
KEYES COMMUNITY SERVICES DISTRICT

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED**

JUNE 30, 2021

**MANN, URRUTIA, NELSON, CPAs & ASSOCIATES, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833**

**KEYES COMMUNITY SERVICES DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet - Governmental Fund	10
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	13
Statement of Net Position - Proprietary Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	16 - 17
Notes to the Basic Financial Statements	18 - 29
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Street Lighting Fund	30
Schedule of the District's Proportionate Share of the Net Pension Liability	31
Schedule of Pension Contributions	32
Notes to the Required Supplementary Information	33
Other Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Keyes Community Services District
Keyes, California

Report on the Financial Statements

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 Keyes Community Services District (the District) as of and for the year ended June 30, 2021, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 the aggregate remaining fund information of Keyes Community Services District, as of June 30, 2021, 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, budgetary comparison information, and the schedules related to the District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions, as listed in the 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 required supplementary information 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the Keyes Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Keyes Community Services District's internal control over financial reporting and compliance.

Sacramento, California
June 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

This discussion and analysis of the financial performance of the Keyes Community Services District ("KCSD") provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It is management's view of the District's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, June 30, 2021, assets of the District exceeded its liabilities by \$38,332,485 (net position). Of this amount, \$12,296,124 (unrestricted net position) may be used to meet the District's ongoing obligations to the citizens that the District serves.
- The District's total net position increased by \$5,489,762.
- At the close of the fiscal year, June 30, 2021, the District's proprietary funds reported an ending fund balance of \$37,883,765, an increase of \$5,446,589 when compared with prior year.
- At the close of the fiscal year, June 30, 2021, the District's governmental fund reported an ending fund balance of \$448,720, an increase of \$43,173 when compared with the prior year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. Because these statements include all District funds, it should be noted that certain inter-fund and other types of transactions that net to zero have been eliminated so that District-wide revenues and expenditures are not artificially inflated.

The remaining statements are fund-level financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

These two kinds of statements report the District's net position and changes in it. Net Position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Generally, over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

The financial statements also include notes that explain some of the information in the statements. These notes are considered to be an integral part of the financial statements and should be considered with them when looking at the District's financial picture.

The financial statements are followed by a section of required supplementary information presenting required information for pensions.

In the District-wide financial statements the District's activities are shown as Governmental Activities and Proprietary Activities. The District has two funds that are classified as Business-type or fiduciary activities, which are called Proprietary Activities. The fund financial statements provide more detailed information about the District's most significant funds, including the two Business-type activities—but not the District as a whole.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District completed the current year with its funds reporting a combined net position of approximately \$38,332,485, an increase of approximately 17% over last year's ending fund balance. The increase in combined net position was the result of net income from the business-type operations and an excess of revenues over expenditures in the governmental fund.

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

STATEMENT OF NET POSITION

The following table summarizes ending Net Position for the fiscal years ending June 30, 2021 and June 30, 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Assets:			
Current assets	\$ 13,474,277	\$ 8,912,530	\$ 4,561,747
Capital assets, net	<u>25,842,565</u>	<u>24,758,612</u>	<u>1,083,953</u>
Total assets	<u>39,316,842</u>	<u>33,671,142</u>	<u>5,645,700</u>
Deferred outflows of resources	<u>313,984</u>	<u>219,851</u>	<u>94,133</u>
Total assets and deferred outflows of resources	<u>\$ 39,630,826</u>	<u>\$ 33,890,993</u>	<u>\$ 5,739,833</u>
Liabilities:			
Current liabilities	\$ 302,599	\$ 213,389	\$ 89,210
Non-current liabilities	<u>932,732</u>	<u>750,247</u>	<u>182,485</u>
Total liabilities	<u>1,235,331</u>	<u>963,636</u>	<u>271,695</u>
Deferred inflows of resources	<u>63,010</u>	<u>84,634</u>	<u>(21,624)</u>
Net position:			
Net investment in capital assets	25,842,565	24,492,211	1,350,354
Restricted	193,796	139,146	54,650
Unrestricted	<u>12,296,124</u>	<u>8,211,366</u>	<u>4,084,758</u>
Total net position	<u>\$ 38,332,485</u>	<u>\$ 32,842,723</u>	<u>\$ 5,489,762</u>

This table summarizes the net position of the District and reflects the net position increase of \$5,489,762 to \$38,332,485 in fiscal year 2021 from \$32,842,723 in fiscal year 2020. Net investment in capital assets increased \$1,350,354 reflecting the net of assets additions/disposals and depreciation on capital assets. Approximately 67% of the District's net position reflects its investment in capital assets (e.g., land, building, machinery, equipment and rolling stock). The District uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. 32% of the District's net position reflects its investment in unrestricted net position. The unrestricted net position is a resource that can be used for transactions relating to the general operations of the District.

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

CHANGES IN NET POSITION

The Statements of Activities provides information on the nature and source of these assets and liabilities represented on the Statement of Net Position.

