

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

**Annual Financial Report
with
Independent Auditor's Report Thereon
For the Year Ended
June 30, 2022**

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Annual Financial Report
For the Year Ended June 30, 2022

	<u>Page</u>
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis (Required Supplementary Information)	4-9
 <u>Basic Financial Statements</u>	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements	
Governmental Fund:	
Balance Sheet.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	13
Proprietary Fund:	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position.....	15
Statement of Cash Flows	16-17
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	18
Notes to the Financial Statements.....	19-32
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedule – General Fund.....	33
Note to Budgetary Comparison Schedule.....	34

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the Rancho Santa Fe Community Services District (District), as of and for the fiscal years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

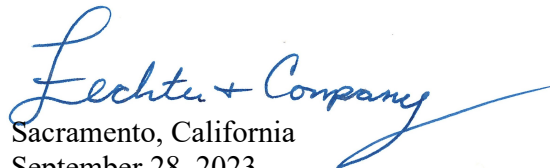
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Board of Directors
Rancho Santa Fe Community Services District

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Fechter & Company
Certified Public Accountants


Sacramento, California
September 28, 2023

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis
June 30, 2022

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, 2022. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2021-2022

- The assets of the District exceeded liabilities at the close of the 2021-2022 fiscal year by \$34,970,089 (net position). Of this amount, \$5,899,115 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$29,070,974 is invested in capital assets.
- Total revenues of the District increased for the close of the 2021-2022 fiscal year by \$247,128.
- Total expenses of the District increased for the close of the 2021-2022 fiscal year by \$426,215.

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 (i.e., uncollected taxes).

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis
June 30, 2022

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.

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

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis
June 30, 2022

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, 2022 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 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 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 greater than the final budgeted amounts and the final outflows at year-end were less than the final budgeted amounts. The net variance of the inflows and outflows was a negative \$328. Taxes and special assessments increased by \$48,411. Expenditures were higher than budgeted by \$47,354, due primarily to landscape maintenance expense that was greater than the budget by \$50,000, which was due to increased costs from the District's arborist/contractor and additional palm removals due to the large-scale palm weevil infestation.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis
June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At year-end, the District's governmental fund reported fund balance of \$1,622,157, which is an increase of \$33,732 from the prior year balance of \$1,588,425. The positive fund balance change was primarily due to increase in property taxes because of increasing home values as well as the District's ongoing effort to maximize efficient operations cost management.

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, 2021 and 2022

	2021	2022	Changes from 2021 to 2022	
			Amount	Percentage
<u>Assets</u>				
Current assets	\$ 6,753,980	\$ 6,246,747	\$ (507,233)	-8.1%
Capital assets	30,124,961	29,070,974	(1,053,987)	-3.6%
Total Assets	<u>36,878,941</u>	<u>35,317,721</u>	<u>(1,561,220)</u>	<u>-4.4%</u>
<u>Liabilities</u>				
Current	557,330	347,632	(209,698)	-60.3%
Total Liabilities	<u>557,330</u>	<u>347,632</u>	<u>(209,698)</u>	<u>-60.3%</u>
<u>Net Position</u>				
Investment in capital assets	30,124,961	29,070,974	(1,053,987)	-3.6%
Unrestricted	<u>6,196,650</u>	<u>5,899,115</u>	<u>(297,535)</u>	<u>-5.0%</u>
Total Net Position	<u><u>\$36,321,611</u></u>	<u><u>\$34,970,089</u></u>	<u><u>\$ (1,351,522)</u></u>	<u><u>-3.9%</u></u>

The following is a brief explanation for the balance changes of the Condensed Statement of Net Position for the year ending June 30, 2022:

- Current Assets decreased by \$507,233 largely due to a decrease in cash, which was used to purchase and construct capital assets.
- Capital Assets decreased by \$1,053,987 mainly due to depreciation expense of \$1,656,894 offset by \$602,907 in additions to capital assets.
- Total Liabilities decreased by \$209,698 due primarily to a decrease in accounts payable.
- Total Net Position decreased by \$1,351,522. A summary of the District's Statement of Activities in comparison to the prior year is presented below.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis
June 30, 2022

