RANCHO MURIETA
COMMUNITY SERVICES DISTRICT

Audited Financial Statements
and Compliance Report

June 30, 2024

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RANCHO MURIETA COMMUNITY SERVICES DISTRICT

June 30, 2024

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund and the fiduciary fund of the Rancho Murieta Community Services District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on the Water and Sewer Funds

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above for the Water and Sewer funds present fairly, in all material respects, the financial position of each major fund and the fiduciary fund of the District as of June 30, 2024, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Drainage, Solid Waste and Security Funds

In our opinion, the financial statements referred to above are present fairly, in all material respects, the financial position of the Drainage, Solid Waste and Security Funds of the District, as of June 30, 2024, and the respective 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In past years, management had not adopted a methodology for verifying that easements and developer-donated infrastructure have been recorded in Water and Sewer Funds and, accordingly, has not verified the completeness of its capital assets. Accounting principles generally accepted in the United States of America require that such capital assets be valued and reflected in the financial statements, which would increase the assets, and investment in capital assets and change depreciation expense in the Water and Sewer Funds.

The amounts by which this departure would affect the capital assets and depreciation expense of the Water and Sewer Funds has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

To the Board of Directors
Rancho Murieta Community Services District

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Richardson & Company, LLP

August 24, 2026

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2024

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
ASSETS						
Current Assets:						
Cash and investments	$ 1,842,978	$ 290,525	$ 355,549	$ 485,911	$ 796,533	$ 3,771,496
Accounts receivable	467,119	308,828	36,243	217,698	241,907	1,271,795
Assessments receivable	12,948	8,622	1,828		1,523	24,921
Interest receivable	7,530	3,910	434	579	2,027	14,480
Notes receivable, current portion		25,242				25,242
Prepaid expenses	26,566	14,478	1,450	1,934	8,949	53,377
Due from other funds	263,099	260,169	103,307			626,575
Due from Community Facilities District (CFD)	107,992					107,992
Due from developers	85,335					85,335
Total Current Assets	2,813,567	911,774	498,811	706,122	1,050,939	5,981,213
Capital Assets:						
Non-depreciable	394,955	5,580,492	1,307		6,101	5,982,855
Depreciable, net	16,110,387	7,959,014	1,014,142		283,465	25,367,008
Total Capital Assets, Net	16,505,342	13,539,506	1,015,449		289,566	31,349,863
Other Assets:						
Cash and investments - restricted	5,608,532	4,907,044	253,058		125,102	10,893,736
Notes receivable		23,866				23,866
Advances to other funds		240,482				240,482
Total Other Assets	5,608,532	5,171,392	253,058		125,102	11,158,084
TOTAL ASSETS	24,927,441	19,622,672	1,767,318	706,122	1,465,607	48,489,160
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow - pensions	1,006,394	522,551	58,061	77,415	270,952	1,935,373
Deferred outflow - OPEB	842,093	437,241	48,583	64,776	226,718	1,619,411
TOTAL DEFERRED OUTFLOWS	1,848,487	959,792	106,644	142,191	497,670	3,554,784
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 26,775,928	$ 20,582,464	$ 1,873,962	$ 848,313	$ 1,963,277	$ 52,043,944

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2024

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
LIABILITIES						
Current Liabilities:						
Accounts payable	$ 551,249	$ 311,814	$ 27,703	$ 188,146	$ 127,507	$ 1,206,419
Accrued payroll	58,617	39,209	10,058	1,861	51,152	160,897
Developer deposits	380,270					380,270
Due to other funds				374,790	251,785	626,575
Unearned revenue	453,999	464,820		75,000		993,819
Compensated absences	98,394	51,089	5,677	7,569	26,491	189,220
Lease liabilities - due within one year	1,412	1,412				2,824
Total Current Liabilities	1,543,941	868,344	43,438	647,366	456,935	3,560,024
Noncurrent Liabilities:						
Compensated absences - due after one year	9,239	4,794	532	711	2,488	17,764
Advances from other funds	240,482					240,482
Net pension liability	2,581,189	1,340,233	148,915	198,553	694,935	4,963,825
Net OPEB liability	1,371,218	711,979	79,109	105,478	369,174	2,636,958
Total Noncurrent Liabilities	4,202,128	2,057,006	228,556	304,742	1,066,597	7,859,029
TOTAL LIABILITIES	5,746,069	2,925,350	271,994	952,108	1,523,532	11,419,053
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow - pensions	75,820	39,368	4,374	5,832	20,413	145,807
Deferred inflow - OPEB	145,104	75,342	8,371	11,162	39,066	279,045
TOTAL DEFERRED INFLOWS	220,924	114,710	12,745	16,994	59,479	424,852
TOTAL LIABILITIES AND DEFERRED INFLOWS	5,966,993	3,040,060	284,739	969,102	1,583,011	11,843,905
NET POSITION						
Net investment in capital assets	16,503,930	13,538,094	1,015,449		289,566	31,347,039
Restricted for capital projects	5,608,534	4,436,079	253,058		125,101	10,422,772
Unrestricted	(1,303,529)	(431,769)	320,716	(120,789)	(34,401)	(1,569,772)
Total Net Position	20,808,935	17,542,404	1,589,223	(120,789)	380,266	40,200,039
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 26,775,928	$ 20,582,464	$ 1,873,962	$ 848,313	$ 1,963,277	$ 52,043,944

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2024

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
Operating Revenues						
Service charges	$ 2,869,265	$ 1,909,673		$ 1,409,034	$ 2,550	$ 6,190,522
Special taxes			$ 226,294		1,529,255	1,755,549
Developers' fees	84,105	2,277				86,382
Total Operating Revenues	2,953,370	1,911,950	226,294	1,409,034	1,531,805	8,032,453
Operating Expenses						
Operation administration	652,296	608,190	121,313	1,329,839	265,770	2,977,408
Source of supply	485,487					485,487
Treatment	680,208					680,208
Transmission and distribution	239,337					239,337
Developers' expense	424,627					424,627
Sewer collection		490,551				490,551
Sewer treatment and disposal		582,531				582,531
Gate services					899,014	899,014
Patrol services					251,315	251,315
General and administrative	1,346,683	698,966	77,663	103,389	362,427	2,589,128
Grant expenses				20,000		20,000
Depreciation	911,009	621,489	41,039		64,630	1,638,167
Total Operating Expenses	4,739,647	3,001,727	240,015	1,453,228	1,843,156	11,277,773
Net Income (Loss) from Operations	(1,786,277)	(1,089,777)	(13,721)	(44,194)	(311,351)	(3,245,320)
Nonoperating Revenue (Expenses):						
Taxes	500,394	396,389		9,605		906,388
Interest revenue	358,462	213,996	24,489	26,682	82,821	706,450
Interest expense	(12,582)	(66)				(12,648)
Grant revenue				20,000		20,000
Miscellaneous nonoperating revenue (expenses)	29,818	18,619	1,533	2,044	7,156	59,170
Total Nonoperating Revenue (Expenses)	876,092	628,938	26,022	58,331	89,977	1,679,360
Change in Net Position Before Transfers and Capital Contributions	(910,185)	(460,839)	12,301	14,137	(221,374)	(1,565,960)

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
PROPRIETARY FUNDS

For the Year Ended June 30, 2024

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
Capital Contributions						
Capital replacement reserve fees	$ 462,177	$ 492,293				$ 954,470
Debt reserve fee	188,580					188,580
Security impact fee					$ 33,600	33,600
Water augmentation fees	199,092					199,092
Capital improvement fees	61,675	35,198			2,347	99,220
Donated infrastructure	695,417	653,861	$ 521,900			1,871,178
Capital grant revenue	99,918	56,909				156,827
Total Capital Contributions	1,706,859	1,238,261	521,900		35,947	3,502,967
Change in Net Position	796,674	777,422	534,201	$ 14,137	(185,427)	1,937,007
Net position, Beginning of Year	20,012,261	16,764,982	1,055,022	(134,926)	565,693	38,263,032
Net Position, End of Year	$ 20,808,935	$ 17,542,404	$ 1,589,223	$ (120,789)	$ 380,266	$ 40,200,039

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2024

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 2,845,114	$ 1,799,204	$ 220,915	$ 1,381,772	$ 1,498,124	$ 7,745,129
Payments to employees	(1,411,877)	(1,100,332)	(69,838)	(38,695)	(282,357)	(2,903,099)
Payments to suppliers	(2,058,320)	(1,109,277)	(101,504)	(1,337,404)	(1,375,774)	(5,982,279)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(625,083)	(410,405)	49,573	5,673	(160,007)	(1,140,249)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Assessments received	487,446	392,844		13,134	11,662	905,086
Amounts received/ (paid) from other funds	(681,839)	(34,306)	20,963	66,596	584,810	(43,776)
Grant revenue received				20,000		20,000
Other amounts received	29,818	18,619	1,533	2,044	7,156	59,170
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(164,575)	377,157	22,496	101,774	603,628	940,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(307,589)	(388,874)				(696,463)
Water augmentation fees received	199,092					199,092
Debt reserve fee received	188,580					188,580
Payments on capital lease	(2,957)	(2,957)				(5,914)
Interest paid	(12,582)					(12,582)
Capital grant revenue received	99,918	56,909				156,827
Capital fees received	523,852	527,491			35,947	1,087,290
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	688,314	192,569			35,947	916,830

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

For the Year Ended June 30, 2024

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	$ 385,535	$ 227,987	$ 26,051	$ 28,765	$ 90,110	$ 758,448
NET CASH PROVIDED BY INVESTING ACTIVITIES	385,535	227,987	26,051	28,765	90,110	758,448
INCREASE IN CASH AND CASH EQUIVALENTS	284,191	387,308	98,120	136,212	569,678	1,475,509
Cash and cash equivalents at beginning of year	7,167,319	4,810,261	510,487	349,699	351,957	13,189,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,451,510	$ 5,197,569	$ 608,607	$ 485,911	$ 921,635	$ 14,665,232
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:						
Cash and investments	$ 1,842,978	$ 290,525	$ 355,549	$ 485,911	$ 796,533	$ 3,771,496
Cash and investments - restricted	5,608,532	4,907,044	253,058		125,102	10,893,736
TOTAL CASH AND CASH EQUIVALENTS	$ 7,451,510	$ 5,197,569	$ 608,607	$ 485,911	$ 921,635	$ 14,665,232

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

For the Year Ended June 30, 2024

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	2024
RECONCILIATION OF OPERATING LOSSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Net (loss) income from operations	$ (1,786,277)	$ (1,089,777)	$ (13,721)	$ (44,194)	$ (311,351)	$ (3,245,320)
Adjustments to reconcile net loss from operations to net cash provided (used) by operating activities:						
Capital assets written off						
Depreciation and amortization	911,009	621,489	41,039		64,630	1,638,167
Changes in operating assets and liabilities:						
Accounts receivable	(63,105)	(76,806)	(5,379)	(82,262)	(33,681)	(261,233)
Prepaid expenses	9,143	4,743	529	704	2,434	17,553
Due from developers	54,766	20,969				75,735
Accounts payable	109,751	20,847	7,832	55,889	38,146	232,465
Accrued payroll	7,836	7,264	3,964	123	8,373	27,560
Deposits	(133,562)	(56,909)		55,000		(135,471)
Compensated absences	16,250	8,434	937	1,251	4,375	31,247
Net pension liability	182,528	94,774	10,531	14,041	49,142	351,016
Net OPEB liability	498,713	258,947	28,772	38,362	134,269	959,063
Deferred outflows	(209,381)	(108,718)	(12,079)	(16,106)	(56,371)	(402,655)
Deferred inflows	(222,754)	(115,662)	(12,852)	(17,135)	(59,973)	(428,376)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$ (625,083)	$ (410,405)	$ 49,573	$ 5,673	$ (160,007)	$ (1,140,249)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Contributed assets	$ 99,918	$ 653,861	$ 521,900			$ 1,275,679

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY GOVERNMENT FUND BALANCE SHEET
CUSTODIAL FUNDS

June 30, 2024

Assets		
Cash and investments		$ 788,779
Assessments receivable		5,792
Restricted cash		399,681
	TOTAL ASSETS	1,194,252
Liabilities		
Due to CSD		107,992
Bond interest payable		78,758
Bonds payable		5,130,000
	TOTAL LIABILITIES	5,316,750
Net Position		
Restricted		399,681
Unrestricted		(4,522,179)
	TOTAL NET POSITION	$ (4,122,498)

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

For the Year Ended June 30, 2024

Additions	
Property taxes	$ 453,765
Interest and investment earnings	41,830
TOTAL ADDITIONS	495,595
Deductions	
General government	61,895
Debt Service:	
Interest expense	237,150
TOTAL DEDUCTIONS	299,045
NET INCREASE IN FIDUCIARY NET POSITION	196,550
Net position, beginning of year	(4,319,048)
NET POSITION, END OF YEAR	$ (4,122,498)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rancho Murieta Community Services District (the District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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.

