

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

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

### **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                |
| <b>ASSETS</b>                                |                      |                      |                     |                   |                     |                      |
| 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                         | <u>2,813,567</u>     | <u>911,774</u>       | <u>498,811</u>      | <u>706,122</u>    | <u>1,050,939</u>    | <u>5,981,213</u>     |
| 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                    | <u>16,505,342</u>    | <u>13,539,506</u>    | <u>1,015,449</u>    |                   | <u>289,566</u>      | <u>31,349,863</u>    |
| 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                           | <u>5,608,532</u>     | <u>5,171,392</u>     | <u>253,058</u>      |                   | <u>125,102</u>      | <u>11,158,084</u>    |
| <b>TOTAL ASSETS</b>                          | <u>24,927,441</u>    | <u>19,622,672</u>    | <u>1,767,318</u>    | <u>706,122</u>    | <u>1,465,607</u>    | <u>48,489,160</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>        |                      |                      |                     |                   |                     |                      |
| 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            |
| <b>TOTAL DEFERRED OUTFLOWS</b>               | <u>1,848,487</u>     | <u>959,792</u>       | <u>106,644</u>      | <u>142,191</u>    | <u>497,670</u>      | <u>3,554,784</u>     |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>    | <u>\$ 26,775,928</u> | <u>\$ 20,582,464</u> | <u>\$ 1,873,962</u> | <u>\$ 848,313</u> | <u>\$ 1,963,277</u> | <u>\$ 52,043,944</u> |

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                |
| <b>LIABILITIES</b>                                              |                      |                      |                     |                   |                     |                      |
| 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            |
| <b>TOTAL LIABILITIES</b>                                        | <b>5,746,069</b>     | <b>2,925,350</b>     | <b>271,994</b>      | <b>952,108</b>    | <b>1,523,532</b>    | <b>11,419,053</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                      |                      |                     |                   |                     |                      |
| 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              |
| <b>TOTAL DEFERRED INFLOWS</b>                                   | <b>220,924</b>       | <b>114,710</b>       | <b>12,745</b>       | <b>16,994</b>     | <b>59,479</b>       | <b>424,852</b>       |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>                   | <b>5,966,993</b>     | <b>3,040,060</b>     | <b>284,739</b>      | <b>969,102</b>    | <b>1,583,011</b>    | <b>11,843,905</b>    |
| <b>NET POSITION</b>                                             |                      |                      |                     |                   |                     |                      |
| 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           |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS AND NET POSITION</b> | <b>\$ 26,775,928</b> | <b>\$ 20,582,464</b> | <b>\$ 1,873,962</b> | <b>\$ 848,313</b> | <b>\$ 1,963,277</b> | <b>\$ 52,043,944</b> |

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      | <u>1,706,859</u>     | <u>1,238,261</u>     | <u>521,900</u>      |                     | <u>35,947</u>     | <u>3,502,967</u>     |
| Change in Net Position           | 796,674              | 777,422              | 534,201             | \$ 14,137           | (185,427)         | 1,937,007            |
| Net position, Beginning of Year  | <u>20,012,261</u>    | <u>16,764,982</u>    | <u>1,055,022</u>    | <u>(134,926)</u>    | <u>565,693</u>    | <u>38,263,032</u>    |
| Net Position, End of Year        | <u>\$ 20,808,935</u> | <u>\$ 17,542,404</u> | <u>\$ 1,589,223</u> | <u>\$ (120,789)</u> | <u>\$ 380,266</u> | <u>\$ 40,200,039</u> |

