RANCHO MURIETA COMMUNITY SERVICES DISTRICT
15160 Jackson Road • P.O. Box 1050 • Rancho Murieta, California 95683
(916) 354-3700

September 16, 2026

Hon. Lawrence G. Brown
Presiding Judge
Superior Court of California, County of Sacramento
720 Ninth Street
Sacramento, California 95814

Re: **Response of the Board of Directors of the Rancho Murieta Community Services District to the 2025–2026 Sacramento County Grand Jury Report, *"Rancho Murieta Community Services District: Still a Work in Progress"* (June 24, 2026)**

Dear Presiding Judge Brown:

On behalf of the Board of Directors of the Rancho Murieta Community Services District (the "District"), I submit the following response to the above-referenced Report of the 2025–2026 Sacramento County Grand Jury. This response is submitted pursuant to Penal Code sections 933, subdivision (c), and 933.05.

The Board considered the Report and this response at its regular meeting of September 16, 2026, an agendized public meeting, and approved this response by a vote of 4-0.

The Grand Jury requested a response as to all findings and recommendations. This response addresses each of Findings F1 through F12 and each of Recommendations R1 through R12, in the form required by Penal Code section 933.05.

A number of the matters identified in the Report were already under active correction when the Report was issued, and others have been completed since. Where work remains, the Board has said so and has given the dates it expects to complete it. The Board is grateful for the Grand Jury's attention to the District and for the care reflected in the Report.

Respectfully submitted,

John Merchant, President
Board of Directors
Rancho Murieta Community Services District

cc: Clerk of the Board, Rancho Murieta Community Services District

Clerk of the Superior Court, County of Sacramento
2025–2026 Sacramento County Grand Jury

RESPONSE OF THE BOARD OF DIRECTORS
RANCHO MURIETA COMMUNITY SERVICES DISTRICT
TO THE 2025–2026 SACRAMENTO COUNTY GRAND JURY REPORT
"RANCHO MURIETA COMMUNITY SERVICES DISTRICT: STILL A WORK IN PROGRESS"
(June 24, 2026)

Submitted pursuant to Penal Code sections 933 and 933.05

INTRODUCTION

Penal Code section 933.05, subdivision (a), requires that, as to each finding, the responding entity indicate either that it agrees with the finding, or that it disagrees wholly or partially, specifying the portion disputed and explaining its reasons. Subdivision (b) requires that, as to each recommendation, the responding entity report that the recommendation has been implemented; has not yet been implemented but will be, with a timeframe; requires further analysis, with scope and a timeframe not exceeding six months from publication of the Report; or will not be implemented because it is not warranted or reasonable, with an explanation. This response follows that structure.

FINDING F1.

> *The Grand Jury finds the District operated an accounting system without standardized procedures that did not meet California's legal requirements for public financial reporting, which as a result, allowed multiple legally required financial audits to become overdue.*

The Board of Directors agrees with Finding F1.

The District did not maintain standardized written accounting procedures adequate to support timely preparation of annual financial statements, and annual audits became overdue as a result.

The District has since taken the following corrective action. Several modules within the District's existing Microsoft Dynamics GP (Great Plains) accounting system were reinstalled and implemented, including the bank reconciliation module, the fixed allocation module, and the interfund self-balancing module. Those modules were installed in the fall of 2025 and are now fully operational and integrated into the District's daily financial activity. The District also implemented Tyler accounting software and undertook a comprehensive redesign of its chart of accounts, reducing more than 2,000 account codes to approximately 100 and eliminating the prior practice of recording expenses to "99 accounts" for later manual redistribution among funds at year end.

The District has also strengthened its accounting processes so that balance sheet accounts and bank reconciliations are reviewed and reconciled on a timely and complete basis, and so that supporting documentation and audit-ready account reconciliations are prepared in advance of audit fieldwork. District staff now present current financial statements to the Board monthly.

The District has completed two audit cycles using these modules and procedures. Many of the deficiencies previously identified have been addressed as a result, as described in the response to Finding F3 below.

RECOMMENDATION R1.

> *The Grand Jury recommends the Board require staff to complete updated accounting procedure manuals reflecting current software systems and processes, with General Manager approval, no later than December 31, 2026.*

The recommendation has not yet been implemented, but will be implemented.

The District began compiling written accounting procedure manuals covering both the accounting software system and the District's accounting processes in September 2026. Approximately seventy percent of the manuals are complete.

The manuals are expected to be completed by December 31, 2026. The District's incoming General Manager assumes office on October 19, 2026 and will review and approve the manuals within the timeframe recommended by the Grand Jury.

FINDING F2.

> *The Grand Jury finds as of May 2026, the District has deferred the FY 2022-23, FY 2023-24 and FY 2024-25 audits, and will be deferring the FY 2025-26 audits, extending a pattern of delinquent financial reporting that began in FY 2020-21, which is a violation of state law.*

The Board of Directors agrees with Finding F2.

As of May 2026, the audits identified in Finding F2 had not been completed. Government Code section 26909, subdivision (a)(2)(B), requires that the report of a special district's annual audit be filed within twelve months of the end of the fiscal year under examination. The District was not in compliance with that requirement.

The Board reports the following developments since the Report period. The FY 2022-23 and FY 2023-24 audits of the District and of Community Facilities District No. 2014-1 were completed in August 2026. The Board received, reviewed and filed the audited financial statements, together with the auditors' presentation, at its meeting of August 26, 2026. The completed FY 2021-22, FY 2022-23 and FY 2023-24 audit reports were submitted to the Chief of Audits, Auditor-Controller Division, County of Sacramento, and receipt was confirmed by the County on August 27, 2026.

The Board further reports that the FY 2024-25 audit is now overdue under section 26909. Preparation is in progress and the District projects completion in December 2026 or January 2027, depending on the auditors' availability. The FY 2025-26 audit is not yet overdue — the twelve-month period under section 26909 runs to July 2027 — and the District projects completion in March 2027.

Audit status as of September 2026:

Fiscal Year	Status	Projected completion
FY 2022-23	Complete. Received and filed by the Board August 26, 2026; filed with the County Auditor-Controller, receipt confirmed August 27, 2026.	Complete
FY 2023-24	Complete. Received and filed by the Board August 26, 2026; filed with the County Auditor-Controller, receipt confirmed August 27, 2026.	Complete
FY 2024-25	Overdue under Government Code section 26909(a)(2)(B). Preparation in progress.	December 2026 – January 2027
FY 2025-26	Not yet due; twelve-month period runs to July 2027. Preparation in progress.	March 2027

RECOMMENDATION R2.

> *The Grand Jury recommends the District finalize the FY 2022-23 and FY 2023-24 financial statements and submit them to the Board for review of the audited findings from those statements by September 30, 2026. The Grand Jury further recommends the District finalize the FY 2024-25 and FY 2025-26 financial statements and the Board consider the audited findings from those statements by December 31, 2026.*

The recommendation has been implemented in part; the remainder has not yet been implemented but will be implemented.

As to the first part of the recommendation, it has been implemented. The FY 2022-23 and FY 2023-24 financial statements were finalized and audited, and the Board received, reviewed and filed the audited findings at a special meeting on August 26, 2026, at which the auditors presented their reports — ahead of the September 30, 2026 date recommended by the Grand Jury.

As to the second part, the recommendation has not yet been implemented and will not be implemented within the timeframe the Grand Jury recommends. The Board reports the following timeframe instead. The District projects that the FY 2024-25 audit will be completed in

December 2026 or January 2027, and that the Board will consider the audited findings at its first regular meeting following completion. The District projects that the FY 2025-26 audit will be completed in March 2027, and that the Board will consider those audited findings at its first regular meeting following completion.

These projections are the District's own. They depend on the District's completion of audit preparation and on the auditors' availability, and the District is not able to obtain a fixed written schedule from its auditors in advance of that preparation. The Board reports these dates rather than adopt a date it does not expect to meet.

FINDING F3.

> *The Grand Jury finds there is no evidence the District fully remediated the material weaknesses and significant deficiencies identified in the FY 2019-20 audit following its transition to the current accounting software, thereby risking the continuance of a pattern of unqualified audits.*

The Board of Directors disagrees partially with Finding F3.

