

RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT

AGENDA
BOARD OF DIRECTORS SPECIAL MEETING
Monday, June 28, 2021, 1:30 P.M.

THIS MEETING WILL BE HELD VIA TELECONFERENCE ONLY AS PERMITTED BY THE GOVERNOR'S EXECUTIVE ORDER N-29-20.

Members of the Public may participate via ZOOM online or by telephone:

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MEETING ID: 948 0741 8271

Call Meeting to Order and Roll Call.

Board Members:	President:	John Tanner
	Vice-President:	Deborah Plummer
	Director:	Laurel Lemarié
	Director:	Bill Hinchy
	Director:	John Salazar

Staff:	General Manager:	Chuck Duffy
	Asst. General Manager:	Paula Melendrez

Public Comment.

Communication from the public concerning matters which are under the District's subject jurisdiction which are not on the agenda.

AGENDA ITEMS

1. Consideration of Fiscal Year 2019-2020 Comprehensive Annual Financial Report and Draft Audit.

Recommendation: To be made by the Board.

ADJOURNMENT

This meeting is accessible to people with disabilities. Individuals who require special assistance to participate may request an alternative format of the agenda and packet materials. Notification in advance of the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it. To request a disability-related modification or accommodation, please call (760) 479-4150.

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

Draft - For Review Only

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rancho Santa Fe Community Services District
Encinitas, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rancho Santa Fe Community Services District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and remaining aggregate fund information of the Rancho Santa Fe Community Services District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule – General Fund, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

Carlsbad, California
REPORT DATE

Rancho Santa Fe Community Services District

Management's Discussion and Analysis

June 30, 2020

This section of the Rancho Santa Fe Community Services District's (District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2020. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019-2020

- The assets of the District exceeded liabilities at the close of the 2019-2020 fiscal year by \$37,494,046 (net position). Of this amount, \$6,163,330 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$31,330,716 is invested in capital assets.
- Total revenues of the District increased for the close of the 2019-2020 fiscal year by \$118,119.
- Total expenses of the District increased for the close of the 2019-2020 fiscal year by \$129,536.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements and notes to the financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

Government – Wide Financial Statements are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business, and includes the Governmental Activities (the landscape maintenance, security services, and undergrounding utilities services) and the Business-type Activities (the Sewer Improvement District).

The Statement of Net Position presents information on all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (Assets) and the obligations to District creditors (Liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the District are roadside landscape maintenance and security services. The business-type activities of the District are sewer services.

Rancho Santa Fe Community Services District

Management's Discussion and Analysis (Continued)

June 30, 2020

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. All of the District's funds can be grouped into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The District uses a governmental-type fund to account for its Landscape Improvement District No. 1 (LID), which provides roadside landscape maintenance services, as well as security services and undergrounding utilities functions. The District contracts with the Rancho Santa Fe Association to provide landscape maintenance services such as right-of-way clearance, tree trimming, as well as for the provision of security services.

Proprietary Funds are used to account for the District's sewer service. Sewer service charges are used to fund the ongoing operations of the District including administrative, operations, treatment, collections, and acquisitions of capital assets. The proprietary fund financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. These statements are accounted for using the full accrual basis of accounting similar to commercial enterprises.

Sewer service is provided throughout the service area of the District. The District serves the community of Rancho Santa Fe and adjacent areas, as well as Santa Fe Valley to the east. There are two wastewater treatment plants within the District. The Rancho Santa Fe Wastewater Reclamation Facility serves the Rancho Santa Fe and surrounding areas, while the Santa Fe Valley Wastewater Reclamation Facility serves the Santa Fe Valley developments known as The Crosby, The Lakes, Bel Etage, and Salviatti. The southwestern section of Rancho Santa Fe flows to the San Elijo Joint Powers Authority Water Pollution Control Facility per contract. The basic unit of charge used to calculate sewer service and connection fees is called an Equivalent Dwelling Unit (EDU), which equates to the estimated gallons per day of wastewater flow from a single-family dwelling. All single-family homes are charged 1 EDU as their sewer service charge. Commercial properties are charged based upon their calculated EDU's. The charge per EDU for the year ended June 30, 2020 was \$950.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The statement of fiduciary net position is included in the District's basic financial statements and is reported using the accrual basis of accounting.