Revenues are generated by an annual tax levy, service charges and related fees, and interest on investments. Expenses and expenditures include administration, debt service, operation of the infrastructure facilities, and delivery of services.

This statement shows that revenues exceeded expenses by \$5,489,762 for fiscal year 2021. Ending net position totaled \$38,332,485 as of June 30, 2021. This is a 17% increase over June 30, 2020.

The following table summarizes the Statement of Activities for the fiscal years ending June 30, 2021 and June 30, 2020:

STATEMENT OF ACTIVITIES

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Program Revenues			
Charges for services	\$ 2,391,780	\$ 2,723,617	\$ (331,837)
Operating grants and contributions	5,809,637	5,225,958	583,679
General Revenues			
Property taxes	1,175	1,326	(151)
Interest income	129,579	151,903	(22,324)
Other revenues	<u>91,165</u>	<u>70,778</u>	<u>20,387</u>
Total Revenue	<u>8,423,336</u>	<u>8,173,582</u>	<u>249,754</u>
Program Expenses			
Street lighting	30,956	16,153	14,803
Water	1,707,741	894,952	812,789
Sewer	<u>1,194,877</u>	<u>1,095,156</u>	<u>99,721</u>
Total Expenses	<u>2,933,574</u>	<u>2,006,261</u>	<u>927,313</u>
Change in net position	<u>5,489,762</u>	<u>6,167,321</u>	<u>(677,559)</u>
Net position - beginning	<u>32,842,723</u>	<u>26,675,402</u>	<u>6,167,321</u>
Net position - ending	<u>\$ 38,332,485</u>	<u>\$ 32,842,723</u>	<u>\$ 5,489,762</u>

Total revenues increased by \$249,754 or 3% during the fiscal year 2021 compared to 2020, totaling \$8,423,336. Total expenditures increased by \$927,313 or 46% to \$2,933,574 in 2021.

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2021 and 2020 was \$25,587,641 and \$24,492,211 respectively. The increase in capital assets is due to the work on the Arsenic Project as well the as Main Lift Station.

CAPITAL ASSETS

	2021	2020
Land	\$ 219,100	\$ 48,133
Construction in progress	3,132,905	15,058,301
System	26,301,048	12,804,711
Building and improvements	529,431	394,704
Equipment and vehicles	747,376	679,078
Rolling stock	19,183	8,227
Subtotal	30,949,043	28,993,154
Less accumulated depreciation	(5,361,402)	(4,500,943)
Total net capital assets	\$ 25,587,641	\$ 24,492,211

Additional information about the District's capital assets can be found in Note 3 in the Notes to the Basic Financial Statements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's funds are divided into two categories for financial statement representation purposes – major funds and non-major funds. The major funds are the Proprietary Activities Funds. The nonmajor fund is the Governmental Activities Fund, which finances streetlight service.

The District completed the current year with its funds reporting an increase of approximately 16% over last year's ending fund balance. The increase was the result of net income from the business-type operations and an excess of revenues over expenditures in the governmental fund.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

The District continues to have a steady stream of revenues despite the housing market and economy in California that has experienced a downturn. The new subdivision that was approved by Stanislaus County is in the process of being built and we will start seeing revenues from these homes.

The property that will be used to treat the 123 TCP was purchased from Stanislaus County in March 2021 and construction will start in 2023. The money to fund this project will come from funding that will be received from SWRCB.

At the time these financial statements were prepared and audited, the District was not aware of any other circumstances that could significantly affect its financial health in the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the staff or the board of directors at: Keyes Community Services District, 5601 7th Street, Keyes, CA 95328 – (209) 668-8341.

FINANCIAL STATEMENTS

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 142,306	\$ 9,938,480	\$ 10,080,786
Accounts receivable	1,490	3,253,021	3,254,511
Internal balances (Note 7)	50,000	(50,000)	-
Prepaid expenses	-	106,690	106,690
Easements	-	32,290	32,290
Capital assets, net (Note 3)	254,924	25,587,641	25,842,565
TOTAL ASSETS	448,720	38,868,122	39,316,842
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related (Note 4)	-	313,984	313,984
<u>LIABILITIES</u>			
Accounts payable	-	77,110	77,110
Accrued expenses	-	50,124	50,124
Customer deposits	-	106,087	106,087
Long-term liabilities (Note 5)			
Due within one year	-	69,278	69,278
Due after one year	-	932,732	932,732
TOTAL LIABILITIES	-	1,235,331	1,235,331
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related (Note 4)	-	63,010	63,010
<u>NET POSITION</u>			
Net investment in capital assets	254,924	25,587,641	25,842,565
Restricted	193,796	-	193,796
Unrestricted	-	12,296,124	12,296,124
TOTAL NET POSITION	\$ 448,720	\$ 37,883,765	\$ 38,332,485

