



## RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 Jackson Road, Rancho Murieta, CA 95683

Office - 916-354-3700 \* Fax - 916-354-2082

### FINANCE COMMITTEE

*(Directors John Merchant and Martin Pohl)*

Special Meeting

May 14, 2021 at 10:00 a.m.

**This meeting will be held via ZOOM** video conference only pursuant to Gov. Newsom Executive Order N-29-20. You can join the conference by (1) logging on to <https://us02web.zoom.us/j/81488223099>, entering Meeting ID no. 814 8822 3099, and using the audio on your computer, or (2) dialing into 1-669-900-9128 and entering the meeting code 814 8822 3099. Those wishing to join with audio only can simply call the telephone number above and enter the code. Participants wishing to join the call anonymously have the option of dialing \*67 from their phone. Please refer to your telephone service provider for specific instructions. **PLEASE NOTE – MOBILE DEVICE USERS MAY NEED TO INSTALL AN APP PRIOR TO USE AND MAC AND PC DESKTOP AND LAPTOP USES WILL REQUIRE YOU TO RUN A ZOOM INSTALLER APPLICATION – PLEASE FOLLOW DIRECTIONS AS PROVIDED BY ZOOM. IT IS RECOMMENDED YOU ATTEMPT TO LOGIN AT LEAST 5 MINUTES BEFORE THE START OF THE MEETING.**

### AGENDA

1. Call to Order
2. Comments from the Public
3. Discuss Reserve Special Board Meeting
4. Review CFD 2014-1 Bond
5. Review Fiscal Year 2019-20 Annual Audit Draft
6. Discuss RFP for Financial System Enterprise Resource Program (ERP)
7. Review FY 2021-22 Budget with CIP's
  - a. Discuss Removal of \$6.00 Charge on Utility Bill
8. Discuss Revamping of Monthly Finance Report
9. Discuss Security Service Opinion Survey Update

## **10. Directors and Staff Comments/Suggestions**

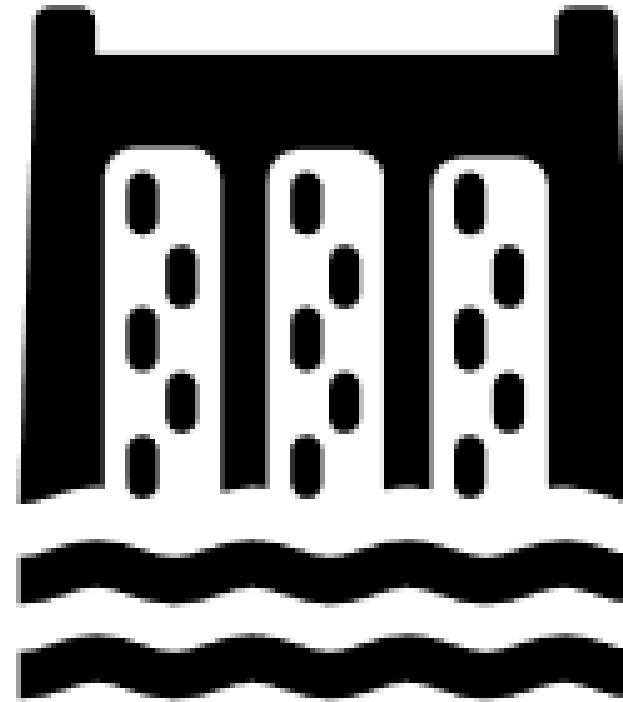
## **11. Adjournment**

"In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item and is distributed less than 24 hours prior to a special meeting, will be made available for public inspection in the District offices during normal business hours. If, however, the document is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting."

In compliance with the Americans with Disabilities Act and Executive Order No. N-29-20, if you are an individual with a disability and you need a disability-related modification or accommodation to participate in this meeting or need assistance to participate in this teleconference meeting, please contact the District Office at 916-354-3700 or [awilder@rmcsd.com](mailto:awilder@rmcsd.com). Requests must be made as soon as possible.

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is May 13, 2021. Posting locations are: 1) District Office; 2) Rancho Murieta Association; 4) Murieta Village Association.

		Budgeted Phase I	Actual Phase I	Cost Overrun
RMCS D	35.40%	\$4,358,245	\$5,237,831	(\$879,586)
R&B LOC	33.60%	\$4,136,099	\$4,136,099	\$0
CFD2014-1	31.00%	\$3,818,245	\$3,818,245	\$0
		<u>\$12,312,589</u>	<u>\$13,192,175</u>	<u>(\$879,586)</u>



CFD #2014-1  
1/1/2015

As of 4/30/2021



**Bond**  
**\$5,749,308**





Wilmington Trust

\$5,313,325

\$435,983  
Cost of Issuance  
Expenses



Bond  
\$5,749,308



Wilmington Trust

\$5,313,325

\$435,983  
Cost of Issuance  
Expenses



Bond

\$5,749,308

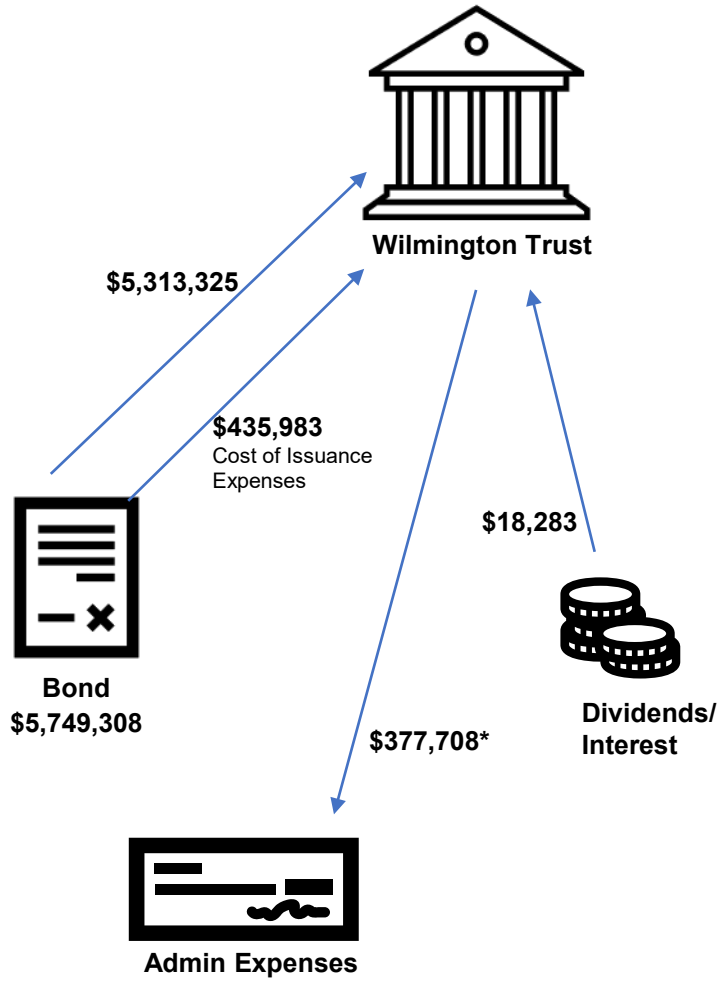
\$377,708\*



Admin Expenses

**\*Cost of Issuance**

Norton Rose Fulbright US LLP	50,000
Kosmont Companies	114,904
Stradling Yocca Carlson & Rauth	60,000
Wilmington Trust NA	3,300
Rancho Murieta Properties LLC	145,096
CA Debt & Investment (CDIAC)	894
ImageMaster LLC	3,513



**\*Cost of Issuance**

Norton Rose Fulbright US LLP	50,000
Kosmont Companies	114,904
Stradling Yocca Carlson & Rauth	60,000
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ImageMaster LLC	3,513



Wilmington Trust



Bond  
\$5,749,308

\$5,313,325

\$435,983  
Cost of Issuance  
Expenses

\$18,283



Dividends/  
Interest

Construction Expenses \$4,358,245  
98,282

Cost of Issuance	57,643
Admin Funds Disb	40,639



Bank of America CFD

\$377,708\*



Admin Expenses

**\*Cost of Issuance**

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Bank of America CFD

\$545,310 Principal/Interest  
9,000 Admin Trust fees

\$377,708\*



Admin Expenses

**\*Cost of Issuance**

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\$377,708\*



Bank of America CFD

\$90,055

Account Analysis Fee	7,323
Bartkiewicz, Kronick & Shanahan	6,281
Corelogic	13,846
Office Expense/St of CA	1,023
Larry Bain, CPA	15,000
NBS	46,582



Admin Expenses

\*Cost of Issuance

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Corelogic	13,846
Office Expense/St of CA	1,023
Larry Bain, CPA	15,000
NBS	52,725



Bank of America CFD

Principal/Interest  
\$76,875

Construction  
\$3,818,245  
Cost of Issuance  
54,180

\$545,310 Principal/Interest  
9,000 Admin Trust fees





Wilmington Trust



Bond  
\$5,749,308

\$5,313,325

\$435,983  
Cost of Issuance  
Expenses

\$18,283



Dividends/  
Interest

\$377,708\*

Construction Expenses \$4,358,245  
98,282

Cost of Issuance 57,643  
Admin Funds Disb 40,639



Bank of America CFD

Principal/Interest  
\$76,875

Construction  
\$3,818,245  
Cost of Issuance  
54,180

\$632,687 Principal/Interest

\$545,310 Principal/Interest  
9,000 Admin Trust fees

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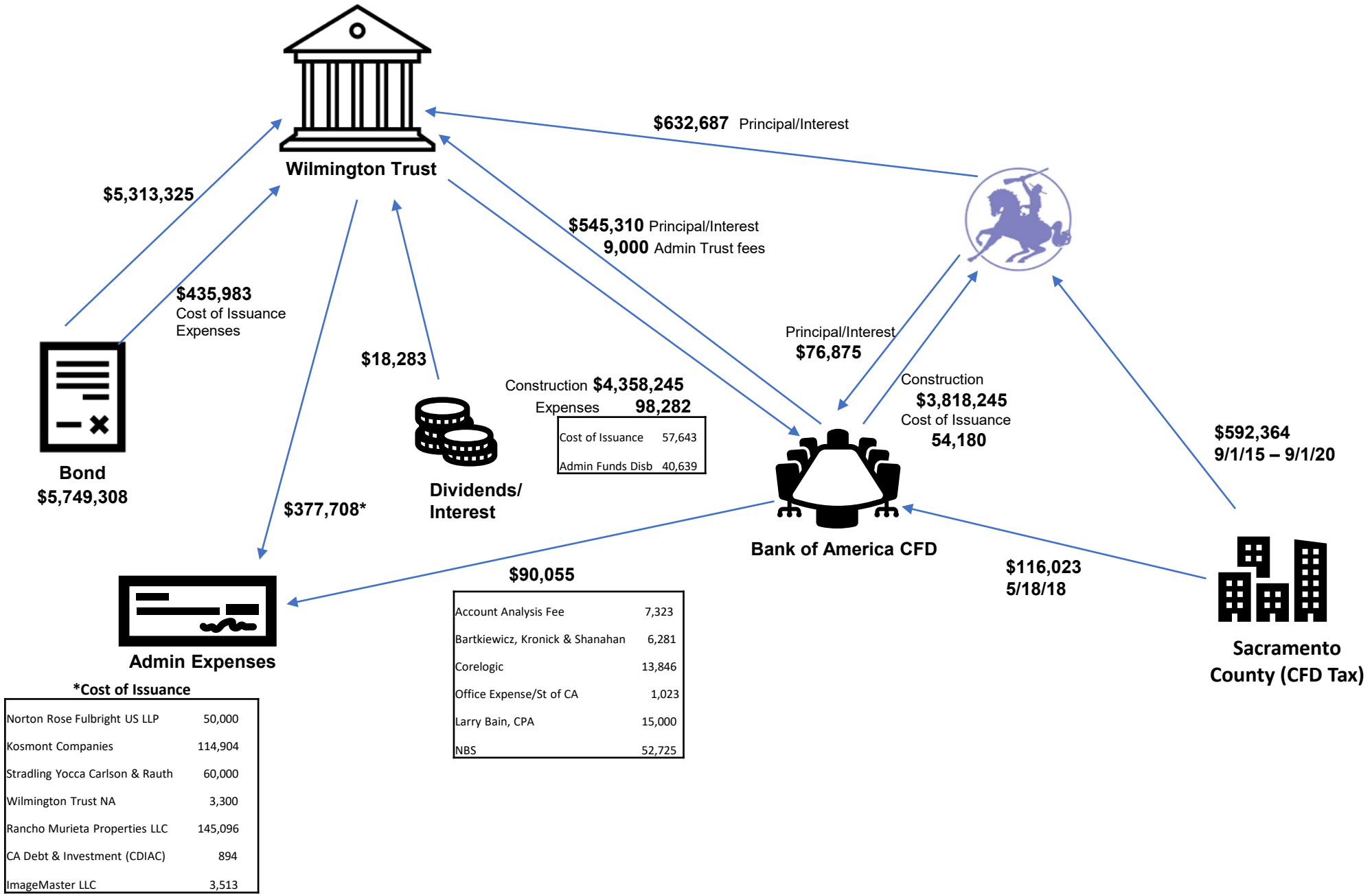


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## MEMORANDUM

Date: May 13, 2021  
To: Finance Committee  
From: Tom Hennig, General Manager  
Subject: Receive and File 2019 – 2020 Rancho Murieta Community Services  
District Annual Audit Report

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### RECOMMENDED ACTION

No Action – Receive and File

### BACKGROUND

Enclosed is the *draft* audit report related to the 2019-20 fiscal year. Ingrid Sheipline from Richardson & Company, LLP (District Auditor) will attend the May 14, 2021 Special Finance Committee meeting and the May 19, 2021 Board meeting to present the final audit and to answer any questions of the Board of Directors.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
SUMMARY OF FISCAL YEAR 2019/20 AUDIT RESULTS

Reports issued

- Auditors opinion on the financial statements (District and CFD)
- Report on internal control and compliance
- Required communications letter
- Management letter with recommendations

Independent Auditor's Report (pages 1 to 2)

- Unmodified (clean) opinion

Highlights of financial statements

- Management discussion & analysis (pages 3 to 8)
- Statements of Net Position (pages 9 and 10)
  - Negative unrestricted net position of \$1.1 million
- Statements of Revenue/Expense (pages 11 and 12)
  - Revenue exceeded expenses in drainage and security funds
  - Expenses exceed revenue in water, sewer and solid waste funds
  - Includes depreciation, pension and OPEB entries not affecting cash
- Net position components, Note 6 (pages 28 and 29)
- Pension Plan, Note 7 (pages 29 to 33)
  - Pension liability of \$3,560,102, based on 2019 CalPERS valuation
  - Increased \$401,444
- OPEB Plan, Note 8 (pages 33 to 36)
  - OPEB liability of \$1,957,488 based on 2019 actuarial valuation
  - Increased \$596,368
  - Contributions to trust in fiscal year 2019/20 of \$292,596

Internal Control and Compliance report (pages 42 to 48)

- Material weaknesses in internal control noted
  - Year-end closing procedures need improvement
  - Developer-constructed infrastructure not recorded
  - Reliance on auditor for financial statement preparation
  - CFD activity to be recorded in proper fund
  - Fund accounting not maintained
- Significant deficiencies from prior audit not yet addressed
  - Review of journal entries to be documented
  - Payroll liability accounts to be reviewed and cleared out
  - Bank reconciliations to be reviewed and eventually performed in the system
  - Non-active customers with credit balances
  - Improvements in accounting for prepaids
- Complied with laws, contracts material to financials

Required communications letter

- Areas where estimates are used
- 47 Audit adjustments
- Indication of improvement needed to financial reporting process

Management letter

- Several areas for improvement identified

**DRAFT**

RANCHO MURIETA COMMUNITY FACILITIES  
DISTRICT NO. 2014-1

Audited Financial Statements

June 30, 2020

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rancho Murieta Community Facilities District No. 2014-1  
Rancho Murieta, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rancho Murieta Community Facilities District No. 2014-1 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

\_\_\_\_\_, 2021

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

As of June 30, 2020

	General Fund	Adjustments (Note G)	Statement of Net Position
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 281,385		\$ 281,385
Assessments receivable	691,092		691,092
Restricted cash	391,762		391,762
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 1,364,239</u>	<u>-</u>	<u>1,364,239</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 212		212
Due to Community Services District	127,589		127,589
Interest payable, due within one year		\$ 84,912	84,912
Special assessment debt, due within one year		135,000	135,000
Note payable, due after one year		5,565,000	5,565,000
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	127,801	5,784,912	5,912,713
<b>DEFERRED INFLOWS</b>			
Unavailable revenue	689,286	(689,286)	
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balances:			
Nonspendable			
Unassigned	547,152	(5,095,626)	
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	547,152	(5,095,626)	
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,364,239</u>		
<b>Net Position</b>			
Restricted			391,762
Unrestricted			(4,940,236)
		<u>          </u>	<u>          </u>
TOTAL NET POSITION		<u>\$ -</u>	<u>\$ (4,548,474)</u>

The accompanying notes to component unit financial statements are an integral part of this statement.