The Community Facilities District No. 1 was formed in December of 2000 to finance the infrastructure for the Santa Fe Valley development, including the construction of the Santa Fe Valley Wastewater Reclamation Facility, wet weather storage reservoir, recycled water system, gravity sewers, pump stations and force mains, and several roads. The Board authorized a maximum of \$49.5 million in bonds to be

Rancho Santa Fe Community Services District

Management's Discussion and Analysis (Continued)

June 30, 2020

issued, with the intention of netting construction proceeds of approximately \$37 million. The original bond issuance totaled approximately \$29 million in 2000. The second bond series was subsequently issued in August 2007 for \$19.5 million. In July of 2011, the District refunded and defeased the outstanding balance of the Series 2000 Bonds. The series 2011 Bonds were issued for \$28,430,000. In August 2016, the Community Facilities District No.1 issued \$35,835,000 of Special Tax Revenue Refunding bonds for the purpose of refunding \$16,520,000 of then-outstanding 2007 Limited Obligation Improvement Bonds, and \$24,150,000 of 2011 Limited Obligation Improvement bonds. Moneys of \$7,298,712 held in funds and accounts established for the Series 2007 District Bonds and the Series 2011 District bonds were used during this transaction.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, which can be found on the final pages of this report.

Governmental Fund Budgetary Highlights

The final inflows at year-end were less than the final budgeted amounts by \$45,078 and the final outflows at year-end were less than the final budgeted amounts by \$2,582. The net variance of the inflows and outflows was a negative \$42,496, owing to taxes and special assessments revenue that was less than the budget by \$41,041. General and administrative outflows were less than budgeted by \$2,582, largely due to a savings in insurance costs. outflows were the same as the budgeted amounts. Landscape maintenance and Security Services outflows were the same as the budgeted amount.

Rancho Santa Fe Community Services District
Management's Discussion and Analysis (Continued)

June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's Statement of Net Position in comparison to the prior year is presented below.

Condensed Statement of Net Position				
Fiscal Years				
June 30, 2020				
	2019	2020	Changes from 2019 to 2020	
			Amount	Percentage
Assets:				
Current Assets	\$ 6,554,631	\$ 6,935,431	\$ 380,800	5.8%
Capital Assets	<u>32,398,674</u>	<u>31,330,716</u>	<u>(1,067,958)</u>	<u>-3.3%</u>
Total Assets	38,953,305	38,266,147	(687,158)	-1.8%
Liabilities:				
Current	406,199	772,101	365,902	90.1%
Noncurrent	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Total Liabilities	406,199	772,101	365,902	90.1%
Net Position:				
Investment in capital assets	32,398,674	31,330,716	(1,067,958)	-3.3%
Unrestricted	<u>6,148,432</u>	<u>6,163,330</u>	<u>14,898</u>	<u>0.2%</u>
Total Net Position	\$ <u>38,547,106</u>	\$ <u>37,494,046</u>	\$ <u>(1,053,060)</u>	<u>-2.7%</u>

The following is a brief explanation for the balance changes of the Condensed Statement of Net Position for the year ending June 30, 2020:

- Current Assets increased by \$380,800 largely due to an increase in cash flows from operations of \$380,800, with the remaining difference in cash due to timing differences of the District's receivables and payables.
- Capital Assets decreased by \$1,064,768 due to depreciation expense of \$1,644,346 and \$580,269 in additions to capital assets.
- Total Liabilities increased by \$365,902 due to an increase in accounts payable of \$340,435.
- Total Net Position decreased by \$1,053,060.

Rancho Santa Fe Community Services District

Management's Discussion and Analysis (Continued)

June 30, 2020

A summary of the District's Statement of Activities in comparison to the prior year is presented below.