The Board agrees that remediation of the FY 2019-20 findings is not complete, and agrees that no written status report identifying which findings had been resolved and which remained open had been presented to the Board. The Grand Jury was correct to identify that gap, and the Board has closed it, as described in the response to Recommendation R3.

The Board disagrees with Finding F3 to the extent it finds there is "no evidence" of remediation. There is substantial documented evidence of remediation, and it is reflected in the District's subsequent audit reports. The FY 2019-20 audit reported seven material weaknesses and four significant deficiencies. The FY 2023-24 audit, received by the Board on August 26, 2026, reports three material weaknesses and identifies no significant deficiencies.

Material weaknesses reported in the FY 2019-20 audit:

Finding	Subject	Status per FY 2023-24 audit
2020-001	Year-end closing procedures	Open — carried forward as Finding 2021-001 and 2020-001
2020-002	Developer-constructed infrastructure	Open — carried forward as Finding 2021-002 and 2020-002
FS 2019-001	Reliance on external auditor to prepare financial records	Merged into Finding 2020-001 in the FY 2019-20 report; addressed through retention of qualified accounting staff
FS 2019-002	Lack of segregation of duties	Not reported in the FY 2023-24 audit
FS 2019-004	Lack of review	Not reported in the FY 2023-24 audit

Finding	Subject	Status per FY 2023-24 audit
FS 2019-005	Bond funds and expenditures were tracked in an incorrect ledger	Not reported in the FY 2023-24 audit
FS 2019-007	No self-balancing set of accounts by fund	Not reported in the FY 2023-24 audit

Significant deficiencies reported in the FY 2019-20 audit:

Finding	Subject	Status per FY 2023-24 audit
FS 2019-008	Accrued payroll benefit liabilities	Not reported in the FY 2023-24 audit
FS 2019-009	Bank reconciliations	Not reported in the FY 2023-24 audit
FS 2019-011	Inactive customer accounts with credit balances	Not reported in the FY 2023-24 audit
FS 2019-013	Prepaid expense reconciliation	Not reported in the FY 2023-24 audit

The corrective measures underlying these changes are summarized in the response to Recommendation R3. Three material weaknesses remain open, and the Board does not represent otherwise.

RECOMMENDATION R3.

> *The Grand Jury recommends the Board direct staff to deliver a written remediation status report by September 30, 2026 identifying which prior audit findings and material weaknesses the District resolved and which remain open.*

The recommendation has been implemented.

On September 16, 2026, the Director of Finance and Administration delivered to the Board a written remediation status report identifying each material weakness and significant deficiency reported in the FY 2019-20 audit, the corrective action taken as to each, and the current status of each. The Board received and filed that report. A copy is attached to this response as Exhibit A. The Board had previously been briefed on the status of the FY 2021-22 schedule of findings at its meeting of May 27, 2026.

The report identifies the following corrective action.

Accrued payroll benefit liabilities (FS 2019-008). The District completed reconciliations for each accrued payroll benefit liability account and implemented procedures to ensure those balance sheet accounts agree to supporting documentation.

Bank reconciliations (FS 2019-009). The District reinstalled and activated the bank reconciliation module previously disabled within its accounting system, resumed use of system-generated reconciliations, and instituted review of completed reconciliations by a qualified accounting professional.

Inactive customer credit balances (FS 2019-011). The District implemented a new utility billing system, staffed accounts receivable with a new team, and now requires an additional level of system approval for refunds.

Prepaid expense reconciliation (FS 2019-013). The District implemented a balance sheet reconciliation process as part of month-end and year-end close, under which prepaid and other balance sheet accounts are reconciled to supporting documents and allocated to the proper fund based on the transaction.

Self-balancing accounts by fund (FS 2019-007). The District implemented the Interfund Management module within Microsoft Dynamics GP in the fall of 2026, which records and balances interfund transactions automatically through due to and due from entries, and implemented the Fixed Allocation module to allocate administrative expenses across funds at the time transactions are recorded. The District also redesigned its chart of accounts as described in the response to Finding F1.

Bond funds and expenditures were tracked in an incorrect ledger (FS 2019-005) All direct collections and expenditures relating to Community Facilities District No. 2014-1 are now handled by the CFD's appointed fiscal agent, with property tax collections deposited directly to the fiscal agent's accounts, and shared costs recorded as amounts due from the CFD.

Accounting staffing and segregation of duties (FS 2019-001, FS 2019-002, FS 2019-004). The District retained a Director of Finance and Administration in the summer of 2025 and has established an accounting team with financial reporting expertise. Transaction processing responsibilities are segregated among accounts payable, office technician and utility billing personnel, and reviewed by accounting staff and reconciled to supporting documentation to ensure accuracy and completeness. Vendor invoices are approved by the respective department heads; and disbursements are subject to two-tier approval with dual signatures at established thresholds.

The report also identifies the following three material weaknesses reported in the FY 2023-24 audit, which remain open:

Finding	Subject	Status and expected resolution
2022-001	Timely record keeping	Open. Expected to continue to be reported until the District's prior-year audits are brought current.

Finding	Subject	Status and expected resolution
2021-001 (and 2020-001)	Year-end closing procedures	Open. Expected to continue to be reported until the District's prior-year audits are brought current.
2021-002 (and 2020-002)	Developer-constructed infrastructure	Open. Donated infrastructure and related depreciation were recorded for FY 2022-23 and FY 2023-24. The District expects to complete identification and valuation of all developer-donated infrastructure in the FY 2025-26 audit.

At the August 26, 2026 meeting the auditors noted a significant improvement in the number of audit adjustments and that account analyses were completed before the start of audit fieldwork.

FINDING F4.

> *The Grand Jury acknowledges the hiring of a qualified Director of Finance and Administration enabled the District to make great strides towards closing the books on a series of long overdue audits as well as to establish effective accounting processes.*

The Board of Directors agrees with Finding F4.

The Board agrees, and appreciates the Grand Jury's recognition. The District retained its Director of Finance and Administration as a temporary employee in May 2025, and in September 2025 appointed her to the position on a permanent basis. The FY 2020-21 audit was completed before her tenure. Under her direction the District completed the FY 2021-22, which the Board received August 20, 2025. The District completed the FY 2022-23 and FY 2023-24 audits, which the Board received on August 26, 2026, and established the accounting processes described in the responses to Findings F1 and F3.

FINDING F5.

> *The Grand Jury finds the District continues to suffer from the impact of high upper management staff turnover to the detriment of its effective operation. The Grand Jury further finds, however, the recent retention of HRtoGO Outsourcing and Consulting Service to assist in establishing and implementing proper human resources procedures, may improve the handling of personnel matters and potentially reduce future employment litigation as well as prevention of high staff turnover.*

The Board of Directors agrees with Finding F5.

The Board agrees that the District has experienced significant turnover in upper management positions, and agrees that the retention of HRtoGO Outsourcing and Consulting Service is expected to improve the handling of personnel matters.

The Board notes the following as context. Several key positions have been held with substantial continuity: the Chief Plant Operator, now also serving as Interim Director of Operations, has been with the District since 2002; the District Secretary, now also serving as Interim General Manager, since 2019; the District's Accountant since 2023; and the Information Technology Manager since 2023. The District has appointed a permanent Director of Finance and Administration and a permanent General Manager, and has engaged HRtoGO to establish consistent human resources practices, including recordkeeping for hiring, evaluation, and compliance training.

FINDING F6.

> *The Grand Jury finds the Board did not initiate the process of hiring a General Manager for ten months, and instead appointed an interim general manager who lacked the qualifications and experience to run a public utility district, impeding the District's ability to operate effectively.*

The Board of Directors disagrees partially with Finding F6.

The Board agrees that it did not contract with a recruitment agency for the General Manager position until March 2026, approximately ten months after the former General Manager's departure, and that the delay was longer than it should have been.

The Board disagrees with the portion of Finding F6 finding that the appointment of an Interim General Manager impeded the District's ability to operate effectively. The Report itself reaches the opposite conclusion in its Discussion section, where the Grand Jury commends the District for "[p]romptly filling the general manager position with an interim general manager and ad hoc committee for additional support[, which] allowed operations to move forward." The Board shares that latter assessment. The Interim General Manager maintained continuity of District operations, including water and wastewater service, during an extended vacancy, and did so while continuing to assist with Interim District Secretary with her duties.