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), California Asset Management Program (CAMP) and California Cooperative Liquid Assets Security System (CA CLASS) are considered to be cash and cash equivalents due to their highly liquid nature.

Restricted Cash and Investments: Certain capital expansion fees and capital replacement fees charged to customers are classified as restricted cash and investments because their use is legally restricted by the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Code or District ordinance. Restricted cash and investments are not available for general operational expenses.

Receivables: Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable, and estimated refunds due. No allowance was deemed necessary at June 30, 2024.

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, and are not accrued.

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

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 8 and 9.

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

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

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement will be implemented during the year ended June 30, 2025.

In April 2024, the GASB issued Statements No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to provide key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

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, 2024:

Proprietary Funds:	
Cash and investments	$ 3,771,496
Restricted cash and investments	10,893,736
Fiduciary Funds:	
Cash and investments	788,779
Restricted cash	399,681
Total cash and investments	$ 15,853,692

Cash and investments were classified under GASB Statement No. 40 as follows at June 30, 2024:

Deposits with financial institutions	$ 5,127,744
Investments:	
Local Agency Investment Fund	17,843
CAMP investment pool	705,394
CA CLASS investment pool	8,914,374
Money market funds	1,088,337
Total Cash	$ 15,853,692

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

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Investment pools authorized under CA Statues governed by Government Code	N/A	None	$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Account	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	270 days	20%	None
Negotiable Certificates of Deposit	2 years	20%	None
Re-purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None
Municipal Obligations	5 years	20%	None
Supranational debt	5 years	30%	None

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2024:

		Remaining Maturity	
Investment Type	Total	12 Months or Less	13 to 48 Months
Local Agency Investment Fund	$ 17,843	$ 17,843	
CAMP investment pool	705,394	705,394	
CA CLASS investment pool	8,914,374	8,914,374	
Money market funds	1,088,337	1,088,337	
Total	$ 10,725,948	$ 10,725,948	

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, 2024 for each investment type.

			Ratings as of fiscal year end	
Investment Type	Amount	Minimum Legal Rating	AAAm/AAA	Not rated
Local Agency Investment Fund	$ 17,843	N/A		$ 17,843
CAMP investment pool	705,394	N/A	$ 705,394	
CA CLASS investment pool	8,914,374	N/A	8,914,374	
Money market funds	1,088,337	N/A	1,088,337	
Total investments	$ 10,725,948		$ 10,708,105	$ 17,843

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, 2024, 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

NOTE 2 - CASH AND INVESTMENTS (Continued)

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 by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2024, the carrying amount of the District's deposits were $5,127,744 and the balances in financial institutions were $5,239,788. Of the balance in financial institutions, $354,104, was covered by federal depository insurance and $4,885,684 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 invested by all public agencies in LAIF is $178,255,132,764 and is managed by the State Treasurer. Of that amount, 3.00% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 217 days at June 30, 2024.

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, 2024, these investments of the pool had an average maturity of 43 days.

Investments in the California Cooperative Liquid Assets Securities System: The District is a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS). California CLASS is a joint exercise of powers entity authorized under section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. The fair value of the District's investment in this pool is reported in the accompanying financial statement. The average maturity of the pool is less than twelve months.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

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

NOTE 3 – INTERFUND TRANSACTIONS

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 per month, plus interest at the current investment earnings rate, are paid monthly through May 2026. Interest expense during the year ended June 30, 2024, was $12,384 in the Water Fund. The interest rate on the loan at June 30, 2024, was 4.480%. As of June 30, 2024, $240,482 was outstanding on this advance.

During the course of normal operations, transactions occur between funds to reimburse costs paid on behalf of other funds. These balances are expected to be repaid within one year.

Interfund balances for operations as of June 30, 2024:

	Due from other funds	Due to other funds
Water Fund	$ 263,099	
Sewer Fund	260,169	
Drainage Fund	103,307	
Solid Waste Fund		$ 374,790
Security Fund		251,785
	$ 626,575	$ 626,575

The balances resulted primarily from temporary cash advances and the timing of expenditures and reimbursements between funds. Management expects all balances to be settled during the subsequent fiscal years.

NOTE 4 – NOTES RECEIVABLE

In June 2021, the District loaned $114,514 to the Rancho Murieta Country Club to replace the recycled water irrigation pumps. The loan has an initial interest rate of 2%, which will be updated to the LAIF interest rate, but not less than 2%. The loan is due in monthly payments of $2,007 through June 30, 2026. This is paid off as of reporting date.

NOTE 5 – CAPITAL ASSETS

A. Capital assets activity

The activity in the capital assets for the year ended June 30, 2024 are summarized below:

	Balance at July 1, 2023	Additions	Deletions	Reclassifications/ Adjustments	Balance at June 30, 2024
Water Fund					
Capital Assets not being depreciated:					
Construction in Progress	$ 252,100	$ 193,743		$ (64,528)	$ 381,315
Land	13,640				13,640
Total Capital Assets not being depreciated	265,740	193,743		(64,528)	394,955
Capital Assets being depreciated:					
Utility Infrastructure and Related Improvements	31,569,966	767,861		55,659	32,393,486
Machinery and Equipment	419,063	41,402		8,869	469,334
Computer Equipments and Software	64,392				64,392
Furniture and Fixtures	30,249				30,249
Vehicle	341,605				341,605
Building and related improvements	7,218				7,218
Subtotal	32,432,492	809,263		64,528	33,306,283
Less: Accumulated Depreciation	(16,284,887)	(911,009)			(17,195,896)
Total Capital Assets being depreciated, net	16,147,605	(101,746)		64,528	16,110,387
Total Capital Assets, Net	$ 16,413,345	$ 91,997	$ -	$ -	$ 16,505,342

	Balance at July 1, 2023	Additions	Deletions	Reclassifications/ Adjustments	Balance at June 30, 2024
Sewer Fund					
Capital Assets not being depreciated:					
Construction in progress	$ 219,090	$ 64,654		$ (166,302)	$ 117,442
Land	5,463,050				5,463,050
Total Capital Assets not being depreciated	5,682,140	64,654		(166,302)	5,580,492
Capital Assets being depreciated:					
Utility Infrastructure and Related Improvements	21,967,680	978,081		166,302	23,112,063
Machinery and Equipment	616,405				616,405
Computer Equipments and Software	144,423				144,423
Furniture and Fixtures	16,494				16,494
Vehicle	210,186				210,186
Building and related improvements	888,609				888,609
Subtotal	23,843,797	978,081		166,302	24,988,180
Less: Accumulated Depreciation	(16,407,677)	(621,489)			(17,029,166)
Total Capital Assets being depreciated, net	7,436,120	356,592		166,302	7,959,014
Total Capital Assets, Net	$ 13,118,260	$ 421,246	$ -	$ -	$ 13,539,506

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at July 1, 2023	Additions	Deletions	Reclassifications/ Adjustments	Balance at June 30, 2024
Drainage					
Capital Assets not being depreciated:					
Construction in progress	$ 1,412			$ (105)	$ 1,307
Total Capital Assets not being depreciated	1,412			(105)	1,307
Depreciable assets:					
Utility Infrastructure and Related Improvements	511,337	$ 521,900			1,033,237
Machinery and Equipment	62,301				62,301
Computer Equipments and Software	2,796				2,796
Furniture and Fixtures	1,911				1,911
Vehicle	863				863
Subtotal	579,208	521,900			1,101,108
Less: Accumulated Depreciation	(45,927)	(41,039)			(86,966)
Total Capital Assets being depreciated, net	533,281	480,861			1,014,142
Total Capital Assets, Net	$ 534,693	$ 480,861	$ -	$ (105)	$ 1,015,449

	Balance at July 1, 2023	Additions	Deletions	Reclassifications/ Adjustments	Balance at June 30, 2024
Security					
Capital Assets not being depreciated:					
Construction in progress	$ 6,101				$ 6,101
Total Capital Assets not being depreciated	6,101				6,101
Depreciable assets:					
Machinery and Equipment	324,358				324,358
Computer Equipments and Software	166,262				166,262
Furniture and Fixtures	46,718				46,718
Vehicle	114,187				114,187
Building and related improvements	233,340				233,340
Subtotal	884,865				884,865
Less: Accumulated Depreciation	(536,770)	$ (64,630)	-	-	(601,400)
Total Capital Assets being depreciated, net	348,095	(64,630)			283,465
Total Capital Assets, Net	$ 354,196	$ (64,630)	$ -	-	$ 289,566

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

Water	$ 911,009
Sewer	621,489
Drainage	41,039
Security	64,630
Total Depreciation Expense	$ 1,638,167

NOTE 6 – LONG-TERM LIABILITIES

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

	Balance at July 1, 2023	Additions	Retirements	Balance at June 30, 2024	Due within One Year
Compensated absences	$ 175,737	$ 31,247		$ 206,984	$ 189,220
Lease liabilities	8,738		$ (5,914)	2,824	2,824
Net pension liability	4,612,809	351,016		4,963,825	
Net OPEB liability	1,677,895	959,063		2,636,958	
Total	$ 6,475,179	$ 1,341,326	$ (5,914)	$ 7,810,591	$ 192,044

Capital Leases: On January 16, 2021, the District Board of Directors authorized the financing and purchase of a Konica Copier lease through a Caltronics contract. The cost of the contract was $22,811. The District makes 48 monthly payments of $475 for four years. The interest rate on the lease is 4.40%. The accumulated depreciation on the copier at June 30, 2024, totaled $14,671.

NOTE 7 – NET POSITION

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

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

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These include connection fees restricted to capital expansion by Section 66013 of the Water Code and service charges received for use on capital projects consisting of the following:

	Water	Sewer	Drainage	Security
RESTRICTED:				
Capital replacements	$ 3,166,870	$ 3,832,542		
Water augmentation	2,330,724			
Capital improvements	110,939	603,538	$ 253,058	
Security projects				$ 125,101
TOTAL RESTRICTED NET POSITION	$ 5,608,534	$ 4,436,079	$ 253,058	$ 125,101

The District's Water Treatment Plant Construction Fund, which has a deficit balance of $791,260, borrowed from the water augmentation restricted net position to partially fund the water treatment plant project. The balance owed at June 30, 2024 is $83,787. Monthly principal and interest payments of approximately $4,000 are being made.

NOTE 7 – NET POSITION (Continued)

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 District's unrestricted net position consists of the following at June 30, 2024:

	Water	Sewer	Drainage	Solid Waste	Security
DESIGNATED:					
Property Tax Assessment Reserves				$ 32,844	
Capital replacements	$ 82,574	$ 57,184	$ 68,456		$ 326,814
TOTAL DESIGNATED	82,574	57,184	68,456	32,844	326,814
UNDESIGNATED	(1,386,103)	(488,953)	252,260	(153,633)	(361,215)
TOTAL UNRESTRICTED NET POSITION	$ (1,303,529)	$ (431,769)	$ 320,716	$ (120,789)	$ (34,401)

NOTE 8 – PENSION PLANS

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan, a cost sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Optional Settlement 2 Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 8 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect for the year ended June 30, 2024 is summarized as follows for each rate plan:

Hire date	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.00% to 2.5%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	12.47%	7.68%

In addition to the contribution rates above, the District was required to make payments totaling $ 317,939 toward its unfunded actuarial liability during the year ended June 30, 2024. The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The total contributions paid to the Plan were $545,721 for the year ended June 30, 2024.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2024, the District reported a net pension liability for its proportionate share of the Plan's net pension liability of $4,963,825.