Condensed Statement of Activities				
Fiscal Years				
Ended June 30, 2020				
	2019	2020	Changes from 2019 to 2020	
			Amount	Percentage
Program Revenues:				
Charges for services	\$ 3,136,366	\$ 3,280,501	\$ 144,135	4.6%
Capital Grants and Contributions	119,700	79,540	(40,160)	-33.6%
	<u>3,256,066</u>	<u>3,360,041</u>	<u>103,975</u>	<u>3.2%</u>
General Revenues:				
Taxes and special assessments	926,114	959,241	33,127	3.6%
Gain on sale of capital assets	0	0	0	0.0%
Investment earnings	133,965	114,982	(18,983)	-14.2%
Other revenues	0	0	0	0.0%
Total General Revenues	<u>1,060,079</u>	<u>1,074,223</u>	<u>14,144</u>	<u>1.3%</u>
Total Revenues	<u>4,316,145</u>	<u>4,434,264</u>	<u>118,119</u>	<u>2.7%</u>
Expenses:				
General government	181,757	151,588	(30,169)	-16.6%
Landscape maintenance	689,500	689,500	0	0.0%
Sewer	4,483,341	4,643,046	159,705	3.6%
Total Expenses	<u>5,354,598</u>	<u>5,484,134</u>	<u>129,536</u>	<u>2.4%</u>
Changes in Net Position	(1,038,453)	(1,049,870)	(11,417)	-1.1%
Beginning Net Position	<u>39,582,369</u>	<u>38,543,916</u>	<u>(1,038,453)</u>	<u>-2.6%</u>
Ending Net Position	<u>\$ 38,543,916</u>	<u>\$ 37,494,046</u>	<u>\$ (1,049,870)</u>	<u>-2.7%</u>

The following is a brief explanation for the balance changes of the Condensed Statement of Activities for the year ending June 30, 2020:

- There was an increase of \$144,135 in the charges for sewer service from the prior year. There were 13 new permits issued within SID during FY19/20, in which a capacity fee of \$8,875 was collected on 12 of these permits, and there were 88 new permits issued in SFV (nearly 40 more than the prior year), in which sewer service charges of \$950 each were collected. Parcels on standby in the Rancho Santa Fe area are charged \$100 per parcel, while parcels on standby in Santa Fe Valley are charged \$267.
- Capital Grants and Contributions saw a decrease of \$40,160 because there were no new sewer lines acquired by the district in FY19/20.
- Property taxes revenue increased by \$33,127 in both the sewer and landscaping district because of increases in property values.
- Investment earnings decreased by \$18,983 due to the declining interest rate of return.
- Total expenses increased by \$129,536, largely due to sewer repair costs.

Rancho Santa Fe Community Services District
Management's Discussion and Analysis (Continued)

June 30, 2020

CAPITAL ASSETS

The District's capital assets are comprised of sewer lines, pump stations, force mains, and treatment plants. The District currently operates and maintains 14 sewer pump stations and approximately 50 miles of pipeline. The annual depreciation is calculated using the straight-line method over the estimated useful lives of the capital assets. Actual repairs, upgrades, or replacements to capital assets are based upon review of the assets' physical conditions as well as the expected useful life.

	Balance June 30, 2019	Additions	Deletions & Completed Construction	Balance June 30, 2020
Capital Assets, nondepreciable:				
Land	\$ 27,400	\$ -	\$ -	\$ 27,400
Construction in progress	21,248		691	20,557
Total Capital Assets, nondepreciable	<u>48,648</u>	<u>-</u>	<u>691</u>	<u>47,957</u>
Capital Assets, depreciable:				
Structures and improvements	54,912,130			54,912,130
Equipment	2,319,258	524,798		2,844,056
Service Vehicle	485,117	55,471	-	540,588
Subtotal	<u>57,716,505</u>	<u>580,269</u>	<u>-</u>	<u>58,296,774</u>
Less Accumulated Depreciation:	<u>(25,369,669)</u>	<u>(1,644,346)</u>	<u>-</u>	<u>(27,014,015)</u>
Net Capital Assets, depreciable	<u>32,346,836</u>	<u>(1,064,077)</u>	<u>-</u>	<u>31,282,759</u>
Net Capital Assets	<u>\$ 32,395,484</u>	<u>\$ (1,064,077)</u>	<u>\$ 691</u>	<u>\$ 31,330,716</u>

LONG – TERM DEBT

As of June 30, 2020, the District has no outstanding long-term debt.