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2020

	General Fund	Adjustments (Note H)	Statement of Activities
<b>EXPENDITURES</b>			
General government	\$ 15,145		\$ 15,145
Debt service:			
Principal payments	130,000	\$ (130,000)	
Interest expense	255,440	(1,192)	254,248
TOTAL EXPENDITURES	<u>400,585</u>	<u>(131,192)</u>	<u>269,393</u>
<b>GENERAL REVENUES</b>			
Taxes and assessments	80,261	347,176	427,437
Investment income	5,326		5,326
TOTAL GENERAL REVENUES	<u>85,587</u>	<u>347,176</u>	<u>432,763</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(314,998)	478,368	163,370
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance/net position, beginning of the year, as previously reported	862,150	(5,916,104)	(5,053,954)
Prior period adjustment		342,110	342,110
Net position, beginning of the year, as restated	<u>862,150</u>	<u>(5,573,994)</u>	<u>(4,711,844)</u>
	<u>\$ 547,152</u>	<u>\$ (5,095,626)</u>	<u>\$ (4,548,474)</u>

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

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the more significant accounting policies of the Rancho Murieta Community Facilities District No. 2014-1 (the District) is presented to assist the reader in interpreting the financial statements and other data in this report. The accounting policies of the District conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity: The Rancho Murieta Community Services District, Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) was formed on September 5, 2014, by resolution of the Rancho Murieta Community Services District's Board of Directors for the sole purpose of acquiring and constructing water facilities that will benefit the inhabitants within the Rancho Murieta Community. In order to finance the expansion of water facilities, special tax bonds totalling \$5,960,000 were issued pursuant to the Mello-Roos Community Facilities Act of 1982.

During the 2016/17 fiscal year, the new water facility was paid for with CFD 2014-1 bond proceeds and transferred to the Rancho Murieta Community Services District. Additional construction costs were funded by developers under financing agreements and by the Rancho Murieta Community Services District.

Basis of Presentation—Government-wide Financial Statement: The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The District has only governmental activities, which are supported by taxes and intergovernmental revenues.

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

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

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

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds. The District has only a General Fund.

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property tax revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental funds are used to account for the District's expendable financial resources and related liabilities. The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Budget and Budgetary Accounting: The CFD 2014-1 is not required to adopt an annual appropriated budget but does, however, adopt a budget for management purposes. Therefore, no budgetary comparison is required.

Restricted Assets: Cash held with fiscal agent, as well as certain resources set aside for special assessment debt repayment, are classified as restricted assets on the balance sheet because their use is limited by loan covenants.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of 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.

Net Position/Fund Equity: The government-wide financial statements utilize a net assets presentation. Net assets consist of the following:

Restricted Net Position – This amount consists of amounts restricted from external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2020:

Deposits with financial institutions	\$ 146,191
Investments	<u>135,194</u>
Total Cash and Investments	<u><u>\$ 281,385</u></u>

Investments Authorized by the California Government Code and the District’s Investment Policy: The table below identifies the investment types that are authorized for the Rancho Murieta Community Services District Community Facilities District No. 2014-1. (District) by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

Investments Authorized by Debt Agreements: Investments held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The Table below identifies the investment types that are authorized for investments held by trustees. The table also identifies certain provisions of the debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None
Money Market Accounts	N/A	None	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.

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2020:

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
Treasury funds	\$ 135,194	\$ 135,194	
Totals	\$ 135,194	\$ 135,194	

**Credit Risk:** Generally, credit risk is the risk that an issuer of an investment will not fulfil 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) California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End	
				AAA	Not Rated
Treasury funds	\$ 135,194	N/A		\$ 135,194	
Totals	\$ 135,194			\$ 135,194	

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2020, there are no investments in any one issuer that represent 5% or more of total District investments.

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 deposit 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 of 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 or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair 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 the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2020 there were no CFD 2014-1 deposits with financial institutions in excess of federal depository insurance limits required to be held in collateralized accounts.

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, 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.

NOTE C – SPECIAL TAX

The CFD 2014-1 started levying the special tax against property owners during the 2016/17 fiscal year. The special taxes are collected through the secured property tax rolls of the County of Sacramento. The special tax represents the amount to be assessed to the property owners to pay bond principle and interest. In the event property owners are delinquent in their payments, the CFD 2014-1 is required to initiate foreclosure proceedings within 150 days following the date of delinquency. CFD 2014-1 will refer pending delinquency cases to the CFD 2014-1's legal counsel for collection.



RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE D – SPECIAL ASSESSMENT DEBT

The Rancho Murieta Community Services District adopted a resolution for the formation of Rancho Murieta Community Services District Community Facilities District No. 2014-1 (Rancho North/Murieta gardens) (“CFD No. 2014-1”). CFD No. 2014-1 was formed as part of a financing plan for public infrastructure Facilities and other governmental Facilities to support development of a hotel, commercial, residential and mixed use properties being developed on approximately 828 acres of land within the District boundaries of CFD No. 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 2014-15 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 No. 2014-1 commencing with the fiscal year 2016-17 fiscal year tax levy. Proceeds from the Special Tax will be used to repay the bonded indebtedness and associated costs and to pay directly for the acquisition or construction of authorized Facilities.

The bonds are due in annual payments of \$154,029 to \$391,560 through September 1, 2044, with interest at 4.4% per annum payable from revenues generated through ad valorem tax assessed by the CFD 2014-1 against properties located within the boundaries of the CFD 2014-1.

Long-term liabilities activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Special Assessment					
Debt Series 2014-1	\$ 5,830,000		\$ (130,000)	\$ 5,700,000	\$ 135,000
Total	<u>\$ 5,830,000</u>		<u>\$ (130,000)</u>	<u>\$ 5,700,000</u>	<u>\$ 135,000</u>

Debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$135,000	\$254,735	\$389,735
2022	140,000	250,685	390,685
2023	145,000	246,310	391,310
2024	150,000	241,525	391,525
2025	155,000	236,275	391,275
2026-2030	860,000	1,089,650	1,949,650
2031-2035	1,070,000	880,413	1,950,413
2036-2040	1,345,000	601,350	1,946,350
2041-2045	1,700,000	249,375	1,949,375
Totals	<u>\$ 5,700,000</u>	<u>\$ 4,050,318</u>	<u>\$ 9,750,318</u>

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – RESERVE FOR BOND SERVICE

By the terms of the bond indenture, \$392,831 of the proceeds from the bond issue were set aside for the purpose of paying any delinquent bond interest and principle payments. The balance held in reserve as of June 30, 2020 is \$398,040, which represents the initial deposit plus accrued interest.

NOTE F – NET POSITION DEFICIT

CFD 2014-1 governmental activities had an unrestricted net position (deficit) of \$4,711,844 at June 30, 2020. This is due to reporting the special assessment debt with no offsetting long-term special tax receivable in the statement of net position, as required under GASB Statement No. 6. The net position (deficit) is expected to be offset with special tax revenue used to pay the special assessment debt in future years.

NOTE G – RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net assets. The adjustments are as follows:

Total governmental fund balance	\$ 547,152
Special assessment debt and interest payable that is not due and payable in the funds balance sheet current period and, therefore is not reported in the governmental funds balance sheet	(5,784,912)
Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	<u>689,286</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (4,548,474)</u>

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments are as follows:

Net change in fund balance	\$ (314,998)
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Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long term liabilities.

Principal payments	130,000
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The change in accrued interest is recorded as a current liability in the statement of activity, however, interest expense is recorded when paid in the governmental funds	1,192
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Some receivables are deferred in the governmental funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities

Deferral of revenue	<u>347,176</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 163,370</u></u>
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NOTE I – CONTINGENCIES

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point the extent to which COVID-19 may impact the financial condition or results of operations is uncertain and the accompanying financial statements include no adjustments relating to the effects of the pandemic.

NOTE J – RESTATEMENT

During the year ended June 30, 2020, the District determined that tax assessments totaling \$342,110 for the year ended June 30, 2019 had not been accrued. This correction was made as of June 30, 2020 and, as a result, the District's net position increased as of July 1, 2019 by \$342,110. The amount was not received within the availability period so this adjustment had no impact on the fund balance of the general fund.

**DRAFT**

**RANCHO MURIETA  
COMMUNITY SERVICES DISTRICT**

Audited Financial Statements  
and Compliance Report

June 30, 2020

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RANCHO MURIETA COMMUNITY SERVICES DISTRICT

June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Rancho Murieta Community Services District

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020 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 as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## **Other Matters**

### *Required Supplementary Information*

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

\_\_\_\_\_, 2021



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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, 2020. 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 \$32,615,886 (net position). Of this amount, \$7,277,876 is restricted for capital projects, leaving the District in an overall deficit of (\$1,107,061) in unrestricted funds.
- The District's total net position decreased by \$970,043 during the 2019-2020 fiscal year; unrestricted net position decreased by \$4,061,568. The decrease in unrestricted net position is attributed to the separation of funds restricted for capital projects, which were not separated in past years.

**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) optional 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.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

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 **9-17** 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 **18-38** 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 \$32,615,886 (net position) at the close of the most recent fiscal year.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

**Condensed Financial Information**  
**Rancho Murieta Community Services District Net Position**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 11,744,518	\$ 11,352,677
Capital Assets - net of accumulated depreciation	26,449,035	28,425,653
<b>Total Assets</b>	<b>38,193,553</b>	<b>39,778,330</b>
Deferred Outflow of Resources	1,917,545	915,857
<b><u>Liabilities</u></b>		
Current Liabilities	766,804	2,289,854
Long-term Liabilities	6,308,517	4,612,076
<b>Total Liabilities</b>	<b>7,075,321</b>	<b>6,901,930</b>
Deferred Inflow of Resources	419,891	206,328
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	26,445,071	28,417,300
Restricted for Capital Projects	7,277,876	-
Unrestricted Net Position	(1,107,061)	5,168,629
<b>Total Net Position</b>	<b>\$ 32,615,886</b>	<b>\$ 33,585,929</b>

- The District's total net position decreased by \$970,043 during the current fiscal year. The net investment in capital assets decreased \$1,972,229 due mostly to an additional year of depreciation taken and also the write-off studies and other assets not meeting the criteria of a capital asset. Restricted net position increased to \$7,277,876 to segregate connection fees and customer service charges restricted for capital projects, which were included in unrestricted net position in the fiscal year 2018/19 financial statements. After considering the reclassification of restricted funds, unrestricted net position increased \$1,001,456.
- Restricted cash and investments, which are capital reserves designated for capital improvements and replacements, increased \$856,747 due to fees collected exceeding capital project expenditures during the fiscal year.
- The District's Net Pension Liability increased by \$401,444, primarily due to the District's share of the pension liability increasing.
- The District's Net OPEB Liability increased by \$596,368, or 43% 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 \$977,812, or 22% during the current fiscal year.
- The District had two (2) inter-fund borrowings as of June 30, 2020. 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 - \$714,876
  - WTP#1 Borrowing from Water Augmentation Reserves - \$238,298
- 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.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Revenues</b>		
Operating revenues	\$ 6,462,222	\$ 5,856,581
Nonoperating revenues	877,753	2,099,788
Capital revenues	1,376,820	-
<b>Total Revenues</b>	<u>8,716,795</u>	<u>7,956,369</u>
<b>Operating Expenses</b>		
Water	1,211,210	796,591
Sewer	925,718	655,367
Drainage	142,638	127,097
Solid waste	672,942	627,353
Security	1,014,436	1,048,776
General and administration	3,927,830	2,663,069
Depreciation	1,538,107	1,464,192
Nonoperating expense	253,957	22,308
<b>Total Expenses</b>	<u>9,686,838</u>	<u>7,404,753</u>
<b>Change in Net Position</b>	<u>(970,043)</u>	<u>551,616</u>
Net Position, Beginning of Fiscal Year	<u>33,585,929</u>	<u>33,034,313</u>
<b>Net Position, End of Fiscal Year</b>	<u>\$ 32,615,886</u>	<u>\$ 33,585,929</u>

Key elements of the enterprise activities are as follows:

- Total operating revenues increased 10% year-over-year. Water operating revenues increased by \$475,326 or 22%. Sewer operating revenues increased by \$77,465 or 5%. Security operating revenues decreased (\$37,806) or -3%. Drainage operating revenues increased \$57,327 or 28%. Solid Waste revenues increased \$36,392 or 5%.
- Non-operating revenues decreased (\$344,277) or -58% due to largely the Prop 84 grant received in FY 2018-19, as well as the reclassification of service charges collected for capital projects being reported as capital revenues in fiscal year 2018/19.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Water operating expenses (excluding depreciation) increased \$414,619 or 52% primarily due clerical, temp and recruitment costs created by high turnover, legal consulting expenses and rising water treatment expenses
- The Sewer Department collects, treats, and disposes of Rancho Murieta community waste water. Sewer operating expenses (excluding depreciation) increased \$270,357, or 41% due to increased salary costs.
- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses increased \$15,541, or 12% due to increases in wages and District administrative costs.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

- Solid Waste services are provided by contract through California Waste Recovery Services. Operating expenses for Solid Waste increased \$45,589, or 7%. This increase is the result of changes in billable services and increased maintenance and repairs expenses.
- The Security department provides gate and patrol services. Operating expenses for Gate services decreased (\$34,340) or -3%. This decreased is primarily related to less contract staffing needed compared with prior fiscal year and staffing vacancies.
- 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 increased \$1,264,761 or 47%. This increase is due to contract staffing and recruitment expenses during multiple vacancies, and legal and consulting expenses related to water rights.

**Capital Assets**

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>June 30, 2020</u>
<b>Depreciable Capital Assets</b>				
Water Transmission	\$ 7,343,936	\$ 178,256	\$ 513,746	\$ 8,035,938
Water Treatment	23,453,494	-	(491,187)	22,962,307
Studies	890,586	-	(890,586)	-
Collection Facilities	5,118,047	65,225	(232,434)	4,950,838
Drainage Facilities	62,301	-	1,085	63,386
Sewer treatment and disposal	16,219,609	49,578	(299,746)	15,969,441
Lake Chesbro Protection	313,847	12,490	(66,391)	259,946
Waste Discharge	921,976	102,842	(373,202)	651,616
Buildings and improvements	802,360	-	(2,259)	800,101
Vehicles & Equipment	1,757,368	20,711	15,820	1,793,899
<b>Total Depreciable Capital Assets</b>	<u>56,883,524</u>	<u>429,102</u>	<u>(1,825,154)</u>	<u>55,487,472</u>
Less - Accumulated Depreciation	<u>(29,465,301)</u>	<u>(1,538,107)</u>	<u>1,066,486</u>	<u>(29,936,922)</u>
<b>Net Depreciable Capital Assets</b>	<u>27,418,223</u>	<u>(1,109,005)</u>	<u>(758,668)</u>	<u>25,550,550</u>
<b>Non-Depreciable Capital Assets</b>				
Construction in Progress	415,741	93,524	(202,471)	306,794
Land	591,690	-	-	591,690
<b>Total Non-Depreciable Capital Assets</b>	<u>1,007,431</u>	<u>93,524</u>	<u>(202,471)</u>	<u>898,484</u>
<b>Net Capital Assets</b>	<u>\$ 28,425,654</u>	<u>\$ (1,015,481)</u>	<u>\$ (961,139)</u>	<u>\$ 26,449,034</u>

**Capital Assets.** The District's investment in capital assets as of June 30, 2020 amounted to \$26,449,035 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was (7.0%).

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2020**

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

- Three (3) new Effluent Pumps at Water Treatment Plant #1
- WWRP Chloring Gas to Bleach Conversion
- Replace 15' of Sewer Pipe
- Sobon Lane Recycle Water Line
- WWTP West DAF Electrical Panel Replacement
- Flygt Grinder Pump

**Economic Factors and Next Year's Budget and Rates**

The Board of Directors adopted the District's 2020-2021 annual budget on June 17, 2020 which provides for the District's operating and capital costs for the 2020-2021 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 2020-2021, the District increased rates by approximately 8.5% for Water services. Sewer service rates increased by 5.8% and Solid Waste rates went up 3.6%. Special tax rates for Security and Drainage each went up 2.0%. Overall, the average customer's monthly bill for 2020-2021 is projected to be \$9.54 higher than during the previous year.