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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30 was as follows:

Proportion - June 30, 2023	0.09858%
Proportion - June 30, 2024	0.09927%
Change - Increase/(Decrease)	0.00069%

NOTE 8 – PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the District recognized pension expense of $818,739. At June 30, 2024, 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
Changes of Assumptions	$ 299,688	
Differences between Expected and Actual Experience	253,579	$ (39,335)
Differences between Projected and Actual Investment Earnings	803,688	
Differences between Employer's Contributions and Proportionate Share of Contributions	1,626	(104,162)
Change in Employer's Proportion	31,071	(2,310)
Pension Contributions Made Subsequent to Measurement Date	545,721	
Total	$ 1,935,373	$ (145,807)

The $545,721 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2023 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as net deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows as of June 30, 2024:

Year Ended June 30	
2025	$ 355,425
2026	250,688
2027	614,671
2028	23,061
	$ 1,243,845

Actuarial Assumptions: The total pension liability at the June 30, 2024 measurement date was determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Mortality - pre-retirement	Derived using CalPERS Membership Data

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society

NOTE 8 – PENSION PLANS (Continued)

of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.90% in the June 30, 2023 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,b)
Global Equity cap-weighted	30.0%	4.54%
Global Equity non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yeild	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.3% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.

NOTE 8 – PENSION PLANS (Continued)

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

1% Decrease		5.90%
Net Pension Liability	$	7,391,542
Current Discount Rate		6.90%
Net Pension Liability	$	4,963,825
1% Increase		7.90%
Net Pension Liability	$	2,965,606

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN

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

Contributions: The contribution requirements of the District are established and may be amended by the District's Board of Directors. Plan members are currently not required to contribute. The District participates in the Public Agency Retirement Services Trust (PARS), an irrevocable trust established to fund OPEB. The Trust is administrated by PARS, and is managed by an appointed board not under the control of the District's Board of Directors. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Pre-funding contributions made by the District are at the discretion of the Board of Directors. During May 2024, the Board approved the transfer of OPEB assets from PARS' funding to California Employers' Retiree Benefit Trust (CERBT).

For the year ended June 30, 2024, the District paid $205,603 of current retiree premiums and contributed $107,699 in the form of an implied subsidy of retirement premiums.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Employees Covered by Benefit Terms: As of the June 30, 2023 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or Beneficiaries receiving benefit payments	26
Active employees	21
Total	47

Net OPEB Liability: The District's net OPEB liabilities as of June 30, 2023 were measured as of 2023, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions: The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%	
Salary increases	3.25%	
Discount rate	6.40%	
Investment rate of return	6.40%	Based on District funding Policy and CERBT Strategy 1 Investment Policy

	Year Begininning	Increase in Pre-65	Premium Rate Post-65
Healthcare trend rate	2023	Actual	Actual
	2024	7.72%	4.85%
	2025	7.47%	5.00%
	2026	7.22%	5.00%
	2027	6.81%	4.96%
	2028	6.40%	5.00%
	2029	5.99%	5.00%
	2030	5.58%	5.00%
	2031	5.18%	5.00%
	2032-2033	4.77%	4.77%
	2034-2051	4.69%	4.69%
	2052 +	4.00%	4.00%

Retirement mortality information was derived from data collected during 2021 CalPERS Experience Study. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

In February 2024, the District transferred the Plan's trust assets from PARS Balanced Index Investment fund to CERBT Strategy 1. This discount rate used for the June 30, 2023, measurement date was based on CERBT Strategy 1 Long-term expected rate of return.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

As of June 30, 2023, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Target Allocation	Long-Term Expected Real Rate of Return (1)
Equity	60%	5.07%
Fixed Income	32%	1.56%
REIT/TIPS	8%	4.53%
Total	100%	

(1) JP Morgan arithmetic Long Term Capital Market Assumptions and expected inflation of 2.50%.

Discount Rate: The discount rates used to measure the net OPEB liabilities was 6.40 %, which was a decrease from the 7% discount rate used in the previous valuations. The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net positions were projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments were applied to all periods of projected benefit payments to determine the net OPEB liabilities.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Changes in the Net OPEB Liability: Changes in the net OPEB liability were as follows during the year ended June 30, 2024:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2023	$ 4,052,046	$ 2,374,151	$ 1,677,895
Changes in the year:			
Service cost	121,701		121,701
Interest	281,759		281,759
Changes in benefit terms			
Differences between expected and actual experience	294,450		294,450
Changes in assumptions or other inputs	746,730		746,730
Contributions - employer		297,243	(297,243)
Net investment income		196,349	(196,349)
Benefit payments	(297,243)	(297,243)	-
Administrative expenses		(8,015)	8,015
Net changes	1,147,397	188,334	959,063
Balance at June 30, 2024	$ 5,199,443	$ 2,562,485	$ 2,636,958

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the District's Net OPEB Liability if it were calculated using a discount rate that is 1% point lower (5.4%) or 1% point higher (7.4%) then the current rate.

	1% Decrease (5.40%)	Current Discount Rate (6.40%)	1% Increase (7.40%)
Net OPEB liability	$ 3,229,852	$ 2,636,958	$ 2,142,910

Sensitivity of the Net OPEB Liability to Changes in the Trend Rates: The following presents the District's Net OPEB Liability if it were calculated using a trend table that has rates that are 1% point lower or 1% point higher than the current set of rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	$ 2,118,568	$ 2,636,938	$ 3,264,157

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended December 31, 2024, the District recognized OPEB expense of $520,565. At June 30, 2024, the District had deferred inflows related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Unrecognized Deferred Resources due to:		
Differences betweeen expected and actual experience	$ 544,965	$ (6,564)
Change in assumptions	608,702	(272,481)
Net difference between projected and actual earnings	152,442	-
Contribution to OPEB plan after measurement date	313,302	-
Total	$ 1,619,411	$ (279,045)

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB 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 5.40 years for other changes and differences.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2025	$ 268,740
2026	253,170
2027	293,687
2028	132,561
2028	78,906
Thereafter	-
Total Deferred Resources:	$ 1,027,064

NOTE 10 – SPECIAL ASSESSMENT DISTRICT

The District adopted a resolution for the formation of Rancho Murieta Community Services District Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) CFD 2014-1. CFD 2014-1 was formed as part of a financing plan for public infrastructure Facilities and other governmental Facilities to support the development of a hotel and other commercial, residential and mixed use properties being developed on approximately 828 acres of land within the District boundaries of CFD 2014-1. On January 29, 2015 bonds in the amount of $5,960,000 were issued to finance the costs of the Facilities and to finance costs associated with the issuance of bonds. During the 2014-2015 fiscal year, a special tax was approved by voters and has been authorized by the Board of Directors to be levied on lots and parcels within CFD

NOTE 10 – SPECIAL ASSESSMENT DISTRICT (Continued)

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, 2024, is:

Community Facilities District No. 2014-1	$ 5,130,000

NOTE 11 – INSURANCE

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

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

Coverage	GSRMA	Commercial Insurance	Deductible
General and auto liability	$ 350,000	$ 1,000,000	None
Property damage	$ 5,000 to 25,000	$ 25,000,000	$ 250 to 1,000
Employee	$ 25,000	$ 10,000,000	$ 2,500
Workers compensation liability	$ 300,000	Statutory	None

NOTE 12 – REVENUE LIMITATION IMPOSED BY CALIFORNIA PROPOSITION 218

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

Commitments: The District entered into a solid waste agreement with California Waste Recovery System in 2023 that terminates June 30, 2035, with an option to extend. The rates are stated in the contract based

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

on the type of service and are subject to an annual increase based on the Consumer Price Index, not to exceed 5.5% per year.

The District received funding from landowners for the construction of Phase 1 of the water treatment plant expansion, of which $540,000 was to be reserved to fund a portion of the Phase 2 expansion. This reserve amount was used by the District to cover cost overruns on the Phase 1 construction. Should construction of Phase 2 move forward, the District would be required to provide the $540,000 of funding on the project within 12 months of notification that Phase 2 will proceed. The remaining cost of Phase 2 would be funded by the landowners. It is unknown whether the landowners will seek to move forward with Phase 2 of the project. The landowners did not move forward with Phase 2 and the funding remains with the District as of June 30, 2024.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to June 2024, the District was involved in legal claims during the normal course of business. One of the legal claims was settled in May 2025 in the amount of $375,000. The District is responsible for $200,000 of the settlement and the remaining amount is covered by insurance.

In November 2024, the District executed a construction agreement for the Wastewater Treatment Facility Sodium Hypochlorite Improvements/Chlorine Contact Basin Expansion – Phase 1 Project in the amount of $2,402,558.

In May 2025, the District executed a construction agreement for the Equestrian Access Culvert Project in the amount of $343,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.09927%	0.09858%	0.11678%	0.09197%	0.08890%	0.08381%	0.08399%	0.07992%	0.07967%	0.08554%
Proportionate share of the net pension liability	$ 4,963,825	$ 4,612,809	$ 2,217,477	$ 3,879,564	$ 3,560,102	$ 3,158,658	$ 3,310,789	$ 2,776,304	$ 2,185,709	$ 2,114,104
Covered payroll - measurement period	$ 2,463,801	$ 2,440,518	$ 1,734,776	$ 2,011,198	$ 1,777,349	$ 1,700,521	$ 1,844,259	$ 1,854,042	$ 1,776,986	$ 1,776,986
Proportionate share of the net pension liability as a percentage of covered payroll	201.47%	189.01%	127.82%	192.90%	200.30%	185.75%	179.52%	149.74%	123.00%	118.97%
Plan fiduciary net position as a percentage of the total pension liability	72.35%	72.91%	86.39%	59.65%	68.19%	75.68%	73.42%	78.44%	81.69%	79.18%
Notes to Schedule:										
Reporting valuation date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Change in benefit terms: None										

Changes in assumptions: The discount rate was changed from 6.75% (net of administrative expenses) to 7.00% in the June 30, 2021 actuarial valuation. The discount rate was changed to 7.00% in the June 30, 2022 actuarial valuation.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
Last 10 Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 545,721	$ 542,081	$ 467,657	$ 430,634	$ 393,756	$ 336,982	$ 282,817	$ 269,924	$ 250,997	$ 222,235
Contributions in relation to the actuarially determined contributions	(545,721)	(542,081)	(467,657)	(430,634)	(393,756)	(336,982)	(282,817)	(269,924)	(250,997)	(222,235)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll - fiscal year	$ 2,527,012	$ 2,463,801	$ 2,440,518	$ 1,734,776	$ 2,011,198	$ 1,777,349	$ 1,700,521	$ 1,844,259	$ 1,854,042	$ 1,776,986
Contributions as a percentage of covered payroll	21.60%	22.00%	19.16%	24.82%	19.58%	18.96%	16.63%	14.64%	13.54%	12.51%
Notes to Schedule:										
Contribution valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and assumptions used to determine contribution rates:	Entry age normal cost method									
Amortization method	Level percentage of payroll, closed									
Remaining amortization period	Varies by rate plan, not more than 30 years									
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.30%	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service									
Payroll growth	2.80%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return and discount rate	6.80%	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	50 to 67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.									
Mortality	Most recent CalPERS Experience Study									

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2024

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

Measurement period	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	$ 121,701	$ 115,906	$ 132,255	$ 125,957	$ 119,959	$ 120,587	$ 120,587
Interest	281,759	274,665	291,638	279,650	218,561	202,076	193,101
Differences between expected and actual experience	294,450	-	38,018	(13,776)	819,620	(9,086)	(13,414)
Changes in assumptions	746,730	-	(406,563)		(116,222)		
Benefit payments	(297,243)	(287,910)	(275,268)	(180,096)	(170,520)	(114,202)	(101,226)
Net change in total OPEB liability	1,147,397	102,661	(219,920)	211,735	871,398	199,375	199,048
Total OPEB liability - beginning	4,052,046	3,949,385	4,169,305	3,957,570	3,086,172	2,886,797	2,687,749
Total OPEB liability - ending (a)	$ 5,199,443	$ 4,052,046	$ 3,949,385	$ 4,169,305	$ 3,957,570	$ 3,086,172	$ 2,886,797
Plan fiduciary net position							
Contributions - employer	$ 297,243	$ 287,910	$ 275,268	$ 292,596	$ 352,020	$ 328,402	$ 189,009
Net investment income	196,349	(325,300)	520,844	66,025	93,530	121,097	127,890
Benefit payments	(297,243)	(287,910)	(275,268)	(180,096)	(170,520)	(114,202)	
Administrative expenses	(8,015)					(5,456)	(4,337)
Net change in plan fiduciary net position	188,334	(325,300)	520,844	178,525	275,030	329,841	312,562
Plan fiduciary net position - beginning	2,374,151	2,699,451	2,178,607	2,000,082	1,725,052	1,395,211	1,082,649
Plan fiduciary net position - ending (b)	$ 2,562,485	$ 2,374,151	$ 2,699,451	$ 2,178,607	$ 2,000,082	$ 1,725,052	$ 1,395,211
Net OPEB liability - ending (a)-(b)	$ 2,636,958	$ 1,677,895	$ 1,249,934	$ 1,990,698	$ 1,957,488	$ 1,361,120	$ 1,491,586
Plan fiduciary net position as a percentage of the total OPEB liability	49.28%	58.59%	68.35%	52.25%	50.54%	55.90%	48.33%
Covered - employee payroll - measurement period	$ 2,255,304	$ 2,013,132	$ 1,734,776	$ 2,011,198	$ 1,933,439	$ 1,755,788	$ 1,770,521
Net OPEB liability as percentage of covered - employee payroll	116.92%	83.35%	72.05%	98.98%	101.24%	77.52%	84.25%
Notes to schedule:							
Valuation date	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Benefit changes. None.

