

Rancho Murieta Community Services District: Still a Work in Progress

June 24, 2026



This investigation originated from complaints about the governance and management of the Rancho Murieta Community Services District (District) alleging, among other things, failure of District staff to provide timely financial reports to the Board of Directors (Board), continued failure by the District to complete yearly financial audits and inappropriate settlement of claims or lawsuits filed by employees against the District. The Grand Jury investigated these complaints but declines to address the allegations regarding legal settlements of employment matters by the Board.

The District was the subject of a previous Sacramento County Grand Jury investigation in 2022-2023 which identified multiple areas of poor governance and financial

weaknesses. At that time, the Grand Jury made several recommendations for the District, including:

- Upgrading its accounting system;
- Completing and issuing financial audits for the multiple years they were uncompleted;
- Creating by 2024, an ongoing training program for the Board and staff regarding Brown Act compliance, accounting procedures, and workplace practices and behaviors including the prevention of harassment in the work environment; and
- Avoiding perceptions of conflicts of interest in their fiduciary responsibilities to protect the interests of the District and its ratepayers.

A review of the new complaints, as well as the prior Grand Jury report, led to an examination of the District's current state of operations and governance by the 2025-2026 Grand Jury. Specifically, the Grand Jury investigated:

- The current state of efforts to improve the oversight of District finances, including its delinquent audit reports;
- The progress and issues associated with District personnel;
- The Board's management of conflicts of interest of the Board and staff; and
- The Board's responsibility for Board member training in ethics, fiscal management and Board governance.

Although the District implemented necessary changes to its accounting system and processes, and took steps to complete some missing audits, this Grand Jury has determined the District still is not current in its financial statements. The last year for which yearly financial audits are complete is FY 2021-22. The District also did not, as recommended by the 2022-2023 Grand Jury, create an ongoing training program for Board and staff regarding workplace practices and behaviors, nor has the Board taken steps to avoid perceptions of conflicts of interest.

Besides missing financial audits and a failure to establish procedures to avoid conflicts of interest, this investigation uncovered new areas of concern, which include potential violations of appropriate board governance practices and continued turmoil in personnel hiring and retention.

The District's failure to govern appropriately is not in keeping with the duties and high standards required by their elected office and continues to expose the District to risks of fraud and unforeseen budget gaps that could prove to be costly to the ratepayers.

BACKGROUND

Rancho Murieta is a gated community about 25 miles east of Sacramento. A feasibility study done by the Local Agency Formation Commission (LAFCO) in the early 1980's recommended a community services district be formed under California law to be responsible for the services needed to support this developing community. The District was formed in June 1982. The community has a population of about 6,350 residents, and is situated on approximately 3,500 acres, of which 1,920 are residential. Prior to formation of the District, Rancho Murieta was a private development that later established the Rancho Murieta Association--a homeowner's association--and the Rancho Murieta Country Club, which operates two golf courses in the community.

The District performs these five vital functions for the gated community:

1. Potable water supply collection, treatment, and distribution;
2. Wastewater collection, treatment, and reuse;
3. Storm drainage collection, disposal, and flood control;
4. Security for this gated community; and
5. Solid waste collection and disposal.

Ratepayers are billed for these services monthly. The Board is responsible for oversight of the services provided by the District and has a fiduciary responsibility to properly account for the collection and expenditure of funds received from ratepayers.

Governance

A locally-elected, five-member Board governs the District. The Board members can receive up to \$300 per month, depending on how many meetings they attend. The District's 2025-26 adopted fiscal year operating budget is about \$9.6 million. Approximately 91% of the funds collected by the District are fees for specific services. The District also receives \$970,000 in County property taxes each year.

The District's General Manager (currently filled on an interim basis) supervises the operations and financial aspects of all District functions. The General Manager has a staff of approximately 60 people, both full and part-time. The staff reports to the General Manager through the Director of Finance and Administration, Security Supervisor, Chief Plant Operator, and Utilities Supervisor.

The 2025-26 Grand Jury received a complaint concerning a number of issues related to the governance and management of the District, of which we found the following to be relevant:

- Failure of District staff to provide timely financial reports to the Board of Directors; and
- Failure to complete the audits identified in the Grand Jury's 2022-2023 Report.

METHODOLOGY

In the course of its investigation, the Grand Jury conducted interviews with District, County and State officials and staff from a special districts trade association. In addition, the Grand Jury reviewed the 2022-23 Grand Jury report on the District, agenda material and minutes from meetings of the District Board of Directors, the loan documents between the District and Rancho Murieta Country Club, employment termination settlements, Form 700 Statements of Economic Interests, District correspondence, and media articles on board activities.