Rancho Santa Fe Community Services District
Management's Discussion and Analysis (Continued)

June 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The current economy does not have a significant effect on the District's finances due to the relative affluence of the area. While the COVID-19 pandemic may have an impact on the broader U.S. economy, the impact on the District's finances should be limited due to the fact that the District's rate base is relatively affluent. Additionally, the District's annual sewer service charge is collected on the County property tax bills, and is part of the County's Teeter Plan program which guarantees that service charges placed on the tax roll are paid out to the District.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Chuck Duffy at the Rancho Santa Fe Community Services District at 605 Third Street, Encinitas, CA 92024. He can be reached at 760-479-4125.

BASIC FINANCIAL STATEMENTS

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RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Investments (Note 2)	\$ 1,592,288	\$ 5,017,158	\$ 6,609,446
Restricted Cash and Investments (Note 2)	-	32,068	32,068
Taxes and Special Assessments Receivable	3,852	10,809	14,661
Other Receivables	-	219,232	219,232
Interest Receivable	4,799	15,723	20,522
Internal Balance (Note 4)	(9,280)	9,280	-
Prepaid Insurance	19,751	19,751	39,502
Total Current Assets	<u>1,611,410</u>	<u>5,324,021</u>	<u>6,935,431</u>
Noncurrent Assets:			
Capital Assets, Nondepreciable (Note 3)	-	47,957	47,957
Capital Assets, Depreciable, Net (Note 3)	-	31,282,759	31,282,759
Total Noncurrent Assets	<u>-</u>	<u>31,330,716</u>	<u>31,330,716</u>
Total Assets	1,611,410	36,654,737	38,266,147
LIABILITIES			
Accounts Payable And Accrued Liabilities	61,661	678,372	740,033
Developer Fees Payable	-	32,068	32,068
Total Liabilities	<u>61,661</u>	<u>710,440</u>	<u>772,101</u>
NET POSITION			
Investment In Capital Assets	-	31,330,716	31,330,716
Unrestricted	<u>1,549,749</u>	<u>4,613,581</u>	<u>6,163,330</u>
Total Net Position	<u>\$ 1,549,749</u>	<u>\$ 35,944,297</u>	<u>\$ 37,494,046</u>

See accompanying Notes to Basic Financial Statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 151,588	\$ -	\$ -	\$ -
Landscape Maintenance	689,500	-	-	-
Total Governmental Activities	<u>841,088</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Sewer	4,643,046	3,280,501	-	79,540
Total Business-Type Activities	<u>4,643,046</u>	<u>3,280,501</u>	<u>-</u>	<u>79,540</u>
Total Primary Government	<u>\$ 5,484,134</u>	<u>\$ 3,280,501</u>	<u>\$ -</u>	<u>\$ 79,540</u>

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**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General Government	\$ (151,588)	\$ -	\$ (151,588)
Landscape Maintenance	(689,500)	-	(689,500)
Total Governmental Activities	(841,088)	-	(841,088)
Business-Type Activities:			
Sewer	-	(1,283,005)	(1,283,005)
Total Business-Type Activities	-	(1,283,005)	(1,283,005)
Total Primary Government	(841,088)	(1,283,005)	(2,124,093)
General Revenues			
Taxes and Special Assessments	893,963	65,278	959,241
Unrestricted Investment Earnings	26,959	88,023	114,982
Total General Revenues	920,922	153,301	1,074,223
CHANGES IN NET POSITION	79,834	(1,129,704)	(1,049,870)
Net Position - Beginning of Year	1,469,915	37,074,001	38,543,916
NET POSITION - END OF YEAR	<u>\$ 1,549,749</u>	<u>\$ 35,944,297</u>	<u>\$ 37,494,046</u>

See accompanying Notes to Basic Financial Statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020**

	General Fund
ASSETS	
Cash and Investments	\$ 1,592,288
Property Taxes Receivable	3,852
Interest Receivable	4,799
Prepaid Insurance	19,751
Total Assets	\$ 1,620,690
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 61,661
Due to Other Funds	9,280
Total Liabilities	70,941
FUND BALANCE	
Nonspendable:	
Prepaid Items	19,751
Unassigned	1,529,998
Total Fund Balance	1,549,749
Total Liabilities and Fund Balance	\$ 1,620,690