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

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
Last 10 Years

	2024	2023	2022	2021	2020	2019	2018
Actuarially or contractually determined contribution - employer fiscal year	$ 319,294	$ 229,742	$ 222,510	$ 287,225	$ 278,685	$ 298,011	$ 286,184
Contributions in relation to the determined contributions	(313,302)	(297,243)	(287,910)	(275,268)	(292,596)	(352,020)	(328,402)
Contribution deficiency (excess)	$ 5,992	$ (67,501)	$ (65,400)	$ 11,957	$ (13,911)	$ (54,009)	$ (42,218)
Covered - employee payroll - employer fiscal year	$ 2,527,012	$ 2,463,801	$ 2,013,132	$ 2,011,198	$ 1,996,276	$ 1,933,439	$ 1,777,349
Contributions as a percentage of covered - employee payroll	12.40%	12.06%	14.30%	13.69%	14.66%	18.21%	18.70%

Notes to Schedule:

Valuation date	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal cost method						
Amortization method	Level percentage of ernings or service of the individual between entry age and assumed exit age.						
Asset valuation method	Market value of assets						
Inflation	2.50%						
Healthcare cost trend rates	5.20% in 2022 trending down to 4.00% in 2065						
Salary increases	3.25%	3.00%	3.00%	3.25%	3.25%		
Investment rate of return	6.40%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Retirement age	50-75 years. Probabilities of retirement are based on the 2017 CalPERS experience study.						
Mortality	Based on 2021 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

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

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

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

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 24, 2026.

<u>Report on Internal Control over Financial Reporting</u>

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses as items 2022-001, 2021-001 and 2021-002.

<u>Report on Compliance and Other Matters</u>

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

Response to Findings

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

Purpose of this Report

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

Richardson & Company, LLP

August 24, 2026

MATERIAL WEAKNESSES IN INTERNAL CONTROL

Prior Year Findings

Finding 2022-001: Timely record keeping

Condition: The accounting records were not maintained up-to-date during the fiscal year. Payroll expenses for employees were not recorded in the general ledger until after year-end in one large journal entry, and the bank reconciliations were not performed until after the end of the fiscal year.

Criteria: Accounting transactions must be recorded timely and accurately to maintain sufficient internal control over accounting records and to provide real-time financial information to manage the District.

Cause: The District has had staff turnovers over the last few years in the accounting department leaving its ability to record transactions timely limited.

Effect: Potential for misstated accounting records and the inability of the District to manage its cash balances.

Recommendation: We recommend the District ensure at least cash transactions are recorded on a timely basis, even though the District us behind in closing its books on the accrual basis.

Current Status: The District has retained a Director of Finance that has been working toward maintaining the District's accounting system up-to-date.

District's response: In conjunction with the preparation of outstanding audits, the District has continued to strengthen its financial recordkeeping processes. Monthly payroll journal entries, cash receipts and revenue transactions, and other material accounting activities have been recorded in the accounting system to bring the financial records current. Beginning in January 2026, preliminary financial reports for the five-month period ended November 30, 2025, have been presented to the Finance and Board Committee, enhancing financial transparency and strengthening governance oversight. As of August 2026, we are finalizing the accounting records through July 31, 2026, and continue to make significant progress in closing historical financial reporting gaps.

Finding 2021-001 and 2020-001: Year-End Closing Procedures

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

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

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

Current Status: The District has now retained qualified staff to ensure that all the balance sheets are reviewed and reconciled and approved prior to the beginning of the audit. A streamlined accounting process which includes routine reconciliation according to the District policy and generally accepted accounting principles is substantially installed.

Finding 2021-002 and 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. One transaction was identified dating back to 2007, but there may be others.

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

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

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

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

Current Status: This issue still exists, but donated infrastructure was properly recorded in fiscal year 2023 and 2024.

District's response: The District has begun evaluating developer-donated infrastructure assets and has recorded the value of identified developer-contributed assets, along with the related depreciation, in both the general ledger and the fixed asset subledger for fiscal years 2023 and 2024. The District anticipates completing the identification and evaluation of all developer-donated infrastructure and making any necessary adjustments to the accounting records in subsequent fiscal years. This effort will help ensure the completeness and accuracy of the District's capital asset records and related financial reporting.

RANCHO MURIETA
COMMUNITY SERVICES DISTRICT

Audited Financial Statements
and Compliance Report

June 30, 2023

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RANCHO MURIETA COMMUNITY SERVICES DISTRICT

June 30, 2023

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund and the fiduciary fund of the Rancho Murieta Community Services District (the District), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on the Water and Sewer Funds

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above for the Water and Sewer funds present fairly, in all material respects, the financial position of each major fund and the fiduciary fund of the District as of June 30, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Drainage, Solid Waste and Security Funds

In our opinion, the financial statements referred to above are present fairly, in all material respects, the financial position of the Drainage, Solid Waste and Security Funds of the District, as of June 30, 2024, and the respective 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In past years, management had not adopted a methodology for verifying that easements and developer-donated infrastructure have been recorded in Water and Sewer Funds and, accordingly, has not verified the completeness of its capital assets. Accounting principles generally accepted in the United States of America require that such capital assets be valued and reflected in the financial statements, which would increase the assets, and investment in capital assets and change depreciation expense in the Water and Sewer Funds.

The amounts by which this departure would affect the capital assets and depreciation expense of the Water and Sewer Funds has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

To the Board of Directors
Rancho Murieta Community Services District

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Richardson & Company, LLP

August 24, 2026

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2023

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
ASSETS						
Current Assets:						
Cash and investments	$ 2,182,836	$ 243,704	$ 274,360	$ 349,699	$ 334,308	$ 3,384,907
Accounts receivable	404,014	232,022	30,864	135,436	208,226	1,010,562
Assessments receivable		5,077	2,855	3,529	13,185	24,646
Interest receivable	34,603	17,967	1,996	2,662	9,316	66,544
Notes receivable, current portion		22,894				22,894
Prepaid expenses	35,709	19,221	1,979	2,638	11,383	70,930
Due from other funds		96,926	123,138		333,025	553,089
Due from CFD	63,084					63,084
Due from developers	140,101					140,101
Total Current Assets	2,860,347	637,811	435,192	493,964	909,443	5,336,757
Capital Assets:						
Non-depreciable	265,740	5,682,140	1,412		6,101	5,955,393
Depreciable, net	16,147,605	7,436,120	533,281		348,095	24,465,101
Total Capital Assets, Net	16,413,345	13,118,260	534,693		354,196	30,420,494
Other Assets:						
Cash and investments - restricted	4,984,483	4,566,557	236,127		17,649	9,804,816
Notes receivable		47,183				47,183
Advances to other funds		369,419				369,419
Total Other Assets	4,984,483	4,983,159	236,127		17,649	10,221,418
TOTAL ASSETS	24,258,175	18,739,230	1,206,012	493,964	1,281,288	45,978,669
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow - pensions	1,034,394	537,089	59,677	79,569	278,491	1,989,220
Deferred outflow - OPEB	604,712	313,985	34,888	46,516	162,808	1,162,909
TOTAL DEFERRED OUTFLOWS	1,639,106	851,074	94,565	126,085	441,299	3,152,129
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 25,897,281	$ 19,590,304	$ 1,300,577	$ 620,049	$ 1,722,587	$ 49,130,798

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2023

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
LIABILITIES						
Current Liabilities:						
Accounts payable	$ 441,498	$ 290,967	$ 19,871	$ 132,257	$ 89,361	$ 973,954
Accrued payroll	50,781	31,945	6,094	1,738	42,779	133,337
Developer deposits	413,915					413,915
Due to other funds	244,895			308,194		553,089
Unearned revenue	553,916	521,729		20,000		1,095,645
Compensated absences	83,539	43,376	4,820	6,426	22,491	160,652
Lease liabilities - due within one year	2,957	2,957				5,914
Total Current Liabilities	1,791,501	890,974	30,785	468,615	154,631	3,336,506
Noncurrent Liabilities:						
Compensated absences - due after one year	7,844	4,073	452	603	2,113	15,085
Lease liabilities - due after one year	1,412	1,412				2,824
Advances from other funds	369,419					369,419
Net pension liability	2,398,661	1,245,459	138,384	184,512	645,793	4,612,809
Net OPEB liability	872,505	453,032	50,337	67,116	234,905	1,677,895
Total Noncurrent Liabilities	3,649,841	1,703,976	189,173	252,231	882,811	6,678,032
TOTAL LIABILITIES	5,441,342	2,594,950	219,958	720,846	1,037,442	10,014,538
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow - pensions	144,378	74,966	8,330	11,106	38,871	277,651
Deferred inflow - OPEB	299,300	155,406	17,267	23,023	80,581	575,577
TOTAL DEFERRED INFLOWS	443,678	230,372	25,597	34,129	119,452	853,228
TOTAL LIABILITIES AND DEFERRED INFLOWS	5,885,020	2,825,322	245,555	754,975	1,156,894	10,867,766
NET POSITION						
Net investment in capital assets	16,408,976	13,113,891	534,693		354,196	30,411,756
Restricted for capital projects	4,984,483	4,120,735	236,127		17,648	9,358,993
Unrestricted	(1,381,198)	(469,644)	284,202	(134,926)	193,849	(1,507,717)
Total Net Position	20,012,261	16,764,982	1,055,022	(134,926)	565,693	38,263,032
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 25,897,281	$ 19,590,304	$ 1,300,577	$ 620,049	$ 1,722,587	$ 49,130,798

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
Operating Revenues						
Service charges	$ 2,869,333	$ 1,641,994		$ 991,693	$ 7,350	$ 5,510,370
Special taxes			$ 221,359		1,499,906	1,721,265
Developers' fees	80,309	1,771				82,080
Total Operating Revenues	2,949,642	1,643,765	221,359	991,693	1,507,256	7,313,715
Operating Expenses						
Operation administration	837,305	223,456	20,953	982,433	172,584	2,236,731
Source of supply	370,796					370,796
Treatment	718,353					718,353
Transmission and distribution	254,465					254,465
Sewer collection		400,611				400,611
Sewer treatment and disposal		522,024				522,024
Gate services					779,761	779,761
Patrol services					392,223	392,223
Developers' expense	78,282					78,282
General and administrative	1,649,375	855,441	95,728	126,843	133,622	2,861,009
Depreciation	861,202	623,813	15,629		63,781	1,564,425
Total Operating Expenses	4,769,778	2,625,345	132,310	1,109,276	1,541,971	10,178,680
Net Income (Loss) from Operations	(1,820,136)	(981,580)	89,049	(117,583)	(34,715)	(2,864,965)
Nonoperating Revenue (Expenses):						
Taxes	540,008	288,844		34,615		863,467
Interest revenue	50,456	24,021		4,773	27,273	106,523
Interest expense	(10,729)	(110)	(898)			(11,737)
Miscellaneous nonoperating revenue (expenses)	10,828	11,729	398	530	1,856	25,341
Total Nonoperating Revenue (Expenses)	590,563	324,484	(500)	39,918	29,129	983,594
Change in Net Position Before Transfers and Capital Contributions	(1,229,573)	(657,096)	88,549	(77,665)	(5,586)	(1,881,371)