DISCUSSION

District Finances

Significant areas of concern for the 2022-2023 Grand Jury included the ineffective use of the District's accounting program, the District's failure to complete timely financial reports, and the District's failure to complete audits required to be submitted to the State Controller under state law.

These issues remain a concern to this Grand Jury as well.

In addition, the current Grand Jury discovered that a June 2020 external financial audit reported five material weaknesses, including a material misstatement in the District's financial statements and significant deficiencies in internal controls, which had never been resolved. Auditors found the District developed a series of spreadsheets that did not link to the general ledger. These spreadsheets required multiple entries and extensive knowledge to maintain. This made operation of the Districts' accounting system and production of accounting reports more complex than necessary. As a result, annual financial audits were not completed for multiple prior fiscal years.

The District has made progress towards resolving the issues identified in the Grand Jury's 2022-2023 Report such as upgrading its accounting system and completing financial audits for FY 2020-21 and FY 2021-22. But, it is still several years behind in completing annual financial audits.

Audit Status as of May 2026

The status of the fiscal audits as of May 2026 is as follows:

Fiscal Year	Audit Status
2022-23	District financial staff launched preparatory audit procedures during the week of January 6, 2026. They are more than halfway through their audit preparation. Staff corrected a significant deficiency in bank reconciliations previously flagged by auditors. Work will resume after the Board adopts the FY 2026-27 budget
2023-24	District financial staff launched preparatory audit procedures during the week of January 6, 2026. They are more than halfway through their audit preparation. Staff corrected a significant deficiency in bank reconciliations previously flagged by auditors. Work will resume after the Board adopts the FY 2026-27 budget.
2024-25	The District placed this audit on hold pending completion of FY 2025-26 financial statements.
2025-26	The District placed this audit on hold while staff finish the draft FY 2026-27 budget.

Additionally, District staff has not provided confirmation to the Board of full remediation of the five material weaknesses and significant deficiencies in the 2019-20 external audit.

Last, the Board is still out of compliance with its legal requirement to complete and submit annual fiscal audits to the State Controller. As a result of the District's failure to ensure timely completion of annual financial audits, there exists a risk of exposure to fraud and legal challenges.

Personnel Management

In its 2022-2023 report on the District, the Grand Jury found the District's inadequate leadership, deficient management, and high staff turnover resulted in critical failures that undermined public trust and put the District on shaky financial ground.

This Grand Jury found the District continues to suffer high staff turnover, most critically among management staff. The District has had five General Managers in six and a half years, four Directors of Operations in four years, and four Directors of Finance in six years. Currently, while the District has a Director of Finance and Administration, it has no Director of Operations.

This Grand Jury found the District is plagued by employment litigation. Since the 2022-2023 Grand Jury report, five former employees brought suit against the District.

The District has been without a permanent General Manager since May 2025. The Board filled the General Manager position on an interim basis with the Board's secretary, and established an ad hoc administrative committee comprised of two Board members to assist the Interim General Manager. This management arrangement led to a serious governance mistake. A letter was prematurely sent to a developer without full Board approval to require an \$8 million investment in a water storage tank. Negotiations had not been finalized between the District and the developer on this matter. The Board subsequently voted to rescind the letter.

In March 2026, the Board contracted with a recruitment agency to find potential candidates for the general manager position, a decision that took nearly 10 months from when the former General Manager resigned. The Grand Jury acknowledges the Board is now actively recruiting a general manager and intends to conduct background checks the week of July 13, 2026. The District's critical responsibility is providing water and sewage services. Hiring a general manager with experience running a special district and water operations is vital.

This Grand Jury determined there have been positive developments in certain areas of the District's operations since the 2022-2023 Grand Jury report. Upon hiring a new Director of Finance and Administration and additional permanent accounting staff, audits from FY 2020-21 and FY 2021-22 were completed. Under the management of the Director of Finance and Administration, the problems with the District's accounting system are now resolved and appear to adequately address the needs of the District.

The Grand Jury commends the District for progress as follows:

- Identifying and hiring a Director of Finance with demonstrated capabilities and providing support to the person who will potentially lead the District to a more financially stable position.
- Contracting with an outside firm, HRtoGO Outsourcing and Consulting Service (HRtoGO), to handle human resource operations, has contributed to a more smoothly-run organization.
- Promptly filling the general manager position with an interim general manager and ad hoc committee for additional support allowed operations to move forward.

Conflicts of Interest

Perhaps the most pressing concern facing the Rancho Murieta community is access to water. The community's only source of fresh water is the Cosumnes River, and in years of drought there is substantial risk of a water shortage. Access to water thus constitutes the primary factor influencing real estate development within the District. While the Board discussed imposing a moratorium on new water connections, it took no formal action to do so.