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental Activities:						
Street Lighting	\$ 30,956	\$ 72,690	\$ -	\$ 41,734	\$ -	\$ 41,734
Total Governmental Activities	<u>\$ 30,956</u>	<u>\$ 72,690</u>	<u>\$ -</u>	<u>\$ 41,734</u>	<u>\$ -</u>	<u>\$ 41,734</u>
Business-Type Activities:						
Water	\$ 1,707,741	\$ 1,017,989	\$ 5,809,637		5,119,885	5,119,885
Sewer	<u>1,194,877</u>	<u>1,301,101</u>	<u>-</u>		<u>106,224</u>	<u>106,224</u>
Total Business-type Activities	<u>\$ 2,902,618</u>	<u>\$ 2,319,090</u>	<u>\$ 5,809,637</u>		<u>5,226,109</u>	<u>5,226,109</u>
General Revenues:						
Property taxes				-	1,175	1,175
Interest earnings				1,439	128,140	129,579
Miscellaneous				<u>-</u>	<u>91,165</u>	<u>91,165</u>
Total General Revenues				<u>1,439</u>	<u>220,480</u>	<u>221,919</u>
Change in Net Position				<u>43,173</u>	<u>5,446,589</u>	<u>5,489,762</u>
Net Position - July 1, 2020				<u>405,547</u>	<u>32,437,176</u>	<u>32,842,723</u>
Net Position - June 30, 2021				<u>\$ 448,720</u>	<u>\$ 37,883,765</u>	<u>\$ 38,332,485</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2021**

	<u>Street Lighting Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 142,306
Accounts receivable	1,490
Due from other funds	<u>50,000</u>
Total Assets	<u>\$ 193,796</u>
<u>FUND BALANCE</u>	
Restricted	<u>\$ 193,796</u>
Total Fund Balance	<u>193,796</u>
Total Liabilities and Fund Balances	<u>\$ 193,796</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total fund balance of governmental fund	\$	193,796
---	----	---------

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Fund above because of the following:

Capital assets: in governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at cost		268,171
Accumulated depreciation		<u>(13,247)</u>
Net position of governmental activities	\$	<u><u>448,720</u></u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Street Lighting Fund</u>
<u>REVENUES</u>	
Street light special assessment	\$ 72,690
Interest	<u>1,439</u>
Total Revenues	<u>74,129</u>
<u>EXPENDITURES</u>	
Current expenditures/expenses:	
Supplies and services	<u>19,479</u>
Total Expenditures	<u>19,479</u>
Net change in fund balance	<u>54,650</u>
Fund Balance - July 1, 2020	<u>139,146</u>
Fund Balance - June 30, 2021	<u>\$ 193,796</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

Reconciliation of the change in fund balance - total governmental fund to the change in net position of governmental activities:

Change in fund balance - governmental fund	\$	54,650
The governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		1,770
Depreciation expense		<u>(13,247)</u>
Change in net position of governmental activities	\$	<u><u>43,173</u></u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	Sewer		Water		Totals
	Operating Fund	Capital Improvement Fund	Operating Fund	Capital Improvement Fund	
ASSETS					
Current assets:					
Cash and investments (Note 2)	\$ 2,200,415	\$ 439,610	\$ 6,752,264	\$ 546,191	\$ 9,938,480
Accounts receivable	134,757	-	3,118,264	-	3,253,021
Due from other funds (Note 7)	2,942	100,000	250,000	100,000	452,942
Prepaid expenses	-	-	106,690	-	106,690
Total Current Assets	2,338,114	539,610	10,227,218	646,191	13,751,133
Non-current assets:					
Easements	32,290	-	-	-	32,290
Capital assets, net (Note 3)	3,821,292	-	21,766,349	-	25,587,641
Total Non-Current Assets	3,853,582	-	21,766,349	-	25,619,931
Total Assets	6,191,696	539,610	31,993,567	646,191	39,371,064
DEFERRED OUTFLOWS OF RESOURCES					
Changes in net pension liability (Note 4)	156,992	-	156,992	-	313,984
Total Deferred Outflows of Resources	156,992	-	156,992	-	313,984
LIABILITIES					
Current liabilities:					
Accounts payable	45,662	-	31,448	-	77,110
Accrued expenses	4,952	-	45,172	-	50,124
Customer deposits	-	-	106,087	-	106,087
Accrued compensated absences - current (Note 5)	34,639	-	34,639	-	69,278
Due to other funds	500,000	-	2,942	-	502,942
Total Current Liabilities	585,253	-	220,288	-	805,541
Long-term liabilities:					
Net pension liability (Note 5)	466,366	-	466,366	-	932,732
Total Long-term Liabilities	466,366	-	466,366	-	932,732
Total Liabilities	1,051,619	-	686,654	-	1,738,273
DEFERRED INFLOWS OF RESOURCES					
Changes in net pension liability (Note 4)	31,505	-	31,505	-	63,010
Total Deferred Inflows of Resources	31,505	-	31,505	-	63,010
NET POSITION:					
Net investment in capital assets	3,853,582	-	21,766,349	-	25,619,931
Unrestricted	1,411,982	539,610	9,666,051	646,191	12,263,834
Total Net Position	\$ 5,265,564	\$ 539,610	\$ 31,432,400	\$ 646,191	\$ 37,883,765