Condensed Statement of Activities
Fiscal Years
Ended June 30, 2021 and 2022

	2021	2022	Changes from 2021 to 2022	
			Amount	Percentage
<u>Program Revenues</u>				
Charges for services	\$ 3,333,179	\$ 3,496,021	\$ 162,842	4.9%
Capital grants and contributions	84,465	136,082	51,617	61.1%
Total program revenues	<u>3,417,644</u>	<u>3,632,103</u>	<u>214,459</u>	<u>6.3%</u>
<u>General Revenues</u>				
Taxes and special assessments	997,516	1,041,457	43,941	4.4%
Investment earnings	30,169	18,778	(11,391)	-37.8%
Other miscellaneous	-	119	119	-
Total general revenues	<u>1,027,685</u>	<u>1,060,354</u>	<u>32,669</u>	<u>3.2%</u>
Total Revenues	<u>4,445,329</u>	<u>4,692,457</u>	<u>247,128</u>	<u>5.6%</u>
<u>Expenses</u>				
General government	188,438	160,834	(27,604)	-14.6%
Landscape maintenance	710,160	781,460	71,300	10.0%
Sewer	4,719,166	5,101,685	382,519	8.1%
Total Expenses	<u>5,617,764</u>	<u>6,043,979</u>	<u>426,215</u>	<u>7.6%</u>
Changes in Net Position	(1,172,435)	(1,351,522)	(179,087)	15.3%
Beginning Net Position	<u>37,494,046</u>	<u>36,321,611</u>	<u>(1,172,435)</u>	<u>-3.1%</u>
Ending Net Position	<u>\$36,321,611</u>	<u>\$34,970,089</u>	<u>\$ (1,351,522)</u>	<u>-3.7%</u>

The following is a brief explanation for the balance changes of the Condensed Statement of Activities for the year ending June 30, 2022:

- There was an increase in charges for services of \$162,842 largely due to an increase in the sale of recycled water.
- Capital grants and contributions increased due to an increase in capacity fees of \$51,617.
- Property taxes revenue increased by \$43,941 in both the sewer and landscaping district because of increases in property values.
- Landscape maintenance expense increased due to extra tree pruning work.
- Sewer expense increased by \$382,519 due primarily to an increase in repair and maintenance expense, carbon odor control treatment, and payments made to San Elijo Joint Powers Authority.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis
June 30, 2022

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 at July 1, 2021	Additions	Deletions & Completed Construction	Balance at June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 27,400	\$ -	\$ -	\$ 27,400
Construction in progress	66,576	10,415	-	76,991
Subtotal	<u>93,976</u>	<u>10,415</u>	<u>-</u>	<u>104,391</u>
Capital assets, being depreciated:				
Structures and improvements	54,983,050	359,363	-	55,342,413
Equipment	3,154,985	233,129	-	3,388,114
Service vehicle	568,115	-	-	568,115
Subtotal	<u>58,706,150</u>	<u>592,492</u>	<u>-</u>	<u>59,298,642</u>
Less Accumulated Depreciation	<u>(28,675,165)</u>	<u>(1,656,894)</u>	<u>-</u>	<u>(30,332,059)</u>
Net Capital Assets, being depreciated	<u>30,030,985</u>	<u>(1,064,402)</u>	<u>-</u>	<u>28,966,583</u>
Net Capital Assets	<u>\$30,124,961</u>	<u>\$ (1,053,987)</u>	<u>\$ -</u>	<u>\$29,070,974</u>

As of June 30, 2022, the District has no outstanding long-term debt.

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 and the fact that 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

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 1,652,355	\$ 4,375,666	\$ 6,028,021
Restricted cash and investments	-	5,903	5,903
Taxes and special assessments receivable	4,870	-	4,870
Other receivables	-	146,193	146,193
Interest receivable	2,185	6,641	8,826
Prepaid insurance	26,467	26,467	52,934
Total current assets	<u>1,685,877</u>	<u>4,560,870</u>	<u>6,246,747</u>
Noncurrent assets:			
Capital assets, nondepreciable	-	104,391	104,391
Capital assets, depreciable, net	-	28,966,583	28,966,583
Total noncurrent assets	<u>-</u>	<u>29,070,974</u>	<u>29,070,974</u>
TOTAL ASSETS	<u>1,685,877</u>	<u>33,631,844</u>	<u>35,317,721</u>
LIABILITIES			
Accounts payable and accrued liabilities	63,720	278,009	341,729
Developer fees payable	-	5,903	5,903
TOTAL LIABILITIES	<u>63,720</u>	<u>283,912</u>	<u>347,632</u>
NET POSITION			
Investment in capital assets	-	29,070,974	29,070,974
Unrestricted	1,622,157	4,276,958	5,899,115
TOTAL NET POSITION	<u>\$ 1,622,157</u>	<u>\$ 33,347,932</u>	<u>\$ 34,970,089</u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2022