New capital asset projects provided for in the fiscal year 2020-2021 budget include:

- WWRP Chlorinated Gas to Bleach Conversion
- Lagacy Lane Recycle Water Line
- Hydrostal Sewer Pumps
- Fire Hydrant Replacements
- Main Lift south Stormwater Pump Replacement

Development will continue to be a major focus for the District in the coming year(s). Rancho Murieta Properties, LLC originally submitted preliminary development plans to Sacramento County that included the proposed addition of eight residential villages and one commercial site. Within the eight residential villages, 827 single-family detached lots were planned on roughly 350 net developable acres. As of December 2018, 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, 2020

	Major Funds		
	Water	Sewer	Drainage
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 789,367	\$ 834,636	\$ 186,454
Accounts receivable	377,463	170,356	23,242
Assessments receivable	24,340	11,951	9,949
Due from other government	49,410		
Interest receivable	8,592	11,590	1,653
Prepaid expenses	69,379	24,541	4,192
Due from Community Facilities District (CFD)	49,453	37,981	7,801
Due from developers	12,941		
Total Current Assets	<u>1,380,945</u>	<u>1,091,055</u>	<u>233,291</u>
Capital Assets:			
Non-depreciable	54,359	844,125	
Depreciable, net	17,559,711	7,581,109	47,370
Total Capital Assets, Net	<u>17,614,070</u>	<u>8,425,234</u>	<u>47,370</u>
Other Assets:			
Cash and investments - restricted	3,670,783	3,199,944	337,881
Advances to other funds		714,876	
Total Other Assets	<u>3,670,783</u>	<u>3,914,820</u>	<u>337,881</u>
TOTAL ASSETS	<u>5,051,728</u>	<u>5,005,875</u>	<u>571,172</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow - pensions	351,708	268,528	55,152
Deferred outflow - OPEB	350,438	248,590	46,211
TOTAL DEFERRED OUTFLOWS	<u>702,146</u>	<u>517,118</u>	<u>101,363</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 5,753,874</u>	<u>\$ 5,522,993</u>	<u>\$ 672,535</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 73,303	\$ 118,572	\$ 4,806
Accrued payroll	31,192	12,066	3,167
Developer deposits	239,376	45	9
Customer deposits	15,964	12,188	2,503
Compensated absences	11,592	8,850	638
Capital lease liability - due within one year			
Total Current Liabilities	<u>371,427</u>	<u>151,721</u>	<u>11,123</u>
Noncurrent Liabilities:			
Compensated absences - due after one year	29,546	22,558	1,627
Capital lease liability - due after one year			
Advances from other funds	714,876		
Net pension liability	1,384,880	1,057,352	217,166
Net OPEB liability	676,899	480,172	89,261
Total Noncurrent Liabilities	<u>2,806,201</u>	<u>1,560,082</u>	<u>308,054</u>
TOTAL LIABILITIES	<u>3,177,628</u>	<u>1,711,803</u>	<u>319,177</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow - pensions	121,351	92,651	19,029
Deferred inflow - OPEB	37,323	26,476	4,922
TOTAL DEFERRED INFLOWS	<u>158,674</u>	<u>119,127</u>	<u>23,951</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3,336,302</u>	<u>1,830,930</u>	<u>343,128</u>
<b>NET POSITION</b>			
Net investment in capital assets	17,614,070	8,425,234	47,370
Restricted for capital projects	3,683,154	3,216,387	340,310
Unrestricted	(1,265,582)	475,676	(10,903)
Total Net Position	<u>20,031,642</u>	<u>12,117,297</u>	<u>376,777</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 23,367,944</u>	<u>\$ 13,948,227</u>	<u>\$ 719,905</u>

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

Major Funds		
Solid Waste	Security	Total
\$ 328,549	\$ 14,905	\$ 2,153,911
62,010	147,642	780,713
374	475,854	522,468
		49,410
711	760	23,306
1,749	12,948	112,809
6,394	25,960	127,589
		12,941
<u>399,787</u>	<u>678,069</u>	<u>3,783,147</u>
		898,484
528	361,833	25,550,551
<u>528</u>	<u>361,833</u>	<u>26,449,035</u>
	37,887	7,246,495
		714,876
	<u>37,887</u>	<u>7,961,371</u>
<u>399,787</u>	<u>715,956</u>	<u>11,744,518</u>
45,207	183,538	904,133
12,972	355,201	1,013,412
<u>58,179</u>	<u>538,739</u>	<u>1,917,545</u>
<u>\$ 457,966</u>	<u>\$ 1,254,695</u>	<u>\$ 13,662,063</u>
\$ 144,969	\$ 41,756	\$ 383,406
1,341	24,482	72,248
8	30	239,468
2,052	8,331	41,038
523	7,344	28,947
	1,697	1,697
<u>148,893</u>	<u>83,640</u>	<u>766,804</u>
1,333	18,720	73,784
	2,267	2,267
		714,876
178,004	722,700	3,560,102
25,056	686,100	1,957,488
<u>204,393</u>	<u>1,429,787</u>	<u>6,308,517</u>
<u>353,286</u>	<u>1,513,427</u>	<u>7,075,321</u>
15,599	63,327	311,957
1,382	37,831	107,934
16,981	101,158	419,891
<u>370,267</u>	<u>1,614,585</u>	<u>7,495,212</u>
528	357,869	26,445,071
	38,025	7,277,876
87,699	(393,951)	(1,107,061)
<u>88,227</u>	<u>1,943</u>	<u>32,615,886</u>
<u>\$ 458,494</u>	<u>\$ 1,616,528</u>	<u>\$ 40,111,098</u>



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2020

	Major Funds		
	Water	Sewer	Drainage
Operating Revenues			
Service charges	\$ 2,412,134	\$ 1,438,161	
Special taxes			\$ 205,722
Other charges	239,555	22,997	53,397
Total Operating Revenues	<u>2,651,689</u>	<u>1,461,158</u>	<u>259,119</u>
Operating Expenses			
Source of supply	176,005		
Treatment	598,483		
Transmission and distribution	436,722		
Sewer collection		320,999	
Sewer treatment and disposal		604,719	
Drainage			142,638
Gate services			
Patrol services			
Solid waste			
General and administrative	1,813,123	1,527,702	176,859
Depreciation	866,569	615,879	6,399
Total Operating Expenses	<u>3,890,902</u>	<u>3,069,299</u>	<u>325,896</u>
Net Income (Loss) from Operations	<u>(1,239,213)</u>	<u>(1,608,141)</u>	<u>(66,777)</u>
Nonoperating Revenue (Expenses):			
Taxes	277,084	211,553	43,450
Interest revenue	51,442	88,593	9,448
Loss on disposal of capital assets	(236,239)		
Interest expense	(17,140)		
Miscellaneous nonoperating revenue	1,800	1,458	
Total Nonoperating Revenue (Expenses)	<u>76,947</u>	<u>301,604</u>	<u>52,898</u>
Change in Net Position Before Capital Contributions	<u>(1,162,266)</u>	<u>(1,306,537)</u>	<u>(13,879)</u>
Capital Contributions			
Capital replacement reserve fees	263,954	230,796	
Debt reserve fee	188,221		
Security impact fee			
Water augmentation fees	321,911		
Capital improvement fees	127,209	98,428	19,578
Total Capital Contributions	<u>901,295</u>	<u>329,224</u>	<u>19,578</u>
Change in Net Position	<u>(260,971)</u>	<u>(977,313)</u>	<u>5,699</u>
Net position at beginning of year	<u>20,292,613</u>	<u>13,094,610</u>	<u>371,078</u>
Net Position, End of Year	<u>\$ 20,031,642</u>	<u>\$ 12,117,297</u>	<u>\$ 376,777</u>

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

Major Funds		
Solid Waste	Security	Total
\$ 717,433		\$ 4,567,728
	\$ 1,325,790	1,531,512
	47,033	362,982
<u>717,433</u>	<u>1,372,823</u>	<u>6,462,222</u>
		176,005
		598,483
		436,722
		320,999
		604,719
		142,638
	589,334	589,334
	425,102	425,102
672,942		672,942
200,388	209,758	3,927,830
139	49,121	1,538,107
<u>873,469</u>	<u>1,273,315</u>	<u>9,432,881</u>
<u>(156,036)</u>	<u>99,508</u>	<u>(2,970,659)</u>
35,615	144,597	712,299
4,108	4,432	158,023
		(236,239)
	(578)	(17,718)
	4,173	7,431
<u>39,723</u>	<u>152,624</u>	<u>623,796</u>
<u>(116,313)</u>	<u>252,132</u>	<u>(2,346,863)</u>
		494,750
		188,221
	45,150	45,150
		321,911
	81,573	326,788
	<u>126,723</u>	<u>1,376,820</u>
<u>(116,313)</u>	<u>378,855</u>	<u>(970,043)</u>
<u>204,540</u>	<u>(376,912)</u>	<u>33,585,929</u>
<u>\$ 88,227</u>	<u>\$ 1,943</u>	<u>\$ 32,615,886</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2020

	Major Funds		
	Water	Sewer	Drainage
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,860,561	\$ 1,479,093	\$ 260,436
Payments to employees	(378,021)	(1,540,626)	(241,182)
Payments to suppliers	(2,561,645)	(237,163)	(28,950)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(79,105)	(298,696)	(9,696)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Assessments received	277,490	211,831	37,948
Amounts received/ (paid) from other governments	155,277	(10,841)	(2,227)
Amounts received/ (paid) from other funds	(141,221)	141,221	17,531
Other amounts received	1,800	1,458	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	293,346	343,669	53,252
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(298,728)	(243,246)	(1,805)
Water Augmentation fees received	321,911		
Debt reserve fee received	188,221		
Payments on capital lease			
Interest paid	(17,140)		
Capital fees received	391,163	329,224	19,578
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	585,427	85,978	17,773
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	57,729	95,861	10,486
NET CASH PROVIDED BY INVESTING ACTIVITIES	57,729	95,861	10,486
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	3,602,753	3,807,768	452,520
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,460,150	\$ 4,034,580	\$ 524,335

Major Funds		
Solid Waste	Security	Total
\$ 718,039	\$ 1,576,866	\$ 6,894,995
(827,776)	(250,867)	(3,238,472)
<u>113,088</u>	<u>(1,371,997)</u>	<u>(4,086,667)</u>
<u>3,351</u>	<u>(45,998)</u>	<u>(430,144)</u>
35,881	(106,012)	457,138
(1,825)	(7,410)	132,974
		17,531
	<u>4,173</u>	<u>7,431</u>
<u>34,056</u>	<u>(109,249)</u>	<u>615,074</u>
(890)	(3,612)	(548,281)
		321,911
		188,221
	(4,390)	(4,390)
	<u>126,723</u>	<u>866,688</u>
<u>(890)</u>	<u>118,721</u>	<u>824,149</u>
<u>4,613</u>	<u>4,365</u>	<u>173,054</u>
<u>4,613</u>	<u>4,365</u>	<u>173,054</u>
41,130	(32,161)	1,164,993
<u>287,419</u>	<u>84,953</u>	<u>8,235,413</u>
<u>\$ 328,549</u>	<u>\$ 52,792</u>	<u>\$ 9,400,406</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2020

	Major Funds		
	Water	Sewer	Drainage
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:</b>			
Cash and investments	\$ 789,367	\$ 834,636	\$ 186,454
Cash and investments - restricted	3,670,783	3,199,944	337,881
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 4,460,150</b>	<b>\$ 4,034,580</b>	<b>\$ 524,335</b>
<b>RECONCILIATION OF OPERATING LOSSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Net income (loss) from operations	\$ (1,239,213)	\$ (1,608,141)	\$ (66,777)
Adjustments to reconcile net loss from operations to net cash provided (used) by operating activities:			
Capital assets written off	362,299	377,987	2,599
Depreciation and amortization	866,569	615,879	6,399
Changes in operating assets and liabilities:			
Accounts receivable	29,175	15,174	750
Prepaid expenses	17,588	(2,082)	312
Due from developers	176,081		
Accounts payable	(609,746)	75,363	(11,689)
Accrued payroll	(13,451)	7,129	737
Deposits	73,688	2,747	564
Compensated absences	8,412	1,214	586
Net pension liability	351,999	296,116	75,026
Net OPEB liability	206,224	146,289	27,194
Deferred outflows	(399,248)	(295,616)	(60,041)
Deferred inflows	90,518	69,245	14,644
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (79,105)</b>	<b>\$ (298,696)</b>	<b>\$ (9,696)</b>

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

Major Funds		
<u>Solid Waste</u>	<u>Security</u>	<u>2020</u>
\$ 328,549	\$ 14,905	\$ 2,153,911
	37,887	7,246,495
<u>\$ 328,549</u>	<u>\$ 52,792</u>	<u>\$ 9,400,406</u>
\$ (156,036)	\$ 99,508	\$ (2,970,659)
223	7,447	750,555
139	49,121	1,538,107
141	202,156	247,396
(30)	6,210	21,998
		176,081
43,279	15,401	(487,392)
(474)	(3,906)	(9,965)
463	1,876	79,338
480	4,018	14,710
140,100	(461,797)	401,444
7,634	209,027	596,368
(47,044)	(199,739)	(1,001,688)
14,476	24,680	213,563
<u>\$ 3,351</u>	<u>\$ (45,998)</u>	<u>\$ (430,144)</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

As of June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and investments	\$ 281,385
Assessments receivable	691,092
Restricted cash	<u>391,762</u>
Total Assets	<u><u>\$ 1,364,239</u></u>
Liabilities	
Accounts payable	\$ 212
Due to CSD	127,589
Accrued interest payable	84,912
Due to bondholders	5,700,000
Agency obligations	<u>(4,548,474)</u>
Total Liabilities	<u><u>\$ 1,364,239</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2020

**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).

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.

Agency funds are used to account for assets held by the District in a fiduciary capacity for special assessment districts. 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 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.



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 nonexchange 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.

The District reports the following additional fund types:

Agency Fund – The Agency fund accounts for assets held by the District as an agent for community facility district 2014-1.

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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's), which is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The timing and pattern of recognition of the liability and corresponding deferred outflow of resources recorded is defined in this Statement. This Statement is effective for periods beginning the year ended December 31, 2020.

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 generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense in the period the interest cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No's 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The requirements of this Statement are effective immediately. The implementation dates listed in the paragraphs above were adjusted as indicated in this paragraph.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for the year ended June 30, 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, 2020:

Enterprise Funds:	
Cash and investments	\$ 2,153,911
Restricted cash and investments	7,246,495
Fiduciary Funds:	
Cash and investments	<u>673,147</u>
Total cash and investments	<u>\$ 10,073,553</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Cash and investments were classified under GASB Statement No. 40 as follows at June 30, 2020:

Cash on hand	\$ 250
Deposits with financial institutions	2,656,202
Investments	<u>7,417,101</u>
Total Cash	<u>\$ 10,073,553</u>

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 Statutes 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.

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, 2020:

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investment Type	Total	Remaining Maturity	
		12 Months or Less	13 to 48 Months
Local Agency Investment Fund	\$ 6,250,789	\$ 6,250,789	
CAMP investment pool	639,356	639,356	
Money market mutual fund	526,956	526,956	
Total	<u>\$ 7,417,101</u>	<u>\$ 7,417,101</u>	

**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, 2020 for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings as of fiscal year end	
			AAAm	Not rated
Local Agency Investment Fund	\$ 6,250,789	N/A		\$ 6,250,789
CAMP investment pool	639,356	N/A	\$ 639,356	
Money market mutual fund	526,956	N/A	526,956	
Total investments	<u>\$ 7,417,101</u>		<u>\$ 1,166,312</u>	<u>\$ 6,250,789</u>

**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, 2020, 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 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

At June 30, 2020, the carrying amount of the District's deposits were \$2,656,202 and the balances in financial institutions were \$2,751,904. Of the balance in financial institutions, \$644,871 was covered by federal depository insurance and \$2,107,033 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 \$101,607,078,218 and is managed by the State Treasurer. Of that amount, 96.63 percent is invested in non-derivative financial products and 3.37 percent in derivative financial products and structured financial instruments. 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 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 191 days at June 30, 2020.

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, 2020, these investments of the pool had a value of \$6,480,408,853 and an average maturity of 53 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, 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 uncatagorized.