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Sewer		Water		Totals
	Operating Fund	Capital Improvement Fund	Operating Fund	Capital Improvement Fund	
<u>OPERATING REVENUES</u>					
Services charges	\$ 1,301,101	\$ -	\$ 1,017,989	\$ -	\$ 2,319,090
Late charges	-	-	38,387	-	38,387
Miscellaneous	<u>30</u>	<u>-</u>	<u>52,748</u>	<u>-</u>	<u>52,778</u>
Total Operating Revenue	<u>1,301,131</u>	<u>-</u>	<u>1,109,124</u>	<u>-</u>	<u>2,410,255</u>
<u>OPERATING EXPENSES</u>					
Salaries and benefits	500,234	-	463,112	-	963,346
Supplies and services	561,965	-	333,165	-	895,130
Depreciation	<u>132,678</u>	<u>-</u>	<u>727,415</u>	<u>-</u>	<u>860,093</u>
Total Operating Expenses	<u>1,194,877</u>	<u>-</u>	<u>1,523,692</u>	<u>-</u>	<u>2,718,569</u>
Operating Income (Loss)	<u>106,254</u>	<u>-</u>	<u>(414,568)</u>	<u>-</u>	<u>(308,314)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Property taxes	-	-	1,175	-	1,175
Interest income	43,585	6,576	70,437	7,542	128,140
TCP Settlement	-	-	5,809,637	-	5,809,637
Project expenses	<u>-</u>	<u>-</u>	<u>(184,049)</u>	<u>-</u>	<u>(184,049)</u>
Total Non-Operating Revenues (Expenses)	<u>43,585</u>	<u>6,576</u>	<u>5,697,200</u>	<u>7,542</u>	<u>5,754,903</u>
Change in net position	149,839	6,576	5,282,632	7,542	5,446,589
Net Position - July 1, 2020	<u>5,115,725</u>	<u>533,034</u>	<u>26,149,768</u>	<u>638,649</u>	<u>32,437,176</u>
Net Position - June 30, 2021	<u>\$ 5,265,564</u>	<u>\$ 539,610</u>	<u>\$ 31,432,400</u>	<u>\$ 646,191</u>	<u>\$ 37,883,765</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 2,396,015
Payments to employees for salaries and wages	(878,770)
Payments to suppliers for goods and services	(856,630)
NET CASH PROVIDED BY OPERATING ACTIVITIES	660,615
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Proceeds from TCP legal settlement	2,693,643
Acquisition and construction of capital assets	(1,955,523)
Property taxes	1,175
Other capital and related financing expenses	(68,421)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	670,874
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	128,140
NET CASH PROVIDED BY FOR INVESTING ACTIVITIES	128,140
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,459,629
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,478,851
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,938,480

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

**RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$	(416,747)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		873,706
Pension		107,230
(Increase) decrease in:		
Accounts receivable		(13,466)
Prepaid expenses		(35,082)
Increase (decrease) in:		
Accounts payable		38,470
Accrued expenses		71,587
Customer Deposits		(1,140)
Compensated absences		28,776
Accrued wages		7,281
		1,077,362
TOTAL ADJUSTMENTS		1,077,362
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	660,615

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

Keyes Community Services District was established in 1955 as a local government agency under California Government Code Section 61000, et. seq., for the purpose of providing street lighting to the community of Keyes, an unincorporated area of Stanislaus County. Sewer services were added in 1968. The water system was purchased from a private individual in 1971. It is governed by a Board of five locally elected directors.

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display financial information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as three categories as applicable: net investment in capital assets, restricted and unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is not allocated by function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements (i.e. balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District funds are as follows:

Governmental Fund:

Street Lighting Fund accounts for the activities of the District's street light service.

Proprietary – Enterprise Funds:

Water Operating Fund is used to account for the delivery of the District's water services.

Water Capital Improvement Fund is used to account for the capital asset financing and purchasing activities of the District's water service.

Sewer Operating Fund is used to account for the delivery of the District's wastewater (sewer) services.

Sewer Capital Improvement Fund is used to account for the capital asset financing and purchasing activities of the District's wastewater service.

E. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Accounts Receivable

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the direct write-off method and expenses those accounts as they determined to be uncollectible. Accounting principles generally accepted in the United States of America require that accounts receivable be presented net of an allowance for uncollectible accounts. The difference between these two methods is not material to these financial statements. The amount that should be written off for the year was not material.

G. Restricted Assets

Proceeds from the street lighting fund are classified as restricted assets on the balance sheet and statement of net position because their use is limited to the purpose for which these funds were collected.