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
Capital Contributions						
Capital replacement reserve fees	$ 456,756	$ 458,127				$ 914,883
Debt reserve fee	188,240					188,240
Security impact fee					$ 3,600	3,600
Water augmentation fees	11,267					11,267
Capital improvement fees	19,112	42,008			587	61,707
Donated infrastructure	689,776	357,399	$ 410,882			1,458,057
Capital grant revenue	197,647	26,707				224,354
Total Capital Contributions	1,562,798	884,241	410,882		4,187	2,862,108
Change in Net Position	333,225	227,145	499,431	$ (77,665)	(1,399)	980,737
Net position, Beginning of Year	19,679,036	16,537,837	555,591	(57,261)	567,092	37,282,295
Net Position, End of Year	$ 20,012,261	$ 16,764,982	$ 1,055,022	$ (134,926)	$ 565,693	$ 38,263,032

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 3,418,774	$ 2,180,702	$ 207,638	$ 968,137	$ 1,397,295	$ 8,172,546
Payments to employees	(1,538,290)	(1,184,790)	(109,322)	(47,597)	(10,318,831)	(13,198,830)
Payments to suppliers	(1,749,611)	(867,358)	(133,836)	(1,064,792)	8,568,519	4,752,922
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	130,873	128,554	(35,520)	(144,252)	(353,017)	(273,362)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Assessments received	550,799	289,370		31,916		872,085
Amounts received/ (paid) from other funds	(76,224)	165,997		308,194	(336,760)	61,207
Other amounts received	10,828	11,729	398	530	1,856	25,341
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	485,403	467,096	398	340,640	(334,904)	958,633
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(453,318)	(579,962)	(101,957)		(86,662)	(1,221,899)
Water augmentation fees received	11,267					11,267
Debt reserve fee received	188,240					188,240
Payments on capital lease	(2,687)	(997)			(1,104)	(4,788)
Interest paid	(10,729)	(110)				(10,839)
Grant revenues received	197,647	26,707				
Capital fees received	475,868	500,135			4,187	980,190
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	406,288	(54,227)	(101,957)		(83,579)	(57,829)

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	Total
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	$ 23,964	$ 10,265	$ (2,426)	$ 2,735	$ 20,141	$ 54,679
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	23,964	10,265	(2,426)	2,735	20,141	54,679
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,046,528	551,688	(139,505)	199,123	(751,359)	906,475
Cash and cash equivalents at beginning of year	6,120,791	4,258,573	774,283	150,576	1,103,316	12,407,539
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,167,319	$ 4,810,261	$ 634,778	$ 349,699	$ 351,957	$ 13,314,014
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:						
Cash and investments	$ 2,182,836	$ 243,704	$ 274,360	$ 349,699	$ 334,308	$ 3,384,907
Cash and investments - restricted	4,984,483	4,566,557	236,127		17,649	9,804,816
TOTAL CASH AND CASH EQUIVALENTS	$ 7,167,319	$ 4,810,261	$ 510,487	$ 349,699	$ 351,957	$ 13,189,723

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

STATEMENTS OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Major Funds					
	Water	Sewer	Drainage	Solid Waste	Security	2024
RECONCILIATION OF OPERATING LOSSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Net (loss) income from operations	$ (1,820,136)	$ (981,580)	$ 89,049	$ (117,583)	$ (34,715)	$ (2,864,965)
Adjustments to reconcile net loss from operations to net cash provided (used) by operating activities:						
Depreciation and amortization	861,202	623,813	15,629		63,781	1,564,425
Write-off of fixed assets	208,621					208,621
Changes in operating assets and liabilities:						
Accounts receivable	(44,917)	(6,279)	(13,477)	(42,396)	(108,674)	(215,743)
Prepaid expenses	(21,533)	(11,106)	(1,252)	(1,668)	(5,944)	(41,503)
Due from developers	(35,554)	24,291				(11,263)
Accounts payable	271,795	217,607	18,327	52,385	36,609	596,723
Accrued payroll	(58,990)	7,638	1,016	155	12,780	(37,401)
Deposits	82,260	518,925	(244)	18,840	(1,287)	618,494
Unearned revenue	549,603					549,603
Compensated absences	8,568	(1,478)	(5,786)	4,551	(19,766)	(13,911)
Net pension liability	1,495,174	464,870	56,637	15,799	362,852	2,395,332
Net OPEB liability	222,539	115,550	12,839	17,119	59,914	427,961
Deferred outflows	(908,200)	(372,800)	(17,622)	(53,049)	(111,891)	(1,463,562)
Deferred inflows	(679,559)	(470,897)	(190,636)	(38,405)	(606,676)	(1,986,173)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 130,873	$ 128,554	$ (35,520)	$ (144,252)	$ (353,017)	$ (273,362)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Contributed assets	$ 689,776	$ 357,399	$ 410,882			$ 1,458,057

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

As of June 30, 2023

		Total Custodial Funds
Assets		
Cash and investments		$ 507,464
Assessments receivable		198,275
Restricted cash		398,805
	TOTAL ASSETS	1,104,544
Liabilities		
Due to CSD		63,084
Bond interest payable		80,508
Bonds payable		5,280,000
	TOTAL LIABILITIES	5,423,592
Net Position		
Restricted		398,805
Unrestricted		(4,717,853)
	TOTAL NET POSITION	$ (4,319,048)

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

June 30, 2023

	Total Custodial Funds
Additions	
Property taxes	$ 451,599
Interest and investment earnings	24,940
TOTAL ADDITIONS	476,539
Deductions	
General government	59,984
Debt Service:	
Interest	242,324
TOTAL DEDUCTIONS	302,308
NET INCREASE IN FIDUCIARY NET POSITION	174,231
Net position, beginning of year	(4,493,279)
NET POSITION, END OF YEAR	$ (4,319,048)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rancho Murieta Community Services District (District) have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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

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

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

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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.

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

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

Restricted Cash and Investments: Certain capital expansion fees and capital replacement fees charged to customers are classified as restricted cash and investments because their use is legally restricted by the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Code or District ordinance. Restricted cash and investments are not available for general operational expenses.

Receivables: Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable, and estimated refunds due. No allowance was deemed necessary at June 30, 2023.

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, and are not accrued.

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

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 8 and 9.

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

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

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement will be implemented during the year ended June 30, 2025.

In April 2024, the GASB issued Statements No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to provide key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments consisted of the following at June 30, 2023:

Proprietary Funds:	
Cash and investments	$ 3,384,907
Restricted cash and investments	9,804,816
Fiduciary Funds:	
Cash and investments	507,464
Restricted cash	398,805
Total cash and investments	$ 14,095,992

Cash and investments were classified under GASB Statement No. 40 as follows at June 30, 2023:

Deposits with financial institutions	$ 4,284,040
Investments:	
Local Agency Investment Fund	8,346,811
CAMP investment pool	667,738
Money market funds	797,403
Total Cash	$ 14,095,992

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

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
Investment pools authorized under CA Statues governed by Government Code	N/A	None	$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Account	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	270 days	20%	None
Negotiable Certificates of Deposit	2 years	20%	None
Re-purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None
Municipal Obligations	5 years	20%	None
Supranational debt	5 years	30%	None

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2023:

		Remaining Maturity	
Investment Type	Total	12 Months or Less	13 to 48 Months
Local Agency Investment Fund	$ 8,346,811	$ 8,346,811	
CAMP investment pool	667,738	667,738	
Money market funds	797,403	797,403	
Total	$ 9,811,952	$ 9,811,952	

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, 2023 for each investment type.

			Ratings as of fiscal year end	
Investment Type	Amount	Minimum Legal Rating	AAAm/AAA	Not rated
Local Agency Investment Fund	$ 8,346,811	N/A		$ 8,346,811
CAMP investment pool	667,738	N/A	$ 667,738	
Money market funds	797,403	N/A	797,403	
Total investments	$ 9,811,952		$ 1,465,141	$ 8,346,811

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, 2023, 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

NOTE 2 - CASH AND INVESTMENTS (Continued)

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 by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2023, the carrying amount of the District's deposits were $4,284,040 and the balances in financial institutions were $4,587,458. Of the balance in financial institutions, $608,866, was covered by federal depository insurance and $3,978,592 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 invested by all public agencies in LAIF is $176,442,053,163 and is managed by the State Treasurer. Of that amount, 2.78% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 260 days at June 30, 2023.

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, 2023, these investments of the pool had an average maturity of 45 days.

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

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

NOTE 3 – INTERFUND TRANSACTIONS

In May 2014, the Sewer Fund advanced the Water Fund $1,500,000 for the water treatment plant expansion. Principal payments of approximately $10,900 per month, plus interest at the current investment earnings rate, are paid monthly through May 2026. Interest expense during the year ended June 30, 2023, was $10,400 in the Water Fund. The interest rate on the loan at June 30, 2023, was 3.167%. As of June 30, 2023, $369,419 was outstanding on this advance.

During the course of normal operations, transactions occur between funds to reimburse costs paid on behalf of other funds. These balances are expected to be repaid within one year.

Interfund balances for operations as of June 30, 2023 were as follows:

	Due from other funds	Due to other funds
Water fund		$ 244,895
Sewer fund	$ 96,926	
Drainage fund	123,138	
Solid Waste fund		308,194
Security fund	333,025	
	$ 553,089	$ 553,089

The balances resulted primarily from temporary cash advances and the timing of expenditures and reimbursements between funds. Management expects all balances to be settled during the subsequent fiscal years.

NOTE 4 – NOTES RECEIVABLE

In June 2021, the District loaned $114,514 to the Rancho Murieta Country Club to replace the recycled water irrigation pumps. The loan has an initial interest rate of 2%, which will be updated to the LAIF interest rate, but not less than 2%. The loan is due in monthly payments of $2,007 through June 30, 2026. This is paid off as of reporting date.

NOTE 5 – CAPITAL ASSETS

A. Capital assets activity

The activity in the capital assets for the year ended June 30, 2023 are summarized below:

	Balance at July 1, 2022	Additions	Deletions	Reclassifications/ Adjustments	Balance at June 30, 2023
Water Fund					
Capital Assets not being depreciated:					
Construction in Progress		$ 252,100			$ 252,100
Land	$ 13,640				13,640
Total Capital Assets not being depreciated	13,640	252,100			265,740
Capital Assets being depreciated:					
Utility Infrastructure and Related Improvements		841,013		$ 30,728,953	31,569,966
Machinery and Equipment		48,301		370,761	419,063
Computer Equipments and Software		1,680		62,712	64,392
Furniture and Fixtures				30,249	30,249
Vehicle				341,605	341,605
Building and related improvements				7,218	7,218
Water transmission	8,071,594			(8,071,594)	
Water treatment	22,604,298			(22,604,298)	
Software	8,482			(8,482)	
Vehicles and equipment	938,488			(938,488)	
Subtotal	31,622,862	890,994		(81,364)	32,432,492
Less: Accumulated Depreciation	(15,423,685)	(861,202)			(16,284,887)
Total Capital Assets being depreciated, net	16,199,177	29,792		(81,364)	16,147,605
Total Capital Assets, Net	$ 16,212,817	$ 281,892	$ -	$ (81,364)	$ 16,413,345

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at July 1, 2022	Additions	Deletions	Reclassifications/ Adjustments	Balance at June 30, 2023
Sewer Fund					
Capital Assets not being depreciated:					
Construction in progress		$ 219,090			$ 219,090
Land	$ 5,463,050				5,463,050
Total Capital Assets not being depreciated	5,463,050	219,090			5,682,140
Capital Assets being depreciated:					
Utility Infrastructure and Related Improvements		684,806		$ 21,282,874	21,967,680
Machinery and Equipment		22,830		593,575	616,405
Computer Equipments and Software		10,635		133,788	144,423
Furniture and Fixtures				16,494	16,494
Vehicle				210,186	210,186
Building and related improvements				888,609	888,609
Collection facilities	4,990,707			(4,990,707)	
Pumping facility	160,466			(160,466)	
Treatment plant/facilities	15,651,378			(15,651,378)	
Vehicles and equipment	1,057,201			(1,057,201)	
Lake Chesbro Protection	216,119			(216,119)	
Disposal Facilities	673,852			(673,852)	
Software	4,090			(4,090)	
Telemetry building	503,857			(503,857)	
Subtotal	23,257,670	718,271		(132,144)	23,843,797
Less: Accumulated Depreciation	(15,783,864)	(623,813)			(16,407,677)
Total Capital Assets being depreciated, net	7,473,806	94,458		(132,144)	7,436,120
Total Capital Assets, Net	$ 12,936,857	$ 313,548	$ -	$ (132,144)	$ 13,118,260
Drainage					
Capital Assets not being depreciated:					
Construction in progress		$ 1,412			$ 1,412
Total Capital Assets not being depreciated		1,412			1,412
Depreciable assets:					
Utility Infrastructure and Related Improvements		511,337			511,337
Machinery and Equipment				$ 62,301	62,301
Computer Equipments and Software		90		2,706	2,796
Furniture and Fixtures				1,911	1,911
Vehicle				863	863
Software	$ 455			(455)	
Drainage facility	66,173			(66,173)	
Subtotal	66,628	511,427		1,153	579,208
Less: Accumulated Depreciation	(30,298)	(15,629)			(45,927)
Total Capital Assets being depreciated, net	36,330	495,797		1,153	533,281
Total Capital Assets, Net	$ 36,330	$ 497,210	$ -	$ 1,153	$ 534,693