**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, 2020 was \$17,140 in the Water Fund. The interest rate on the loan at June 30, 2020 was 1.217%. As of June 30, 2020, \$714,876 was outstanding on this advance.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 4 – CAPITAL ASSETS**

**A. Capital assets activity**

The activity in the capital assets for the year ended June 30, 2020 are summarized below:

	Balance at July 1, 2019	Additions	Deletions	Adjustments	Balance at June 30, 2020
<u>Water Fund</u>					
Capital Assets not being depreciated:					
Construction in progress	\$ 415,741	\$ 93,524		\$ (468,546)	\$ 40,719
Land	13,640				13,640
Total Capital Assets not being depreciated	429,381	93,524		(468,546)	54,359
Capital Assets being depreciated:					
Water transmission	7,343,936	178,256		513,746	8,035,938
Water treatment	23,453,494		\$ (244,870)	(246,317)	22,962,307
Studies	810,476			(810,476)	
Vehicles and equipment	589,924	11,995		6,924	608,843
Subtotal	32,197,830	190,251	(244,870)	(536,123)	31,607,088
Less: Accumulated Depreciation	(13,846,762)	(866,569)	8,631	657,323	(14,047,377)
Total Capital Assets being depreciated, net	18,351,068	(676,318)	(236,239)	121,200	17,559,711
Total Capital Assets, Net	<u>\$ 18,780,449</u>	<u>\$ (582,794)</u>	<u>\$ (236,239)</u>	<u>\$ (347,346)</u>	<u>\$ 17,614,070</u>
<u>Sewer Fund</u>					
Capital Assets not being depreciated:					
Construction in progress				\$ 266,075	\$ 266,075
Land	\$ 578,050				578,050
Total Capital Assets not being depreciated	578,050			266,075	844,125
Capital Assets being depreciated:					
Collection facilities	5,118,047	\$ 65,225		(232,434)	4,950,838
Pumping facility	117,662	10,434			128,096
Treatment plant/facilities	16,101,947	39,144		(299,746)	15,841,345
Studies	71,208			(71,208)	
Vehicles and equipment	645,207	7,826		5,284	658,317
Lake Chesbro Protection	313,847	12,490		(66,391)	259,946
Disposal Facilities	549,152				549,152
Discharge	372,824	102,842		(373,202)	102,464
Telemetry building	514,972				514,972
Subtotal	23,804,866	237,961		(1,037,697)	23,005,130
Less: Accumulated Depreciation	(15,207,062)	(615,879)		398,920	(15,424,021)
Total Capital Assets being depreciated, net	8,597,804	(377,918)		(638,777)	7,581,109
Total Capital Assets, Net	<u>\$ 9,175,854</u>	<u>\$ (377,918)</u>	<u>\$ -</u>	<u>\$ (372,702)</u>	<u>\$ 8,425,234</u>



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 4 – CAPITAL ASSETS (Continued)**

	Balance at July 1, 2019	Additions	Deletions	Adjustments	Balance at June 30, 2020
<u>Drainage</u>					
Depreciable assets:					
Studies	\$ 1,786			\$ (1,786)	
Drainage facility	62,301			1,085	\$ 63,386
Subtotal	64,087				63,386
Less: Accumulated Depreciation	(9,524)	\$ (6,399)		(93)	(16,016)
Total Capital Assets, Net	<u>\$ 54,563</u>	<u>\$ (6,399)</u>		<u>\$ -</u>	<u>\$ 47,370</u>
<u>Solid Waste</u>					
Depreciable assets:					
Vehicles and equipment		\$ 890			\$ 890
Subtotal					
Less: Accumulated Depreciation		(139)		\$ (223)	(362)
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ 751</u>		<u>\$ (223)</u>	<u>\$ 528</u>
<u>Security</u>					
Depreciable assets:					
Studies	\$ 7,116			\$ (7,116)	
Vehicles and equipment	522,237			3,612	\$ 525,849
Buildings and improvements	287,389			(2,259)	285,130
Subtotal	816,742			(5,763)	810,979
Less: Accumulated Depreciation	(401,953)	(49,121)		1,928	(449,146)
Total Capital Assets, Net	<u>\$ 414,789</u>	<u>\$ (49,121)</u>		<u>\$ (3,835)</u>	<u>\$ 361,833</u>

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

Water	\$ 866,569
Sewer	615,879
Drainage	6,399
Solid waste	139
Security	49,121
	<u>          </u>
Total Depreciation Expense	<u>\$ 1,538,107</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 5 – LONG-TERM LIABILITIES**

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

	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020	Due within One Year
Compensated absences	\$ 88,021	\$ 14,710		\$ 102,731	\$ 28,947
Capital lease liability	8,354		\$ (4,390)	3,964	1,697
Net pension liability	3,158,658	401,444		3,560,102	
Net OPEB liability	1,361,120	596,368		1,957,488	
<b>Total</b>	<b>\$ 4,616,153</b>	<b>\$ 1,012,522</b>	<b>\$ (4,390)</b>	<b>\$ 5,624,285</b>	<b>\$ 30,644</b>

Capital Leases: On June 7, 2016, the District Board of Directors authorized the financing and purchase of a security vehicle. The cost of the vehicle was \$20,095 and the District took out a \$10,249 lease to finance a portion of the purchase. The District will make monthly payments of \$240 for four years with the interest rate set at 5.85%. The accumulated depreciation on the vehicle at June 30, 2020 totaled \$16,411.

On August 26, 2016, the District Board of Directors authorized the financing and purchase of a 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, 2020 totaled \$14,426.

**NOTE 6 – 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 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
<b>RESTRICTED:</b>				
Capital replacements	\$ 1,796,308	\$ 3,152,811		
Water augmentation	1,886,846			
Capital improvements		63,576	\$ 340,310	
Security projects				\$ 38,025
<b>TOTAL RESTRICTED</b>				
<b>NET POSITION</b>	<b>\$ 3,683,154</b>	<b>\$ 3,216,387</b>	<b>\$ 340,310</b>	<b>\$ 38,025</b>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 6 – NET POSITION (Continued)**

The District’s Water Treatment Plant Construction Fund, which has a deficit balance of \$786,776 borrowed from the Water augmentation Fund to partially fund the water treatment plant project. The balance owed at June 30, 2020 is \$238,298. 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. The Board has designated a portion of the tax assessments for operations of the drainage and security fund.

Although the funds do not have sufficient unrestricted net position to cover all of the designated balances, the funds have sufficient cash balances.

The District’s unrestricted net position consists of the following at June 30, 2020:

	Water	Sewer	Drainage	Solid Waste	Security
DESIGNATED:					
Capital replacement charges			\$ 78,469		\$ 183,647
TOTAL DESIGNATED			78,469		183,647
UNDESIGNATED	\$ (1,265,582)	\$ 475,676	(89,372)	\$ 87,699	(577,598)
TOTAL UNRESTRICTED NET POSITION	\$ (1,265,582)	\$ 475,676	\$ (10,903)	\$ 87,699	\$ (393,951)

**NOTE 7 – 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](http://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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 7 – PENSION PLANS (Continued)**

The Plans’ provisions and benefits in effect for the year ended June 30, 2020 is summarized as follows for each rate plan:

	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Hire date		
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%	6.250%
Required employer contribution rates	10.221%	6.985%

In addition to the contribution rates above, the District was required to make payments totaling \$220,197 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 contributions paid to the Plan were \$393,756 for the year ended June 30, 2020.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2020, the District reported a net pension liability for its proportionate share of the Plan’s net pension liability of \$3,560,102.

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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 plans 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, 2019	0.08381%
Proportion - June 30, 2020	0.08890%
Change - Increase (Decrease)	0.00509%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 7 – PENSION PLANS (Continued)**

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the District recognized pension expense of \$771,588. At June 30, 2020, 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	\$ 393,756	
Differences between actual and expected experience	247,264	\$ (19,158)
Changes in assumptions	169,762	(60,179)
Differences between employer's contributions and proportionate share of contributions		(170,377)
Change in employer's proportion	93,351	
Net differences between projected and actual earnings on plan investments		(62,243)
Total	<u>\$ 904,133</u>	<u>\$ (311,957)</u>

The \$393,756 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2019 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, 2020:

Year Ended June 30	
2021	\$ 220,793
2022	(56,971)
2023	22,023
2024	12,575
	<u>\$ 198,420</u>

Actuarial Assumptions: The total pension liability at the June 30, 2019 measurement dates was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 7 – 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, 2019 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 7 – 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	\$ 5,546,768
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,560,102
1% Increase	8.15%
Net Pension Liability	\$ 1,920,250

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

Payable to the Pension Plan: At June 30, 2020, the District reported payables of \$13,656 for the outstanding amount of required contributions to the Plan.

**NOTE 8 – 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 \$271.54 to \$768.48 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 \$271.54 to \$768.18 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 Director. 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, 2020, the District contributed \$112,500 to the Trust, paid \$135,894 of current retiree premiums and contributed \$44,202 in the form of an implied subsidy of retirement premiums.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

Employees Covered by Benefit Terms: As of the June 30, 2019 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	<u>28</u>
Total	<u><u>49</u></u>

Net OPEB Liability: The District’s net OPEB liabilities were measured as of June 30, 2019, 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, 2019 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](http://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	<u>5.0%</u>	0.00%
Total	<u><u>100.0%</u></u>	

(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%.



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 8 – 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 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 Plans' 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, 2019:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 3,086,172	\$ 1,725,052	\$ 1,361,120
Changes in the year:			
Service cost	119,959		119,959
Interest	218,561		218,561
Differences between expected and actual experience	819,620		819,620
Changes in assumptions	(116,222)		(116,222)
Contributions - employer		352,020	(352,020)
Investment income		93,530	(93,530)
Benefit payments	(170,520)	(170,520)	
Net changes	<u>871,398</u>	<u>275,030</u>	<u>596,368</u>
Balance at June 30, 2019	<u>\$ 3,957,570</u>	<u>\$ 2,000,082</u>	<u>\$ 1,957,488</u>

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	Current Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Net OPEB liability	\$ 2,454,809	\$ 1,957,488	\$ 1,545,671

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:

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

	Current Healthcare Cost		
	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$ 1,510,456	\$ 1,957,488	\$ 2,501,743

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, 2020, the District recognized OPEB expense of \$298,970. At June 30, 2020, the District had deferred inflows related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made subsequent to the measurement date	\$ 292,596	
Difference between projected and actual earnings	8,476	
Change in assumptions		\$ (101,010)
Difference between expected and actual experience	<u>712,340</u>	<u>(6,922)</u>
Total	<u>\$ 1,013,412</u>	<u>\$ (107,932)</u>

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:

<u>Year Ended June 30</u>	
2021	\$ 87,448
2022	87,449
2023	96,598
2024	98,331
2024	92,068
Thereafter	<u>150,990</u>
	<u>\$ 612,884</u>

Payable to the OPEB Plan: At December 31, 2020, there was no payable for the outstanding amount of contributions to the Plan required for the year ended December 31, 2020.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 9 – 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 No. 2014-1”). CFD No. 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 No. 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 No. 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, 2020, is:

Community Facilities District No. 2014-1	<u>\$ 5,700,000</u>
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**NOTE 10 – 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	\$ 25,000,000	None
Property damage	\$ 5,000-100,000	\$ 600,000,000	\$ 250 to 1,000
Employee	\$ 25,000	\$ 15,000,000	\$ 2,500
Workers compensation liability	\$ 300,000	Statutory	None

**NOTE 11 – 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

**NOTE 12 - 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 entered into an agreement with Coastland Engineering in 2020 for engineering services through April 21, 2021. The District pays approximately \$21,000 per month for these services.

Contingencies: On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point the extent to which COVID-19 may impact the financial condition or results of operations is uncertain and the accompanying financial statements include no adjustments relating to the effects of the pandemic.

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REQUIRED SUPPLEMENTARY INFORMATION

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.08890%	0.08381%	0.08399%	0.07992%	0.07967%	0.08554%
Proportionate share of the net pension liability	\$ 3,560,102	\$ 3,158,658	\$ 3,310,789	\$ 2,776,304	\$ 2,185,709	\$ 2,114,104
Covered payroll - measurement period	\$ 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	200.30%	185.75%	179.52%	149.74%	123.00%	118.97%
Plan fiduciary net position as a percentage of the total pension liability	68.19%	75.68%	73.42%	78.44%	81.69%	79.18%

Notes to Schedule:

Reporting valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	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**

	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 393,756	\$ 336,982	\$ 282,817	\$ 269,924	\$ 250,997	\$ 222,235
Contributions in relation to the actuarially determined contributions	(393,756)	(336,982)	(282,817)	(269,924)	(250,997)	(222,235)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 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	19.58%	18.96%	16.63%	14.64%	13.54%	12.51%

Notes to Schedule:

Contribution valuation date	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	15-year smoothed market
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service					
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return and discount rate	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, 2020

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

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



RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2020

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN  
 Last 10 Years**

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

**Notes to Schedule:**

Valuation date 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 earnings 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%
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.

## COMPLIANCE REPORT

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

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2021.

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) to determine the auditing 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 over financial reporting was for the limited purpose described in the preceding paragraph 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 did identify 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 2020-001, 2020-002, 2019-001, 2019-005, 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 2019-004, 2019-008, 2019-009, 2019-011 and 2019-013 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

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected 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.

\_\_\_\_\_, 2021

RANCHO MURIETA COMMUNITY SERVICE DISTRICT

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

MATERIAL WEAKNESSES IN INTERNAL CONTROL

**Current 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 analyzes, 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 indicate 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.

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 2020-21.

**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.

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 2020-21.

RANCHO MURIETA COMMUNITY SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

MATERIAL WEAKNESSES IN INTERNAL CONTROLS

**Prior Year Findings**

**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 reconcile the general ledger to the underlying support as part of year-end closing procedures prior to the audit. We recommend the District accounting staff reconcile the general ledger to the underlying support 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 for key personnel and anticipate implementing proper general ledger closing procedures prior to the FY 2020-21 audit.

**FS 2019-002:** During the current fiscal year audit, we noted the District had a lack of segregation of duties, as one person was capable of handling all aspects of processing certain transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities; however, due to a limited number of personnel and staff turnover that occurred during the fiscal year under audit, an adequate segregation of duties was not possible without incurring additional costs.

**Recommendation:** The District should attempt to segregate accounting functions to the greatest extent possible. The Board of Directors also plays a more vital oversight role in reviewing and authorizing accounting records such as cash disbursements, cash receipts, cash transfers, account write-offs, payroll, journal entries and monthly bank reconciliations. The District has hired an outside consultant to review the current segregation of incompatible duties, which will assist the District in correcting weaknesses.

**Current Status:** The District has mitigated these segregation of duties issues with reviews performed by the General Manager.

**FS 2019-003:** Similar issue was not noted in fiscal year 2019/20.

**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.

RANCHO MURIETA COMMUNITY SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

**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 for key personnel prior to the FY 2020-21 audit and have implemented proper segregation of duties within existing staffing levels.

**FS 2019-005:** During our testing of due to and due from other funds we noted that the District did not transfer the assessments collected on behalf of Community Facility District 2014-1 from the District checking account to the CFD accounts. The District collected \$404,659 on behalf of CFD 2014-1 and then transferred \$129,155 to the CFD 2014-1 trustee in order to pay the interest portion of the semi-annual debt payment. This left \$275,504 in the District checking account as of June 30, 2019 that belongs to CFD 2014-1.

**Recommendation:** We noted the District transferred the funds from the Community Services District to the Community Facility District 2014-1 on July 31, 2019. For future collections, we recommend transferring the funds from the District account to the CFD 2014-1 in a timely manner after collection. We also recommend the District review the CFD 2014-1 debt covenants and discuss with the trustee where the assessment proceeds are legally required to be held after collection.

**Current Status:** The District recorded the revenue properly in the CFD fund in the current year, but the debt service payment was paid from the general fund instead of the CFD, creating a payable in the CFD fund. The District needs to ensure debt payments are made from the proper fund.

**District Response:** The District has had high turnover in key positions and have been unable to keep up with the day-to-day operations with limited staffing levels. Management has taken steps to ensure that as activities arise, they are properly documented to provide training for onboarding of staff. The District recognizes the need for timely transfers and will implement transfer schedules to ensure timely collections. The District is currently implementing proper CFD Assessment procedures prior to the FY 2020-21 audit.

**FS 2019-006:** Similar issue was not noted in fiscal year 2019/20.

**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 not corrected.

RANCHO MURIETA COMMUNITY SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

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 issue still exists. The District has multiple payroll liability and receivable accounts with immaterial balances that have not changed in the past year. The District needs to write off the balances for accounts if they are not needed or cannot be supported.

District Response: Management will review entries to determine the ability to support the balances and will remove balances that are unsupported. The District anticipates this correction in FY 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 2019-010:** Similar issue was not noted in fiscal year 2019/20.

**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 \$18,773.77. We also noted this condition in the prior audit. These accounts use the code OFFC in the platinum billing system.



RANCHO MURIETA COMMUNITY SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020.

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 2019-012:** This item has been addressed.

**FS 2019-013:** During our testing of prepaid expense, we noted the general ledger balances were not reconciled to the underlying support. We noted \$14,578.56 recorded as prepaid workers compensation, whereas our expected balance was \$0, 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 \$5,630.88 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. We passed on creating a journal entry to correct this account.

Recommendation: We recommend the District reconcile the prepaid expense accounts to the underlying supporting documentation as part of year-end procedures and true up these accounts. We recommend the District review how the prepaid expense allocations are coded between funds and credit each fund its equitable share.

Current Status: Prepaid balances at June 30, 2020 included prior year balances that had not been reversed during fiscal year 2019/20, causing the prepaids to be overstated. The District should consider maintaining a spread sheet that tracks prepaid balances, and the amount that should be recognized each month to ensure balances are not overstated.

District Response: The District recognizes the need to ensure accuracy within the prepaid expense allocations and subsequent journal entries. The District is currently recruiting for key personnel and will develop appropriate procedures to reconcile the prepaid expenses and plan to implement a new ERP system in FY 2020-21 to assist with the proper coding.

**DRAFT**



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## MANAGEMENT LETTER

To the Board of Directors and Management  
Rancho Murieta Community Service District  
Rancho Murieta, California

In planning and performing our audit of the financial statements of Rancho Murieta Community Services District (the District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The list below summarizes our comments and suggestions regarding those matters. A separate report dated \_\_\_\_\_, 2021 contains our report on significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated \_\_\_\_\_, 2021, on the financial statements of the District.

### Capital Assets

The following items were noted in the audit of capital assets:

- The capital asset listing included studies and other items that did not appear to meet the criteria for being recorded as a capital asset. Studies were removed during the audit process, but the District needs to review the capital asset list for other items that do not qualify as capital assets that would need to be written off.
- We recommend performing an inventory of capital assets and remove items from the capital asset list that that are no longer in service.
- The District needs to ensure that the capital asset list is compared to the general ledger on a regular basis. During the audit, we noted the capital asset listing did not agree to the general ledger balance by \$70,768. The general ledger was adjusted to match the balance on the listing, as the cause of difference could not be determined.
- The District had difficulty working with the capital asset module within the accounting system, so the asset listing provided for the audit was downloaded from the accounting system into Excel. The District needs to evaluate whether the listing in the software can be updated and used going forward.
- We recalculated accumulated depreciation for a sample of assets and noted discrepancies. The District needs to determine whether the accounting system is calculating depreciation correctly.
- The District was unable to generate a list of capital assets by fund to compare the asset listing to the general ledger by fund. The District was also unable to generate a listing of capital assets by asset type to reconcile to the individual general ledger accounts.

- The District was unable to provide the accumulated depreciation amounts by asset type as required by government accounting principles for disclosure in the footnotes.