RECOMMENDATION R6.

> *The Grand Jury recommends the Board adhere to the schedule outlined by its recruitment agency for the hiring of a new General Manager who possesses the qualifications and experience to run this special district, and ensure the position is filled no later than September 30, 2026.*

The recommendation has not yet been implemented, but will be implemented.

The Board completed its recruitment and approved an employment agreement for a permanent General Manager at its meeting of September 16, 2026, in advance of the September 30, 2026 date recommended by the Grand Jury. The appointee currently serves as a City Manager and possesses special district and public agency management experience. The appointee will assume the duties of General Manager on October 19, 2026. The start date reflects the appointee's transition from his/her current position and was not within the District's control.

The Board expects the position to be filled and the appointee in service as of October 19, 2026.

FINDING F7.

> *The Grand Jury finds the District's ordinance regarding conflicts of interest is not updated, resulting in confusion over who must complete the Form 700s.*

The Board of Directors agrees with Finding F7.

The District's Conflict of Interest Code, codified at District Code Chapter 3 and last amended by Ordinance No. O2023-02, listed designated positions that no longer correspond to the District's organizational structure. The District no longer has an Accounting Manager position, and the position formerly designated as Director of Administration is now the Director of Finance and Administration. The Code had not been updated to reflect those changes.

RECOMMENDATION R7.

> *The Grand Jury recommends the District Board update the District's Conflict of Interest Code by September 30, 2026 to accurately reflect those positions for which a Form 700 is required.*

The recommendation has been implemented as to all actions within the District's control; final effectiveness is governed by statute and is pending.

The Board introduced Ordinance No. O2026-03, repealing and replacing District Code Chapter 3 (Conflict of Interest Code), on August 26, 2026, and adopted the Ordinance at its meeting of September 16, 2026. The new Chapter 3 identifies the District's current designated positions, clarifies the status of statutory filers under Government Code section 87200, incorporates a recusal procedure, and codifies the biennial review obligation of Government Code section 87306.5.

Under Government Code sections 82011, subdivision (b), and 87303, the code reviewing body for the District is the Sacramento County Board of Supervisors, and no conflict of interest code is effective until approved by the code reviewing body. The District submitted the new Chapter 3 to the Sacramento County Board of Supervisors on September 17, 2026. Section 87303 affords the code reviewing body ninety days to act. The new Chapter 3 will take effect upon that approval.

The District has completed every action within its own authority in advance of the date recommended by the Grand Jury. The remaining step rests with the code reviewing body.

FINDING F8.

> *The Grand Jury finds a Board member did not recuse, but in fact voted on the water moratorium issue despite a possible financial interest in the outcome of the vote, thereby*

creating at least the perception of a financial conflict of interest which could lead to mistrust by the residents.

The Board of Directors disagrees partially with Finding F8.

The Board agrees that on September 17, 2025 a member of the Board participated in the Board's consideration of an agenda item concerning a moratorium on new water service connections, and voted, without recusing. The Board further agrees that members of the public requested during public comment on that item that a Board member recuse.

The Board disagrees with the portion of Finding F8 stating that the member "voted on the water moratorium issue," to the extent it conveys that the Board voted on whether to impose a moratorium. It did not. As reflected in the approved minutes of the September 17, 2025 regular meeting, the motion before the Board was to continue the process with multiple public hearings — that is, to commence the noticed public hearing process required before a water shortage emergency may be declared under Water Code section 350 et seq. The Board acknowledges that the agenda item bore the title "Approve Initiation of Water Moratorium," and that this title did not accurately describe the procedural action taken. The Board has directed staff to ensure that future agenda item descriptions accurately describe the action proposed.

No moratorium was imposed. At the Board's special meeting of February 10, 2026, following a noticed public hearing, a motion to adopt Resolution No. R2026-03 declaring a water shortage emergency under Water Code section 350 failed for lack of a second, and the Board took no action.

The Board further disagrees with Finding F8 to the extent it conveys that recusal was legally required. A sworn complaint concerning the September 17, 2025 vote was submitted to the Fair Political Practices Commission, the agency with jurisdiction to enforce the Political Reform Act. On November 21, 2025, the Commission's Enforcement Division advised that it would not pursue an enforcement action, stating that there was "insufficient evidence that the Rancho Murieta Community Services District's decision on September 17, 2025 to initiate a water moratorium, prior to implementation of a water moratorium, would have a reasonably foreseeable financial effect on [the member's] real property." (FPPC Complaint No. COM-09182025-03137.) The Board does not offer the Commission's determination as an adjudication that no conflict of interest existed; a decision not to pursue enforcement is not a determination on the merits. The Board offers it because the Commission reviewed the specific decision identified in Finding F8 and found the evidence of a reasonably foreseeable financial effect insufficient.

The Board agrees with the Grand Jury that maintaining the confidence of District residents requires Board members to avoid the appearance of impropriety, and that the concern underlying Finding F8 is legitimate irrespective of the Commission's enforcement decision. The Board addresses that concern in its responses to Recommendations R8a and R8b.

RECOMMENDATION R8a.

> *The Grand Jury recommends that by September 30, 2026 the Board implement procedures to verify that all required filers of Statements of Economic Interest timely file their Form 700's.*

The recommendation has been implemented.

On September 16, 2026, the Board adopted Policy No. P2026-02, Board Procedures for Form Compliance. The Policy assigns to the District Secretary, as filing officer, the responsibility to maintain a current roster of all designated filers and statutory filers; to issue written notice of filing obligations not less than forty-five days before each annual deadline; to log each statement upon receipt and review it for facial completeness; to issue written delinquency notices; to escalate unfiled statements to the General Manager, District General Counsel and the Board President; and to report annually to the Board on filing compliance. A copy is attached to this response as Exhibit B.

RECOMMENDATION R8b.

> *The Grand Jury recommends the Board establish a process to ensure Board members and staff are adequately trained on their ethical obligations so they can determine whether recusal from participating in any discussion in which the Board member or staff may have an appearance of possible impropriety or actual conflict of interest in the agenda matter being discussed is appropriate.*

The recommendation has been implemented.

The Board identified and acted on this concern before the Report issued. When a recusal concern was raised during public comment at the Board's meeting of September 17, 2025, the Board committed on the record to address the matter at its next meeting. It did so. On October 15, 2025, under agenda Item 10, "Conflicts and Bias," the Board received training in open session from District General Counsel on conflicts of interest and disqualification, covering the prohibition of Government Code section 87100, the distinction between legislative and adjudicatory decisions, and the common-law impartial decisionmaker doctrine, including when recusal is and is not required.

On July 14, 2026, the Board adopted Policy No. P2026-04, Ethics and Fiscal Training Policy, superseding Policy No. 2005-06. The Policy establishes recurring training obligations under Government Code sections 53234 through 53235.2 (AB 1234) and sections 53238 through 53238.4 (SB 827), assigns tracking and notice responsibilities to the District Secretary, requires submission of certificates of completion within thirty days, and requires annual reporting of compliance status to the Board.

Following the general District election of November 3, 2026, all members of the Board will receive Ralph M. Brown Act and governance training, and all members will be offered board leadership training through the California Special Districts Association.

FINDING F9.

> *The Grand Jury finds required Form 700s have not all been filed and are not readily accessible to the public, making it difficult to determine actual or potential financial conflicts of interest.*

The Board of Directors disagrees partially with Finding F9.

The Board agrees that the District's Statements of Economic Interests were not readily accessible to the public, and that the Grand Jury was required to make repeated requests to obtain copies. That should not have occurred.

The Board disagrees with the portion of Finding F9 finding that required Statements of Economic Interests "have not all been filed." As of September 10, 2026, all Statements of Economic Interests, with the exception of the Security Supervisor, required to be filed with the District for the 2025 reporting period have been received and are on file with the District Secretary.

RECOMMENDATION R9.

> *The Grand Jury recommends the Board provide easy public access to the filed Form 700's by September 30, 2026, including through the Rancho Murieta website to facilitate public access.*

The recommendation has been implemented.

The District has established a dedicated Statements of Economic Interests page on its website at www.ranchomurietacsd.com, on which the District posts the Form 700 filings of its Board members and designated filers, together with instructions for requesting copies of any statement. The District will make any statement available for inspection and copying within two business days of a request.