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**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
REVENUES	
Taxes and Special Assessments	\$ 893,963
Revenues from Use of Money and Property	<u>26,959</u>
Total Revenues	920,922
 EXPENDITURES	
Current:	
Landscape Maintenance	689,500
General and Administrative Government	61,588
Security Services	<u>90,000</u>
Total Expenditures	<u>841,088</u>
 NET CHANGE IN FUND BALANCE	 79,834
 Fund Balance - Beginning of Year	 <u>1,469,915</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 1,549,749</u></u>

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**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020**

	<u>Sewer Operations and Capital Fund</u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 5,017,158
Restricted Cash and Investments	32,068
Taxes and Special Assessments Receivable	10,809
Other Receivables	219,232
Due from Other Fund	9,280
Interest Receivable	15,723
Prepaid Insurance	19,751
Total Current Assets	<u>5,324,021</u>
Noncurrent Assets:	
Capital Assets, Nondepreciable	47,957
Capital Assets, Depreciable, Net	31,282,759
Total Noncurrent Assets	<u>31,330,716</u>
Total Assets	36,654,737
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	678,372
Restricted Developer Fees Payable	32,068
Total Current Liabilities	<u>710,440</u>
Noncurrent Liabilities:	
Restricted Developer Fees Payable	-
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	710,440
NET POSITION	
Investment in Capital Assets	31,330,716
Unrestricted	4,613,581
Total Net Position	<u>\$ 35,944,297</u>

See accompanying Notes to Basic Financial Statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020**

	<u>Sewer Operations and Capital Fund</u>
OPERATING REVENUES	
Sewer Service and Standby Charges	\$ 3,280,501
Total Operating Revenues	<u>3,280,501</u>
OPERATING EXPENSES	
Sewage Collection and Treatment	2,523,781
General and Administrative	474,919
Depreciation	1,644,346
Total Operating Expenses	<u>4,643,046</u>
OPERATING LOSS	(1,362,545)
NONOPERATING REVENUES (EXPENSES)	
Taxes	65,278
Capacity Fees	79,540
Investment Earnings	88,023
Total Nonoperating Expenses	<u>232,841</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,129,704)
CAPITAL CONTRIBUTIONS	<u>-</u>
CHANGE IN NET POSITION	(1,129,704)
Net Position - Beginning of Year	<u>37,074,001</u>
NET POSITION - END OF YEAR	<u><u>\$ 35,944,297</u></u>

See accompanying Notes to Basic Financial Statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020**

	<u>Sewer Operations and Capital Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Customers	\$ 3,135,782
Cash Payments for Services and Supplies	<u>(2,633,340)</u>
Net Cash Provided by Operating Activities	502,442
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property Taxes Collected	<u>61,345</u>
Net Cash Provided by Noncapital Financing Activities	61,345
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(579,578)
Refund of Developer Fees	25,467
Capacity Charges Received	<u>79,540</u>
Net Cash Used by Capital and Related Financing Activities	<u>(474,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>99,907</u>
Net Cash Provided by Investing Activities	<u>99,907</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	189,123
Cash and Cash Equivalents - Beginning of Year	<u>4,860,103</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,049,226</u></u>

See accompanying Notes to Basic Financial Statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020**

	<u>Sewer Operations and Capital Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (1,362,545)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,644,346
(Increase) Decrease in Assets:	
Receivable from Other Government	(4,830)
Other Receivables	(139,889)
Prepaid Insurance	25,048
Increase (Decrease) in Liabilities:	
Accounts Payable	340,312
Total Adjustments	<u>1,864,987</u>
Net Cash Provided by Operating Activities	<u>\$ 502,442</u>
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	
Unrestricted	\$ 5,017,158
Restricted	<u>32,068</u>
Total Cash and Cash Equivalents - Financial Statement Classification	<u>\$ 5,049,226</u>

See accompanying Notes to Basic Financial Statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2020**

	<u>Total Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 135,597
Cash and Investments with Fiscal Agent	<u>4,070,310</u>
Total Assets	<u>\$ 4,205,907</u>
LIABILITIES	
Deposits Held for Others	<u>\$ 4,205,907</u>
Total Liabilities	<u>\$ 4,205,907</u>