We recommend that the District review its capital asset system to determine whether it can account for its capital assets correctly.

#### Documentation of Review Procedures

To address a prior audit finding related to segregation of duties, the District implemented a review process whereby the General Manager would review journal entries, bank reconciliations, payroll and other types of supporting documents. However, there was no documentation maintained containing evidence of such reviews. We recommend that the General Manager and others reviewing accounting documents initial and date these documents, and that these approved documents be retained consistent with the District's retention policy.

#### Reserves and Reserve Policy

We reviewed the District's reserve policy and compared reserves established in the policy to reserve amounts recorded in the District's general ledger and noted inconsistencies. We recommend that the District review their reserve policy and update it as needed. The District should then ensure the balances established in the general ledger are consistent with the policy.

As part of the review of the reserve policy, the District needs to determine the implications and plan for addressing certain reserves in the general ledger that have a negative balance. These reserves with a negative balance include the following: Water Capital Improvement Fee Reserve, Water Treatment Plant Construction Fund Reserve and Security Capital Improvement Fee Reserve.

We also noted that as part of the budget process, the District approved transfers to property tax assessments to the Drainage and Security Funds, but these budgeted transfers were not reflected in the reserve accounts in the general ledger. The District needs to ensure that such transfers are properly reflected in the accounting system.

#### Procedure Manuals

The District's procedures manuals have not been updated since 2010, with many documents referring to specific employee by first name only rather than position title, contain usernames and passwords. The District needs to update the procedures manual with up-to-date procedures, reference positions rather than names, and exclude usernames and passwords. Having an updated procedure manual is needed to ensure proper internal control and continuity with turnover of positions.

#### Accounts Payable

The District was unable to generate a system-generated listing of accounts payable outstanding as of June 30, 2020. It appears that the District has not been entering invoices into the accounting system upon receipt, but only upon payment of the invoices. As a result, the District prepares manual journal entries to accrue payables at year-end. The District also did not prepare a listing of what makes up the accounts payable balance at June 30, 2020 and upon review during the audit, it was determined that certain amounts were incorrectly accrued. The District needs to ensure invoices are tracked within the accounting system and that the accounts payable listing be generated on a monthly basis and compared to the balance in the general ledger.

### Billing System Integration

The District's billing system does not currently interface with the general ledger, resulting in the District preparing extensive spreadsheets each month to record the customer billings and payments in the general ledger. We recommend the District consider a new system that includes the billing system as a module within the general ledger system.

To verify the accuracy of the manual entries made in the accounting system to record the customer billing and payment activity, the District needs to compare, at least quarterly, the accounts receivable balance in the billing system to the general ledger. We performed this comparison during the audit and noted the balances did not match by a significant amount and were adjusted during the audit process.

### General Fund Allocations

The District maintains a General Fund their accounting system, although for financial reporting purposes, this fund is not reported separately, but all balance sheet and income statement accounts are allocated to the other funds. This is a cumbersome process for financial reporting purposes, so we recommend the District evaluate the need for having a separate General Fund and determine whether transactions can be allocated initially to each fund, instead of recording them first in the General Fund and then allocating balance to other funds at year end. This re-allocation is performed outside of the accounting system, so the balances in the general ledger do not match the balances in the audited financial statements.

In previous years, the District set up a Department 99 code in the accounting system to allocate General Fund balance to all other funds. These allocation entries were not made in fiscal year 2019/20. However, various receivable and payable balances remained in these accounts from past years that were not adjusted or removed during fiscal year 2019/20. The District needs to write off or consolidate these balances in the Department 99 code accounts.

### Investment Policy

The District last updated the investment policy in 2016. The government code requires that the investment policy be reviewed by the Board annually. The District needs to include the investment policy on the Board agenda on an annual basis for review to comply with the government code.

### Developer Deposits

The District recorded expenses related to developer projects directly against the developer deposit liability account when paid instead of recording the expense in an expense general ledger account and then recognizing this same amount as revenue, reducing the deposit liability balance. The District adjusted for this during the audit process but needs to ensure that its accounting process are revised to ensure the transactions are recorded correctly throughout the year.

### Anti-fraud and whistleblower policies

The District does not have either an anti-fraud policy or a whistleblower policy. The District should adopt an Anti-Retaliation/Whistle Blower Policy, including fraud reporting procedures, and include them in the Personnel Manual. These procedures should include a discussion of what types of activities constitute fraud or contracting improprieties, how an employee should report such suspected fraud or contracting improprieties and to whom or where an employee should report such activities, including reporting procedures if an employee's supervisor or a member of senior management is suspected of these activities.

Risk Assessment Process

We recommend that the District develop a risk assessment process to identify those risks within the District that could result in fraud or material misstatement of the financial statements, and then to implement internal controls to mitigate those identified risks. This risk assessment process should involve discussing potential risk areas with the Board and staff and then ensure controls or process are in place to mitigate those risks. This risk assessment process should be performed on a periodic basis and can be incorporated into existing Board and staff meetings by adding an item to the agenda to discuss these risks.

Inventory

The District maintains an inventory of meters and associated parts, as well as water and sewer pipe and fittings; however, these items are expensed as the items are purchased rather than being tracked these items through an inventory account and system. The District should evaluate whether the level of inventory maintained on-hand warrants tracking this inventory in the accounting system and through a maintenance management system.

\* \* \* \* \*

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

\_\_\_\_\_, 2021

## MEMORANDUM

Date: May 14, 2021  
To: Finance Committee  
From: Paula O'Keefe, Director of Administration  
Subject: Review and Consider Proposed Prop 219 Changes and Introduce New Capital Projects

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### RECOMMENDED ACTION

Finance staff are proposing the Committee review the proposed Prop 218 changes and review and discuss FY 2021-22 Capital Projects

### BACKGROUND

Budgets for Special Districts in California are required to be approved by the Board of Directors prior the beginning of each fiscal year. The process begins with a Proposition 218 Budget Hearing and ends with the Second Reading of the budget at a Board meeting in June. The District is required to submit the Prop 218 budget to the Residents and Commercial Businesses in Rancho Murieta at least forty-five days before the first reading of the budget at a May Board meeting.

For Fiscal Year 2021-22, the Prop-218 budget hearing took place at a Special Board meeting on April 1. The total proposed revenue budget was \$7,998,989, which was an increase of 11% over the previous year. A significant portion of this increase is due to the lack of sufficient funding for reserves to cover deferred maintenance and capital projects, both prior and current. Additionally, there were significant increases in staffing costs related to collective bargaining, sole waste fees and general increases in ongoing maintenance in our aging infrastructure.

Staff are aware of the large increase in reserve contributions has an impact on the utility bill and are proposing a change to the Prop 218 budget to remove the \$6 interfund loan. Based on comments during meetings held on April 14 separately with Directors Merchant and Pohll to assess options for reduction of the average bill, we are recommending a reduction of the \$6 used to build the water treatment plant in 2014. Staff are recommending the District use available retained revenues from the past few fiscal years as a source to pay off the interfund loan and eliminate the debt obligation. The total amount of available retained revenues is currently in review and will be presented to the Board at a special Board meeting on June 4. This action will reduce the sample bill to 13.79% from 17%, however, will also reduce the fund balance by \$830,000.

### DISCUSSION

Finance staff recently conducted a reserve study, which will be presented to the Board at a Special Board hearing on June 4. This presentation will focus on a long term reserve program and will review prior years approved Capital Improvement Projects and a detailed review of the recently completed reserve study. Ensuring the District moves forward with the appropriate

action on these items will put the District in a position to manage capital projects on a multi-year basis and assist the Board in making appropriate recommendations regarding reserve contributions and approval of capital projects in the future.

### **PROPOSED ADJUSTMENTS**

**Option A** – This option would continue with the recommended increase in the rates by 17% for the Residential metered lots behind the gates, and an increase of 18.6% for those living in Murieta Village & Murieta Gardens II.

**Option B** – This option will remove the \$6 from both which would reduce the overall increase from 17% to 13.79% for Residential metered lots behind the gates and from 18.6% to 14.31% increase for those living in Murieta Village & Murieta Gardens II. This would also require the Board to approve the payment of \$830,000 from existing reserves to eliminate the debt obligation.

### **SUMMARY**

Staff are asking the Board to consider moving the approval of this item to the May 19 Board Hearing.



# Rancho Murieta Community Services District

FY 2021-22

Proposed Budget



Photo by Natachia Taylor





**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**FY 2021-22 Proposed Budget**  
**Personnel Listing**

	<b>FY 2019-20 Adopted</b>	<b>FY 2020-21 Adopted</b>	<b>FY 2021-22 Proposed</b>
<b>ADMINISTRATION</b>			
GENERAL MANAGER	1.0	1.0	<b>1.0</b>
DISTRICT SECRETARY	1.0	1.0	<b>1.0</b>
DIRECTOR OF ADMINISTRATION	1.0	1.0	<b>1.0</b>
ACCOUNTING MANAGER	1.0	1.0	<b>1.0</b>
ACCOUNTANT	1.0	1.0	<b>1.0</b>
ACCOUNTING TECHNICIAN	1.0	1.0	<b>1.0</b>
OFFICE TECHNICIAN	1.0	1.0	<b>1.0</b>
<b>SUBTOTAL</b>	<b>7.0</b>	<b>7.0</b>	<b>7.0</b>
<b>OPERATIONS</b>			
DIRECTOR OF OPERATIONS	1.0	1.0	<b>1.0</b>
CHIEF PLANT OPERATOR	1.0	1.0	<b>1.0</b>
PLANT OPERATOR I, II, III	4.0	4.0	<b>4.0</b>
EQUIPMENT MECHANIC	1.0	1.0	<b>1.0</b>
UTILITIES SUPERVISOR	1.0	1.0	<b>1.0</b>
UTILITY WORKER I, II, III	5.0	5.0	<b>5.0</b>
TEMP UTILITY WORKER	0.5	0.5	<b>0.5</b>
INSPECTION & COMPLIANCE OFFICER	0.0	0.0	<b>1.0</b>
OPERATOR IN TRAINING	1.0	1.0	<b>1.0</b>
<b>SUBTOTAL</b>	<b>14.5</b>	<b>14.5</b>	<b>15.5</b>
<b>SECURITY</b>			
SECURITY SUPERVISOR	1.0	1.0	<b>1.0</b>
SERGEANT - PATROL	1.0	1.0	<b>1.0</b>
PATROL OFFICER	5.0	5.0	<b>5.0</b>
GATE OFFICER	8.0	8.0	<b>8.0</b>
PART-TIME GATE OFFICER	1.0	1.0	<b>1.0</b>
TEMP GATE OFFICER	1.0	1.0	<b>1.0</b>
<b>SUBTOTAL</b>	<b>17.0</b>	<b>17.0</b>	<b>17.0</b>
<b>TOTALS</b>	<b>38.5</b>	<b>38.5</b>	<b>39.5</b>

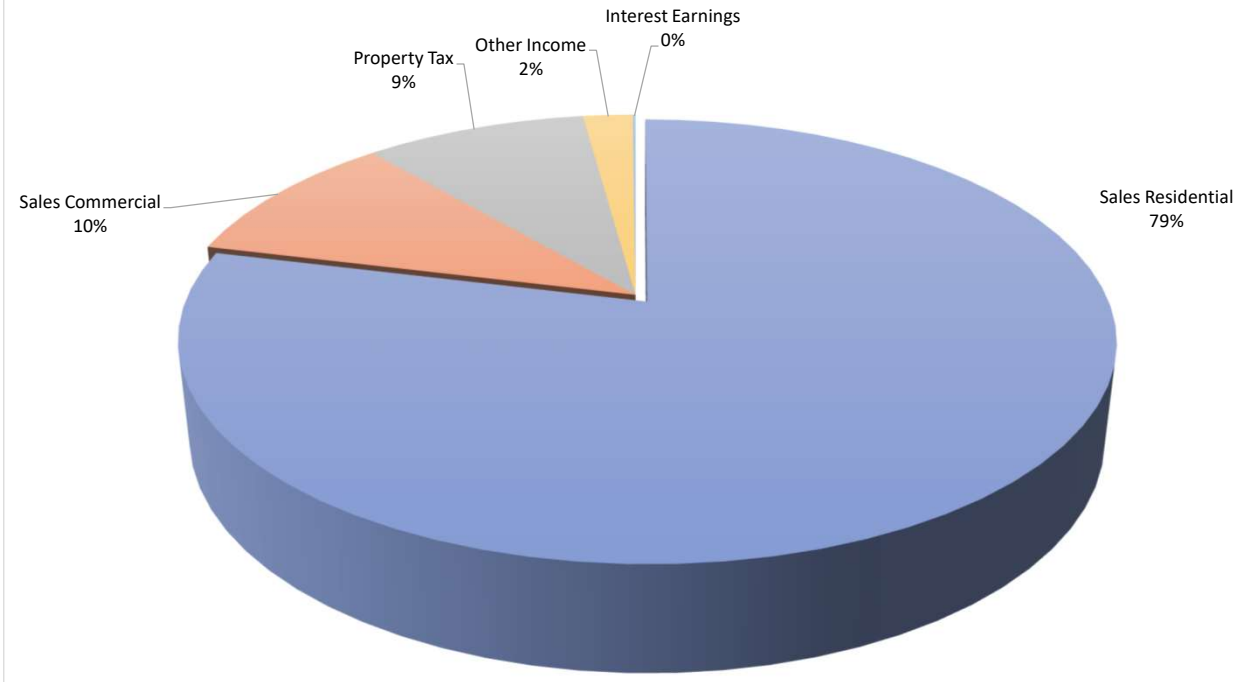


# ANCHO MURIETA COMMUNITY SERVICES DISTRICT

## FY 2021-22 Proposed Budget Budget Summary

	FY 2019-20 Unaudited	FY 2020-21 Year End Projection	%	FY 2021-22 Proposed	% Budget Change
<b>Revenues</b>					
Administration	638,673	739,589	15.8%	756,290	2%
Water	2,686,453	2,532,196	-5.7%	2,723,726	8%
Sewer	1,490,689	1,493,824	0.2%	1,749,705	17%
Drainage	265,174	222,529	-16.1%	214,916	-3%
Solid Waste	725,222	750,939	3.5%	986,086	31%
Security	1,392,987	1,460,175	4.8%	1,568,266	7%
<b>Total Revenues</b>	<b>7,199,198</b>	<b>7,199,252</b>	<b>0.0%</b>	<b>7,998,989</b>	<b>11%</b>
<b>Expenditures</b>					
Administration	1,602,729	1,452,560	-9.4%	1,976,561	36%
Water	1,797,970	2,421,231	34.7%	2,720,991	12%
Sewer	1,339,907	1,412,469	5.4%	1,740,031	23%
Drainage	157,774	208,433	32.1%	297,023	43%
Solid Waste	675,133	751,924	11.4%	961,447	28%
Security	1,312,499	1,891,355	44.1%	2,020,781	7%
<b>Total Operating Expenses</b>	<b>6,886,012</b>	<b>8,137,973</b>	<b>18.2%</b>	<b>9,716,834</b>	<b>19%</b>
<b>Transfers</b>					
Transfer from 100 - Administration	-	(528,498)	0.0%	(534,623)	1%
Transfer to 260 - Drainage	-	63,886	0.0%	82,107	29%
Transfer to 500 - Security	-	464,612	0.0%	452,516	-3%
<b>Total Transfers</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0%</b>
<b>Administration Allocation</b>					
Administration	-	(1,452,560)	0.0%	(1,976,561)	36%
Water	-	535,787	0.0%	736,038	37%
Sewer	-	362,259	0.0%	490,188	35%
Drainage	-	61,039	0.0%	82,595	35%
Solid Waste	-	28,973	0.0%	39,204	35%
Security	-	464,502	0.0%	628,536	35%
<b>Total Administration Allocation</b>	<b>0</b>	<b>(0)</b>	<b>0.0%</b>	<b>0</b>	<b>100%</b>