FINDING F10.

> *The Grand Jury finds there is no apparent procedure to ensure Board members and relevant District staff receive statutorily-required ethics and fiscal training in a timely manner, which has resulted in weakness in its governance.*

The Board of Directors agrees with Finding F10.

At the time of the Report, the District's governing ethics policy was Policy No. 2005-06, adopted November 16, 2005. That policy predated both the fiscal training requirements of Senate Bill 827 and the 2026 amendments shortening the initial ethics training window, and it did not establish a procedure for tracking, verifying or reporting training compliance.

RECOMMENDATION R10.

> *The Grand Jury recommends the Board establish a formal procedure to comply with statutorily-required ethics and fiscal training, such as for elected officials and personnel by December 31, 2026.*

The recommendation has been implemented.

On July 14, 2026, in advance of the September 30, 2026 date recommended by the Grand Jury, the Board adopted Policy No. P2026-04, Ethics and Fiscal Training Policy, superseding Policy No. 2005-06. The Policy applies to all members of the Board, the General Manager, and all designated employees under the District's Conflict of Interest Code. It sets the initial and biennial deadlines for AB 1234 ethics training and SB 827 fiscal training; identifies approved providers; requires certificates of completion to be submitted to the District Secretary within thirty days; requires the District Secretary to maintain training records for five years, to give written notice of upcoming deadlines, to track receipt of certificates, and to report compliance status to the Board annually; and requires biennial review of the Policy by the General Manager and District General Counsel.

All Board members and designated employees subject to current AB 1234 ethics training obligations have been provided access to the required training, and the District Secretary will confirm completion of all outstanding ethics training by December 31, 2026. Fiscal training under Senate Bill 827 is not required of Board members who assumed office before January 1, 2026 until January 1, 2028; members assuming office thereafter must complete the training within six months. A copy of Policy No. P2026-04 is attached to this response as Exhibit C.

RECOMMENDATION R11.

> *The Grand Jury recommends the Board direct staff to determine the cost of delivering reclaimed water to the Country Club and report to the Board in a Discussion item by September 30, 2026 the lost revenue from not charging that cost to the private club.*

The recommendation has been implemented.

On August 26, 2026, in advance of the date recommended by the Grand Jury, the Board took up as Discussion Item 10.B a review of the 1988 Agreement for Availability and Use of Reclaimed Wastewater with the Rancho Murieta Country Club. A representative of the Country Club was present. Staff presented the District's analysis of the Agreement and of the District's obligations under its waste discharge requirements. The Board considered a proposed extension of the Agreement, declined to act on it at that meeting, and directed staff to confer with the Country Club and return to the Board. The cost for delivery is minimal as the pipe was installed in 1984 and is gravity feed to Bass Lake.

FINDING F12.

The Grand Jury finds the schedule for repayment of the District's loan to the Rancho Murieta Country Club does not fully disclose the amount of interest the Country Club is obligated to pay under the loan agreement due to changes in the interest rate during the repayment period.

The Board of Directors disagrees partially with Finding F12.

The Board agrees that the amortization schedule prepared by the District at the outset of the loan reflected payments computed at the two percent contract rate and did not display the amount of the contingent final interest adjustment.

The Board disagrees with Finding F12 to the extent it conveys that the Country Club's obligation was undisclosed. Section 2.4 of the loan agreement, to which both parties agreed, expressly provides that the final interest rate would be based on the actual rate earned by District funds on deposit with the Local Agency Investment Fund during the five-year repayment period, but not less than two percent, and that at the conclusion of the repayment period the District would calculate the final interest amount and true up the final payment. Section 2.4 does not require the adjustment to be calculated during the life of the loan; the recalculation occurs upon completion of the five-year repayment period. The obligation was stated in the operative agreement to which both parties assented. What could not be stated in advance was the amount, because it depended on Local Agency Investment Fund rates over the ensuing five years.

The recalculated interest schedule is attached to this response as Exhibit D.

RECOMMENDATION R12.

The Grand Jury recommends the Board direct staff report to the Board by September 30, 2026 the total interest owed by the Country Club under the loan agreement.

The recommendation has been implemented.

On August 26, 2026, in advance of the date recommended by the Grand Jury, staff reported to the Board on the Rancho Murieta Country Club loan and the final interest reconciliation. Applying the actual monthly Local Agency Investment Fund rates over the five-year repayment period, subject to the two percent floor, the District calculated an additional interest amount of $2,838.38 above the interest paid at the contract rate. The Country Club paid that amount, and the final loan payment was made on July 17, 2026. The loan has been repaid in full and the matter is closed.

CONCLUSION

The Board of Directors appreciates the Grand Jury's review of the District. Several of the matters identified in the Report were already the subject of corrective action when the Report issued, and the Board has used the Report as an occasion to complete that work and to address the remainder. Where the Board has been unable to adopt the timeframe the Grand Jury recommended, it has said so and given the dates it expects to meet. The Board welcomes further inquiry from the Grand Jury or from the Court.

Dated: September 17, 2026

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

By: ______________________
John Merchant, President
Board of Directors

Attest: ______________________
Dyanne Fleet
Interim District Secretary/Clerk of the Board

Exhibit A

R3. The Grand Jury recommends the Board direct staff to deliver a written remediation status report by September 30, 2026 identifying which prior audit findings and material weaknesses the RMCSD resolved, and which remain open. (F3)

As presented by the auditors at the August 26, 2026 Board meeting, the FY24 audit reported **no** significant deficiencies, reflecting progress in the RMCSD's internal control environment. However, the recent audit identified three material weaknesses that continue to require management attention and remediation.

Material Weaknesses Reported in FY24

The following material weaknesses were reported:

1. 2022-001: Timely Record Keeping
2. 2020-001: Year-End Closing Procedures
3. 2020-02: Developer-Constructed Infrastructure

Of these findings, **Timely Record Keeping (2022-001)** and **Year-End Closing Procedures (2020-001)** remain open and are expected to continue appearing in future audit reports until the RMCSD demonstrates timely completion of financial reporting and audit. 2020-02: Developer-Constructed Infrastructure will be completed during the FY 2026 audit.

F3. The Grand Jury finds there is no evidence the RMCSD fully remediated the material weaknesses and significant deficiencies identified in the FY 2019–20 audit following its transition to the current accounting software, thereby risking the continuance of a pattern of unqualified audits. (R3)

Prior to the start of the audit for FY 23 and FY 24, per the May 27 board meeting packet page 185 to 192, the Board was informed of the status of FY22 audit schedule of findings of material weaknesses and significant deficiencies. May+27,+2026+Board+Packet.pdf

The following are detailed reports on each significant deficiency and material weakness identified as of the completion of audits FY 23 and FY24.

Significant deficiencies

Per the FY 19-20 audit report- page 47 and 48 (reference RMCSD AFS 2022). These were identified as significant deficiencies.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

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

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

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

District Response: Management will review entries to determine the ability to support the balances and will remove balances that are unsupported. The District anticipates this correction in FY 2020-21.

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

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

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

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

FS 2019-010: Similar issue was not noted in fiscal year 2019/20.

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

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

Current Status: These credit balances still exist at June 30, 2020.

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

FS 2019-012: This item has been addressed.

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

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

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

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

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

Overall Status

Per the FY 2024 audit report (see attached RMCSD AFS 2024 page 46 or 47), **all significant deficiencies were resolved. No significant deficiencies were reported.**

Status of each significant deficiency noted in FY19/20 audit.

FS 2019-008 – Accrued payroll benefit liabilities were not properly reconciled and did not agree to the underlying supporting documentation. This issue was initially identified during the FY19 audit and continued to be reported in the FY20 audit.

RMCSD has completed reconciliations for each accrued payroll benefit liability account and has implemented procedures to ensure these balance sheet accounts agree to supporting documentation. Thus, this significant deficiency is resolved.

FS 2019-009 – Bank reconciliation is not performed timely and properly reviewed. Auditors recommend that system-generated reconciliations be relied upon in the future. This issue was initially identified during the FY19 audit and continued to be reported in the FY20 audit.