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**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In December 1981, the citizens of Rancho Santa Fe formed a community services district pursuant to California Government Code Section 61000. The District provides sewer, landscaping, and security services to property owners in Rancho Santa Fe, California. The District also has the power to provide underground utilities services, however; as of June 30, 2020, the District has not exercised that power.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the District. Interfund services provided and used are not eliminated in the process of consolidation.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Amounts paid to acquire capital assets are capitalized as assets in the government wide financial statements rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements rather than as an other financing source. Amounts paid to reduce long term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary statements, even though excluded from the government wide financial statements, represent agency funds.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. Significant revenues subject to the criteria include taxes and intergovernmental revenues. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available where cash is received by the government. The availability period for these revenues is 60 days.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that the resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Proprietary and Fiduciary Funds

The District's enterprise funds are proprietary funds. In the fund financial statements, the proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary funds' operating revenue, such as charges for services, results from exchange transactions associated with the principal activities of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements rather than reported as an expenditure. Proceeds of long term debt are recorded as a liability in the enterprise fund financial statements rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability rather than as an expenditure.

The District's fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. The District's fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. Because these funds are not available for use by the District, fiduciary funds are not included in the governmental-wide statements.

C. Fund Classifications

The District reports the following major governmental fund:

The **General Fund** is the primary operating fund for landscape maintenance and security services. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Classifications (Continued)

The District reports the following major proprietary fund:

The **Sewer Operations** and **Capital Fund** is used to account for the operation and maintenance of the District's sewer systems, which is funded by user charges and other fees.

The District's fund structure also includes the following fund type:

The **Fiduciary Funds** include trust and agency funds. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary statements, even though excluded from the government-wide financial statements, represent agency funds that are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. New Accounting Pronouncements

Current-Year Standards

GASB 95 – The Governmental Accounting Standards Board issued Statement No. 95, "Postponement of the Effective Dates of Certain Authority Guidance" to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

Pending Accounting Standards

GASB 84 – In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 87 – In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, "Leases". The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

GASB 92 – In January 2020, the Governmental Accounting Standards Board issued Statement No. 92, "Omnibus 2020". The requirements of this Statement are effective for fiscal years beginning after June 15, 2020.

GASB 97 – In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32." The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments with an original maturity of 90 days or less. Cash includes amounts in demand and time deposits. Investments are stated at fair value (quoted market price or best available estimate thereof) (see Note 2).

F. Investments

Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings, changes in fair value, any gains or losses realized upon liquidation, maturity, or sale of investments. There are no significant differences between fair value and cost at June 30, 2020.

G. Receivables and Payables

Management estimates all receivables at June 30, 2020, to be collectible, as any receivables deemed uncollectible have been written off.

H. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to / from other funds (i.e., the current portion of interfund loans) or advances to / from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to / from other funds.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method of accounting is used for prepaid items.

J. Capital Assets

Capital assets, which include land, structures and improvements, equipment, and vehicles, are depreciated and reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets have an estimated useful life greater than one year and have a cost greater than \$5,000. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Construction-in-progress costs are capitalized and transferred to their respective fixed asset category upon completion of the project.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. Land and construction in progress are not depreciated.

Structures and Improvements	40 – 50 Years
Equipment	5 – 40 Years

K. Property Taxes

Real property taxes are levied on July 1 against owners of record on January 1. The taxes are due in two equal installments on November 1 and February 1 and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day in January in the fiscal year for which the taxes have been levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is within 60 days of the end of the year.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time. The District does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any applicable deferred inflows of resources.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. Fund Balance Classification

In the fund financial statements, fund balances are classified as follows:

Nonspendable. Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash (for example, inventories and prepaid amounts).

Restricted. Includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed. Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. The Board of Directors has the authority to establish, modify, or rescind a fund balance commitment.

Assigned. Includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Board of Directors or designee has the authority to establish, modify, or rescind a fund balance assignment.

Unassigned. Includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both a restricted and unrestricted fund balance are available, and committed, assigned, and unassigned amounts are considered to be spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

NOTE 2 CASH AND INVESTMENTS

Cash and investments at June 30, 2020, are reported in the accompanying basic financial statements as follows:

Statement of Net Position:	
Unrestricted Cash and Cash Investments	\$ 6,609,446
Restricted Cash and Investments	32,068
Statement of Fiduciary Assets and Liabilities:	
Unrestricted Cash and Investments	135,597
Cash and Investments with Fiscal Agent	4,070,310
Total Cash and Investments	<u>\$ 10,847,421</u>

Cash and investments as of June 30, 2020, consist of the following:

Deposits with Financial Institutions	\$ 543,097
Investments	10,304,324
Total Cash and Investments	<u>\$ 10,847,421</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The District is legally empowered by statute and resolution to invest in the California State Investment Pool – Local Agency Investment Fund (LAIF) and Pacific Western Bank for checking and money market deposits with said deposits being FDIC insured and/or collateralized.