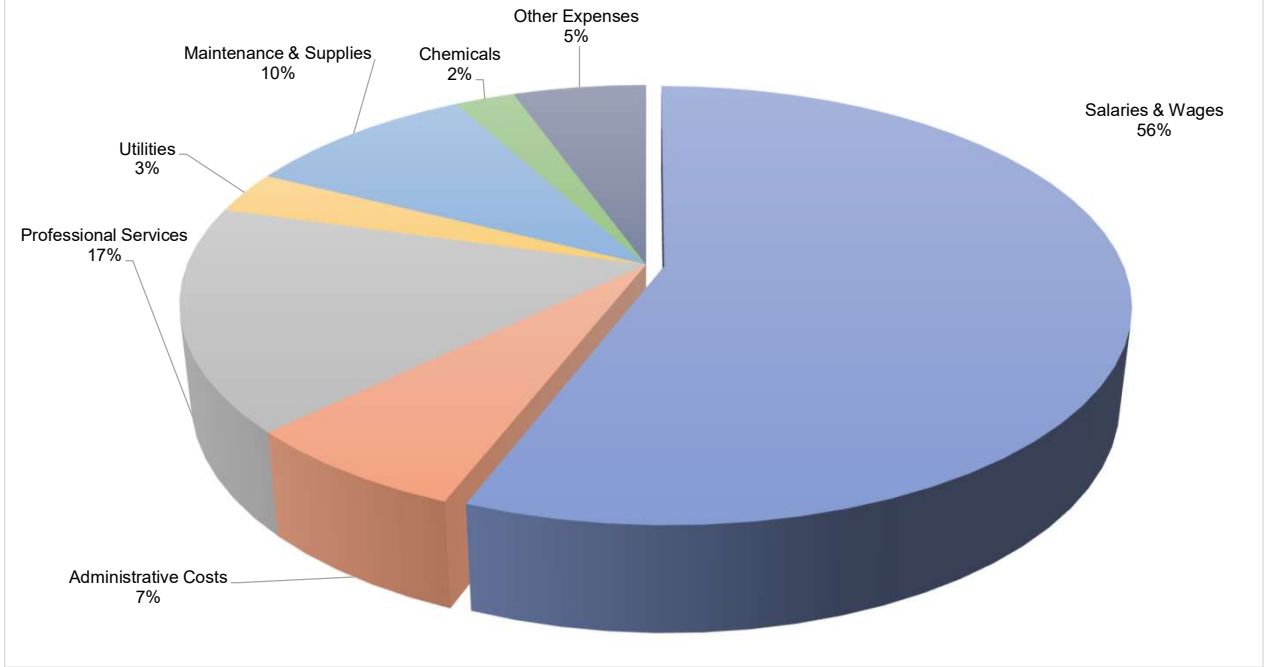
### FY 2021-22 Proposed Revenues



### FY 2021-22 Revenue Summary - All Funds

Category	Amount
Sales Residential	6,301,693
Sales Commercial	792,742
Property Tax	731,750
Other Income	163,964
Interest Earnings	8,840
<b>Total</b>	<b><u>7,998,989</u></b>

### FY 2021-22 Proposed Expenditures



### FY 2021-22 Expenditure Summary - All Funds

Category	Amount
Salaries & Wages	4,331,327
Administrative Costs	531,454
Professional Services	1,279,964
Utilities	240,312
Maintenance & Supplies	741,337
Chemicals	192,000
Other Expenses	424,637
Capital Improvement	-
<b>Total</b>	<b><u>7,741,031</u></b>



**RANCHO MURIETA CSD**  
**ALL FUNDS - DEPARTMENTS**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
<b>Revenues</b>					
Sales Residential	5,576,949	5,701,410	6,301,693	600,283	11%
Sales Commercial	587,421	652,196	792,741	140,545	22%
Property Tax	712,299	701,750	731,750	30,000	4%
Other Income	305,280	158,331	163,964	5,633	4%
Interest Earnings	17,247	8,840	8,840	-	0%
<b>Total Revenues</b>	<b>7,199,196</b>	<b>7,222,527</b>	<b>7,998,988</b>	<b>776,461</b>	<b>11%</b>
<b>Expenditures</b>					
<b>Employee Services</b>					
Salaries	2,362,756	2,486,091	2,673,284	187,193	8%
Benefits	1,004,285	1,159,959	1,115,638	(44,321)	(4%)
Part Time Employment	118,823	61,350	85,350	24,000	39%
Other Employer Costs	317,611	382,752	447,786	65,034	17%
	3,803,475	4,090,152	4,322,058	231,905	5.67%
<b>Administrative Services</b>					
Tuition Reimbursement	-	2,870	5,270	2,400	84%
Election	-	10,000	-	(10,000)	(100%)
Recruitment	15,921	18,060	14,460	(3,600)	(20%)
Travel/Meetings	10,071	21,880	21,880	-	0%
Office Supplies	23,913	31,640	24,240	(7,400)	(23%)
CWRS Contract Charges	624,023	673,947	878,876	204,929	30%
Mail Machine Lease	2,086	2,800	2,100	(700)	(25%)
Copy Machine Maintenance	15,618	17,590	9,840	(7,750)	(44%)
Insurance	143,517	153,553	211,984	58,431	38%
Postage	20,593	18,000	18,000	-	0%
Telephones	52,113	54,339	53,780	(559)	(1%)
Memberships	12,904	17,370	17,370	-	0%
Audit	21,275	25,000	24,500	(500)	(2%)
Legal	113,028	98,550	98,550	-	0%
Training/Safety	19,672	47,800	47,800	-	0%
Community Communications	3,674	13,700	13,700	-	0%
Consulting	472,662	145,750	215,750	70,000	48%
Miscellaneous	78,123	92,061	80,217	(11,844)	(13%)
Admin Contingency	12,730	35,000	35,000	-	0%
Director Exp/Reimbursements	3,550	5,400	5,400	-	0%
Director Meeting Payments	8,800	18,000	18,000	-	0%
Conservation	9,212	13,260	13,260	-	0%
Sacto Water Authority	9,279	18,000	18,000	-	0%
CGWA/SE Area Water	11,000	13,980	13,980	-	0%
Interest Expense	17,718	24,330	23,580	(750)	(3%)
	1,701,482	1,572,880	1,865,537	339,436	21.58%
<b>Operational Costs</b>					
Equipment Maint	1,614	5,950	5,950	-	0%
CIA Ditch Operations	4,761	38,000	36,000	(2,000)	(5%)
Uniforms	14,650	13,100	13,100	-	0%
Equipment Repairs	5,089	4,800	4,800	-	0%
Building/Grounds Maint/Pest Cntr	42,724	31,122	33,600	2,478	8%
Bar Codes	7,675	6,900	6,900	-	0%
Vehicle Maint	43,751	45,000	45,000	-	0%
Vehicle Fuel	43,027	51,000	51,000	-	0%
Vehicle Lease	-	4,762	4,762	-	0%
Off Duty Sheriff	3,876	8,000	8,000	-	0%
Power	373,683	329,812	240,313	(89,499)	(27%)
Information System Maint	136,447	177,099	215,813	38,714	22%



**RANCHO MURIETA CSD**  
**ALL FUNDS - DEPARTMENTS**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
Supplies	38,076	19,900	19,900	-	0%
Equipment Rental	1,196	11,400	11,400	-	0%
Road Paving	17,057	18,000	18,000	-	0%
Maintenance/Repairs	326,481	329,450	379,450	50,000	15%
Non-routine Maint/Repair	12,188	39,000	39,000	-	0%
Permits	5,865	5,750	-	(5,750)	(100%)
Chemicals	102,372	148,000	148,000	-	0%
Chemicals - T&O	6,757	3,000	3,000	-	0%
Lab Tests	43,627	41,000	41,000	-	0%
Removal (Hazardous Waste)	8,131	24,000	24,000	-	0%
Permits	79,155	81,550	81,550	-	0%
Tools	14,064	11,200	11,200	-	0%
Dam Inspection Costs	-	65,000	65,000	-	0%
Water Meters/Boxes	48,791	45,000	45,000	-	0%
Drainage Improvements	-	1,700	1,700	-	0%
	<b>1,381,057</b>	<b>1,559,495</b>	<b>1,553,438</b>	<b>(6,058)</b>	<b>(0.39%)</b>
Transfer in - Drainage	-	-	82,107	82,107	0%
Transfer In - Security	-	-	452,516	452,516	0%
Transfer out from Administration	-	-	(534,623)	(534,623)	0%
<b>Total Expenditures</b>	<b>6,886,014</b>	<b>7,222,527</b>	<b>7,741,033</b>	<b>565,284</b>	<b>7%</b>
<b>Surplus/(Deficit)</b>	<b>313,182</b>	<b>-</b>	<b>257,955</b>	<b>565,284</b>	<b>0%</b>



**RANCHO MURIETA CSD**  
**Administration**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/(Dec)
<b>Revenues</b>					
CIA Ditch Service Charges	-	7,920	12,000	4,080	52%
Property Taxes	712,299	701,750	731,750	30,000	4%
Interest Income	2,673	425	240	(185)	(44%)
Title Transfer Fees	25,900	27,733	10,800	(16,933)	(61%)
Misc Income	(102,199)	1,761	1,500	(261)	(15%)
<b>Total Revenues</b>	<b>638,673</b>	<b>739,589</b>	<b>756,290</b>	<b>16,701</b>	<b>2%</b>
<b>Expenditures</b>					
<b>Administration</b>					
Salaries	669,953	448,667	727,200	278,533	62%
Benefits	150,578	156,967	213,218	56,251	36%
Payroll Taxes	6,411	8,979	52,276	43,297	482%
Other Employer Costs	42,381	7,349	81,668	74,319	1011%
Pension Expense	104,416	48,856	124,528	75,672	155%
Tuition Reimbursement	-	-	2,400	2,400	0%
Part Time Employment	78,651	201,059	75,000	(126,059)	(63%)
Recruitment	8,100	5,775	6,000	225	4%
Travel/Meetings	7,798	1,133	18,000	16,867	1488%
Office Supplies	7,074	24,641	12,000	(12,641)	(51%)
Mail Machine Lease	2,086	1,351	2,100	749	55%
Copy Machine Maintenance	15,435	9,452	9,600	148	2%
Insurance	132,517	155,843	200,484	44,641	29%
Postage	20,593	15,631	18,000	2,369	15%
Telephones	5,069	9,323	6,000	(3,323)	(36%)
Memberships	9,749	12,319	10,750	(1,569)	(13%)
Audit	21,275	25,707	24,500	(1,207)	(5%)
Legal Services	67,116	34,503	60,000	25,497	74%
Training/Safety	12,500	3,153	15,000	11,847	376%
Community Communications	3,674	2,099	5,700	3,601	172%
Equipment Maint	550	907	2,950	2,043	225%
Consulting	62,482	79,741	45,000	(34,741)	(44%)
Election	-	2,516	-	(2,516)	(100%)
Building/Grounds Maint/Pest Cntr	23,286	21,479	21,600	121	1%
Utilites	134	-	-	-	0%
Information System Maint	116,288	160,733	163,087	2,354	1%
Miscellaneous	9,533	14,173	21,100	6,927	49%
Admin Contingency	12,730	-	35,000	35,000	0%
Director Exp/Reimbursements	3,550	207	5,400	5,193	2513%
Director Meeting Payments	8,800	-	18,000	18,000	0%
<b>Total Administration Expenditures</b>	<b>1,602,729</b>	<b>1,452,560</b>	<b>1,976,561</b>	<b>524,001</b>	<b>36%</b>



**RANCHO MURIETA CSD**  
**Administration**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	Budget	FY 2021-22	
	Unaudited Actual	Year End Projection	Proposed	\$ Inc/Dec	% Inc/(Dec)
<b>Property Tax Transfers</b>					
Transfer to Drainage	-	-	82,107	82,107	0%
Transfer to Security	-	-	452,516	452,516	0%
Prior Year Property Tax Allocation	-	528,498	-	(528,498)	(100%)
<b>Total Transfers</b>	<b>-</b>	<b>528,498</b>	<b>534,623</b>	<b>6,125</b>	<b>1%</b>
<b>Total Expenditures</b>	<b>1,602,729</b>	<b>1,981,058</b>	<b>2,511,184</b>	<b>156,782</b>	<b>27%</b>
Admin Allocation	-	(1,825,904)	(1,976,562)		
<b>Suplus/(Deficit)</b>					
<b>Ending Available Fund Balanc</b>	<b>638,673</b>	<b>211,091</b>	<b>221,667</b>		





# RANCHO MURIETA CSD

## Water

### Fiscal Year 2021-22

### Proposed Budget

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
<b>Revenues</b>					
Sales Residential	2,179,144	2,243,103	2,288,538	45,435	2%
Sales Commercial	252,378	243,196	359,803	116,607	48%
Availability Charges	824	-	200	200	0%
Sales Other	9,468	9,803	8,400	(1,403)	(14%)
Interest Income	3,284	(1,496)	3,800	5,296	(354%)
Meter Installation Fee	30,000	7,467	4,000	(3,467)	(46%)
Inspection Fees	9,488	2,361	1,265	(1,096)	(46%)
Telephone Line Contracts	7,806	6,467	7,320	853	13%
Late Charges	12,211	6,317	19,200	12,883	204%
Project Reimbursement	180,050	14,041	24,000	9,959	71%
Misc Income	1,800	937	7,200	6,263	668%
<b>Total Revenues</b>	<b>2,686,453</b>	<b>2,532,196</b>	<b>2,723,726</b>	<b>191,530</b>	<b>8%</b>
<b>Expenditures</b>					
<b>Source of Service</b>					
Salaries	20,021	11,593	24,088	12,495	108%
Benefits	3,821	2,400	4,045	1,645	69%
Payroll Taxes	1,024	253	1,888	1,635	645%
Other Employer Costs	1,510	-	870	870	0%
Pension Expense	2,611	2,280	4,690	2,410	106%
Part Time Employment	-	-	150	150	0%
Utilities	67,599	57,161	62,025	4,864	9%
Supplies	5,247	861	7,500	6,639	771%
Equipment Rental	-	-	3,000	3,000	0%
Maintenance/Repairs	17,345	9,725	30,000	20,275	208%
Chemicals	-	933	3,000	2,067	221%
Chemicals - T&O	6,757	5,008	3,000	(2,008)	(40%)
Dam Inspection Costs	-	69,509	65,000	(4,509)	(6%)
Miscellaneous	-	-	250	250	0%
Admin Allocation	-	71,210	77,086	5,876	8%
<b>Source of Service Total</b>	<b>125,935</b>	<b>230,935</b>	<b>286,592</b>	<b>55,657</b>	<b>24%</b>
<b>Water Treatment</b>					
Salaries	246,101	137,795	252,924	115,129	84%
Benefits	45,948	26,652	42,468	15,816	59%
Payroll Taxes	12,382	2,731	19,811	17,080	626%
Other Employer Costs	18,117	-	8,568	8,568	0%
Pension Expense	31,329	14,649	49,243	34,594	236%
Utilities	83,489	70,241	61,348	(8,893)	(13%)
Supplies	10,249	5,425	1,200	(4,225)	(78%)
Equipment Rental	-	-	600	600	0%
Maintenance/Repairs	44,195	122,217	70,000	(52,217)	(43%)
Chemicals	71,807	62,667	79,000	16,333	26%
Lab Tests	28,632	12,759	23,000	10,241	80%
Miscellaneous	6,234	(5)	4,800	4,805	(90100%)
Interest Expense	17,140	4,317	23,580	19,263	446%
Admin Allocation	-	224,586	243,117	18,531	8%
<b>Water Treatment Total</b>	<b>615,623</b>	<b>684,034</b>	<b>879,659</b>	<b>195,625</b>	<b>29%</b>



# RANCHO MURIETA CSD

## Water

### Fiscal Year 2021-22

### Proposed Budget

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
<b>Water Transmission and Delivery</b>					
Salaries	203,881	118,825	252,924	134,099	113%
Benefits	38,270	23,497	42,468	18,971	81%
Payroll Taxes	10,299	2,431	19,811	17,380	715%
Other Employer Costs	15,097	-	8,568	8,568	0%
Pension Expense	26,108	11,416	49,243	37,827	331%
Utilities	43,780	42,121	41,278	(843)	(2%)
Supplies	5,265	3,384	4,000	616	18%
Equipment Rental	-	-	2,400	2,400	0%
Road Paving	17,057	41,651	18,000	(23,651)	(57%)
Maintenance/Repairs	27,366	41,776	36,000	(5,776)	(14%)
Removal (Hazardous Waste)	-	-	16,000	16,000	0%
Water Meters/Boxes	48,791	74,873	45,000	(29,873)	(40%)
Miscellaneous	808	1,943	600	(1,343)	(69%)
Admin Allocation	-	184,416	199,633	15,217	8%
<b>Water Transmission and Deliv</b>	<b>436,722</b>	<b>546,333</b>	<b>735,925</b>	<b>189,592</b>	<b>35%</b>
<b>Administration</b>					
Salaries	100,106	251,029	138,940	(112,089)	(45%)
Benefits	19,105	85,720	20,220	(65,500)	(76%)
Payroll Taxes	(21,721)	5,500	9,432	3,932	71%
Other Employer Costs	7,549	48,672	4,176	(44,496)	(91%)
Pension Expense	13,054	120,747	23,122	(97,625)	(81%)
Tuition Reimbursement	-	120	810	690	575%
Part Time Employment	-	-	9,000	9,000	0%
Recruitment	2,276	957	2,580	1,623	169%
Travel/Meetings	1,084	(11)	1,680	1,691	(15850%)
Office Supplies	4,884	5,207	3,000	(2,207)	(42%)
Copy Machine Maintenance	91	67	120	53	80%
Insurance	11,000	7,333	11,500	4,167	57%
Telephones	21,575	34,375	22,000	(12,375)	(36%)
Memberships	2,143	5,199	5,395	196	4%
Legal Services	17,580	15,051	20,000	4,949	33%
Training/Safety	3,350	3,731	13,200	9,469	254%
Consulting	309,880	19,239	100,000	80,761	420%
CIA Ditch Operations	4,761	41,523	36,000	(5,523)	(13%)
Uniforms	5,350	4,224	4,800	576	14%
Building/Grounds Maint/Pest Cntr	6,478	8,391	2,100	(6,291)	(75%)
Vehicle Maint	19,560	2,325	21,000	18,675	803%
Vehicle Fuel	9,340	8,909	11,400	2,491	28%
Information System Maint	2,004	4,641	24,655	20,014	431%
Maintenance/Repairs	6,505	924	7,200	6,276	679%
Non-routine Maint/Repair	-	13,556	24,000	10,444	77%
Removal (Hazardous Waste)	464	1,173	-	(1,173)	(100%)
Permits	36,060	18,971	30,300	11,329	60%
Tools	4,809	5,837	6,000	163	3%