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        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |              |              |            |              |              |              |
| 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<br>OPERATING ACTIVITIES                     | (625,083)    | (410,405)    | 49,573     | 5,673        | (160,007)    | (1,140,249)  |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>              |              |              |            |              |              |              |
| 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<br>NONCAPITAL FINANCING ACTIVITIES          | (164,575)    | 377,157      | 22,496     | 101,774      | 603,628      | 940,480      |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>     |              |              |            |              |              |              |
| 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<br>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                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                         |                                              |                     |                     |                   |                   |                   |                      |
| Interest received                                                                   |                                              | \$ 385,535          | \$ 227,987          | \$ 26,051         | \$ 28,765         | \$ 90,110         | \$ 758,448           |
|                                                                                     | NET CASH PROVIDED BY<br>INVESTING ACTIVITIES | <u>385,535</u>      | <u>227,987</u>      | <u>26,051</u>     | <u>28,765</u>     | <u>90,110</u>     | <u>758,448</u>       |
|                                                                                     | INCREASE IN CASH AND<br>CASH EQUIVALENTS     | 284,191             | 387,308             | 98,120            | 136,212           | 569,678           | 1,475,509            |
| Cash and cash equivalents at beginning of year                                      |                                              | <u>7,167,319</u>    | <u>4,810,261</u>    | <u>510,487</u>    | <u>349,699</u>    | <u>351,957</u>    | <u>13,189,723</u>    |
|                                                                                     | CASH AND CASH EQUIVALENTS<br>AT END OF YEAR  | <u>\$ 7,451,510</u> | <u>\$ 5,197,569</u> | <u>\$ 608,607</u> | <u>\$ 485,911</u> | <u>\$ 921,635</u> | <u>\$ 14,665,232</u> |
| <b>RECONCILIATION OF CASH AND INVESTMENTS<br/>TO THE STATEMENT OF NET POSITION:</b> |                                              |                     |                     |                   |                   |                   |                      |
| Cash and investments                                                                |                                              | \$ 1,842,978        | \$ 290,525          | \$ 355,549        | \$ 485,911        | \$ 796,533        | \$ 3,771,496         |
| Cash and investments - restricted                                                   |                                              | <u>5,608,532</u>    | <u>4,907,044</u>    | <u>253,058</u>    |                   | <u>125,102</u>    | <u>10,893,736</u>    |
|                                                                                     | TOTAL CASH AND CASH EQUIVALENTS              | <u>\$ 7,451,510</u> | <u>\$ 5,197,569</u> | <u>\$ 608,607</u> | <u>\$ 485,911</u> | <u>\$ 921,635</u> | <u>\$ 14,665,232</u> |

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                  |
| <b>RECONCILIATION OF OPERATING LOSSES TO NET</b>                                                       |                     |                     |                  |                 |                     |                       |
| <b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>                                                   |                     |                     |                  |                 |                     |                       |
| 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                                                       | <u>\$ (625,083)</u> | <u>\$ (410,405)</u> | <u>\$ 49,573</u> | <u>\$ 5,673</u> | <u>\$ (160,007)</u> | <u>\$ (1,140,249)</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                                |                     |                     |                  |                 |                     |                       |
| 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       | <u>1,194,252</u>      |
| Liabilities            |                    |                       |
| Due to CSD             |                    | 107,992               |
| Bond interest payable  |                    | 78,758                |
| Bonds payable          |                    | 5,130,000             |
|                        | TOTAL LIABILITIES  | <u>5,316,750</u>      |
| Net Position           |                    |                       |
| Restricted             |                    | 399,681               |
| Unrestricted           |                    | <u>(4,522,179)</u>    |
|                        | TOTAL NET POSITION | <u>\$ (4,122,498)</u> |

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                           | <u>495,595</u>               |
| Deductions                       |                                           |                              |
| General government               |                                           | 61,895                       |
| Debt Service:                    |                                           |                              |
| Interest expense                 |                                           | 237,150                      |
|                                  | TOTAL DEDUCTIONS                          | <u>299,045</u>               |
|                                  | NET INCREASE IN<br>FIDUCIARY NET POSITION | 196,550                      |
| Net position, beginning of year  |                                           | <u>(4,319,048)</u>           |
|                                  | NET POSITION, END OF YEAR                 | <u><u>\$ (4,122,498)</u></u> |

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

# RANCHO MURIETA COMMUNITY SERVICES DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2024

### **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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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       |
|                                 | <hr/>         |
| Total cash and investments      | \$ 15,853,692 |
|                                 | <hr/>         |

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     |
|                                      | <hr/>         |
| Total Cash                           | \$ 15,853,692 |
|                                      | <hr/>         |

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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:

| Investment Type              | Total                | Remaining Maturity   |                 |
|------------------------------|----------------------|----------------------|-----------------|
|                              |                      | 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                        | <u>\$ 10,725,948</u> | <u>\$ 10,725,948</u> |                 |

**Credit Risk:** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of June 30, 2024 for each investment type.

| Investment Type              | Amount               | Minimum Legal Rating | Ratings as of fiscal year end |                  |
|------------------------------|----------------------|----------------------|-------------------------------|------------------|
|                              |                      |                      | 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            | <u>\$ 10,725,948</u> |                      | <u>\$ 10,708,105</u>          | <u>\$ 17,843</u> |

**Concentration of Credit Risk:** The investment policy of the District limited the amount that can be invested in any one issuer to the amount stipulated by the California Government Code. As of June 30, 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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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<br>other funds | Due to<br>other funds |
|------------------|-------------------------|-----------------------|
| Water Fund       | \$ 263,099              |                       |
| Sewer Fund       | 260,169                 |                       |
| Drainage Fund    | 103,307                 |                       |
| Solid Waste Fund |                         | \$ 374,790            |
| Security Fund    |                         | 251,785               |
|                  | <u>\$ 626,575</u>       | <u>\$ 626,575</u>     |