H. Customer Deposit Liability

The District receives deposits from customers requesting water service. The amount of the deposit varies depending on the type of customer. Deposits are returned to customers after balances are paid in full and the customer has cancelled water service. The amount on deposit as of June 30, 2021 was \$106,087.

I. Compensated Absences

District employees earn vacation leave, accrued holiday and compensation time. It may be either taken or accumulated until paid upon termination or retirement. Sick leave may be accumulated without limitation, but upon retirement, an employee will be paid for a maximum of 200 hours of any unused sick leave. Sick leave is not paid if an employee quits or is terminated. In accordance with generally accepted accounting principles, an accrual for compensated absences is reflected in the accompanying general-purpose financial statements.

J. Capital Assets

Capital assets are recorded at cost, or if contributed, at estimated value at time of acquisition. Depreciation is recognized on buildings, furniture, fixtures, equipment and subsurface lines by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

System	10 - 30 years
Building and improvements	15 - 30 years
Machinery and equipment	3 - 20 years

District policy is to capitalize all assets, which cost \$1,000 or more, and to charge to current operations all additions under that cost limit. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period.

K. Revenues

Customer water meters are read on a monthly basis. Bills are rendered and income is recognized in the period in which meters are read. The District does not accrue income for water distributed but not yet billed at the end of the year. California state law requires water districts to report capacity charges collected and spent separately from operating revenue and expense and any fees unspent at year-end are shown in a separate equity fund. No capacity charges have been collected by the District.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting. The County Assessor is responsible for assessment of all taxable real property within Stanislaus County. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year generally on February 1st and November 1st. The first installment is an estimated bill, and is approximately one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, equalization, and certificate to limit levy, if any and any changes from the prior year will be reflected in the second installment bill. The District has elected under state law to receive all of the annual property tax assessments in three installments as follows: December 55%, April 40% and June 5%.

M. Income Taxes

The District is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Keyes Community Services District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position includes 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 a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

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 a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

P. Fund Balance

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Fund Balance reflects amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

NOTE 2: CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2021 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash in bank	\$ -	\$ 207,705	\$ 207,705
Cash held by the county	<u>142,306</u>	<u>9,730,775</u>	<u>9,873,081</u>
Total Cash and Investments	<u>\$ 142,306</u>	<u>\$ 9,938,480</u>	<u>\$ 10,080,786</u>

The carrying amount of the District's cash is covered by federal depository insurance up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit.

Cash held by the County

County pool investments consist of District cash held by the Stanislaus County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 383 days. The pool is rated AAA by Standard and Poor's.

Interest Rate Risk: California Government Code Section 53601 limits the District's investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: 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.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: CAPITAL ASSETS

The District's capital asset activity during the year was as follows:

Business-type activities:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Capital assets not being depreciated					
Land	\$ 48,133	\$ 170,967	\$ -	\$ -	\$ 219,100
Construction in progress	<u>15,058,301</u>	<u>1,570,941</u>	<u>-</u>	<u>(13,496,337)</u>	<u>3,132,905</u>
Total capital assets not being depreciated	<u>15,106,434</u>	<u>1,741,908</u>	<u>-</u>	<u>(13,496,337)</u>	<u>3,352,005</u>
Capital assets being depreciated					
Loan fees	8,227	10,956	-	-	19,183
System	12,804,711	-	-	13,496,337	26,301,048
Equipment and vehicles	679,078	68,298	-	-	747,376
Building and improvements	<u>394,704</u>	<u>134,727</u>	<u>-</u>	<u>-</u>	<u>529,431</u>
Total capital assets being depreciated	<u>13,886,720</u>	<u>213,981</u>	<u>-</u>	<u>13,496,337</u>	<u>27,597,038</u>
Less accumulated depreciation					
Loan fees	(8,227)	(10,956)	-	-	(19,183)
System	(3,793,353)	(812,590)	-	-	(4,605,943)
Equipment and vehicles	(614,086)	(33,620)	-	-	(647,706)
Building and improvements	<u>(85,277)</u>	<u>(3,293)</u>	<u>-</u>	<u>-</u>	<u>(88,570)</u>
Total accumulated depreciation	<u>(4,500,943)</u>	<u>(860,459)</u>	<u>-</u>	<u>-</u>	<u>(5,361,402)</u>
Total capital assets, net	<u>\$ 24,492,211</u>	<u>\$ 1,095,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,587,641</u>

Governmental activities:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Capital assets being depreciated					
System	\$ <u>266,401</u>	\$ <u>1,770</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>268,171</u>
Total capital assets being depreciated	<u>266,401</u>	<u>1,770</u>	<u>-</u>	<u>-</u>	<u>268,171</u>
Less accumulated depreciation					
System	<u>-</u>	<u>(13,247)</u>	<u>-</u>	<u>-</u>	<u>(13,247)</u>
Total accumulated depreciation	<u>-</u>	<u>(13,247)</u>	<u>-</u>	<u>-</u>	<u>(13,247)</u>
Total capital assets, net	<u>\$ 266,401</u>	<u>\$ (11,477)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,924</u>

