a list of capital assets that include the developer donated assets. The District agrees that the developer donated assets were not originally included in the capital assets list and proper policies and procedures are being developed to ensure an accurate accounting for all capital assets and depreciation in the future. We anticipate these measures to be implemented prior to the audit for FY 2023-24.

FS 2019-001: During the fiscal year ended June 30, 2019, the District relied on the external auditor to ensure its financial statements were in accordance with GAAP. In addition, the District relied on the external auditor to ensure that all necessary disclosures were included in the notes to the financial statements. The District does not employ a staff member with the necessary knowledge and training to prepare governmental financial statements. In accordance with AU-C 265 external auditors cannot be part of any entity's internal controls over preparation of the financial statements and are prohibited from auditing their own work, which would impair their independence. We noted the District retained an outside accounting consultant to assist with internal controls and some year-end close assistance.

Recommendation: We recommend the District accounting staff reconcile the general ledger to the underlying support as part of year-end closing procedures prior to the audit, or utilize the outside accountant to verify the accuracy of what is provided to the auditor.

Current Status: This issue still exists. See current year finding 2020-0001.

District Response: The District agrees with the condition stated in the finding. The District has had high turnover in key accounting positions and difficulties in onboarding new staff. Staff identified key deficiencies in the job descriptions of accounting classifications and will be correcting them in FY 2020-21. The District also recognizes that proper processes for general ledger year-end reconciliation will be implemented to ensure financial statements are accurate prior to the start of the audit. The District is currently recruiting key personnel and anticipates implementing proper general ledger closing procedures prior to the FY 2023-24 audit.

FS 2019-004: During our review of the general ledger, we noted after November 2018 that there were many instances of journal entries being posted and reversed and then reposted. Per review of the journal entries we noted that no accounting personnel were reviewing and approving the journal entries that were being prepared and posted by accounting staff and the outside consultants. The lack of review and authorization increases the risk of material misstatements in the financial statements.

Recommendation: In order to reduce the risk of material misstatements we recommend implementing internal controls where journal entries are reviewed and approved, prior to posting the entry by an accounting staff member with adequate skill, knowledge, and experience.

Current Status: Several instances of this were noted in the current year audit as well, including the accrued payroll journal entry that had to be reversed during the audit as this journal entry was recorded twice. The review of journal entries should be documented by the reviewer's initials and date of review and this documentation should be retained based on the District's retention policy.

District Response: The District has had high turnover in key positions, creating the lack of segregation of duties. The District has hired part-time temporary staff to allow for internal controls. The District recognizes that the lack of key personnel and accurate alignment of job duties created silos in which certain journal entries were not reviewed prior to posting. Staff have completed an assessment and have realigned the workflow to include segregation of duties when completing journal entries. The District is currently recruiting key personnel prior to the FY 2020-21 audit and have implemented proper segregation of duties within existing staffing levels.

FS 2019-007: During our review of the general ledger we noted the District was not maintaining a self-balancing set of accounts by fund during the 2018/19 fiscal year. The District recorded a journal entry at year-end to balance the funds. Proper accounting controls would require the individual funds to be self-balancing. The cause of this condition is that the Great Plains accounting program is not specifically designed to be a fund accounting program. The prior administration established procedures to make the system function like a fund accounting program, however the method is very complex and with the turnover that occurred during the 2018/19 fiscal year, the accounting entries required to keep the funds in balance were not being maintained. This is a condition that could lead to a qualified opinion in the auditor's report if it is not corrected.

Recommendation: We recommend the District consider purchasing accounting software that is designed for fund accounting.

Current Status: This issue still exists. The District should consider setting up their accounting system on a fund basis to ensure the funds remain in balance when recording journal entries.

District Response: The District recognizes the limitation in the current financial system and is working to set up the correct accounts to ensure proper fund accounting. The District is looking into implementing a new ERP system that is specifically designed for governmental fund accounting. The District anticipates the new ERP implementation for the FY 2021-22.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

FS 2019-008: During our testing of accrued payroll benefit liabilities, we noted that many of the accounts did not agree to the underlying support. We also noted that many of the payroll benefit liability accounts had debit balances, which is a negative balance for a liability account.

Recommendation: We recommend the District reconcile the accrued payroll benefit liability accounts to the underlying documentation and verify that the liability accounts are being allocated to the funds based on direct allocations or by the approved allocation formula.

Current Status: The payroll liabilities were written off in fiscal year 2020/21.

FS 2019-009: During our review of bank reconciliations, we noted instances where the reconciliations were not performed in a timely manner after month-end and also instances where the reconciliations were not initialed by a reviewer other than the person preparing the bank reconciliation.

Recommendation: We recommend preparing the bank reconciliations in a timely manner after month-end and that a staff member, who is not part of the cash collection, cash receipting or has check signing authority, review, date and initial the bank reconciliations.

Current Status: This issue still exists to some extent. In the fiscal year 2019/20 audit, the District provided bank reconciliations for June 30, 2020 that were generated from the accounting system; however, the book balance did not agree to the general ledger balances. The District was able to prepare manual bank reconciliations with immaterial differences. We recommend the District determine if the system-generated reconciliations can be relied upon in the future.

District Response: The District has lacked key personnel to complete the monthly bank reconciliations in a timely manner. The District is currently recruiting for personnel and has been utilizing an outside consultant to assist with the monthly reconciliations and will transfer the knowledge when key personnel are onboarded. This issue should be considered resolved for the FY 2020-21 audit.

FS 2019-011: During our testing of accounts receivables we noted the District had numerous non-active customer accounts with credit balances. The total of the non-active customer credit balances was $18,774. We also noted this condition in the prior audit. These accounts use the code OFFC in the platinum billing system.

Recommendation: The District should determine their legal responsibility for returning the funds to customers for these credit balance accounts prior to the board approving them to be written off. The District should also run the credit balance report as of June 30, the financial statement reporting date.

Current Status: These credit balances still exist at June 30, 2021.

District Response: The District has utilized an external consultant to maintain and manage the utility accounts due to lack of key personnel to manage the customer accounts appropriately. The District is currently recruiting for personnel that will manage and maintain customer accounts and will develop procedures to prevent receivables and determine the course of action to either return the funds or request approval from the Board to write-off the outstanding balances.

FS 2019-013: During our testing of prepaid expense, we noted the general ledger balances were not reconciled to the underlying support. We noted $14,579 recorded as prepaid workers compensation, whereas our expected balance was zero, as the District made all the required 2018/19 fiscal year contributions in the 2018/19 fiscal year. It appears that after the November 2018 allocations were made to prepaid workers compensation from the water and security funds, resulting in a negative $5,631 prepaid workers compensation balance in the water fund.

We also noted the prepaid expense balances, all funds 1260-99, carried over from the prior fiscal year totaling $19,779, were not reversed in the current fiscal year resulting in an overstatement of prepaid expense and an understatement of expense.

Recommendation: This issue was resolved in fiscal year 2020/21.

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