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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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<br>July 1, 2023 | Additions  | Deletions | Reclassifications/<br>Adjustments | Balance at<br>June 30, 2024 |
|----------------------------------------------------|----------------------------|------------|-----------|-----------------------------------|-----------------------------|
| <u>Water Fund</u>                                  |                            |            |           |                                   |                             |
| 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<br>being depreciated      | 265,740                    | 193,743    |           | (64,528)                          | 394,955                     |
| Capital Assets being depreciated:                  |                            |            |           |                                   |                             |
| Utility Infrastructure and Related<br>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<br>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               |
| <u>Sewer Fund</u>                                  |                            |            |           |                                   |                             |
| 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<br>being depreciated      | 5,682,140                  | 64,654     |           | (166,302)                         | 5,580,492                   |
| Capital Assets being depreciated:                  |                            |            |           |                                   |                             |
| Utility Infrastructure and Related<br>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<br>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               |

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**NOTE 5 – CAPITAL ASSETS (Continued)**

|                                                    | Balance at<br>July 1, 2023 | Additions          | Deletions   | Reclassifications/<br>Adjustments | Balance at<br>June 30, 2024 |
|----------------------------------------------------|----------------------------|--------------------|-------------|-----------------------------------|-----------------------------|
| <u>Drainage</u>                                    |                            |                    |             |                                   |                             |
| Capital Assets not being depreciated:              |                            |                    |             |                                   |                             |
| Construction in progress                           | \$ 1,412                   |                    |             | \$ (105)                          | \$ 1,307                    |
| Total Capital Assets not<br>being depreciated      | 1,412                      |                    |             | (105)                             | 1,307                       |
| Depreciable assets:                                |                            |                    |             |                                   |                             |
| Utility Infrastructure and Related<br>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<br>being depreciated, net     | 533,281                    | 480,861            |             |                                   | 1,014,142                   |
| Total Capital Assets, Net                          | <u>\$ 534,693</u>          | <u>\$ 480,861</u>  | <u>\$ -</u> | <u>\$ (105)</u>                   | <u>\$ 1,015,449</u>         |
| <br>                                               |                            |                    |             |                                   |                             |
|                                                    | Balance at<br>July 1, 2023 | Additions          | Deletions   | Reclassifications/<br>Adjustments | Balance at<br>June 30, 2024 |
| <u>Security</u>                                    |                            |                    |             |                                   |                             |
| Capital Assets not being depreciated:              |                            |                    |             |                                   |                             |
| Construction in progress                           | \$ 6,101                   |                    |             |                                   | \$ 6,101                    |
| Total Capital Assets not<br>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<br>being depreciated, net     | 348,095                    | (64,630)           |             |                                   | 283,465                     |
| Total Capital Assets, Net                          | <u>\$ 354,196</u>          | <u>\$ (64,630)</u> | <u>\$ -</u> | <u>-</u>                          | <u>\$ 289,566</u>           |

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              |
|                            | <u>          </u>   |
| Total Depreciation Expense | <u>\$ 1,638,167</u> |

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**NOTE 6 – LONG-TERM LIABILITIES**

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

|                       | Balance at<br>July 1, 2023 | Additions           | Retirements       | Balance at<br>June 30, 2024 | Due within<br>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                 | <u>\$ 6,475,179</u>        | <u>\$ 1,341,326</u> | <u>\$ (5,914)</u> | <u>\$ 7,810,591</u>         | <u>\$ 192,044</u>      |

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         | <u>\$ 5,608,534</u> | <u>\$ 4,436,079</u> | <u>\$ 253,058</u> | <u>\$ 125,101</u> |

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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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                 | <u>82,574</u>         | <u>57,184</u>       | <u>68,456</u>     | <u>32,844</u>       | <u>326,814</u>     |
| UNDESIGNATED                     | <u>(1,386,103)</u>    | <u>(488,953)</u>    | <u>252,260</u>    | <u>(153,633)</u>    | <u>(361,215)</u>   |
| TOTAL UNRESTRICTED               |                       |                     |                   |                     |                    |
| NET POSITION                     | <u>\$ (1,303,529)</u> | <u>\$ (431,769)</u> | <u>\$ 320,716</u> | <u>\$ (120,789)</u> | <u>\$ (34,401)</u> |