Investments Authorized by Debt Agreements

The above investments do not address investments of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the District's investment policy.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2020.

Investment Type	1 Year or Less
California Local Agency Investment Fund	\$ 6,234,014
Held by Fiscal Agency	
Money Market Mutual Funds	4,070,310
Total	\$ 10,304,324

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2019, the District's investments in money market funds were rated AAA by Standard & Poor's. Investments in the Local Agency Investment Fund (LAIF) and municipal bonds are unrated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2020, there were no investments in any one issuer (other than US Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, \$348,942 of the District's deposits in excess of federal depository insurance was either fully insured or collateralized.

California Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized basis.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The District's investments in LAIF and money market mutual funds, which are investments measured at Net Asset Value (NAV) are not subject to the fair value measurement hierarchy.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance at June 30, 2019	Additions	Deletions and Completed Construction	Balance at June 30, 2020
Capital Assets, not Being Depreciated:				
Land	\$ 27,400	\$ -	\$ -	\$ 27,400
Construction in Progress	21,248	-	691	20,557
Subtotal	48,648	-	691	47,957
Capital Assets, Being Depreciated:				
Structures and Improvements	54,912,130	-	-	54,912,130
Equipment	2,319,258	524,798	-	2,844,056
Service Vehicle	485,117	55,471	-	540,588
Subtotal	57,716,505	580,269	-	58,296,774
Less: Accumulated Depreciation	(25,369,669)	(1,644,346)	-	(27,014,015)
Net Capital Assets, Being Depreciated	32,346,836	(1,064,077)	-	31,282,759
Net Capital Assets	<u>\$ 32,395,484</u>	<u>\$ (1,064,077)</u>	<u>\$ 691</u>	<u>\$ 31,330,716</u>

Depreciation expense was charged to functions/programs of the District as follows:

Business-type Activities:	
Sewer	\$ 1,644,346
Total Depreciation Expense	<u>\$ 1,644,346</u>

NOTE 4 INTERNAL BALANCE

Current internal balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of current internal balances as of June 30, 2020. The internal balances listed below represent the advancement of cash to cover operating expenses.

Receivable Fund	Amount	Payable Fund	Amount
Proprietary Fund	\$ 9,280	General Fund	\$ 9,280

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT

In August 2016, the Community Facilities District No. 1 issued \$35,835,000 of Special Tax Revenue Refunding bonds for the purpose of refunding \$16,520,000 of then-outstanding 2007 Limited Obligation Improvement bonds and \$24,150,000 of 2011 Limited Obligation Improvement bonds. Moneys of \$7,298,712 held in funds and accounts established for the Series 2007 District bonds and the Series 2011 District bonds were also used during this transaction. The Special Tax Revenue Refunding bonds were issued with interest rates ranging from 2.00% to 5.00% and will reach maturity in September 2030. The bonds had an outstanding principal balance of at \$30,380,000 at June 30, 2020.

The District is not obligated in any manner for the payment of debt service in the event of default by the property owners but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate. Accordingly, no liability for these bonds has been recorded in the financial statements. The unspent cash and investments are reported in the statement of fiduciary assets and liabilities.

NOTE 6 OPERATING LEASE COMMITMENTS

a. The District has an agreement with San Elijo Joint Powers Authority (JPA), which was renewed on July 1, 2016, to lease capacity at their Water Pollution Control Facility for a period of 20 years expiring June 30, 2036. The annual lease payments are composed of a reimbursement to JPA for the capitalized cost of the plant (\$96,744 per year through June 2020) and a fee for the administration, management, operation, and maintenance of the plant. The fee is calculated annually based on a formula using the net upgrade and expansion costs of the plant, budgeted operating expenses of the plant, and the average measured flow used by the District.

b. The District also leases capacity from the Cardiff Sanitation District for sewer transmission facilities. The lease is for a period of 30 years expiring July 2020. The lease payment is composed of a base rent (\$33,475 per year) plus a fee for reimbursement of the District's portion of direct and indirect operating and maintenance costs. The District is in negotiations with Cardiff Sanitation District for a new lease after the existing lease expires.