A current member of the Board of Directors owns a piece of undeveloped property within the District which would be affected by a water moratorium being discussed by the Board. The impact on the value of the property of such a moratorium is foreseeable, and the financial impact or effect is significant enough to be considered material, with no known applicable exceptions.

Under ethics regulations issued by the state's Fair Political Practices Commission (FPPC) pertaining to public officials' conflicts of interest, a public official should not participate in any governmental decision where it is reasonably foreseeable such decision will have a material effect on the official's financial interest. Such an official must therefore announce the possible conflict, recuse him or herself and must not be present during any discussion or vote on the matter.

The member at issue did not recuse during the water moratorium discussion. To maintain the trust of District residents, it is critical for the Board and designated officials to avoid any appearance of possible impropriety in a matter the Board is deciding, whether or not the member of the District's Board has an actual conflict of interest as defined by FPPC regulations.

Form 700 Requirement

The California Political Reform Act established ethics requirements for state and local public officials. Government Code Section 87100 prohibits a public official “from making, participating in making, or using his or her position to influence a governmental decision in which the official has a financial interest.”

All public officials in California must complete Form 700 annually to disclose potential financial conflicts of interest. Failure to properly disclose financial conflicts of interest can result in an administrative fine by the FPPC of up to \$5,000. In cases suggesting intentional misconduct, the FPPC may refer matters to a District Attorney for potential criminal prosecution. The Grand Jury confirmed most District officials and designated employees filed Form 700s, however no one in the District or County has the responsibility to review them.

The public should have easy access to the Form 700s on file to identify any potential conflicts. The Grand Jury had to make multiple requests to obtain copies of the Form 700s.

Rancho Murieta’s Rules. The District adopted a Conflict of Interest Code to ensure designated officials disclose economic interests that might be foreseeably affected by the making, or participation in the making, of an agency decision. Besides the District Board of Directors, the General Manager and the District Treasurer, the Code sets forth other officials required to file Form 700. The Conflict of Interest Code requires all Form 700s be filed with the District’s secretary. The additional designated officials are:

- Director of Administration
- Accounting Manager
- Director of Operations
- Security Supervisor
- District Engineer
- District Legal Counsel
- Consultants

The District no longer has an Accounting Manager position and the position of Director of Administration changed to Director of Finance and Administration. These updates, however, have yet to be reported to the appropriate authorities, and the Conflict of Interest Code does not reflect the changes. At the time of this report, not all current year Form 700s have been filed.

Ethics and Fiscal Training

California law requires local and state elected officials to participate in recurring training designed to promote ethical behavior in office, public access to decisions, and fiscal responsibility. Such requirements are vital to ensure elected officials are held accountable in preserving the trust of their constituents. In addition, these requirements provide assurances that the public has ready and available access to official decisions in order to maximize transparency regarding decisions that impact their constituents.

Required training includes:

AB 1234 Ethics Training. Assembly Bill (AB) 1234, codified as Government Code Sections 53234 and 53235.2, requires local agency officials to undergo public service ethics training upon assuming office and continuously thereafter if they retain the position. This requirement applies to members of a city council, county board of supervisors, and to the board of a special district, such as the District, who receive compensation for their position in any way, as well as designated employees. The training covers a broad variety of topics, including ethical laws, conflicts of interest, personal gain issues, reporting of gifts, and transparency laws such as the Brown Act and Public Records Act.

This training is critical in ensuring elected officials understand not only the legal requirements of their position, but also the public expectation that they are performing their duties for the benefit of their constituents and not themselves. Prior to 2026, new officials required two hours of ethics training within one year of assuming their position, and every two years thereafter. Starting in 2026, the initial training period is shortened to six months.

SB 827 Fiscal Training. An additional compliance requirement for local legislative bodies, such as the District Board, and designated employees, is fiscal and financial training. Senate Bill (SB) 827, codified as Government Code Sections 53238 through 53238.4, requires these officials to take training designed to ensure proper oversight of public funds, which are quite specific to public agencies. This training covers proper fiscal management of public resources including debt, capital financing, appropriate investing, and auditing for fiscal compliance. Officials hired in 2026 or thereafter must complete two hours of training within six months of assuming their position, and every

two years thereafter. Officials in their position prior to 2026 have until January 1, 2028 to complete this training.

Officials must obtain a certificate of participation in their training programs and provide it to their appropriate agency. The public may access the training records for five years by submitting a request under the State's Public Records Act. While neither AB 1234 nor SB 827 impose direct fines or penalties for failing to complete the required training, the risks associated with noncompliance are significant. Completing the training provides clear guidelines to Board members. Adhering to such guidelines reduces the likelihood members will take improper actions. Ultimately, failure to follow AB 1234 or SB 827 could result in erosion of the trust the constituents place in the official or even the entire District.