Functions/Programs		Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activites	Business- Type Activites	
PRIMARY GOVERNMENT:	Expenses					
Governmental activities:						
General government	\$ 160,834	\$ -	\$ -	\$ (160,834)	\$ -	\$ (160,834)
Landscape maintenance	781,460	-	-	(781,460)	-	(781,460)
Total governmental activities	942,294	-	-	(942,294)	-	(942,294)
Business-type activities:						
Sewer	5,101,685	3,496,021	136,082	-	(1,469,582)	(1,469,582)
Total business-type activities	5,101,685	3,496,021	136,082	-	(1,469,582)	(1,469,582)
Total primary government	\$ 6,043,979	\$ 3,496,021	\$ 136,082	(942,294)	(1,469,582)	(2,411,876)
	General revenues:					
	Taxes and special assessments			971,411	70,046	1,041,457
	Unrestricted investment earnings			4,615	14,163	18,778
	Other miscellaneous			-	119	119
	Total general revenues			976,026	84,328	1,060,354
	Change in net position			33,732	(1,385,254)	(1,351,522)
	Net position - beginning			1,588,425	34,733,186	36,321,611
	Net position - ending			\$ 1,622,157	\$33,347,932	\$34,970,089

The accompanying notes are an integral part of these financial statements.

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2022

	General Fund
ASSETS	
Cash and investments	\$ 1,652,355
Property taxes receivable	4,870
Interest receivable	2,185
Prepaid insurance	26,467
TOTAL ASSETS	<u>\$ 1,685,877</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 63,720
TOTAL LIABILITIES	<u>63,720</u>
FUND BALANCE	
Nonspendable:	
Prepaid items	26,467
Unassigned	1,595,690
TOTAL FUND BALANCE	<u>1,622,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,685,877</u>

The accompanying notes are an integral part of these financial statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED
JUNE 30, 2022**

	<u>General</u>
REVENUES:	
Taxes and special assessments	\$ 971,411
Revenues from use of money and property	<u>4,615</u>
Total revenues	<u>976,026</u>
EXPENDITURES:	
Landscape maintenance	781,460
General and administrative government	70,834
Security services	<u>90,000</u>
Total expenditures	<u>942,294</u>
NET CHANGE IN FUND BALANCE	33,732
FUND BALANCE - BEGINNING OF YEAR	<u>1,588,425</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,622,157</u></u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	<u>Sewer Operations and Capital Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 4,375,666
Restricted cash and investments	5,903
Other receivables	146,193
Interest receivable	6,641
Prepaid insurance	26,467
Total current assets	<u>4,560,870</u>
Non-current assets:	
Capital assets, nondepreciable	104,391
Capital assets, depreciable, net	28,966,583
Total noncurrent assets	<u>29,070,974</u>
TOTAL ASSETS	<u>33,631,844</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	278,009
Developer fees payable	5,903
Total current liabilities	<u>283,912</u>
TOTAL LIABILITIES	<u>283,912</u>
NET POSITION	
Investment in capital assets	29,070,974
Unrestricted	4,276,958
TOTAL NET POSITION	<u><u>\$ 33,347,932</u></u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED
JUNE 30, 2022