RMCSD has reinstalled and activated the bank reconciliation module that was previously disabled within the existing accounting system of Great Plain. Management has resumed the use of this functionality to perform and document bank reconciliations, enhancing the accuracy of cash account reporting and related internal controls. In addition, completed bank reconciliations are now reviewed by a qualified accounting professional to ensure accuracy and appropriate oversight. Based on the results of the FY2024 audit, this significant deficiency has been remediated and is considered resolved.

FS 2019-011 – Numerous inactive customer accounts-maintained credit balances totaling $18,774 within the Platinum utility billing system. This issue was noted in prior audits. The auditors recommended that RMCSD actively review these accounts and process refunds or otherwise resolve outstanding credit balances in a timely manner.

RMCSD implemented a new utility billing system and hired a new team to manage accounts receivable. The credit balance report for inactive customers appears to show negative balances aged less than 30 days. Additionally, all refunds now require an additional level of approval within the system. This deficiency is resolved FY 23 and FY 24 audits.

FS 2019-013 – Prepaid accounts were not reconciled to the supporting documents. Prepaid activities were allocated to each fund using 99 accounts in FY 18/99 and they were not adjusted.

RMCSD installed a new balance sheet reconciliation process as part of the month end or year end process whereby all balance sheet accounts including prepaid will be reconciled to supporting documents and allocate to the proper fund based on the transaction. Thus, this significant deficiency is also resolved.

Material Weaknesses

Per the FY 19-20 audit report, it was reported that year-end closing procedures need to be improved.

FOR THE YEAR ENDED JUNE 30, 2020

MATERIAL WEAKNESSES IN INTERNAL CONTROL

Current Year Findings

Finding 2020-001: Year-End Closing Procedures

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

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

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

District's response: The District agrees with the condition stated in the finding. The District has had high turnover in key Accounting positions and difficulties in onboarding new staff. At the time of the audit, the District was not able to locate any documented procedures identifying considerations in the year-end closing process. The District will document all processes required to complete the year-end close and monitor account balances prior to the start of the audit. All accounting staff will be trained on new processes and will be informed of any revisions. We anticipate these measures to be implemented prior to close of FY 2020-21.

As noted in the FY24 audit report, the current status remains as described below. In addition, with the establishment of a new and highly qualified accounting team, RMCSD has significantly improved the quality of its financial reporting process, reducing the number of audit adjustments from approximately 40 in FY22 to just 4 in FY24. According to the auditors, this audit comment will continue to appear in the audit report until all prior-year audits have been completed and brought current. Nevertheless, RMCSD has received positive recognition from the auditors for the substantial efforts undertaken and the improvements implemented during the FY23 and FY24 audit processes.

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.

Per the FY 19-20 audit report, it was reported that **Developer constructed infrastructure needs to be recorded and thus misstated the capital assets.**

Finding 2020-002: Developer-constructed infrastructure

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

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

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

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

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

District's response: The District is currently reviewing and maintaining a list of capital assets that include the developer donated assets. The District agrees that the developer donated assets were not originally included in the capital assets list and proper policies and procedures are being developed to ensure an accurate accounting for all capital assets and depreciation in the future. We anticipate these measures to be implemented prior to the audit for FY 2020-21.

Per the 2024 audit report, RMCSD 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 RMCSD 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 RMCSD's capital asset records and related financial reporting.

Per the FY 19-20 audit report, it was reported the RMCSD did not have the **proper accounting team** to produce accurate accounting records, internal controls or prepare audit financial statements.

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

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

<u>Current Status</u>: This issue still exists. See current year finding 2020-0001.

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

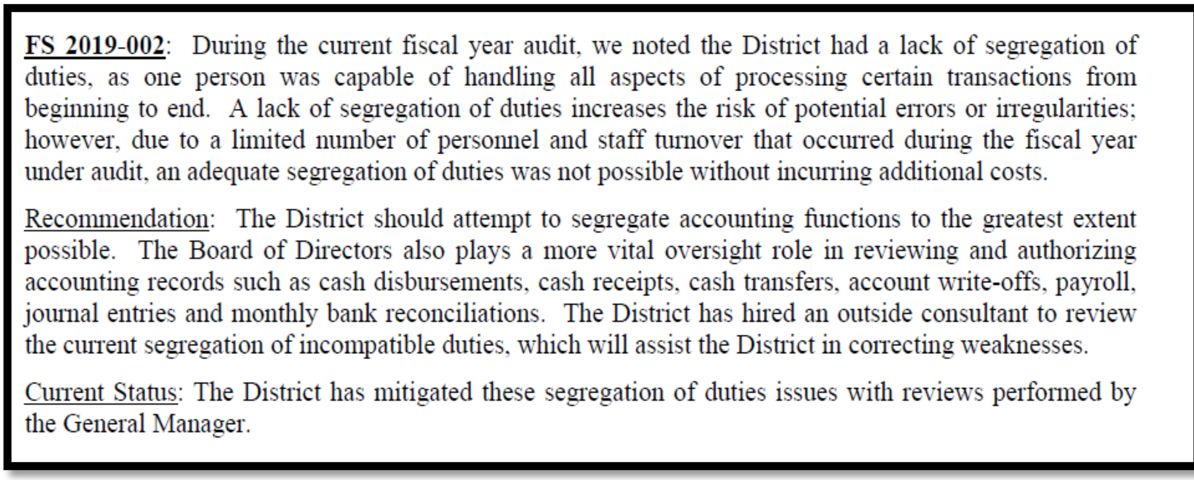
Per the FY2024 audit report, this material weakness has been fully resolved.

During the audit presentation at the August 26, 2026 Board meeting, the auditors acknowledged the RMCSD's progress, noting "significant improvements in the number of audit adjustments" and that "account analyses were completed prior to the start of audit fieldwork." These observations reflect the effectiveness of the corrective actions implemented by management/Board and demonstrate the RMCSD's strengthened financial reporting processes and internal control environment.

The Board has appropriately allocated resources to further strengthen the accounting function by ensuring that the Accounting Department is staffed with qualified professionals at all levels, from Accounts Payable personnel to the head of the department. In the prior 10 years, the accounting function lacked sufficient financial reporting expertise at the leadership level, which contributed to reporting deficiencies. The establishment of a new accounting team and the hiring of a qualified Finance Director have significantly enhanced the RMCSD's financial reporting capabilities, internal controls, and overall accountability.

As a result, the RMCSD has substantially improved the accuracy and timeliness of its financial reporting, reduced the number of audit adjustments, and demonstrated its ability to prepare key account analyses before the commencement of audit fieldwork. These improvements provide strong evidence that the conditions that gave rise to the material weakness have been effectively addressed and are no longer present.

Per the FY 19-20 audit report, the lack of segregation of duties has not been mitigated.


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

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

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

As noted in the FY2024 audit report, the lack of segregation of duties has been fully addressed and was no longer identified as a finding in the most recently issued audit report.

Since the hiring of the new Finance Director, transaction processing responsibilities have been appropriately segregated among Accounts Payable, Office Technician, and Utility Billing personnel. Financial transactions are reviewed by accounting staff and reconciled to supporting documentation to ensure accuracy, completeness, and compliance with established procedures. Vendor invoices are properly approved by the appropriate respective department heads, and related disbursements are subject to a two-tier approval process, including dual signatures in accordance with established spending thresholds.

These improvements have significantly strengthened the RMCSD's internal control environment by enhancing segregation of duties, independent review, and management oversight of financial transactions. As a result, the risk of errors, fraud, or irregularities occurring and remaining undetected has been substantially reduced.

RMCSD remains committed to maintaining and continuously enhancing its system of internal controls to safeguard RMCSD assets, ensure the integrity and reliability of its financial reporting processes, and promote compliance with applicable policies, procedures, and regulatory requirements.

Per the FY 19-20 audit report, it was reported that accounting records were prepared by accounting staff with inadequate skill, knowledge and experience.

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

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

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

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

Per the FY2024 audit report, this issue has been resolved. RMCSD retained a qualified Director of Finance in the summer of 2025 and has since established a highly experienced accounting team with extensive knowledge of financial reporting in accordance with Generally Accepted Accounting Principles (GAAP).

Over the past 12 months, the RMCSD has successfully completed three years of outstanding audits. During this period, numerous accounting processes and procedures were implemented to strengthen financial management and internal controls. In addition, key account reconciliations were completed and reviewed by the Director of Finance to ensure accuracy and compliance with applicable accounting standards.