**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](http://www.calpers.ca.gov).

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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:

|                                                      | Miscellaneous<br>Plan<br>(Prior to<br>January 1, 2013) | Miscellaneous<br>Plan<br>(On or after<br>January 1, 2013) |
|------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------|
| Hire date                                            |                                                        |                                                           |
| Benefit formula (at full retirement)                 | 2.0% @ 55                                              | 2.0% @ 62                                                 |
| Benefit vesting schedule                             | 5 years service                                        | 5 years service                                           |
| Benefit payments                                     | monthly for life                                       | monthly for life                                          |
| Retirement age                                       | 50 - 63                                                | 52 - 67                                                   |
| Monthly benefits, as a % of<br>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% |

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>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<br>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                                                                                    | <u>\$ 1,935,373</u>                  | <u>\$ (145,807)</u>                 |

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              |
|                    | <u>\$ 1,243,845</u> |

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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<br>Allocation | Real Return<br>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 Yield                     | 5.0%                        | 2.27%                            |
| Emerging Market Debt           | 5.0%                        | 2.48%                            |
| Private Debt                   | 5.0%                        | 3.57%                            |
| Real Assets                    | 15.0%                       | 3.21%                            |
| Leverage                       | -5.0%                       | -0.59%                           |
| Total                          | 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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                                     | <u>21</u>        |
| Total                                                | <u><u>47</u></u> |

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 |

|                       | <b>Year<br/>Beginning</b> | <b>Increase in<br/>Pre-65</b> | <b>Premium Rate<br/>Post-65</b> |
|-----------------------|---------------------------|-------------------------------|---------------------------------|
| 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](http://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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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:

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

(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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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<br>Liability | Plan Fiduciary<br>Net Position | Net OPEB<br>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<br>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%) than the current rate.

|                    | 1% Decrease<br>(5.40%) | Current<br>Discount Rate<br>(6.40%) | 1% Increase<br>(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<br>Trend Rates | 1% Increase  |
|--------------------|--------------|----------------------------------------|--------------|
| Net OPEB liability | \$ 2,118,568 | \$ 2,636,938                           | \$ 3,264,157 |

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------|--------------------------------------|-------------------------------------|
| Unrecognized Deferred Resources due to:              |                                      |                                     |
| Differences between 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                                                | <u>\$ 1,619,411</u>                  | <u>\$ (279,045)</u>                 |

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net 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: | <u>\$ 1,027,064</u> |

**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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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 | <u>\$ 5,130,000</u> |
|------------------------------------------|---------------------|

**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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

**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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2024

**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)                                      | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| 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)                                       | <u>\$ 5,199,443</u> | <u>\$ 4,052,046</u> | <u>\$ 3,949,385</u> | <u>\$ 4,169,305</u> | <u>\$ 3,957,570</u> | <u>\$ 3,086,172</u> | <u>\$ 2,886,797</u> |
| 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)                                | <u>\$ 2,562,485</u> | <u>\$ 2,374,151</u> | <u>\$ 2,699,451</u> | <u>\$ 2,178,607</u> | <u>\$ 2,000,082</u> | <u>\$ 1,725,052</u> | <u>\$ 1,395,211</u> |
| Net OPEB liability - ending (a)-(b)                                     | <u>\$ 2,636,958</u> | <u>\$ 1,677,895</u> | <u>\$ 1,249,934</u> | <u>\$ 1,990,698</u> | <u>\$ 1,957,488</u> | <u>\$ 1,361,120</u> | <u>\$ 1,491,586</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>49.28%</u>       | <u>58.59%</u>       | <u>68.35%</u>       | <u>52.25%</u>       | <u>50.54%</u>       | <u>55.90%</u>       | <u>48.33%</u>       |
| Covered - employee payroll - measurement period                         | <u>\$ 2,255,304</u> | <u>\$ 2,013,132</u> | <u>\$ 1,734,776</u> | <u>\$ 2,011,198</u> | <u>\$ 1,933,439</u> | <u>\$ 1,755,788</u> | <u>\$ 1,770,521</u> |
| Net OPEB liability as percentage of covered - employee payroll          | <u>116.92%</u>      | <u>83.35%</u>       | <u>72.05%</u>       | <u>98.98%</u>       | <u>101.24%</u>      | <u>77.52%</u>       | <u>84.25%</u>       |
| 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2024

**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)                                            | <u>\$ 5,992</u> | <u>\$ (67,501)</u> | <u>\$ (65,400)</u> | <u>\$ 11,957</u> | <u>\$ (13,911)</u> | <u>\$ (54,009)</u> | <u>\$ (42,218)</u> |
| 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 earnings 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

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.

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.

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2024

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 is 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

FOR THE YEAR ENDED JUNE 30, 2024

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.