Depreciation expense totaled \$873,706 for the year ended June 30, 2021.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: EMPLOYEE RETIREMENT PLAN

A. Plan Description

The District is a participant in the Stanislaus County Employees Retirement Association (StanCERA), a retirement system organized under the 1937 Retirement Act. StanCERA is a cost-sharing multiple-employer Public Employee Retirement System (PERS). StanCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits. Health and welfare insurance for retirees and their dependents are available however administered independently of StanCERA. The plan is administered by the Stanislaus County Employees Retirement Association. An actuarial valuation is performed for the system annually as a whole and the contribution rate is determined for each participating entity. The participating entities are the County, City of Ceres and six special districts located in the County not governed by the County's Board of Supervisors. StanCERA issues an Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for StanCERA. The ACFR may be obtained by writing to Stanislaus County Employees Retirement Association, PO Box 3150, Modesto, CA 95353-3150 or by calling (209) 525-6393.

The StanCERA ACFR is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. All other securities are valued at the last reported market price at current exchange rates.

Summary of Plans and Eligible Participants

General Tiers

Tiers 1, 2, 4 and 5	Vests after five years of credited service and may retire at age 50 or older with 10 or more years of membership with StanCERA or any age with 30 or more years of credited service.
Tiers 3	Vests after five years of credited service and may retire at age 50 or older with 10 or more years of membership with StanCERA or any age with 30 or more years of credited service.
Tiers 6	Vests after five years of credited service and may retire at age 52 with 5 years of service credit or age 70 regardless of service credit.

Safety Tiers

Tiers 1, 2, 4 and 5	Vests after five years of credited service and may retire at age 50 or older with 10 or more years of membership with StanCERA or any age with 30 or more years of credited service.
Tiers 6	Vests after five years of credited service and may retire at age 52 with 5 years of service credit or age 70 regardless of service credit.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: EMPLOYEES RETIREMENT PLAN (Continued)

B. Benefits Provided

Members terminating employment before accruing five years (Ten years for Tier 3) of retirement service credit forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period.

Non-vested members who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Members who terminate after earning five or ten years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Difference between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

For members with Tier 1, Tier 4 or Tier 5 benefits, final average salary is the average monthly salary based on the highest twelve consecutive months of earnings. For members with Tier 2, Tier 3, or Tier 6 benefits, final average salary is the average monthly salary based on the highest thirty-six consecutive months of earnings.

The retirement benefit for Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 members includes a postretirement cost-of-living (COL) adjustment based upon the Consumer Price Index. COL increases/decreases are limited to a maximum of 3% annually. Total COL decrease(s) cannot exceed the cumulative amount of previous COL increase(s). Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 provide death and disability benefits.

Those members participating in Tier 1, Tier 2, Tier 4, Tier 5, and Tier 6 are required by statute to contribute to the pension plan. Members' contribution rates for Tier 1, Tier 2, Tier 4, and Tier 5 are formulated on the basis of the age at date of entry and the actuarially calculated future benefits. Members' contribution rate for Tier 6 is a flat rate based on the actuarially calculated future benefit. The District is required by statute to contribute the remaining amounts necessary to finance the estimated benefits accrued to its members. Member and employer contribution rates for each plan are as follows:

<u>Plan</u>	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>
General Tier 1	32.08%	8.64%
General Tier 2	27.81%	8.09-8.19%
General Tier 3	21.14%	Non-contributory
General Tier 4	34.29%	0-.58%
General Tier 5	32.21%	9.28-9.29%
General PEPRA	28.06%	8.73-9.24%
Safety Tier 2	39.23%	12.17%
Safety Tier 5	48.61%	12.56-13.06%
Safety PEPRA	42.87%	12.34-13.72%

C. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the Keyes Community Services District reported net pension liability for its proportionate share of

Keyes Community Services District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan was measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. Keyes Community Services District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 the District's proportion was 0.1144%, compared to 0.1075% at June 30, 2020, an increase of 0.0069%.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: EMPLOYEES RETIREMENT PLAN (Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$210,975. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 45,185	\$ 5,570
Changes in assumptions	-	31,608
Net differences between projected and actual earnings on plan investments	127,447	-
Changes in proportion and differences between District's contributions and proportionate share of contributions	38,169	15,361
Differences between employer contributions and proportionate share of contributions	-	10,471
District contributions subsequent to measurement date	<u>103,183</u>	<u>-</u>
Total	<u>\$ 313,984</u>	<u>\$ 63,010</u>

\$103,183 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2022	\$ 16,744
2023	36,273
2024	49,122
2025	<u>45,652</u>
Total	<u>\$ 147,791</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuation were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019 rolled forward to June 30, 2020
Experience Study Report	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry-Age
Inflation Rate	2.75%
Investment Rate of Return	7.00%
Projected Salary Increases	3.00%
COLA Increases	100% of Consumer Price Index (CPI) up to 3.0% annually with banking 2.6% annual increases assumed.
Mortality (1)	Derived using CalPERS membership data for all funds