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at July 1, 2022	Additions	Deletions	Reclassifications/ Adjustments	Balance at June 30, 2023
Security					
Capital Assets not being depreciated:					
Construction in progress		$ 6,101			$ 6,101
Total Capital Assets not being depreciated		6,101			6,101
Depreciable assets:					
Machinery and Equipment		24,409		$ 299,949	324,358
Computer Equipments and Software		420		165,842	166,262
Furniture and Fixtures		22,496		24,222	46,718
Vehicle		33,237		80,951	114,187
Building and related improvements				233,340	233,340
Vehicles and equipment	$ 547,996			(547,996)	
Software	196,660			(196,660)	
Buildings and improvements	55,913			(55,913)	
Subtotal	800,569	80,561		3,735	884,865
Less: Accumulated Depreciation	(472,989)	(63,781)		-	(536,770)
Total Capital Assets being depreciated, net	327,580	16,780		3,735	348,095
Total Capital Assets, Net	$ 327,580	$ 22,881	$ -	$ 3,735	$ 354,196

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

Water	$ 861,202
Sewer	623,813
Drainage	15,629
Security	63,781
Total Depreciation Expense	$ 1,564,425

NOTE 6 – LONG-TERM LIABILITIES

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

	Balance at July 1, 2022	Additions	Retirements	Balance at June 30, 2023	Due within One Year
Compensated absences	$ 189,648		$ (13,911)	$ 175,737	$ 160,652
Lease liabilities	13,526		(4,788)	8,738	5,914
Net pension liability	2,217,477	$ 2,395,332		4,612,809	
Net OPEB liability	1,249,934	427,961		1,677,895	
Total	$ 3,670,585	$ 2,823,293	$ (18,699)	$ 6,475,179	$ 166,566

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Capital Leases: On January 16, 2021, the District Board of Directors authorized the financing and purchase of a Konica Copier lease through a Caltronics contract. The cost of the contract was $22,811. The District makes 48 monthly payments of $475 for four years. The interest rate on the lease is 4.40%. The accumulated depreciation on the copier at June 30, 2023, totaled $10,479.

NOTE 7 – NET POSITION

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

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

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These include connection fees restricted to capital expansion by Section 66013 of the Water Code and service charges received for use on capital projects consisting of the following:

	Water	Sewer	Drainage	Security
RESTRICTED:				
Capital replacements	$ 2,662,741	$ 3,670,205		
Water augmentation	2,275,217			
Capital improvements	46,525	450,530	$ 236,127	
Security projects				$ 17,648
TOTAL RESTRICTED NET POSITION	$ 4,984,483	$ 4,120,735	$ 236,127	$ 17,648

The District's Water Treatment Plant Construction Fund, which has a deficit balance of $791,420, borrowed from the water augmentation restricted net position to partially fund the water treatment plant project. The balance owed at June 30, 2023 is $123,150. Monthly principal and interest payments of approximately $4,000 are being made.

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

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

NOTE 7 – NET POSITION (Continued)

The District's unrestricted net position consists of the following at June 30, 2023:

	Water	Sewer	Drainage	Solid Waste	Security
DESIGNATED:					
Property Tax Assessment Reserves				$ 10,269	
Capital replacements	$ 82,574	$ 57,184	$ 68,456		$ 326,814
TOTAL DESIGNATED	82,574	57,184	68,456	10,269	326,814
UNDESIGNATED	(1,463,772)	(526,828)	215,746	(145,195)	(132,965)
TOTAL UNRESTRICTED NET POSITION	$ (1,381,198)	$ (469,644)	$ 284,202	$ (134,926)	$ 193,849

NOTE 8 – PENSION PLANS

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan, a cost sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Optional Settlement 2 Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect for the year ended June 30, 2023 is summarized as follows for each rate plan:

Hire date	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.00% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.87%	7.47%

NOTE 8 – PENSION PLANS (Continued)

In addition to the contribution rates above, the District was required to make payments totaling $344,420 toward its unfunded actuarial liability during the year ended June 30, 2023. The Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The total contributions paid to the Plan were $542,081 for the year ended June 30, 2023.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2023, the District reported a net pension liability for its proportionate share of the Plan's net pension liability of $4,612,809.

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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30 was as follows:

Proportion - June 30, 2022	0.11678%
Proportion - June 30, 2023	0.09858%
Change - Increase	-0.01820%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2023, the District recognized a pension credit of $76,857. At June 30, 2023, 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
Changes of Assumptions	$ 472,679	
Differences between Expected and Actual Experience	92,634	$ (62,042)
Differences between Projected and Actual Investment Earnings	844,944	
Differences between Employer's Contributions and Proportionate Share of Contributions		(211,940)
Change in Employer's Proportion	36,882	(3,668)
Pension Contributions Made Subsequent to Measurement Date	542,081	-
Total	$ 1,989,220	$ (277,651)

NOTE 8 – PENSION PLANS (Continued)

The $542,081 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2022 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as net deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows as of June 30, 2023:

Year Ended June 30	
2024	$ 274,070
2025	241,203
2026	137,418
2027	516,797
	$ 1,169,488

Actuarial Assumptions: The total pension liability at the June 30, 2022 measurement dates was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Mortality - pre-retirement	Derived using CalPERS Membership Data

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

Discount Rate: The discount rate used to measure the total pension liability was 6.90% in the June 30, 2022 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

NOTE 8 – PENSION PLANS (Continued)

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,b)
Global Equity cap-weighted	30.0%	4.45%
Global Equity non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yeild	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.3% used for this period.
(b) Figures are based on the 2021-22 Asset Liability Management Study.

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	5.90%
Net Pension Liability	$ 6,933,596
Current Discount Rate	6.90%
Net Pension Liability	$ 4,612,809
1% Increase	7.90%
Net Pension Liability	$ 2,703,380

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN

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

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

For the year ended June 30, 2023, the District paid $221,806 of current retiree premiums and contributed $74,205 in the form of an implied subsidy of retirement premiums.

Employees Covered by Benefit Terms: As of the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or Beneficiaries receiving benefit payments	23
Active employees	31
Total	54

Net OPEB Liability: The District's net OPEB liabilities as of June 30, 2022 were measured as of June 30, 2022, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.25%
Discount rate	7.00%
Investment rate of return	7.00%, net of OPEB plan investment expenses
Healthcare trend rate	5.20% for 2022 through 2034; 5.00%for 2035 through 2049; 4.5% for 2050 through 2064; and 4.00% for 2065 and later years

Retirement mortality information was derived from data collected during 2021 CalPERS Experience Study. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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 real rates of return for each major asset class, based on published capital market assumptions, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Rate of Return
Broad U.S. Equity	48%	5.30%
U.S Fixed	45%	0.90%
Real Estate	2%	3.30%
Cash Equivalents	5%	-0.06%
Total	100%	

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

Changes in the Net OPEB Liability: Changes in the net OPEB liability were as follows during the year ended June 30, 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2021	$ 3,949,385	$ 2,699,451	$ 1,249,934
Changes in the year:			
Service cost	115,906		115,906
Interest	274,665		274,665
Contributions - employer		287,910	(287,910)
Net investment income		(325,300)	325,300
Benefit payments	(287,910)	(287,910)	-
Net changes	102,661	(325,300)	427,961
Balance at June 30, 2022	$ 4,052,046	$ 2,374,151	$ 1,677,895

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	$ 2,095,244	$ 1,677,895	$ 1,326,734

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: 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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	$ 1,259,457	$ 1,677,895	$ 2,183,375

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 June 30, 2023, the District recognized OPEB expense of $288,508. At June 30, 2023, the District had deferred inflows related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$ 296,011	
Difference between projected and actual earnings	449,244	$ (221,005)
Change in assumptions		(345,775)
Difference between expected and actual experience	417,654	(8,797)
Total	$ 1,162,909	$ (575,577)

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB 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.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2024	$ 88,632
2025	82,370
2026	66,805
2027	107,320
2028	(53,806)
	$ 291,321

NOTE 10 – SPECIAL ASSESSMENT DISTRICT

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

The amount of special assessment debt at June 30, 2024, is:

Community Facilities District No. 2014-1	$ 5,280,000

NOTE 11 – INSURANCE

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

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

NOTE 11 – INSURANCE (Continued)

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

NOTE 12 – REVENUE LIMITATION IMPOSED BY CALIFORNIA PROPOSITION 218

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

Commitments: The District entered into a solid waste agreement with California Waste Recovery System in 2023 that terminates June 30, 2035, with an option to extend. The rates are stated in the contract based on the type of service and are subject to an annual increase based on the Consumer Price Index, not to exceed 5.5% per year.

The District received funding from landowners for the construction of Phase 1 of the water treatment plant expansion, of which $540,000 was to be reserved to fund a portion of the Phase 2 expansion. This reserve amount was used by the District to cover cost overruns on the Phase 1 construction. Should construction of Phase 2 move forward, the District would be required to provide the $540,000 of funding on the project within 12 months of notification that Phase 2 will proceed. The remaining cost of Phase 2 would be funded by the landowners. It is unknown whether the landowners will seek to move forward with Phase 2 of the project. The landowners did not move forward with Phase 2 and the funding remains with the District as of June 30, 2023.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to June 2023, the District was involved in legal claims during the normal course of business. One of the legal claims was settled in May 2025 in the amount of $375,000. The District is responsible for $200,000 of the settlement and the remaining amount is covered by insurance.

During May 2024, the Board approved the transfer of OPEB assets from PARS' funding to California Employers' Retiree Benefit Trust (CERBT).

NOTE 14 – SUBSEQUENT EVENTS (Continued)

In November 2024 the District executed a construction agreement for the Wastewater Treatment Facility Sodium Hypochlorite Improvements/Chlorine Contact Basin Expansion – Phase 1 Project in the amount of $2,402,558.

In May 2026 the District executed a construction agreement for the Equestrian Access Culvert Project in the amounts of $343,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.09858%	0.11678%	0.09197%	0.08890%	0.08381%	0.08399%	0.07992%	0.07967%	0.08554%
Proportionate share of the net pension liability	$ 4,612,809	$ 2,217,477	$ 3,879,564	$ 3,560,102	$ 3,158,658	$ 3,310,789	$ 2,776,304	$ 2,185,709	$ 2,114,104
Covered payroll - measurement period	$ 2,440,518	$ 1,734,776	$ 2,011,198	$ 1,777,349	$ 1,700,521	$ 1,844,259	$ 1,854,042	$ 1,776,986	$ 1,776,986
Proportionate share of the net pension liability as a percentage of covered payroll	189.01%	127.82%	192.90%	200.30%	185.75%	179.52%	149.74%	123.00%	118.97%
Plan fiduciary net position as a percentage of the total pension liability	72.91%	86.39%	59.65%	68.19%	75.68%	73.42%	78.44%	81.69%	79.18%
Notes to Schedule:									
Reporting valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Change in benefit terms: None									

Changes in assumptions: The discount rate was changed from 6.75% (net of administrative expenses) to 7.00% in the June 30, 2021 actuarial valuation. The discount rate was changed to 7.00% in the June 30, 2022 actuarial valuation.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
Last 10 Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 542,081	$ 467,657	$ 430,634	$ 393,756	$ 336,982	$ 282,817	$ 269,924	$ 250,997	$ 222,235
Contributions in relation to the actuarially determined contributions	(542,081)	(467,657)	(430,634)	(393,756)	(336,982)	(282,817)	(269,924)	(250,997)	(222,235)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll - fiscal year	$ 2,463,801	$ 2,440,518	$ 1,734,776	$ 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	22.00%	19.16%	24.82%	19.58%	18.96%	16.63%	14.64%	13.54%	12.51%
Notes to Schedule:									
Contribution valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and assumptions used to determine contribution rates:	Entry age normal cost method								
Amortization method	Level percentage of payroll, closed								
Remaining amortization period	Varies by rate plan, not more than 30 years								
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by entry age and service								
Payroll growth	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return and discount rate	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	50 to 67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.								
Mortality	Most recent CalPERS Experience Study								