	<u>Sewer Operations and Capital Fund</u>
OPERATING REVENUES	
Sewer service and standby charges	\$ 3,496,021
Total operating revenues	<u>3,496,021</u>
Operating Expenses:	
Sewerage collection and treatment	2,936,680
General and administrative	508,111
Depreciation	<u>1,656,894</u>
Total operating expenses	<u>5,101,685</u>
Operating loss	(1,605,664)
Non-operating Revenue (Expenses):	
Taxes	70,046
Capacity fees	136,082
Investment earnings	14,163
Other miscellaneous	<u>119</u>
Total nonoperating (expenses) revenues	<u>220,410</u>
Change in net position	(1,385,254)
Net position - beginning	<u>34,733,186</u>
Net position - ending	<u><u>\$ 33,347,932</u></u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Sewer Operations and Capital Fund</u>
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 3,457,358
Cash payments for services and supplies	<u>(3,584,671)</u>
Net cash provided by operating activities	<u>(127,313)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(602,907)
Decrease in developer fees payable	(12,510)
Capacity charges received	<u>136,082</u>
Net cash used by capital and related financing activities	<u>(479,335)</u>
Cash Flows From Noncapital Financing Activities:	
Property taxes collected	70,046
Other miscellaneous income	119
Increase in due from other funds	<u>10,075</u>
Net cash used by noncapital financing activities	<u>80,240</u>
Cash Flows from Investing Activities:	
Interest received	<u>10,875</u>
Net cash provided by investing activities	<u>10,875</u>
Net decrease in cash and cash equivalents	(515,533)
Cash and cash equivalents, beginning of year	<u>4,897,102</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,381,569</u></u>
Cash and Cash Equivalents - Financial Statement Classification	
Unrestricted	\$ 4,375,666
Restricted	5,903
Total cash and cash equivalents - financial statement classification	<u><u>\$ 4,381,569</u></u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Sewer Operations and Capital Fund</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (1,605,664)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,656,894
Changes in operating assets and liabilities:	
Decrease in other receivables	(38,663)
Increase in prepaid insurance	(3,698)
Decrease in accounts payable	(136,182)
Total adjustments	<u>1,478,351</u>
Net cash provided by operating activities	<u><u>\$ (127,313)</u></u>

The accompanying notes are an integral part of these financial statements.

**RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2022**

ASSETS

Cash and investments	\$ 128,777
Cash and investments with fiscal agent	<u>4,400,507</u>
Total assets	<u><u>\$ 4,529,284</u></u>

LIABILITIES

Deposits held for others	<u>\$ 4,529,284</u>
Total liabilities	<u><u>\$ 4,529,284</u></u>

The accompanying notes are an integral part of these financial statements.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rancho Santa Fe Community Services District (District) have been prepared in accordance with accounting principles generally accepted in the United States of America (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, 2022, 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.

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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

Government-Wide Financial Statements (continued)

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.

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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

Governmental Funds (continued)

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.

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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

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.

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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Classifications (continued)

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. Future Accounting Pronouncements

If applicable, GASB Statements listed below will be implemented in future financial statements:

Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 99	" <i>Omnibus 2022</i> "	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No.100	" <i>Accounting Changes and Error Corrections</i> "	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No.101	" <i>Compensated Absences</i> "	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

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).

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022.

G. Receivables and Payables

Management estimates all receivables at June 30, 2022, 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.

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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (continued)

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.

M. Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted (i.e., 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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

O. Use of Estimates

The preparation of financial statements in accordance with 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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2022, are reported in the accompanying basic financial statements as follows:

Statement of Net Position	
Unrestricted cash and cash investments	\$ 6,028,021
Restricted cash and investments	5,903
Statement of Fiduciary Assets and Liabilities	
Unrestricted cash and investments	128,777
Cash and investments with fiscal agent	<u>4,400,507</u>
Total Cash and Investments	<u><u>\$10,563,208</u></u>

Cash and investments as of June 30, 2022, consist of the following:

Deposits with financial institutions	\$ 1,448,383
Investments	<u>9,114,825</u>
Total Cash and Investments	<u><u>\$10,563,208</u></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.

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, 2022.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>1 Year or Less</u>
California Local Agency Investment Fund	\$ 4,714,318
Held by Fiscal Agency:	
Money Market Mutual Funds	<u>4,400,507</u>
Total	<u>\$ 9,114,825</u>

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, 2022, 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, 2022, 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 (i.e., 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.