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries scale MP 2018. For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2020 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: EMPLOYEES RETIREMENT PLAN (Continued)

be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class Component	Target Allocation	Expected Real Rate of Return
Domestic Equities		
U.S. Large Cap	14.00%	3.70%
U.S. Small Cap	3.00%	3.30%
International Equities		
International Development	18.00%	5.60%
Emerging Market Equity	5.00%	6.50%
U.S. Fixed Income		
Core Fixed Income	0.00%	1.20%
U.S. Treasury	3.00%	0.60%
Short-term Gov/Credit	19.00%	0.70%
Real Estate		
Core	5.00%	4.00%
Value-add	5.00%	6.00%
Risk Parity	13.00%	5.00%
Private Equity	6.00%	6.70%
Private Credit	6.00%	5.60%
Infrastructure	2.00%	5.80%
Cash	1.00%	0.00%
Assumed Inflation - Mean		2.75%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
District proportionate share of the net pension liability (asset)	\$ 1,415,431	\$ 932,732	\$ 538,689

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued StanCERA CAFR.

D. Payable to the Pension Plan

The District had \$2,048 of contributions due to the pension plan required for the year ended June 30, 2021.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of the District's long-term obligations as of June 30, 2021:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Current Portion</u>
Net Pension Liability	\$ 709,745	\$ 222,987	\$ -	\$ 932,732	\$ -
Compensated Absences	<u>40,502</u>	<u>28,776</u>	<u>-</u>	<u>69,278</u>	<u>69,278</u>
	<u>\$ 750,247</u>	<u>\$ 251,763</u>	<u>\$ -</u>	<u>\$ 1,002,010</u>	<u>\$ 69,278</u>

Compensated Absences

The District's policy relating to compensated absences is described in Note 1. This obligation is expected to be paid in from then available resources derived from their respective funds to which the employee services are rendered.

NOTE 6: JOINTLY ORGANIZED ORGANIZATIONS

The District is a member of the Special District Risk Management Authority (SDRMA) which provides liability, property and workers' compensation program coverage.

SDRMA is governed by a Board consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution or assessment commensurate with the level of coverage and services requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from SDRMA. Condensed information for SDRMA for the year ended June 30, 2021 (the latest information available) is as follows:

Total Assets	\$ 139,860,916
Total Deferred Outflows	\$ 606,025
Total Liabilities	\$ 73,886,665
Total Deferred Inflows	\$ 237,014
Total Net Position	\$ 66,343,287
Total Revenues	\$ 84,001,505
Total Expense	\$ 78,600,852
Change in Net Position	\$ 5,400,653

NOTE 7: INTERFUND ACTIVITIES

The District had the following interfund receivables and payables at June 30, 2021.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Water Operating Fund	\$ 250,000	\$ 2,942
Sewer Operating Fund	2,942	500,000
Water Capital Fund	100,000	-
Sewer Capital Fund	100,000	-
Street Lighting Fund	<u>50,000</u>	<u>-</u>
Total	<u>\$ 502,942</u>	<u>\$ 502,942</u>

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8: CONCENTRATIONS

The District's wastewater disposal is contracted with the City of Turlock. The District is dependent on the City of Turlock's ability to provide wastewater collection services. The District's wastewater disposal fee rates are based on the fees the City of Turlock charges the District for collection services. Uncertainty exists regarding future rate changes by the City of Turlock, and the potential future demands for expansion of Turlock's wastewater collection facilities. The amount of the liability, if any, cannot be determined at this time.

NOTE 9: CONTINGENCIES

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Public Health Emergency

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as accounts receivable, accounts payable, and accrued expenses to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2021. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to the financial condition of the District.

NOTE 10: SUBSEQUENT EVENT

Management has reviewed events subsequent to June 30, 2021 through June 27, 2023, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL FOR THE STREET LIGHTING FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Under (Over)</u>
<u>REVENUES</u>				
Street light special assessment	\$ 78,000	\$ 78,000	\$ 72,690	\$ 5,310
Interest	<u>3,000</u>	<u>3,000</u>	<u>1,439</u>	<u>1,561</u>
Total Revenues	<u>81,000</u>	<u>81,000</u>	<u>74,129</u>	<u>6,871</u>
<u>EXPENDITURES</u>				
Supplies and services	<u>24,000</u>	<u>24,000</u>	<u>19,479</u>	<u>4,521</u>
Total Expenditures	<u>24,000</u>	<u>24,000</u>	<u>19,479</u>	<u>4,521</u>
Change in Fund Balance	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>54,650</u>	<u>\$ 2,350</u>
Fund Balance - July 1, 2020			<u>139,146</u>	
Fund Balance - June 30, 2021			<u>\$ 193,796</u>	