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2023

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

Measurement period	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 115,906	$ 132,255	$ 125,957	$ 119,959	$ 120,587	$ 120,587
Interest	274,665	291,638	279,650	218,561	202,076	193,101
Differences between expected and actual experience		38,018	(13,776)	819,620	(9,086)	(13,414)
Changes in assumptions		(406,563)		(116,222)		
Benefit payments	(287,910)	(275,268)	(180,096)	(170,520)	(114,202)	(101,226)
Net change in total OPEB liability	102,661	(219,920)	211,735	871,398	199,375	199,048
Total OPEB liability - beginning	3,949,385	4,169,305	3,957,570	3,086,172	2,886,797	2,687,749
Total OPEB liability - ending (a)	$ 4,052,046	$ 3,949,385	$ 4,169,305	$ 3,957,570	$ 3,086,172	$ 2,886,797
Plan fiduciary net position						
Contributions - employer	$ 287,910	$ 275,268	$ 292,596	$ 352,020	$ 328,402	$ 189,009
Net investment income	(325,300)	520,844	66,025	93,530	121,097	127,890
Benefit payments	(287,910)	(275,268)	(180,096)	(170,520)	(114,202)	
Administrative expenses					(5,456)	(4,337)
Net change in plan fiduciary net position	(325,300)	520,844	178,525	275,030	329,841	312,562
Plan fiduciary net position - beginning	2,699,451	2,178,607	2,000,082	1,725,052	1,395,211	1,082,649
Plan fiduciary net position - ending (b)	$ 2,374,151	$ 2,699,451	$ 2,178,607	$ 2,000,082	$ 1,725,052	$ 1,395,211
Net OPEB liability - ending (a)-(b)	$ 1,677,895	$ 1,249,934	$ 1,990,698	$ 1,957,488	$ 1,361,120	$ 1,491,586
Plan fiduciary net position as a percentage of the total OPEB liability	58.59%	68.35%	52.25%	50.54%	55.90%	48.33%
Covered - employee payroll - measurement period	$ 2,013,132	$ 1,734,776	$ 2,011,198	$ 1,933,439	$ 1,755,788	$ 1,770,521
Net OPEB liability as percentage of covered - employee payroll	83.35%	72.05%	98.98%	101.24%	77.52%	84.25%
Notes to schedule:						
Valuation date	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Benefit changes. None.

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, 2023

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
Last 10 Years

	2024	2023	2022	2021	2020	2019	2018
Actuarially or contractually determined contribution - employer fiscal year	$ 319,294	$ 229,742	$ 222,510	$ 287,225	$ 278,685	$ 298,011	$ 286,184
Contributions in relation to the determined contributions	(313,302)	(297,243)	(287,910)	(275,268)	(292,596)	(352,020)	(328,402)
Contribution deficiency (excess)	$ 5,992	$ (67,501)	$ (65,400)	$ 11,957	$ (13,911)	$ (54,009)	$ (42,218)
Covered - employee payroll - employer fiscal year	$ 2,527,012	$ 2,463,801	$ 2,013,132	$ 2,011,198	$ 1,996,276	$ 1,933,439	$ 1,777,349
Contributions as a percentage of covered - employee payroll	12.40%	12.06%	14.30%	13.69%	14.66%	18.21%	18.70%

Notes to Schedule:

	2024	2023	2022	2021	2020	2019	2018
Valuation date	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal cost method						
Amortization method	Level percentage of ernings or service of the individual between entry age and assumed exit age.						
Asset valuation method	Market value of assets						
Inflation	2.50%						
Healthcare cost trend rates	5.20% in 2022 trending down to 4.00% in 2065						
Salary increases	3.25%	3.00%	3.00%	3.25%	3.25%		
Investment rate of return	6.40%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Retirement age	50-75 years. Probabilities of retirement are based on the 2017 CalPERS experience study.						
Mortality	Based on 2021 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

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 24, 2026.

Report on Internal Control over Financial Reporting

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses as items 2022-001, 2021-001 and 2021-002.

Report on 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

To the Board of Directors
Rancho Murieta Community Services District

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

<u>Response to Findings</u>

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

<u>Purpose of this Report</u>

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

Richardson & Company, LLP

August 24, 2026

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2023

MATERIAL WEAKNESSES IN INTERNAL CONTROL

Prior Year Findings

Finding 2022-001: Timely record keeping

Condition: The accounting records were not maintained up-to-date during the fiscal year. Payroll expenses for employees were not recorded in the general ledger until after year-end in one large journal entry, and the bank reconciliations were not performed until after the end of the fiscal year.

Criteria: Accounting transactions must be recorded timely and accurately to maintain sufficient internal control over accounting records and to provide real-time financial information to manage the District.

Cause: The District has had staff turnovers over the last few years in the accounting department leaving its ability to record transactions timely limited.

Effect: Potential for misstated accounting records and the inability of the District to manage its cash balances.

Recommendation: We recommend the District ensure at least cash transactions are recorded on a timely basis, even though the District us behind in closing its books on the accrual basis.

Current Status: The District has retained a Director of Finance that has been working toward maintaining the District's accounting system up-to-date.

District's response: In conjunction with the preparation of outstanding audits, the District has continued to strengthen its financial recordkeeping processes. Monthly payroll journal entries, cash receipts and revenue transactions, and other material accounting activities have been recorded in the accounting system to bring the financial records current. Beginning in January 2026, preliminary financial reports for the five-month period ended November 30, 2025, have been presented to the Finance and Board Committee, enhancing financial transparency and strengthening governance oversight. As of August 2026, we are finalizing the accounting records through July 31, 2026, and continue to make significant progress in closing historical financial reporting gaps.

Finding 2021-001 and 2020-001: Year-End Closing Procedures

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

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

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

Current Status: The District has now retained qualified staff to ensure that all the balance sheets are reviewed and reconciled and approved prior to the beginning of the audit. A streamlined accounting process which includes routine reconciliation according to the District policy and generally accepted accounting principles is substantially installed.

Finding 2021-002 and 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. One transaction was identified dating back to 2007, but there may be others.

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

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

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

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

Current Status: This issue still exists, but donated infrastructure was properly recorded in fiscal year 2023 and 2024.

District's response: The District has begun evaluating developer-donated infrastructure assets and has recorded the value of identified developer-contributed assets, along with the related depreciation, in both the general ledger and the fixed asset subledger for fiscal years 2023 and 2024. The District anticipates completing the identification and evaluation of all developer-donated infrastructure and making any necessary adjustments to the accounting records in subsequent fiscal years. This effort will help ensure the completeness and accuracy of the District's capital asset records and related financial reporting.

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

REQUIRED COMMUNICATIONS LETTER

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

We have audited the financial statements of the business type activities of the Rancho Murieta Community Service District (the District) for the years ended June 30, 2024 and 2023, and have issued our report thereon dated _August 24, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards</u>

As stated in our engagement letter dated April 9, 2025, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the system of internal control of the District. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

<u>Planned Scope, Timing of the Audit, Significant Risks, and Other</u>

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including the system of internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Internal control matters are discussed in the Report on Internal Control and Compliance and the management letter.

We are required by the audit standards to identify potential risk of material misstatements during the audit process. We have identified the following significant risk of material misstatement as part of our audit planning: Management override of controls and revenue recognition. These are the areas that the audit standards require at a minimum to be identifies as significant risks; however, no such issues were noted during our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024 and 2023. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: depreciable lives and methods used to depreciate capital assets, collectability of receivables, the valuation of donated assets and the accrual for employee pension and post-employment benefits. We evaluated the methods, assumptions, and data used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements include the employee retirement plan footnote (Note 8) and the other post-employment benefits plan footnote (Note 9) and the subsequent events discussed in Note 14.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. Our audits have been delayed due to staffing issues that caused delays in preparing closing entries and reconciling general ledger accounts.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjustments included 4 entries and audit adjustments needed to correct balances of the accounts for 2024 and 7 entries for 2023, a significant reduction in the number of adjustments needed compared to past audits. A list of these adjustments has been provided to management.

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter August 24, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, the District did not consult with any other group.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, and the Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions – Pension Plan, Schedule of Changes in the Net OPEB Liability and Related Ratios and Schedule of Contributions to the OPEB Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the District's supplementary information, which accompany the financial statements, but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

August 24, 2026

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED JUNE 30, 2024

	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
Description (Nature) of Audit Difference	Total Assets	Total Liabilities	Net Position	Change in Net Position
Invoice not accrued for services provided prior to June 30, 2024	$ (18,353)	$ (18,353)		
Accrued payroll recorded was less than the calculated balance		(11,011)		$ 11,011
Net Unadjusted Audit Differences - This Year	(18,353)	(29,364)	-	11,011
Financial Statement Caption Totals	$ 48,489,160	$ 11,419,053	$ 40,200,039	$ 1,937,007
Net Audit Differences as % of Financial Statement Captions	-0.04%	-0.26%	0.00%	0.57%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED JUNE 30, 2023

	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
Description (Nature) of Audit Difference	Total Assets	Total Liabilities	Net Position	Change in Net Position
Invoice not accrued for services provided prior to June 30, 2023	$ (18,381)	$ (18,381)		
Net Unadjusted Audit Differences - This Year	(18,381)	(18,381)	-	-
Financial Statement Caption Totals	$ 45,978,669	$ 10,014,538	$ 38,263,032	$ 980,737
Net Audit Differences as % of Financial Statement Captions	-0.04%	-0.18%	0.00%	0.00%

RICHARDSON
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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 years ended June 30, 2024 and 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the district's internal control.

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 August 24, 2026 contains our report on significant deficiencies or material weaknesses in the Districts internal control. This letter does not affect our report dated August 24, 2026 on the financial statements of the District.

We noted the following items in our current audit:

Document Retention

The District was unable to access certain billing records due to a change in its software system. We recommend implementing procedures to retain and preserve all billing records to ensure they remain accessible for future reference, audits, and operational needs.

District Response: *During the FY23 audit, the District transitioned from the Utility Star billing system to the Tyler billing system. detailed transaction data was successfully imported into Tyler; however, certain customer billing invoices requested for audit testing could not be retrieved in the original Utility Star format. To improve record retention and accessibility, under the Tyler billing system the District now prints and retains all customer invoices monthly upon completion of the billing process.*

Check Generation

During the audit, we noted that voided checks were not maintained in an organized manner and checks were not consistently pre-numbered, making it difficult to account for the completeness and sequence of checks issued and voided.

We recommend that the District implement procedures to ensure checks are pre-numbered and sequentially accounted for. Voided checks should be clearly identified, properly documented, and maintained in an organized manner to provide a complete audit trail and strengthen internal controls over cash disbursements.

District Response: Beginning FY27, *The District has established a process to generate a monthly voided check report from Great Plains and maintain all voided checks in a designated file for proper documentation and review.*

In addition, the District has addressed the issue related to pre-numbered checks. Beginning in FY27, check numbers will be tracked for each check run, and the District will ensure that all checks are generated and used in sequential numerical order.

The following items noted in past audits warrant additional consideration:

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 and Security Capital Improvement Fee Reserve.

District responses: *No comment.*

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.

District Response: *No change.*

* * * * *

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.