Total lease payments incurred for the fiscal year ended June 30, 2020, were \$130,719.

The future minimum lease payments at June 30, 2020, are as follows:

Year Ending June 30,	Amount
2020	\$ 130,719
Total	\$ 130,719

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 COMMERCIAL INSURANCE POLICY

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance for its exposure to risk. The District is insured against claims and judgments for general liability, automobile liability, cyber liability, public officials and management liability (up to \$1,000,000 per occurrence). Property insurance was purchased with coverage of up to \$23,214,528 and mobile equipment for \$125,000, subject to a \$1,000 deductible. The District has also purchased excess liability insurance (up to \$10,000,000 per occurrence). Settled claims have not exceeded any of the District's coverage amounts in any of the last three fiscal years, and there were no significant reductions in the District's insurance coverage during the year ended June 30, 2020. The District's insurance coverage also includes inland marine, unscheduled equipment, scheduled equipment, and excess liability. There is no deductible on the general liability insurance. There are varying deductibles between \$500 and \$1,000 for automobile and miscellaneous coverage.

NOTE 8 CONTINGENCIES

Litigation

The District's management and legal counsel estimate that any legal claims against the District, not covered by insurance, resulting from such litigation would not have a material effect on the basic financial statements.

NOTE 9 SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the United States, including California, have declared a state of emergency. The District's operations are heavily dependent on the ability to raise property taxes and assess fees on properties within Sewer and Landscaping and Maintenance Districts. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress the tax bases and other areas in which the District received revenue during fiscal year 2019. However, District management believes the impact on the District's finances should be limited due to the fact that the District's rate base is relatively affluent. The outbreak could also have other potential impacts, including disruptions or restrictions on employees' ability to work. Any of the foregoing events could be harmful to the District and the District cannot anticipate all the ways in which a health epidemic such as COVID-19 could adversely impact it. Although the District is continuing to monitor and assess the effects of the COVID-19 pandemic, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosures as of **REPORT DATE**, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Draft - For Review Only

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING OF YEAR	\$ 1,469,915	\$ 1,469,915	\$ 1,469,915	\$ -
RESOURCES (INFLOWS)				
Taxes and Special Assessments	935,000	935,000	893,963	(41,037)
Revenues from Use of Money and Property	31,000	31,000	26,959	(4,041)
Amount Available for Appropriations	<u>966,000</u>	<u>966,000</u>	<u>920,922</u>	<u>(45,078)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Landscape Maintenance	689,500	689,500	689,500	-
General and Administrative	64,170	64,170	61,588	2,582
Security Services	90,000	90,000	90,000	-
Total Charges to Appropriations	<u>843,670</u>	<u>843,670</u>	<u>841,088</u>	<u>2,582</u>
EXCESS OF RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>122,330</u>	<u>122,330</u>	<u>79,834</u>	<u>(42,496)</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,592,245</u>	<u>\$ 1,592,245</u>	<u>\$ 1,549,749</u>	<u>\$ (42,496)</u>

See accompanying Note to Required Supplementary Information.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule:

- a. The annual budget adopted by the Board of Directors provides for the general operation of the District. It includes proposed expenditures and the means of financing them.
- b. The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. There were no significant nonbudgeted financial activities. Actual expenditures may exceed budgeted appropriations at the fund level. However, the District's general manager is authorized to transfer budgeted amounts between individual departments. Budget figures used in the financial statements are the final adjusted amounts, including any amendments to the budget during the year.
- c. Formal budgetary integration is employed as a management control device. Appropriations that are encumbered at year-end lapse and are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance. **There were no encumbrances at June 30, 2020.**
- d. Budget information is adopted for the governmental fund and is presented as required supplemental information. The presentation represents original appropriations adjusted for supplemental appropriations, if any, made during the year. The budget for the governmental fund is adopted on a basis substantially consistent with U.S. GAAP.