These improvements have significantly enhanced the RMCSD's financial reporting function, strengthened internal controls, and improved the reliability and timeliness of financial information. The successful completion of the outstanding audits and the implementation of comprehensive review and reconciliation procedures demonstrate that the conditions that gave rise to this issue have been effectively addressed.

Per the FY 19-20 audit report, it was reported that funding and expenditures relative to the CFD were collected and disbursed by RMCSD instead of CFD. RMCSD needs to ensure that funding needs to be handled from the proper fund.

> **FS 2019-005**: During our testing of due to and due from other funds we noted that the District did not transfer the assessments collected on behalf of CFD 2014-1 from the District checking account to the CFD accounts. The District collected $404,659 on behalf of CFD 2014-1 and then transferred $129,155 to the CFD 2014-1 trustee in order to pay the interest portion of the semi-annual debt payment. This left $275,504 in the District checking account as of June 30, 2019 that belongs to CFD 2014-1.
>
> Recommendation: We noted the District transferred the funds from the Community Services District to the Community Facility District 2014-1 on July 31, 2019. For future collections, we recommend transferring the funds from the District account to the CFD 2014-1 in a timely manner after collection. We also recommend the District review the CFD 2014-1 debt covenants and discuss with the trustee where the assessment proceeds are legally required to be held after collection.
>
> Current Status: The District recorded the revenue properly in the CFD fund in the current year, but the debt service payment was paid from the general fund instead of the CFD, creating a payable in the CFD fund. The District needs to ensure debt payments are made from the proper fund.
>
> District Response: The District has had high turnover in key positions and have been unable to keep up with the day-to-day operations with limited staffing levels. Management has taken steps to ensure that as activities arise, they are properly documented to provide training for onboarding of staff. The District recognizes the need for timely transfers and will implement transfer schedules to ensure timely collections. The District is currently implementing proper CFD Assessment procedures prior to the FY 2020-21 audit.

RMCSD has taken significant corrective actions to address this issue since the FY 19-20 audits. All direct collections and expenditures related to the Community Facilities RMCSD (CFD) are now handled exclusively by the CFD's appointed fiscal agent, a national banking institution. Property tax collections are deposited directly into the bank accounts maintained by the fiscal agent, ensuring that CFD resources are accounted for within the appropriate fund.

In addition, Accounts Payable staff have been trained in the proper processing of CFD-related transactions to ensure compliance with established accounting procedures. Indirect/shared costs, such as audit fees and other administrative expenses initially paid by RMCSD, are appropriately recorded as amounts due from the CFD and reimbursed accordingly. These transactions are properly tracked and reconciled within the RMCSD's accounting records.

As a result of the corrective actions implemented, the RMCSD has strengthened its fund accounting practices and ensured that CFD revenues and expenditures are recorded in the appropriate fund. Furthermore, no audit adjustments related to this issue were proposed during the most recent CFD audit, demonstrating the effectiveness of the corrective measures that have been implemented.

Per the FY 19-20 audit report, it was reported that the RMCSD was not maintaining a self-balancing set of accounts by fund. The cause of this condition is that Great Plain is not specifically designed to be a fund accounting program.

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

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

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

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

RMCSD has taken significant corrective actions to address this material weakness and strengthen its fund accounting processes. Rather than replacing its existing accounting system, the RMCSD implemented the Interfund Management module within Microsoft Dynamics GP (formerly Great Plains), a widely used and established accounting platform that has been successfully utilized across a broad range of industries for more than 30 years.

The Interfund Management module was fully implemented in Fall 2026. This module is designed for organizations that maintain multiple funds and automatically records and balances interfund transactions through the creation of appropriate due to/due from entries. As a result, transactions involving multiple funds are systematically tracked and balanced, helping ensure the accuracy of fund-level financial reporting and reducing the risk of manual errors.

To support the implementation of this enhanced functionality, the RMCSD also undertook a comprehensive redesign of its Chart of Accounts (COA), which is the structured framework used to classify and report financial transactions. The previous account structure contained more than 2,000 account codes and relied on coding conventions (the 99 accounts) that complicated financial reporting and interfund accounting. The revised Chart of Accounts has been streamlined to approximately 100 accounts and aligned with common industry best practices.

The implementation of the Interfund Management module and the redesign of the Chart of Accounts have significantly improved the RMCSD's ability to accurately record, monitor, and report interfund activity. Cash receipts, expenditures, and interfund transfers are now automatically balanced at the fund level, providing greater transparency, consistency, and accountability in financial reporting.

Additionally, the new accounting team implemented the Fixed Allocation module in Microsoft Dynamics GP (Great Plains) to automate the allocation of administrative expenses across funds. When a transaction is posted to an allocation account, the system automatically distributes the expense to designated accounts based on predefined allocation methodologies. This functionality works in conjunction with the Interfund Management module, ensuring that expenses are allocated to the appropriate funds at the time transactions are recorded while maintaining self-balancing entries at each fund level.

Under the previous accounting team's process, expenses were initially recorded using “99 accounts” and manually redistributed among funds through Excel-based calculations at year-end. This approach is not commonly considered a leading practice because it delays the recognition of fund-level expenses and relies heavily on manual processes. The current automated allocation methodology provides more timely, accurate, and transparent financial reporting and is more consistent with generally accepted accounting practices and industry standards for fund accounting.

These improvements have modernized the RMCSD's accounting operations, strengthened internal controls over interfund transactions, and aligned financial processes with standard governmental accounting practices. As a result, management believes the conditions that contributed to this material weakness have been effectively addressed.

EXHIBIT B

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Category:	Personnel	**Policy #**2026-02
Title:	Board Procedures for Form 700 Compliance	

1. PURPOSE

The Board of Directors shall ensure compliance with the Political Reform Act by establishing procedures to identify all designated filers, monitor filing deadlines, verify timely submission of Statements of Economic Interests (Form 700), and report compliance to the Board annually. The General Manager or designated Filing Officer shall maintain records of all required filings, provide required notices and reminders, follow up on delinquent filings, and ensure that all statements are maintained and disclosed in accordance with applicable law and FPPC regulations.

2. SCOPE

This Policy applies to:

- All members of the Board of Directors;
- The General Manager; and
- All other designated employees as defined in the District's Conflict of Interest Code (District Code Chapter 3) who are subject to filing a Statement of Economic Interests (Form 700).

1. 3. Annual Review of Filers
    - Annually review and approve the agency's Conflict of Interest Code and the list of designated positions required to file Form 700.
    - Verify that all newly created or modified positions are evaluated for filing requirements.
2. Designation of a Filing Officer
    - Designate the General Manager, Board Secretary, or another responsible employee as the Filing Officer.
    - Assign responsibility for maintaining records, distributing forms, monitoring deadlines, and retaining filings.
3. Maintain a Current Filer Roster
    - Maintain an up-to-date list of all officials and employees required to file, including:
        - Board members
        - Designated employees
        - Consultants required by the Conflict of Interest Code
4. Provide Timely Notifications
    - Notify all required filers of filing deadlines:
        - Assuming Office

        - Annual Statements
        - Leaving Office
    - Send reminder notices before each deadline.
5. Track Compliance
    - Maintain a tracking log documenting:
        - Date forms were distributed
        - Due date
        - Date received
        - Whether the filing was complete
        - Any amendments submitted
6. Follow Up on Delinquent Filers
    - Promptly notify individuals who fail to file by the deadline.
    - Document all reminder notices.
    - Refer unresolved delinquencies to the FPPC when required by law.
7. Board Reporting
    - At least annually, provide the Board with a compliance report identifying:
        - Number of required filers
        - Number of statements received
        - Outstanding or delinquent filings
        - Corrective actions taken
8. Records Management
    - Maintain Form 700 filings as public records in accordance with state law.
    - Retain records for the period required by the FPPC and make them available for public inspection upon request.
9. Training
    - Ensure that newly elected and appointed officials receive information regarding Form 700 filing requirements and applicable ethics laws.
    - Encourage periodic ethics training for designated employees and board members.
10. Annual Internal Review
    - Conduct an annual review of filing procedures to identify deficiencies and implement improvements.