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, 2022, \$905,262 of the District's deposits in excess of federal depository insurance was either fully insured or collateralized.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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 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.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Deletions & Completed Construction	Balance at June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 27,400	\$ -	\$ -	\$ 27,400
Construction in progress	66,576	10,415	-	76,991
Subtotal	<u>93,976</u>	<u>10,415</u>	<u>-</u>	<u>104,391</u>
Capital assets, being depreciated:				
Structures and improvements	54,983,050	359,363	-	55,342,413
Equipment	3,154,985	233,129	-	3,388,114
Service vehicle	568,115	-	-	568,115
Subtotal	<u>58,706,150</u>	<u>592,492</u>	<u>-</u>	<u>59,298,642</u>
Less Accumulated Depreciation	<u>(28,675,165)</u>	<u>(1,656,894)</u>	<u>-</u>	<u>(30,332,059)</u>
Net Capital Assets, being depreciated	<u>30,030,985</u>	<u>(1,064,402)</u>	<u>-</u>	<u>28,966,583</u>
Net Capital Assets	<u>\$30,124,961</u>	<u>\$ (1,053,987)</u>	<u>\$ -</u>	<u>\$29,070,974</u>

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Business-Type Activities:	
Sewer	<u>\$ 1,656,894</u>
Total Depreciation Expense	<u><u>\$ 1,656,894</u></u>

NOTE 4 – 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 \$26,255,000 at June 30, 2022.

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.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 5 – OPERATING LEASE COMMITMENTS

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 payment is composed of 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. Total payments made to San Elijo Joint Powers Authority under this agreement for the fiscal year ended June 30, 2022, were \$395,062.

NOTE 6 – 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 \$23,917,528 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, 2022. 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 7 – 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 8 – COVID-19

In January 2020, SARS-CoV-2, the coronavirus responsible for COVID-19, was detected in the United States of America. As a result of this virus, State and Local Health officials established various stay at home and other measures to reduce the spread. To date, the District has not experienced any significant impacts other than the purchase of personal protective equipment, taking additional sanitization measures, and staggering intermittent service times. While the state of emergency expired on February 28, 2023, the long-term impact in the State of California continues to be uncertain.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2023, the date which the financial statements were available to be issued. Based upon this evaluation, except for the following, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

On June 27, 2022, the District passed a resolution authorizing the execution and delivery of an installment sale agreement with a financing corporation for approximately \$1,144,000 in connection with the acquisition and construction of a solar power project. In July 2022, the District entered into a fifteen-year installment sale financing arrangement at a 3.93% interest rate.

REQUIRED SUPPLEMENTARY INFORMATION

RANCHO SANTA FE COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED
JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
FUND BALANCE, JULY 1, 2021	\$1,588,425	\$1,588,425	\$1,588,425	\$ -
RESOURCES (INFLOWS):				
Taxes and special assessments	923,000	923,000	971,411	48,411
Revenues from use of money and property	<u>6,000</u>	<u>6,000</u>	<u>4,615</u>	<u>(1,385)</u>
Amount Available For Appropriations	<u>929,000</u>	<u>929,000</u>	<u>976,026</u>	<u>47,026</u>
CHARGES TO APPROPRIATIONS				
(OUTFLOWS):				
Landscape maintenance	731,460	731,460	781,460	(50,000)
General and administrative government	73,480	73,480	70,834	2,646
Security services	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Total Charges to Appropriations	<u>894,940</u>	<u>894,940</u>	<u>942,294</u>	<u>(47,354)</u>
EXCESS OF RESOURCES OVER (UNDER)				
CHARGES TO APPROPRIATIONS	<u>34,060</u>	<u>34,060</u>	<u>33,732</u>	<u>(328)</u>
FUND BALANCE, JUNE 30, 2022	<u><u>\$1,622,485</u></u>	<u><u>\$1,622,485</u></u>	<u><u>\$1,622,157</u></u>	<u><u>\$ (328)</u></u>

The accompanying note is an integral part of these financial statements.

**RANCHO SANTA FE
COMMUNITY SERVICES DISTRICT**

Note to Budgetary Comparison Schedule
For the Year Ended June 30, 2022

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, 2022.
- 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 GAAP.

Excess of Expenditures Over Appropriations

The General Fund actual expenditures exceeded the appropriations by \$47,354 due primarily to an additional landscaping work that was not budgeted.