The additional compliance requirements facing the District under SB 827 will require increased adherence to legal obligations. The District recently hired a human resources firm, HRtoGO, to establish a consistent approach to the record keeping required to process the hirings, evaluation, compliance training, and out of compliance warnings. However, it remains unclear who in the District administration is tasked with the ultimate authority and responsibility to ensure compliance is achieved.

Governance Training

According to information provided by the District to the Grand Jury, only one Board member has received special district governance training, even though such training is available through the California Special Districts Association (CSDA) and the Special District Leadership Foundation. These organizations offer specialized workshops, the Special District Leadership Academy webinars, and annual conferences focused on governance, ethics, and fiscal responsibility. According to the CSDA, the Academy "equips attendees with the knowledge and skills necessary to lead effectively and uphold vital governance responsibilities." Although the Board's "Rules and Procedures" require ethics training for Board members, they include no requirement for governance training.

Rancho Murieta Community Services District's Relationship with Rancho Murieta Country Club

At the time of granting the District's application to draw water from the Cosumnes River, the State Water Resources Control Board mandated that waste water, as

reclaimed water, be used for irrigation purposes. Further, the California Regional Water Quality Control Board, Central Valley Region, prohibited the District from direct discharge of treated or untreated waste water into surface water or surface water drainage courses. Due to these restrictions, the Rancho Murieta Waste Water Disposal Program identified the north and south golf courses belonging to the Rancho Murieta Country Club (Country Club), the future Rancho Murieta community park and the future Homeowners' Association Corporation yard as reclaimed water disposal sites.

Upon completion of its waste water treatment plant, the District entered into an agreement with the Country Club in 1988 to supply reclaimed water from its sewage plant for use as irrigation water for its golf courses. According to this contract, the cost of delivering reclaimed water to the equalization pond (Bass Lake) is borne by the District. Upon written request, the contract requires the Country Club to pay the District for the cost of delivering reclaimed water to Bass Lake. The Grand Jury learned through interviews that the District failed to make such a request to the Country Club during the 38 years this contract has been in effect. The agreement term is 40 years, but it automatically renews for an additional 20 years unless the responsible parties agree in writing to terminate the agreement.

Under this agreement, beginning in 1988, the District delivered reclaimed water to Bass Lake and to the Country Club by pumping reclaimed water from its storage facility for golf course irrigation.

In 2021, the Country Club experienced failure of the pumps drawing water from Bass Lake. The Country Club asked the District for a loan to repair the pumps expeditiously. The District granted the loan in order to minimize overflowing of Bass Lake that could potentially lead to unauthorized discharge of waste water into surface water sources by the District. The District Board approved the loan at its January 20, 2021 meeting in an amount not to exceed \$115,816.00. The loan's duration is 5 years with 60 monthly payments consisting of principal and interest. The District bills the Country Club monthly for the loan repayment. Interest on this loan is 2% or the prevailing Local Agency Investment Fund (LAIF) rate, whichever is the higher. Under the loan agreement, the amount paid by the Country Club is the initial 2% with a final reconciliation payment at the end of the 60-month repayment period reflecting any increases in the LAIF rate.

The Grand Jury found, however, the repayment schedule prepared by the District does not reflect any additional interest amounts ultimately owed by the Country Club, even though LAIF rates increased to as much as 4.71% during the repayment period.

The amount of money involved is not extraordinary (less than \$3,000 through March 31, 2026). Nonetheless, the Grand Jury found that the loan repayment terms make the actual cost of the loan unknown to the Country Club, the District, and its ratepayers until the loan repayment is complete.

FINDINGS AND RECOMMENDATIONS

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. (R1)

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. (F1)

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. (R2)

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. (F2)

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. (R3)

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. (F3)

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.

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.

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. (R6)

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. (F6)

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. (R7)

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. (F7)

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. (R8)

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. (F8)

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. (F8)

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. (R9)

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. (F9)

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. (R10)

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. (F10)

F11. The Grand Jury finds that although the District is permitted to charge the Rancho Murieta Country Club, a private club, for the cost of delivering reclaimed water, the District has not done so for over 37 years, thereby depriving the District of a source of revenue. (R11)

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. (F11)

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. (R12)

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. (F12)

REQUIRED RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the Grand Jury requests a response from the following “governing body” as specified in Penal Code section 933(c) within 90 days, for all Findings and Recommendations:

- Rancho Murieta Community Services District Board of Directors
5160 Jackson Road
Rancho Murieta, CA 95683

INVITED RESPONSES

- Amelia Wilder, Interim General Manager
Rancho Murieta Community Services District
5160 Jackson Road
Rancho Murieta, CA 95683
(R1, R2, R3, R7, R8a, R8b, R9, R10, R11, R12, R13)

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.