Approved by Rancho Murieta Community Services District Board of Directors	Adopted 06/15/2026

EXHIBIT C

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Category:	Personnel	**Policy #**	2026-04
Title:	Ethics and Fiscal Training Policy		

1. PURPOSE

This Policy establishes the District's procedures for ensuring that Board members and designated employees comply with the mandatory ethics training requirements of Assembly Bill 1234 (Government Code Sections 53234–53235.2) and the mandatory fiscal training requirements of Senate Bill 827 (Government Code Sections 53238–53238.4). Compliance with these training requirements is essential to sound governance, demonstrates the Board's commitment to transparency and fiscal accountability, and reduces the District's exposure to legal risk.

2. SUPERSESSION OF PRIOR POLICY

This Policy supersedes and replaces in its entirety Policy No. 2005-06 (Ethics Policy for Board of Directors), adopted by the Board of Directors on November 16, 2005. Policy No. 2005-06 is hereby repealed effective upon adoption of this Policy.

The substantive ethics and conduct obligations of Board members — including responsibilities of public office, fair and equal treatment, proper use of District property, use of confidential information, conflicts of interest, soliciting political contributions, the revolving door policy, and whistleblower protections — continue to govern Board member conduct as set forth in Chapter 10 of the Board of Directors Guidelines for Conducting Board Business and in the District's Conflict of Interest Code (District Code Chapter 3). This Policy does not supersede or modify those documents.

3. SCOPE

This Policy applies to:

- All members of the Board of Directors;
- The General Manager; and
- All other designated employees as defined in the District's Conflict of Interest Code (District Code Chapter 3) who are subject to training requirements under Government Code Section 53235.

4. REQUIRED TRAINING PROGRAMS

4.1 AB 1234 — Ethics Training (Gov. Code §§ 53234–53235.2). All covered officials must complete at least two (2) hours of ethics training that covers ethical principles, conflicts of interest, personal financial gain issues, gift restrictions and reporting, travel limitations, and transparency laws including the Ralph M. Brown Act and the California Public Records Act.

4.2 SB 827 — Fiscal Training (Gov. Code §§ 53238–53238.4). All covered officials must complete at least two (2) hours of fiscal training covering the proper oversight of public agency finances, including debt management, capital financing, appropriate investing, and auditing for fiscal compliance.

5. TRAINING DEADLINES

The following schedule governs initial and ongoing training obligations:

Training Program	Who Must Complete	Initial Deadline	Renewal
AB 1234 Ethics	Board Members, General Manager, designated employees	Within 6 months of assuming office	Every 2 years
SB 827 Fiscal	Board Members, General Manager, designated employees	Within 6 months of assuming office (for those assuming office in 2026 or later); by January 1, 2028 (for those in office prior to 2026)	Every 2 years

Note: Officials who assumed office prior to 2026 had until one year after assuming office to complete initial AB 1234 ethics training under prior law. Starting in 2026, the initial training window for new officials is shortened to six (6) months for both AB 1234 and SB 827.

6. APPROVED TRAINING PROVIDERS

Training must be obtained from a provider that offers programs meeting the content requirements of Government Code Sections 53235 and 53238. Approved sources include, but are not limited to:

- The Fair Political Practices Commission (FPPC) — online ethics training at www.fppc.ca.gov;
- The California Special Districts Association (CSDA) — ethics and governance training programs;
- The Special District Leadership Foundation (SDLF) — Special District Leadership Academy and related programs;
- The League of California Cities or California State Association of Counties (for joint training programs); and
- Other providers offering programs that satisfy the statutory content requirements, as approved by the General Manager or District legal counsel.

7. CERTIFICATES OF COMPLETION

Each official who completes a required training program shall obtain a certificate of participation or completion from the training provider and submit it to the District Secretary within thirty (30) days of completing the training. The District Secretary shall maintain training records for a minimum of five (5) years. Training records are public records subject to disclosure under the California Public Records Act (Gov. Code § 7920 et seq.).

8. TRACKING AND COMPLIANCE

The District Secretary, in coordination with the General Manager, shall be responsible for:

- Maintaining a current list of all officials subject to this Policy and their training deadlines;

- Providing written notice to each covered official of their training deadlines no later than ninety (90) days before the applicable deadline;
- Tracking receipt of certificates of completion and following up with officials who have not submitted certificates by the applicable deadline;
- Reporting training compliance status to the Board of Directors annually as part of the Board's organizational meeting agenda; and
- Notifying the General Manager and District legal counsel of any officials who have not completed required training within the applicable deadline.

9. COSTS

Reasonable costs of required training, including registration fees and related travel expenses consistent with the District's travel policy, shall be reimbursable as a District expense upon submission of receipts and a completed expense report. Board members and employees are encouraged to seek out no-cost training options, including the FPPC's online ethics training, where these satisfy the statutory requirements.

10. CONSEQUENCES OF NONCOMPLIANCE

While Government Code Sections 53235 and 53238 do not impose direct fines or penalties for failure to complete required training, noncompliance creates significant risks to the District including:

- Erosion of public trust and confidence in the Board's governance;
- Increased risk of inadvertent violations of conflict of interest, Brown Act, or public finance laws that adequate training would have prevented; and
- Adverse findings in future Grand Jury or State Controller reviews.

The Board of Directors expects all covered officials to complete required training on time. The General Manager shall include compliance with this Policy as a component of performance expectations for covered employees.

11. RELATIONSHIP TO CONFLICT OF INTEREST CODE AND BOARD GUIDELINES

This Policy is adopted independently of the District's Conflict of Interest Code (District Code Chapter 3) and the Board of Directors Guidelines for Conducting Board Business and does not modify or supersede any provision of those documents. Training completed pursuant to this Policy that covers conflict of interest topics complements but does not replace the disclosure and disqualification obligations established by Chapter 3 and the Political Reform Act.

12. POLICY REVIEW

The General Manager and District legal counsel shall review this Policy biennially and recommend any amendments necessary to reflect changes in applicable law. The Board of Directors reserves the right to amend this Policy at any time. The next scheduled review of this Policy shall be no later than July 2028.

Approved by Rancho Murieta Community Services District Board of Directors	Adopted July 14, 2026

EXHIBIT D

RMCC North Pump Repair Loan Amortization Schedule

Enter Values

Loan amount	$114,513.95
Annual interest rate	2%
Loan period in years	5
Number of payments per year	12
Start date of loan	7/25/2021

Optional extra payments $0.00

Loan Summary

Scheduled payment	$2,007.17
Scheduled number of payments	60
Actual number of payments	60
Total early payments	
Total interest	$8,754.81