**RANCHO MURIETA CSD**  
**Water**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
Miscellaneous	2,912	8,751	5,500	(3,251)	(37%)
Conservation	9,212	11,241	13,260	2,019	18%
Sacto Water Authority	9,279	12,837	18,000	5,163	40%
CGWA/SE Area Water	11,000	14,667	13,980	(687)	(5%)
Admin Allocation	-	199,023	215,445	16,422	8%
<b>Administration Total</b>	<b>619,690</b>	<b>959,928</b>	<b>818,815</b>	<b>(141,113)</b>	<b>(15%)</b>
<b>Total Expenses</b>	<b>1,797,970</b>	<b>2,421,231</b>	<b>2,720,991</b>	<b>224,799</b>	<b>12%</b>
<b>Surplus/(Deficit)</b>					
<b>Ending Available Fund Balanc</b>	<b>888,483</b>	<b>110,965</b>	<b>2,735</b>		
<b>Total Admin Allocation to Water</b>		<b>679,236</b>	<b>735,281</b>		



## RANCHO MURIETA CSD

### Wastewater Fiscal Year 2021-22 Proposed Budget

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
<b>Revenues</b>					
Sales Residential	1,318,542	1,335,465	1,561,046	225,581	17%
Sales Commercial	141,405	146,845	161,580	14,735	10%
Availability Charges	875	-	220	220	0%
Interest Income	5,412	1,587	2,500	913	58%
Inspection Fees	8,602	1,349	4,175	2,826	209%
Late Charges	12,211	6,317	18,000	11,683	185%
Project Reimbursement	2,184	2,184	2,184	-	0%
Misc Income	1,458	76	-	(76)	(100%)
<b>Total Revenues</b>	<b>1,490,689</b>	<b>1,493,824</b>	<b>1,749,705</b>	<b>255,881</b>	<b>17%</b>
<b>Expenditures</b>					
<b>Wastewater Commercial</b>					
Salaries	140,866	25,981	168,616	142,635	549%
Benefits	26,759	3,899	28,314	24,415	626%
Payroll Taxes	7,180	593	13,207	12,614	2126%
Other Employer Costs	10,568	-	60	60	0%
Pension Expense	18,275	2,588	32,827	30,239	1168%
Utilities	16,777	16,237	41,278	25,041	154%
Supplies	2,369	20	1,200	1,180	5900%
Equipment Rental	-	-	1,200	1,200	0%
Maintenance/Repairs	84,833	31,109	120,000	88,891	286%
Miscellaneous	-	51	600	549	1084%
Admin Allocation		116,858	126,500	9,642	8%
<b>Wastewater Commercial Total</b>	<b>307,627</b>	<b>197,337</b>	<b>533,802</b>	<b>336,465</b>	<b>171%</b>
<b>Wastewater Transmission and Delivery</b>					
Salaries	195,302	172,661	208,361	35,700	21%
Benefits	36,383	19,459	31,377	11,918	61%
Payroll Taxes	9,810	3,416	16,320	12,904	378%
Other Employer Costs	14,343	-	7,068	7,068	0%
Pension Expense	24,802	17,029	40,565	23,536	138%
Utilities	145,775	112,383	17,634	(94,749)	(84%)
Supplies	14,946	18,627	6,000	(12,627)	(68%)
Equipment Rental	1,154	5,335	1,200	(4,135)	(78%)
Maintenance/Repairs	114,862	115,839	90,000	(25,839)	(22%)
Chemicals	24,678	47,363	54,000	6,637	14%
Lab Tests	14,996	13,004	15,000	1,996	15%
Removal (Hazardous Waste)	7,668	-	8,000	8,000	0%
Miscellaneous	-	7,000	500	(6,500)	(93%)
Admin Allocation		200,849	146,266	(54,583)	(27%)
<b>Wastewater Transmission and Delivery Total</b>	<b>604,719</b>	<b>732,964</b>	<b>642,291</b>	<b>(90,673)</b>	<b>(7%)</b>
<b>Administration</b>					
Salaries	47,867	32,117	72,264	40,147	125%
Benefits	23,242	4,611	12,138	7,527	163%
Payroll Taxes	12,280	663	5,661	4,998	754%
Other Employer Costs	54,002	32,284	3,211	(29,073)	(90%)
Pension Expense	25,686	50,967	14,070	(36,897)	(72%)
Tuition Reimbursement	-	-	560	560	0%



**RANCHO MURIETA CSD**  
**Wastewater**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
Recruitment	2,438	179	2,400	2,221	1243%
Travel/Meetings	863	-	1,200	1,200	0%
Office Supplies	5,105	5,347	3,000	(2,347)	(44%)
Copy Machine Maintenance	91	67	120	53	80%
Telephones	21,848	35,103	22,000	(13,103)	(37%)
Memberships	1,011	1,027	1,225	198	19%
Legal Services	13,398	3,960	12,000	8,040	203%
Fines	-	500	-	(500)	(100%)
Training/Safety	2,517	2,327	15,000	12,673	545%
Consulting	89,833	21,212	30,000	8,788	41%
Uniforms	4,794	3,424	4,800	1,376	40%
Building/Grounds Maint/Pest Cntr	2,272	2,627	2,100	(527)	(20%)
Vehicle Maint	13,593	15,896	15,000	(896)	(6%)
Vehicle Fuel	18,181	18,363	24,000	5,637	31%
Information System Maint	571	1,461	9,617	8,156	558%
Maintenance/Repairs	25,116	27,740	24,000	(3,740)	(13%)
Non-routine Maint/Repair	12,188	-	15,000	15,000	0%
Permits	43,096	63,064	51,250	(11,814)	(19%)
Tools	6,446	4,607	3,600	(1,007)	(22%)
Dam Inspection Costs	-	18,564	-	(18,564)	(100%)
Miscellaneous	1,123	945	2,300	1,355	143%
Admin Allocation	-	135,117	217,422	82,305	61%
<b>Administration Total</b>	<b>427,561</b>	<b>482,169</b>	<b>563,938</b>	<b>81,769</b>	<b>(1%)</b>
<b>Total Expenses</b>	<b>1,339,907</b>	<b>1,412,469</b>	<b>1,740,031</b>	<b>38,359</b>	<b>2%</b>
<b>Surplus/(Deficit)</b>					
<b>Ending Available Fund Balanc</b>	<b>150,782</b>	<b>81,355</b>	<b>9,674</b>		

**Total Admin Allocation to Wastewater**                      **452,824**                      **490,188**





**RANCHO MURIETA CSD**  
**Solid Waste**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
<b>Revenues</b>					
Sales Residential	721,248	749,860	984,986	235,126	31%
Interest Income	3,974	1,041	1,100	59	6%
Misc Income	-	37	-	(37)	(100%)
<b>Total Revenues</b>	<b>725,222</b>	<b>750,939</b>	<b>986,086</b>	<b>235,147</b>	<b>31%</b>
<b>Expenditures</b>					
<b>Solid Waste Expenses</b>					
Salaries	1,335	-	-	-	0%
Benefits	17	-	-	-	0%
Payroll Taxes	13	-	-	-	0%
Other Employer Costs	2,251	-	-	-	0%
Travel/Meetings	1	-	-	-	0%
CWRS Contract Charges	624,023	673,947	878,876	204,929	30%
Information System Maint	32	-	-	-	0%
Miscellaneous	47,461	41,761	43,367	1,606	4%
Admin Allocation	-	36,216	39,204	2,988	8%
<b>Total Expenses</b>	<b>675,133</b>	<b>751,924</b>	<b>961,447</b>	<b>209,523</b>	<b>28%</b>
<b>Surplus/(Deficit)</b>					
<b>Ending Available Fund Balanc</b>	<b>50,089</b>	<b>(985)</b>	<b>24,639</b>		
<b>Total Admin Allocation to Solid Waste</b>		<b>36,216</b>	<b>39,204</b>		



# RANCHO MURIETA CSD

## Security

Fiscal Year 2021-22

Proposed Budget

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
<b>Revenues</b>					
Sales Residential	1,179,992	1,197,459	1,296,743	99,284	8%
Sales Commercial	161,286	220,589	226,823	6,234	3%
Interest Income	503	(95)	1,200	1,295	(1368%)
Fines/Rule Enforcement	2,100	2,100	2,100	-	0%
Late Charges	24,423	12,633	24,000	11,367	90%
Title Transfer Fees	12,950	13,867	5,400	(8,467)	(61%)
Security Gate Bar Code Income	7,560	9,427	7,800	(1,627)	(17%)
Misc Income	4,173	4,195	4,200	5	0%
<b>Total Revenues</b>	<b>1,392,987</b>	<b>1,460,175</b>	<b>1,568,266</b>	<b>108,091</b>	<b>7%</b>

## Expenditures

### Gate Operations

Salaries	313,615	255,772	366,775	111,003	43%
Benefits	140,568	127,017	15,842	(111,175)	(88%)
Payroll Taxes	10,994	6,141	6,472	331	5%
Other Employer Costs	-	-	106,218	106,218	0%
Pension Expense	39,368	23,119	71,884	48,765	211%
Part Time Employment	39,068	64,931	600	(64,331)	(99%)
Recruitment	2,575	513	2,100	1,587	309%
Office Supplies	1,338	7,081	120	(6,961)	(98%)
Telephones	517	749	360	(389)	(52%)
Training/Safety	196	1,417	1,200	(217)	(15%)
Uniforms	1,508	1,755	1,000	(755)	(43%)
Equipment Repairs	5,089	4,245	3,600	(645)	(15%)
Building/Grounds Maint/Pest Cntr	7,120	7,761	3,600	(4,161)	(54%)
Bar Codes	7,675	3,500	6,900	3,400	97%
Utilities	6,974	8,725	7,284	(1,441)	(17%)
Information System Maint	12,238	14,388	14,388	-	0%
Miscellaneous	3,312	1,044	-	(1,044)	(100%)
Interest Expense	207	-	-	-	0%
Admin Allocation	-	251,975	124,447	(127,528)	(51%)
<b>Security Gate Operations Total</b>	<b>592,362</b>	<b>780,135</b>	<b>732,790</b>	<b>(47,345)</b>	<b>(6%)</b>

### Patrol Operations

Salaries	217,774	179,928	256,307	76,379	42%
Benefits	118,346	75,861	139,578	63,717	84%
Payroll Taxes	8,197	3,347	27,120	23,773	710%
Other Employer Costs	98	-	27,120	27,120	0%
Pension Expense	34,893	19,149	58,480	39,331	205%
Tuition Reimbursement	-	-	1,500	1,500	0%
Part Time Employment	1,104	39,565	600	(38,965)	(98%)
Recruitment	532	793	1,380	587	74%
Office Supplies	179	9,957	120	(9,837)	(99%)
Telephones	2,417	3,972	3,000	(972)	(24%)
Training/Safety	708	1,021	1,200	179	17%
Uniforms	2,105	1,013	1,500	487	48%
Equipment Repairs	-	333	1,200	867	260%





**RANCHO MURIETA CSD**  
**Security**  
**Fiscal Year 2021-22**  
**Proposed Budget**

Description	FY 2019-20	FY 2020-21	FY 2021-22		
	Unaudited Actual	Year End Projection	Budget Proposed	\$ Inc/Dec	% Inc/Dec
Building/Grounds Maint/Pest Cntr	3,568	5,593	4,200	(1,393)	(25%)
Vehicle Maint	10,598	24,173	9,000	(15,173)	(63%)
Vehicle Fuel	15,506	15,379	15,600	221	1%
Vehicle Lease	-	1,903	4,762	2,859	150%
Off Duty Sheriff	3,876	3,417	8,000	4,583	134%
Information System Maint	3,895	893	3,466	2,573	288%
Miscellaneous	4,366	301	-	(301)	(100%)
Interest Expense	371	188	-	(188)	(100%)
Admin Allocation		242,845	206,586	(36,259)	(15%)
<b>Patrol Operations Total</b>	<b>428,533</b>	<b>629,634</b>	<b>770,719</b>	<b>141,085</b>	<b>22%</b>
<b>Administration</b>					
Salaries	131,187	90,070	100,102	10,032	11%
Benefits	43,106	39,726	40,302	576	1%
Payroll Taxes	495	6,957	7,221	264	4%
Other Employer Costs	75,392	9,305	9,305	-	0%
Pension Expense	8,439	16,882	19,020	2,138	13%
Travel/Meetings	323	1,000	1,000	-	0%
Office Supplies	5,334	6,000	6,000	-	0%
Telephones	687	420	420	-	0%
Legal Services	12,030	4,800	4,800	-	0%
Training/Safety	371	1,200	1,200	-	0%
Equipment Maint	1,064	3,000	3,000	-	0%
Consulting	8,542	25,000	25,000	-	0%
Uniforms	893	600	600	-	0%
Information System Maint	1,380	600	600	-	0%
Miscellaneous	2,361	1,200	1,200	-	0%
Admin Allocation		274,826	297,503	22,677	8%
<b>Security - Admin Total</b>	<b>291,604</b>	<b>481,586</b>	<b>517,273</b>	<b>35,687</b>	<b>7%</b>
<b>Total Expenditures</b>	<b>1,312,499</b>	<b>1,891,355</b>	<b>2,020,782</b>	<b>29,822</b>	<b>7%</b>
<b>Property Tax Transfers</b>					
Transfer In from Administration	-	464,612	452,516	(12,096)	(3%)
<b>Total Transfers</b>	<b>-</b>	<b>464,612</b>	<b>452,516</b>	<b>(12,096)</b>	<b>(3%)</b>
<b>Surplus/(Deficit)</b>					
<b>Ending Available Fund Balanc</b>	<b>80,488</b>	<b>-</b>	<b>-</b>		
<b>Total Admin Allocation to Security</b>		<b>580,627</b>	<b>628,536</b>		



# Rancho Murieta Community Services District

FY 2021-22

Proposed Capital Improvement  
Plan





**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**FY 2021-22 Proposed Budget**  
**New Capital Improvement Projects**

Project Number	Project Description	Total Budget	Funding Source
<b>Water</b>			
22-01-01	Replacement Vehicle #214	50,000	Water Fund Reserves
22-03-01	Replacement Vehicle #218	40,000	Water Fund Reserves
22-07-01	Update Integrated Water Master Plan	105,000	Water Fund Reserves
22-10-01	Rio Oso Pump Replacement	100,000	Water Fund Capital Reserves
	<b>Water Total</b>	<b>295,000</b>	
<b>Wastewater</b>			
22-02-02	Replacement of Sewer Jetter	80,000	Sewer Fund Reserves
22-03-02	Fix Reynosa 6" Wastewater line	232,000	Sewer Fund Reserves
22-06-02	Automote East & West DAF Sludge Valves	35,000	Sewer Fund Capital Reserves
	<b>Wastewater Total</b>	<b>347,000</b>	
<b>Drainage</b>			
22-10-03	Laguna Joaquin Maintenance	1,500,000	Replacement Reserves - Drainage
<b>Security</b>			
22-11-04	Replace Jeep Patrol vehicle	25,000	Security Reserve
<b>2021-22 Grand Totals</b>		<b>2,167,000</b>	

**Project number consists of AA-BB-C**  
 AA - The year the project is to begin  
 BB - The actual project number assigned for the current year  
 C - The department requesting the project  
 1 - Water  
 2 - Sewer / Drainage  
 3 - Security  
 4 - Admin



# Rancho Murieta Community Services District

Water Reserves

**PROJECT TITLE: REPLACE WATER VEHICLE #214 ¾ TON**



**CAPITAL PLAN**

WATER FUND RESERVES

**CIP #**

22-01-01

**PROJECT BASIS:**

Vehicle 214 is a 1997 F-250 that is far beyond its expected life cycle and is now more cost effective for replacement vs continued maintenance.

**DESCRIPTION:**

Vehicle is utilized by staff for transport of personnel and equipment to and from job sites and towing of equipment.

**ENVIRONMENTAL OR REGULATORY ISSUES:**

N/A

**RISK ASSESSMENT:**

N/A

**PROJECT BUDGET:**

\$50,000 estimated

**BASIS OF COST EST:**

Budgetary estimate from vendors, included service body, lumber rack, 30 amp inverter, and decals.

**PROJECT TITLE: REPLACE WATER VEHICLE #218 ½ TON**



<b>CAPITAL PLAN</b>	WATER – Replacement Reserves
<b>CRP #</b>	22-03-01
<b>PROJECT BASIS:</b>	Vehicle 218 is a 2004 F-150 that has countless runs hours on it with well over 92,000 miles, needs several thousand dollars of repairs. It is more cost effective to replace the vehicle instead of continued maintenance. This vehicle was originally purchased from the Water Fund for \$19,621.
<b>DESCRIPTION:</b>	Vehicle is utilized by staff for transport of personnel and equipment to and from job sites and towing of light equipment.
<b>ENVIRONMENTAL OR REGULATORY ISSUES:</b>	N/A
<b>RISK ASSESSMENT:</b>	N/A
<b>PROJECT BUDGET:</b>	\$40,000 estimated
<b>BASIS OF COST EST:</b>	Budgetary estimate from internet sites for comparable truck.