**KEYES COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2021
LAST 10 YEARS ***

	Measurement Period						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.1144 %	0.1075 %	0.1082 %	0.1149 %	0.1094 %	0.1023 %	0.0903 %
Proportionate share of the net pension liability	\$ 932,732	\$ 709,745	\$ 698,655	\$ 764,414	\$ 806,604	\$ 301,944	\$ 11,507
Covered payroll	\$ 369,825	\$ 295,578	\$ 310,069	\$ 296,853	\$ 278,952	\$ 245,398	\$ 229,831
Proportionate share of the net pension liability as a percentage of covered payroll	252.21 %	240.12 %	225.32 %	257.51 %	289.16 %	123.04 %	5.01 %
Plan fiduciary net position as a percentage of the total pension liability	73.0 %	77.0 %	76.7 %	75.0 %	70.6 %	86.1 %	88.5 %

Notes to Schedule:

* Schedule is intended to show information for ten years. Fiscal year 2014 was the first year of implementation, therefore only seven years are shown. Additional years' information will be displayed as it becomes available.

The amounts presented for each fiscal year were actuarial determined at June 30 of the prior year and rolled forward to the measurement date.

**KEYES COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PENSION CONTRIBUTIONS
AS OF JUNE 30, 2021
LAST 10 YEARS ***

	Fiscal Year-End						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 103,183	\$ 95,234	\$ 78,515	\$ 61,826	\$ 56,273	\$ 43,946	\$ 42,228
Contributions in relation to the actuarially determined contributions	<u>103,183</u>	<u>95,234</u>	<u>78,515</u>	<u>61,826</u>	<u>56,273</u>	<u>43,946</u>	<u>45,815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,587)</u>
Covered payroll	\$ 369,825	\$ 295,578	\$ 310,069	\$ 296,853	\$ 278,952	\$ 245,398	\$ 229,831
Contributions as a percentage of covered payroll	27.90 %	32.22 %	25.32 %	20.83 %	20.17 %	17.91 %	19.93 %

Notes to Schedule:

* Schedule is intended to show information for ten years. Fiscal year 2014 was the first year of implementation, therefore only seven years are shown. Additional years' information will be displayed as it becomes available.

The amounts presented for each fiscal year were actuarial determined at June 30 of the prior year and rolled forward to the measurement date.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2021

A. Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

The District employs budget control by account codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by object level, which is a category of account codes such as salaries and benefits or charges for services. The originally adopted and final revised budget for the General Fund is presented as Required Supplementary Information. The budgeting is done on the cash basis which is another comprehensive basis of accounting.

B. Schedule of Proportionate Share of the Net Pension Liability

For the measurement period June 30, 2020, the discount rate and inflation rate remained consistent with the prior year at 7.00% and 2.75%, respectively.

Fiscal year 2021 was the 7th year of implementation, therefore only six years are shown.

C. Schedule of Pension Contributions

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Keyes Community Services District
Keyes, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities, Keyes Community Services District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Keyes Community Services District's basic financial statements, and have issued our report thereon dated June 27, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keyes Community Services District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keyes Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of Keyes Community Services District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first section of this paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations as item 2021-1 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keyes Community Services District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sacramento, California
June 27, 2023

**KEYES COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION II: FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

Finding 2021-1: Financial Close (Material Weakness)

Criteria

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

Management required the assistance of the auditors in identifying year-end accrual adjustments as well as reconciling beginning fund balances. Further, several audit schedules received required journal entries to be proposed. It is management's responsibility for the accuracy of the financial statements and any related footnotes and disclosures. Specific financial statement areas that required adjustment included:

- Accounts Payable: The District was not properly accruing accounts payable for the fiscal year under audit. Further, prior year amounts, which had been paid, were still recorded as a liability.
- Beginning Fund Balance: Upon receiving the District's trial balance it was noted that fund balance was not reconciling to the prior year audited Financial Statements.
- Compensated Absences: The compensated absences schedule provided did not agree to the District's trial balance.
- Capital Assets: The capital asset schedules provided did not agree to the District's trial balance.
- Accrued Payroll: We noted payroll liability accounts that did not change from the prior year. These required journal entries in order to reflect their correct balance.
- Revenue: Several revenue accounts required correcting journal entries.

Cause

The District did not have adequate controls in place to ensure accounting records were closed timely and accurately. Further, the District lacked documentation of significant operational and accounting processes.

Effect

The financial statements as presented to the auditors contained material misstatements that required adjustments.

Recommendation

We recommend the District develop checklists or other guidance documents over the District's closing process to ensure all closing entries are captured in the District's general ledger in a timely manner, and supporting schedules agree and reconcile to respective account balances prior to the trial balance being provided for the audit.

**KEYES COMMUNITY SERVICES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

Finding 2020-1: Preparation of Financial Statements (Material Weakness)

Recommendation

Management should create a monthly and annual closing checklist to assist in the preparation of financial statements, which includes the accrual adjustments necessary to comply with generally accepted accounting principles.

Current year Status

Not implemented. See finding 2020-001 under current findings.