https://www

Lender name Rancho Murieta Community Services District

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest	Revised Interest Rate
1	7/25/2021	$114,513.95	$2,007.17	$0.00	$2,007.17	$1,816.32	$190.86	$112,697.63	$190.86	2.000%
2	8/25/2021	$112,697.63	$2,007.17	$0.00	$2,007.17	$1,819.34	$187.83	$110,878.29	$378.69	2.000%
3	9/25/2021	$110,878.29	$2,007.17	$0.00	$2,007.17	$1,822.38	$184.80	$109,055.91	$563.48	2.000%
4	10/25/2021	$109,055.91	$2,007.17	$0.00	$2,007.17	$1,825.41	$181.76	$107,230.50	$745.24	2.000%
5	11/25/2021	$107,230.50	$2,007.17	$0.00	$2,007.17	$1,828.46	$178.72	$105,402.05	$923.96	2.000%
6	12/25/2021	$105,402.05	$2,007.17	$0.00	$2,007.17	$1,831.50	$175.67	$103,570.54	$1,099.63	2.000%
7	1/25/2022	$103,570.54	$2,007.17	$0.00	$2,007.17	$1,834.56	$172.62	$101,735.99	$1,272.25	2.000%
8	2/25/2022	$101,735.99	$2,007.17	$0.00	$2,007.17	$1,837.61	$169.56	$99,898.37	$1,441.81	2.000%
9	3/25/2022	$99,898.37	$2,007.17	$0.00	$2,007.17	$1,840.68	$166.50	$98,057.70	$1,608.31	2.000%
10	4/25/2022	$98,057.70	$2,007.17	$0.00	$2,007.17	$1,843.74	$163.43	$96,213.95	$1,771.73	2.000%
11	5/25/2022	$96,213.95	$2,007.17	$0.00	$2,007.17	$1,846.82	$160.36	$94,367.14	$1,932.09	2.000%
12	6/25/2022	$94,367.14	$2,007.17	$0.00	$2,007.17	$1,849.89	$157.28	$92,517.24	$2,089.37	2.000%
13	7/25/2022	$92,517.24	$2,007.17	$0.00	$2,007.17	$1,852.98	$154.20	$90,664.27	$2,243.57	2.000%
14	8/25/2022	$90,664.27	$2,007.17	$0.00	$2,007.17	$1,856.07	$151.11	$88,808.20	$2,394.67	2.000%
15	9/25/2022	$88,808.20	$2,007.17	$0.00	$2,007.17	$1,859.16	$148.01	$86,949.04	$2,542.69	2.000%
16	10/25/2022	$86,949.04	$2,007.17	$0.00	$2,007.17	$1,862.26	$144.92	$85,086.78	$2,687.60	2.000%
17	11/25/2022	$85,086.78	$2,007.17	$0.00	$2,007.17	$1,864.87	$142.31	$83,221.92	$2,829.91	2.007%
18	12/25/2022	$83,221.92	$2,007.17	$0.00	$2,007.17	$1,856.47	$150.70	$81,365.45	$2,980.61	2.173%
19	1/25/2023	$81,365.45	$2,007.17	$0.00	$2,007.17	$1,842.75	$164.43	$79,522.70	$3,145.04	2.425%
20	2/25/2023	$79,522.70	$2,007.17	$0.00	$2,007.17	$1,833.28	$173.89	$77,689.41	$3,318.93	2.624%
21	3/25/2023	$77,689.41	$2,007.17	$0.00	$2,007.17	$1,823.89	$183.28	$75,865.52	$3,502.21	2.831%
22	4/25/2023	$75,865.52	$2,007.17	$0.00	$2,007.17	$1,825.73	$181.45	$74,039.80	$3,683.65	2.870%
23	5/25/2023	$74,039.80	$2,007.17	$0.00	$2,007.17	$1,822.51	$184.67	$72,217.29	$3,868.32	2.993%
24	6/25/2023	$72,217.29	$2,007.17	$0.00	$2,007.17	$1,816.58	$190.59	$70,400.71	$4,058.91	3.167%
25	7/25/2023	$70,400.71	$2,007.17	$0.00	$2,007.17	$1,813.28	$193.90	$68,587.43	$4,252.81	3.305%
26	8/25/2023	$68,587.43	$2,007.17	$0.00	$2,007.17	$1,810.90	$196.27	$66,776.53	$4,449.08	3.434%
27	9/25/2023	$66,776.53	$2,007.17	$0.00	$2,007.17	$1,810.52	$196.66	$64,966.02	$4,645.74	3.534%
28	10/25/2023	$64,966.02	$2,007.17	$0.00	$2,007.17	$1,808.49	$198.69	$63,157.53	$4,844.43	3.670%
29	11/25/2023	$63,157.53	$2,007.17	$0.00	$2,007.17	$1,804.91	$202.26	$61,352.62	$5,046.69	3.843%
30	12/25/2023	$61,352.62	$2,007.17	$0.00	$2,007.17	$1,806.29	$200.88	$59,546.33	$5,247.57	3.929%
31	1/25/2024	$59,546.33	$2,007.17	$0.00	$2,007.17	$1,808.09	$199.08	$57,738.24	$5,446.65	4.012%
32	2/25/2024	$57,738.24	$2,007.17	$0.00	$2,007.17	$1,808.84	$198.33	$55,929.40	$5,644.98	4.122%
33	3/25/2024	$55,929.40	$2,007.17	$0.00	$2,007.17	$1,809.93	$197.24	$54,119.47	$5,842.23	4.232%
34	4/25/2024	$54,119.47	$2,007.17	$0.00	$2,007.17	$1,814.51	$192.67	$52,304.96	$6,034.89	4.272%
35	5/25/2024	$52,304.96	$2,007.17	$0.00	$2,007.17	$1,818.35	$188.82	$50,486.61	$6,223.71	4.332%
36	6/25/2024	$50,486.61	$2,007.17	$0.00	$2,007.17	$1,818.69	$188.48	$48,667.92	$6,412.20	4.480%
37	7/25/2024	$48,667.92	$2,007.17	$0.00	$2,007.17	$1,824.02	$183.15	$46,843.90	$6,595.35	4.516%
38	8/25/2024	$46,843.90	$2,007.17	$0.00	$2,007.17	$1,828.42	$178.75	$45,015.47	$6,774.10	4.579%
39	9/25/2024	$45,015.47	$2,007.17	$0.00	$2,007.17	$1,835.55	$171.62	$43,179.92	$6,945.72	4.575%
40	10/25/2024	$43,179.92	$2,007.17	$0.00	$2,007.17	$1,844.60	$162.57	$41,335.32	$7,108.29	4.518%
41	11/25/2024	$41,335.32	$2,007.17	$0.00	$2,007.17	$1,852.96	$154.22	$39,482.36	$7,262.51	4.477%
42	12/25/2024	$39,482.36	$2,007.17	$0.00	$2,007.17	$1,861.29	$145.89	$37,621.08	$7,408.40	4.434%
43	1/25/2025	$37,621.08	$2,007.17	$0.00	$2,007.17	$1,870.30	$136.88	$35,750.78	$7,545.27	4.366%
44	2/25/2025	$35,750.78	$2,007.17	$0.00	$2,007.17	$1,878.08	$129.09	$33,872.70	$7,674.36	4.333%
45	3/25/2025	$33,872.70	$2,007.17	$0.00	$2,007.17	$1,885.43	$121.74	$31,987.27	$7,796.11	4.313%
46	4/25/2025	$31,987.27	$2,007.17	$0.00	$2,007.17	$1,893.06	$114.11	$30,094.21	$7,910.22	4.281%
47	5/25/2025	$30,094.21	$2,007.17	$0.00	$2,007.17	$1,900.04	$107.14	$28,194.17	$8,017.36	4.272%
48	6/25/2025	$28,194.17	$2,007.17	$0.00	$2,007.17	$1,906.87	$100.30	$26,287.30	$8,117.66	4.269%
49	7/25/2025	$26,287.30	$2,007.17	$0.00	$2,007.17	$1,913.90	$93.28	$24,373.41	$8,210.93	4.258%
50	8/25/2025	$24,373.41	$2,007.17	$0.00	$2,007.17	$1,920.83	$86.34	$22,452.58	$8,297.28	4.251%
51	9/25/2025	$22,452.58	$2,007.17	$0.00	$2,007.17	$1,928.36	$78.81	$20,524.21	$8,376.09	4.212%
52	10/25/2025	$20,524.21	$2,007.17	$0.00	$2,007.17	$1,936.19	$70.98	$18,588.02	$8,447.07	4.150%
53	11/25/2025	$18,588.02	$2,007.17	$0.00	$2,007.17	$1,943.73	$63.45	$16,644.29	$8,510.51	4.096%
54	12/25/2025	$16,644.29	$2,007.17	$0.00	$2,007.17	$1,951.35	$55.83	$14,692.95	$8,566.34	4.025%
55	1/25/2026	$14,692.95	$2,007.17	$0.00	$2,007.17	$1,959.04	$48.13	$12,733.90	$8,614.47	3.931%
56	2/25/2026	$12,733.90	$2,007.17	$0.00	$2,007.17	$1,966.10	$41.08	$10,767.81	$8,655.55	3.871%
57	3/25/2026	$10,767.81	$2,007.17	$0.00	$2,007.17	$1,972.84	$34.33	$8,794.97	$8,689.88	3.826%
58	4/25/2026	$8,794.97	$2,007.17	$0.00	$2,007.17	$1,979.24	$27.93	$6,815.73	$8,717.81	3.811%
59	5/25/2026	$6,815.73	$2,007.17	$0.00	$2,007.17	$1,985.53	$21.64	$4,830.19	$8,739.45	3.810%
60	6/25/2026	$4,830.19	$2,007.17	$0.00	$2,007.17	$1,991.81	$15.36	$2,838.38	$8,754.81	3.816%
								Recalculated with LAIF Rates	$8,754.81	
								Per Original Schedule	5,916.43	
							Total Projected Increase in Interest		$2,838.38	Additional Payment