**PROJECT TITLE: UPDATE INTEGRATED WATER MASTER PLAN**

**2010 INTEGRATED WATER  
MASTER PLAN UPDATE**

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Prepared for  
Rancho Murieta Community Services  
District, Rancho Murieta, CA  
October 18, 2010

<b>CAPITAL PLAN</b>	<b>WATER FUND RESERVES</b>
<b>CRP #</b>	22-07-1
<b>PROJECT BASIS:</b>	Current 2010 Integrated Water Master Plan (IWMP) is eleven years old. Since its development we have had a historical drought, new water use data, increasing development, and regulation changes that need to be factored in to our ability to provide water to the community.
<b>DESCRIPTION:</b>	Update 2010 IWMP and excel based model that supports it.
<b>ENVIRONMENTAL OR REGULATORY ISSUES:</b>	N/A
<b>RISK ASSESSMENT:</b>	Failure of these systems would impact ability to produce potable water.
<b>PROJECT BUDGET:</b>	\$105,000 estimated
<b>BASIS OF COST EST:</b>	Budgetary estimate from Maddaus Water Management, Inc.



Additional Background Information:

Task	Description	Lisa Maddaus	Michelle Maddaus	Chris Matyas	Tess Kretschmann	Hannah Braun	Andrea Pacheco	Annikki Chamberlain	Total Budget	Basis for Scope of Effort
1	Demand Growth Projections Update	16	8	8	16	8	12	0	\$ 14,420	Update billing analysis for new demand factors. Demand forecast is land use based planned DU by lot sizes. Assume based on revised Water Supply Assessment, which needs to be remapped due to recent developer changes. Prep a revised Demands TM
2	Demand vs. Supply Comparison	48	8	24	32	32	0	0		
									\$ 31,840	Update IWMP Model. Include updated water balance analysis with storage volumes, evap, etc. to check for shortfall conditions. Revise the supply augmentation options and refresh inputs on conservation savings (from Task 3) and assume no changes to existing Water Shortage Contingency Plan (or use Maddaus Water template to do a basic California Water Code compliant update). Prep a PPT to share draft results.
3	Demand Reduction/Supply Augmentation Alternatives (Water Efficiency/Recycled)	36	0	8	16	24	0	8	\$ 19,160	Update MS Excel worksheets or generate DSS Model to estimate savings from passive conservation dues to plumbing codes, etc. and include new Conservation Way of Life laws. Assume recent billing data available from Task 1. Assume potable model only to align with new conservation State Laws AB 1668 and SB 606 with manually calculating recycled water benefits.
4	Update IWMP Document	24	8	8	16	16	24	4	\$ 19,760	Assume one admin draft, one public draft, one public final.
5	Project Management / Workshops / Meetings	20	0	0	4	4	16	4	\$ 9,560	Project management, two public meetings and associated meetings and calls with staff.
	Subtotal	144	24	48	84	84	52	16	\$ 94,740	
	ODCs								\$ 500	
	<b>Total</b>	144	24	48	84	84	52	16	\$ 95,240	
	<b>Contingency (10%)</b>								\$ 104,764	



**PROJECT TITLE: RIO OSO PUMP REPLACEMENT**



**CAPITAL PLAN** WATER FUND CAPITAL RESERVES

**CIP #** 22-10-01

**PROJECT BASIS:** These pumps provide water in the pressure zone system to about 800 homes. These pumps run 24 hours a day 7 days a week to keep constant pressure in the lines. The current pumps that are there are very old and have been repaired multiple times. They are obsolete and cannot get parts for anymore. Both pumps need to be replaced.

**DESCRIPTION:** Purchase pumps from Muniquip and have them installed, leveled and laser calibrated. Will need to hire outside contractor to help with installation.

**ENVIRONMENTAL OR REGULATORY ISSUES:** N/A

**RISK ASSESSMENT:** N/A

**PROJECT BUDGET:** \$100,000.00

**BASIS OF COST EST:** Estimate for pumps, motors, installation, calibration and start-up.



Rancho Murieta  
Community Services  
District

Sewer Reserves

**PROJECT TITLE:   REPLACEMENT OF SEWER JETTER**



**CAPITAL PLAN**

SEWER FUND RESERVES

**CIP #**

22-02-02

**PROJECT BASIS:**

2002 Sewer Jetter needs replacement as engine is failing, doesn't meet air quality control standards which puts a limit on its run hours, and electrical control panel is barely operable.

**DESCRIPTION:**

Jetter is towed to work sites and is utilized for cleaning sewer lines of grease and debris to keep them free flowing.

**ENVIRONMENTAL OR REGULATORY ISSUES:**

Failure to maintain sewer collection system pipes will result in sewer backups and spills. They may cause environmental harm and fines by the SSWRB and/or DFWF.

**RISK ASSESSMENT:**

N/A

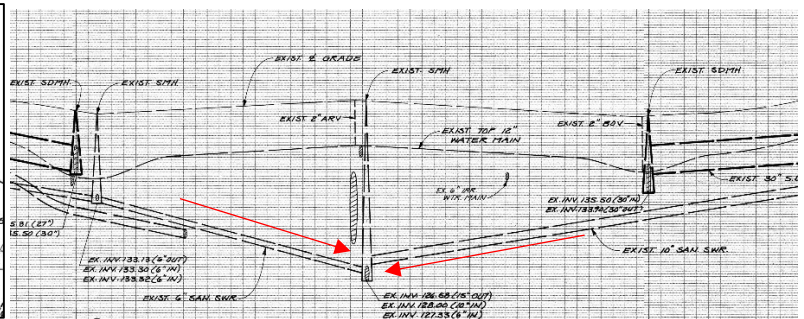
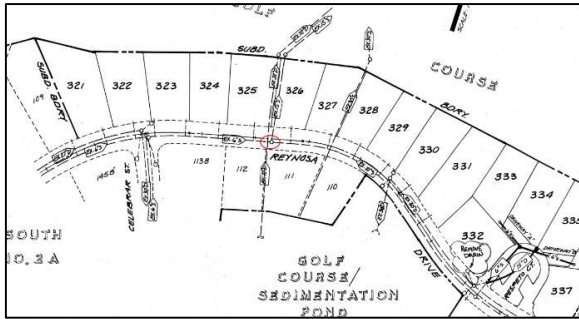
**PROJECT BUDGET:**

\$80,000 estimated

**BASIS OF COST EST:**

Quote from vendor.

**PROJECT TITLE: FIX REYNOSA 6 INCH SEWER LINE**



**CAPITAL PLAN**

SEWER FUND RESERVES

**CIP #**

22-03-02

**PROJECT BASIS:**

Need for free-flowing sewers that will not create back up and overflow issues. This will be additionally impacted with future Riverview development flows on the 10inch line.

**DESCRIPTION:**

Issue is with 6-inch sewer flowing easterly and entering manhole at a lower point than the 10-inch line entering from the opposite direction. This causes the 6-inch line to back up with materials deposition as flow from the 10-inch line in opposite direction hydraulically pushes back on 6-inch line's flow. Sewer collection lines need engineering to determine a solution and a project to implement the solution.

**ENVIRONMENTAL OR REGULATORY ISSUES:**

Potential for sewer spills.

**RISK ASSESSMENT:**

High. Work will require active bypass system to be in place 24hrs/day during project.

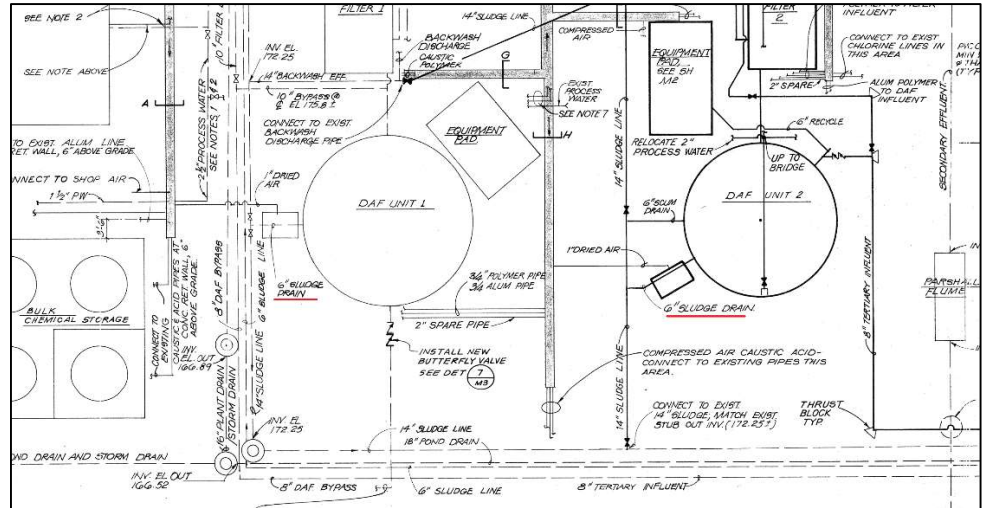
**PROJECT BUDGET:**

\$232,000 estimated

**BASIS OF COST EST:**

Budgetary estimate from Coastland Engineering.

**PROJECT TITLE: AUTOMATE EAST & WEST DAF SLUDGE VALVES**



**CAPITAL PLAN**

**SEWER FUND CAPITAL RESERVES**

**CIP #**

22-06-02

**PROJECT BASIS:**

Staff currently needs to manually operate sludge valves multiple times a day for each Dissolved Air Flotation tank to drain settled solids from the DAF to the drying beds. Tertiary system operates 24hrs./day during reclamation season and staff is not present overnight. Not adequately removing settled solids may create process upsets and excessive filter backwashing.

**DESCRIPTION:**

Procure and install two automated valves, route and tie-in power to operate valves, route and connect telemetry control wiring to PLC for SCADA control, update SCADA graphics and control to allow automated and manual operation via SCADA.

**ENVIRONMENTAL OR REGULATORY ISSUES:**

N/A

**RISK ASSESSMENT:**

N/A

**PROJECT BUDGET:**

\$35,000

**BASIS OF COST EST:**

Estimate for valves, wiring, and electrical, controls and SCADA work.



Rancho Murieta  
Community Services  
District

Drainage Reserves

**PROJECT TITLE:** LAGUNA JOAQUIN MAINTENANCE

**CAPITAL PLAN** DRAINAGE FUND RESERVES

**CIP #** 22-10-03

**PROJECT BASIS:**

**DESCRIPTION:** Information not available at this time. More information to be provided at a later date.

**ENVIRONMENTAL OR REGULATORY ISSUES:** N/A

**RISK ASSESSMENT:** N/A

**PROJECT BUDGET:** \$1,500,000 estimated

**BASIS OF COST EST:**



Rancho Murieta  
Community Services  
District

Security Reserves



**PROJECT TITLE:                    REPLACEMENT SECURITY VEHICLE #521**



<b>CAPITAL PLAN</b>	SECURITY FUND RESERVES
<b>CIP #</b>	22-01-04
<b>PROJECT BASIS:</b>	Security vehicle #521 is a 2015 Jeep Patriot and it is now more cost effective for replacement vs continued maintenance. Vehicle is subject to continual use as mobile offices for Security Patrol staff and therefore a lot of wear and tear.
<b>DESCRIPTION:</b>	Vehicle is utilized by staff for patrol activities.
<b>ENVIRONMENTAL OR REGULATORY ISSUES:</b>	N/A
<b>RISK ASSESSMENT:</b>	N/A
<b>PROJECT BUDGET:</b>	\$30,000 estimated
<b>BASIS OF COST EST:</b>	Budgetary estimate includes decals and outfitting for laptop stand and radio.

## MEMORANDUM

Date: May 19, 2021  
To: Board of Directors  
From: Paula O'Keefe, Director of Administration  
Prepared by: Michelle Ammond, Interim Controller  
Subject: Administration / Financial Update

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On May 14, 2021 the Finance Committee met and discussed the following items:

- Discussion Items

The following is the summary of the May 2021 monthly Board Financial Report. The following are highlights from various internal financial reports. Please feel free to call me before the Board meeting regarding any questions you may have relating to these reports. We continue working with various financial system vendors to complete system integrations and upgrades as recommended by The Pun Group.

### ***April Budget Updates***

#### ***Revenues***

200 – Water

250 - Sewer

260 – Drainage

400 - Solid Waste

500 - Security

#### ***Expenses***

200 – Water

(Insert paragraph about year-to-date expenses, any concerns, changes in expenses or amounts that may need highlighting to the Board. Will include explanations of anomalies, overall budget usage percentage, etc.)

250 - Sewer

(insert paragraph about year-to-date expenses, any concerns, changes in expenses or amounts that may need highlighting to the Board. Will include explanations of anomalies, overall budget usage percentage, etc.)

260 – Drainage

(insert paragraph about year-to-date expenses, any concerns, changes in expenses or amounts that may need highlighting to the Board. Will include explanations of anomalies, overall budget usage percentage, etc.)

400 - Solid Waste

(insert paragraph about year-to-date expenses, any concerns, changes in expenses or amounts that may need highlighting to the Board. Will include explanations of anomalies, overall budget usage percentage, etc.)

500 - Security

(insert paragraph about year-to-date expenses, any concerns, changes in expenses or amounts that may need highlighting to the Board. Will include explanations of anomalies, overall budget usage percentage, etc.)

All Funds Summary

Paragraph discussing the District’s overall expenditures and highlights for FY 2020-21...

**Procurement and Contracts**

Discussion of any contracts or purchase orders that are of significance to the Board or any emergency purchases or contracts necessary to maintain seamless operations. Also, discussion on total invoices paid for prior month (Attachment to include the detailed information of each fund)

**Capital Improvement Projects**

Need to review Operation’s report for discussion on projects and determine the amounts spent on these projects (year to date). This will provide transparency for Capital Projects budgets and prevent cost overruns. Capital Projects will be reflected in expenditures within each fund starting in July 2021 and project balances will be reported on monthly.

**Reserve Fund Purchases authorized by the General Manager**

No authorized purchases by the General Manager in the month of March.

**Reserve Funds Balance Sheet**

This information should not refer to increases or decreases but rather revenues and expenditures. This chart will be updated to reflect actual transactional information and will provide with explanations on monthly expense transactions, separate from the Budget to Actuals conversation.

<i>Reserve Descriptions-Fund</i>	<i>Fiscal-Yr Beg Balance 7/1/2020</i>	<i>Increases Revenues</i>	<i>Decreases Expenditures</i>	<i>Period End Balance 3/31/2021</i>
Water Capital Replacement (200-2505)	1,790,096	215,980	63,454	1,942,622
Sewer Capital Replacement (250-2505)	3,109,804	323,899	247,396	3,186,307
Drainage Capital Replacement (260-2505)	12,409	147	82	12,474
Security Capital Replacement (500-2505)	84,523	810	27,989	57,344
Admin Capital Replacement (xxx-2505-99)	87,210	0	0	87,210
Sewer Capital Improvement Connection (250-2500)	4,308	39	22	4,326
Capital Improvement (xxx-2510)	745,286	55,735	2,995	798,027
Water Supply Augmentation (200-2511)	1,436,292	113,785	6,318	1,543,759
WTP Construction Fund Reserve (200-2513)	-782,858	143,796	151,569	-790,631
Security Impact Fee Reserves (500-2513)	37,827	6,235	5,772	38,289
<b>Total Reserve Fund Balance</b>	<b>6,524,898</b>	<b>860,426</b>	<b>505,597</b>	<b>6,879,727</b>

**Interfund Borrowing**

This should include a brief description on the reason for the loans, the plans to repay the balances and provide monthly transaction information.

<i>Inter-fund Borrowing</i>	<i>Fiscal Yr Beg Balance</i> <i>7/1/2020</i>	<i>YTD Interest</i>	<i>YTD Repayment</i>	<i>Period End Balance</i> <i>31-Mar-21</i>
WTP Construction Loan from Sewer	714,876	3,014	105,705	620,907
WTP Construction Loan from WSA	238,298	1,005	35,235	206,975
Security N. Gate Loan from Drainage Fund	0	0	0	0
<i>Total Inter-fund Borrowing</i>	<i>953,174</i>	<i>4,019</i>	<i>140,940</i>	<i>827,881</i>

**Utility Billing**

Should condense this information as it relates to operations. If no activity no inclusion in the report (lock-offs to be discontinued until Governor announces executive order change or connection fees if none). First discussion point should be any issues or resident concerns that were addressed in the prior month and steps taken to identify and resolve issues (regardless of operations or financial).

Aging paragraph summarizing the activity for the prior month to include pay agreements. Bullet points currently included should be an attachment.

Eliminate discussion for e-bills.

**Security Service Survey**

Updates to security survey.

## MEMORANDUM

Date: May 12, 2021  
To: Board of Directors  
From: Tina Talamantes, Interim Security Supervisor  
Subject: Security Service Opinion Poll Timeline

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### **Below is the updated Timeline:**

1. Contract awarded to True North Research February 17, 2021
2. Townhall meeting with the community at the RMCC Ballroom from 6-8 pm planned originally for mid-May 2021 – MOVED TO JUNE 22, 2021
3. Stakeholder working groups/meetings July/August 2021
4. Survey questions to be finalized and presented to BOD September 2021
5. Conduct polling activities October 2021
6. Present polling results to Finance Committee December 2021
7. Presentation to the Board December 2021
8. Conduct polling January 2022
9. Present results to Board February 2022
10. Potential referendum marketing campaign April/June 2022
11. Possible voter referendum in June 2022