Richardson & Company, LLP

August 24, 2026

RANCHO MURIETA COMMUNITY FACILITIES
DISTRICT NO. 2014-1

(A Component Unit of the Rancho Murieta
Community Services District)

Audited Financial Statements

June 30, 2024

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

June 30, 2024

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

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 (CFD 2014-1), a component unit of the Rancho Murieta Community Services District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the CFD 2014-1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the CFD 2014-1 as of June 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

As discussed in Note A, the financial statements present only the CFD 2014-1 and are not intended to present fairly the financial position and results of operations of the Rancho Murieta Community Services District in conformity with accounting principles generally accepted in the United States of America.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

August 24, 2026

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

As of June 30, 2024

	General Fund	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and investments	$ 788,779		$ 788,779
Assessments receivable	5,792		5,792
Restricted cash	399,681		399,681
TOTAL ASSETS	$ 1,194,252	-	1,194,252
LIABILITIES			
Accounts payable	$ 107,992		107,992
Bond interest payable		$ 78,758	78,758
Bonds payable		5,130,000	5,130,000
TOTAL LIABILITIES	107,992	5,208,758	5,316,750
FUND BALANCES/NET POSITION			
Fund balances:			
Restricted	399,681		
Unassigned	686,579	(686,579)	
TOTAL FUND BALANCES	1,086,260	(686,579)	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,194,252		
Net Position			
Restricted			399,681
Unrestricted		(4,522,179)	(4,522,179)
TOTAL NET POSITION		$ (4,522,179)	$ (4,122,498)

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

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

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

For the Year Ended June 30, 2024

	General Fund	Adjustments (Note H)	Statement of Activities
EXPENDITURES			
General government	$ 61,895		$ 61,895
Debt service:			
Principal payments	150,000	$ (150,000)	
Interest expense	238,900	(1,750)	237,150
TOTAL EXPENDITURES	450,795	(151,750)	299,045
GENERAL REVENUES			
Property tax	453,765		453,765
Interest income	41,830		41,830
TOTAL GENERAL REVENUES	495,595		495,595
EXCESS OF REVENUES OVER EXPENDITURES	44,800	151,750	196,550
FUND BALANCE/NET ASSETS			
Net position, beginning of the year	1,041,460	(5,360,508)	(4,319,048)
	$ 1,086,260	$ (5,208,758)	$ (4,122,498)

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

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 (CFD 2014-1) is presented to assist the reader in interpreting the financial statements and other data in this report. The accounting policies of the CFD 2014-1 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, CFD 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 totaling $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.

The CFD 2014-1, a component unit of Rancho Murieta Community Services District, is a legally constituted governmental entity governed by the Board of Directors of the Rancho Murieta Community Services District. The financial records of the CFD 2014-1 are maintained by the Rancho Murieta Community Services District staff.

The financial statements present only the financial position and changes in financial position of the CFD 2014-1 and are not intended to present fairly the financial position of Rancho Murieta Community Services District and the changes in its financial position in conformity with accounting principles generally accepted in the U.S.

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 CFD 2014-1. For the most part, the effect of interfund activity has been removed from these statements. The CFD 2014-1 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the CFD 2014-1's policy to use restricted resources first, then unrestricted resources, as they are needed.

Basis of Presentation – Fund Financial Statements: The accounts of the CFD 2014-1 are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund is 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 CFD 2014-1 has only a General Fund. The CFD 2014-1 does not prepare a budget, so no budgetary comparison is presented.

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 CFD 2014-1 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 CFD 2014-1's expendable financial resources and related liabilities. The CFD 2014-1 reports the following major governmental fund:

> General Fund – The General Fund is the general operating fund of the CFD 2014-1. It is used to account for all financial resources except those required to be accounted for in another fund.

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 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.

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."

NOTE B – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2024:

Deposits with financial institutions	$ 100,123
Money market funds	1,088,337
Total Cash and Investments	$ 1,188,460

Investments Authorized by the California Government Code and the CFD 2014-1's Investment Policy: The table below identifies the investment types that are authorized for the CFD 2014-1 by the California Government Code (or the CFD 2014-1's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the CFD 2014-1'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 CFD 2014-1, rather than the general provisions of the California Government Code or the CFD 2014-1'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 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 CFD 2014-1'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.

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 CFD 2014-1'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 CFD 2014-1's investments by maturity as of June 30, 2023:

		Remaining Maturity (in Months)	
Investment Type	Totals	12 Months or Less	13-48 Months
Money market funds	$ 1,088,337	$ 1,088,337	
Totals	$ 1,088,337	$ 1,088,337	

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 CFD 2014-1's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

		Minimum		Rating as of Fiscal Year End	
Investment Type	Amount	Legal Rating	Exempt From Disclosure	AAA	Not Rated
Money market funds	$1,088,337	N/A		$1,088,337	
Totals	$1,088,337			$1,088,337	

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the CFD 2014-1 limited the amount that can be invested in any one issuer to the amount stipulated by the California Government Code. As of June 30, 2024, there are five investment accounts in one issuer that represent 100% 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 CFD 2014-1'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 CFD 2014-1's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2024, 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 CFD 2014-1 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 CFD 2014-1'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.

NOTE D – SPECIAL ASSESSMENT DEBT

The Rancho Murieta Community Services District adopted a resolution for the formation of the CFD 2014-1. The 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

NOTE D – SPECIAL ASSESSMENT DEBT (Continued)

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 and payable from revenues generated through an 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, 2024, was as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Sepcial Assessment Debt Series 2014-1	$ 5,280,000		$ (150,000)	$ 5,130,000	$ 155,000
Total	$ 5,280,000		$ (150,000)	$ 5,130,000	$ 155,000

Debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2025	$ 155,000	$ 233,563	$ 388,563
2026	160,000	227,850	387,850
2027	165,000	221,550	386,550
2028	170,000	214,850	384,850
2029	180,000	207,850	387,850
2030-2034	1,020,000	904,638	1,924,638
2035-2039	1,285,000	631,869	1,916,869
2040-2044	1,625,000	287,969	1,912,969
2045	370,000	8,788	378,788
Totals	$ 5,130,000	$ 2,938,927	$ 8,068,927

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 principal payments. The balance held in reserve as of June 30, 2024 is $399,681.

NOTE F – NET POSITION DEFICIT

CFD 2014-1 governmental activities had an unrestricted net position (deficit) of $4,522,179 at June 30, 2024. 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 FUND BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

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

Total governmental fund balance	$ 1,086,260
Special assessment debt and interest payable that is not due and payable in the fund balance sheet current period and, therefore is not reported in the governmental fund balance sheet	(5,208,758)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (4,122,498)

NOTE H – RECONCILIATION OF THE GOVERNMENTAL FUND 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	$ 44,800
Long-term debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental fund, but in the Statement of Net Position the repayment	
Principal payments	150,000
The change in accrued interst is recorded as a current liability in the statement of activity, however, interest expense is recorded when paid in the governmental fund	1,750
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 196,550

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1

(A Component Unit of the Rancho Murieta Community Services District)

Audited Financial Statements

June 30, 2023

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

June 30, 2023

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

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 (CFD 2014-1), a component unit of the Rancho Murieta Community Services District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the CFD 2014-1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the CFD 2014-1 as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

As discussed in Note A, the financial statements present only the CFD 2014-1 and are not intended to present fairly the financial position and results of operations of the Rancho Murieta Community Services District in conformity with accounting principles generally accepted in the United States of America.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

August 24, 2026

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

As of June 30, 2023

	General Fund	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and investments	$ 507,464		$ 507,464
Assessments receivable	198,275		198,275
Restricted cash	398,805		398,805
TOTAL ASSETS	$ 1,104,544	-	1,104,544
LIABILITIES			
Accounts payable	$ 63,084		63,084
Bond interest payable		$ 80,508	80,508
Bonds payable		5,280,000	5,280,000
TOTAL LIABILITIES	63,084	5,360,508	5,423,592
FUND BALANCES/NET POSITION			
Fund balances:			
Restricted	398,805		
Unassigned	642,655	(642,655)	
TOTAL FUND BALANCES	1,041,460	(642,655)	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,104,544		
Net Position			
Restricted			398,805
Unrestricted		(4,717,853)	(4,717,853)
TOTAL NET POSITION		$ (4,717,853)	$ (4,319,048)

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

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

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

For the Year Ended June 30, 2023

	General Fund	Adjustments (Note H)	Statement of Activities
EXPENDITURES			
General government	$ 59,984		$ 59,984
Debt service:			
Principal payments	145,000	$ (145,000)	
Interest expense	243,919	(1,595)	242,324
TOTAL EXPENDITURES	448,903	(146,595)	302,308
GENERAL REVENUES			
Property tax	451,599		451,599
Interest income	24,940		24,940
TOTAL GENERAL REVENUES	476,539		476,539
EXCESS OF REVENUES OVER EXPENDITURES	27,636	146,595	174,231
FUND BALANCE/NET ASSETS			
Net position, beginning of the year	1,013,824	(5,507,103)	(4,493,279)
	$ 1,041,460	$ (5,360,508)	$ (4,319,048)

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

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 (CFD 2014-1) is presented to assist the reader in interpreting the financial statements and other data in this report. The accounting policies of the CFD 2014-1 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, CFD 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 totaling $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.

The CFD 2014-1, a component unit of Rancho Murieta Community Services District, is a legally constituted governmental entity governed by the Board of Directors of the Rancho Murieta Community Services District. The financial records of the CFD 2014-1 are maintained by the Rancho Murieta Community Services District staff.

The financial statements present only the financial position and changes in financial position of the CFD 2014-1 and are not intended to present fairly the financial position of Rancho Murieta Community Services District and the changes in its financial position in conformity with accounting principles generally accepted in the U.S.

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 CFD 2014-1. For the most part, the effect of interfund activity has been removed from these statements. The CFD 2014-1 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the CFD 2014-1's policy to use restricted resources first, then unrestricted resources, as they are needed.

Basis of Presentation – Fund Financial Statements: The accounts of the CFD 2014-1 are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund is 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 CFD 2014-1 has only a General Fund. The CFD 2014-1 does not prepare a budget, so no budgetary comparison is presented.

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 CFD 2014-1 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 CFD 2014-1's expendable financial resources and related liabilities. The CFD 2014-1 reports the following major governmental fund:

> General Fund – The General Fund is the general operating fund of the CFD 2014-1. It is used to account for all financial resources except those required to be accounted for in another fund.

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 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.

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."

NOTE B – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2023:

Deposits with financial institutions	$ 108,866
Money market funds	797,403
Total Cash and Investments	$ 906,269

Investments Authorized by the California Government Code and the CFD 2014-1's Investment Policy: The table below identifies the investment types that are authorized for the CFD 2014-1 by the California Government Code (or the CFD 2014-1's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the CFD 2014-1'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 CFD 2014-1, rather than the general provisions of the California Government Code or the CFD 2014-1'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 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 CFD 2014-1'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.

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 CFD 2014-1'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 CFD 2014-1's investments by maturity as of June 30, 2023:

		Remaining Maturity (in Months)	
Investment Type	Totals	12 Months or Less	13-48 Months
Money market funds	$ 797,403	$ 797,403	
Totals	$ 797,403	$ 797,403	

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 CFD 2014-1's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End	
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	Not Rated
Money market funds	$ 797,403	N/A		$ 797,403	
Totals	$ 797,403			$ 797,403	

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the CFD 2014-1 limited the amount that can be invested in any one issuer to the amount stipulated by the California Government Code. As of June 30, 2023, there are five investment accounts in one issuer that represent 100% 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 CFD 2014-1'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 CFD 2014-1's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2023, 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 CFD 2014-1 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 CFD 2014-1'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.

NOTE D – SPECIAL ASSESSMENT DEBT

The Rancho Murieta Community Services District adopted a resolution for the formation of the CFD 2014-1. The 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

NOTE D – SPECIAL ASSESSMENT DEBT (Continued)

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 and payable from revenues generated through an 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, 2023, was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Sepcial Assessment Debt Series 2014-1	$ 5,425,000		$ (145,000)	$ 5,280,000	$ 150,000
Total	$ 5,425,000		$ (145,000)	$ 5,280,000	$ 150,000

Debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2024	$ 150,000	$ 238,900	$ 388,900
2025	155,000	233,563	388,563
2026	160,000	227,850	387,850
2027	165,000	221,550	386,550
2028	170,000	214,850	384,850
2029-2033	975,000	951,344	1,926,344
2034-2038	1,230,000	691,600	1,921,600
2039-2043	1,550,000	363,375	1,913,375
2044-2045	725,000	34,794	759,794
Totals	$ 5,280,000	$ 3,177,826	$ 8,457,826

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 principal payments. The balance held in reserve as of June 30, 2023 is $398,805.

NOTE F – NET POSITION DEFICIT

CFD 2014-1 governmental activities had an unrestricted net position (deficit) of $4,717,853 at June 30, 2023. 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 FUND BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

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

Total governmental fund balance	$ 1,041,460
Special assessment debt and interest payable that is not due and payable in the fund balance sheet current period and, therefore is not reported in the governmental fund balance sheet	(5,360,508)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (4,319,048)

NOTE H – RECONCILIATION OF THE GOVERNMENTAL FUND 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	$ 27,636
Long-term debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental fund, but in the Statement of Net Position the repayment	
Principal payments	145,000
The change in accrued interst is recorded as a current liability in the statement of activity, however, interest expense is recorded when paid in the governmental fund	1,595
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 174,231