

DEL REY COMMUNITY SERVICES DISTRICT

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2023

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**DEL REY COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
JUNE 30, 2023**

Board of Directors

Stephanie Garza	President
Joaquin Nunez	Vice-President
Daniel Ramirez	Director
Rumaldo Reyna	Director
Rolando Sanchez	Director

Administration

Carlos Arias	District Manager
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Del Rey Community Services District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of the Del Rey Community Services District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's 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 respective financial position of the business-type activities and each major fund of the District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 Del Rey Community Services 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.

Responsibilities of Management 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, and for 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 Del Rey Community Services District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. 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 and *Government 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 and *Government 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 Del Rey Community Services 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 Del Rey Community Services 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-8, and the budgetary comparison schedule on pages 22-23, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial that collectively comprise the District's basic financial statements. The Assessed Valuation of District, Insurance Coverage, Water and Sewer Capacity (Connection) Fees, and Annual Water & Sewer Capacity Fee Deposit Report, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Assessed Valuation of District Insurance Coverage, Water and Sewer Capacity (Connection) Fees, and Annual Water & Sewer Capacity Fee Deposit Report were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the

auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Assessed Valuation of District, Insurance Coverage, Water and Sewer Capacity (Connection) Fees, and Annual Water & Sewer Capacity Fee Deposit Report are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024, on our consideration of Del Rey 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 solely 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 the effectiveness of Del Rey Community Services District's 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 Del Rey Community Services District's internal control over financial reporting and compliance.

Jaribu W. Nelson, CPA

Clovis, California
February 12, 2024

DEL REY COMMUNITY SERVICES DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

As management of Del Rey Community Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

Financial Highlights

- Total assets and deferred outflows of resources of the District exceeded its total liabilities and deferred inflows of resources as of June 30, 2023, by \$12,560,674. Of this amount, \$11,818,277 is restricted and reserved by external laws and regulations or debt covenants.
- Total assets and deferred outflows of resources decreased by \$86,152.
- During the current year, the District's capital assets increased by a net of \$68,146. This increase was mostly attributable to ongoing TCP treatment construction.
- Long-term liabilities decreased by \$273,969 for the year ended June 30, 2023. This overall decrease is due to a decrease in OPEB liability related adjustments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Del Rey Community Services District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the two reported as net position. 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 the District's 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, revenue and expense are reported in this statement for some items that will only result in cash flow in future fiscal periods.

**DEL REY COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
YEAR ENDED JUNE 30, 2023**

Financial Highlights (continued)

Both of the government-wide financial statements distinguish functions of the District that are principally proprietary in nature (business-type activities) which are functions that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no governmental activities.

The government-wide financial statements include only the District itself. The District has no component units.

Fund financial statements. A fund is a grouping of related accounts that is 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 demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has no governmental funds and four proprietary funds, the Water Fund, the Sewer Fund, the Solid Waste Fund, and Nonmajor Enterprise Funds.

Proprietary funds. Proprietary funds are used to account for essentially the same functions reported as business-type 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 a government's near term financing requirements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2023, the District's assets exceeded liabilities by \$12,560,674. Of that amount, \$8,154,815, representing 65% of the District's net position, is restricted for debt service or specific expenditures relating to sewer repair, maintenance, service-life extension, park improvements, and the TCP project. Capital assets are used to provide services to customers, and they are not available for future spending.

The following tables represent summaries of the District's net position and changes in net position for the current and prior years:

**DEL REY COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
YEAR ENDED JUNE 30, 2023**

Del Rey Community Services District's Net Position

	Business-Type Activities	Total	Prior Year Total
Current assets	\$ 9,373,312	\$ 9,373,312	\$ 9,764,825
Capital assets, net of accumulated depreciation	4,230,187	4,230,187	4,120,058
Noncurrent assets	274,888	274,888	319,829
Deferred outflows of resources	356,261	356,261	116,088
Total assets and deferred outflows of resources	<u>14,234,648</u>	<u>14,234,648</u>	<u>14,320,800</u>
Current liabilities	386,381	386,381	373,296
Noncurrent liabilities	994,858	994,858	1,268,827
Deferred inflows of resources	292,735	292,735	82,171
Net position	<u>12,560,674</u>	<u>12,560,674</u>	<u>12,596,506</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,234,648</u>	<u>\$ 14,234,648</u>	<u>\$ 14,320,800</u>

Del Rey Community Services District's Changes in Net Position

	Business-Type Activities	Current Year Total	Prior Year Total (as restated)
REVENUE			
Program revenue			
Charges for services	\$ 1,174,201	\$ 1,174,201	\$ 1,143,434
Other	67,941	67,941	36,826
Total Revenues	<u>1,242,142</u>	<u>1,242,142</u>	<u>1,180,260</u>
EXPENSE			
Water	493,416	493,416	365,462
Sewer	947,630	947,630	615,612
Solid waste	178,432	178,432	132,073
Nonmajor enterprise funds	169,950	169,950	64,285
Total Expenses	<u>1,789,428</u>	<u>1,789,428</u>	<u>1,177,431</u>
Net operating income/(loss)	(547,286)	(547,286)	2,829
Net nonoperating revenue/(expense)	<u>377,430</u>	<u>377,430</u>	<u>131,048</u>
Change in net position	(169,856)	(169,856)	133,877
Net position, beginning of year	<u>12,736,984</u>	<u>12,736,984</u>	<u>12,603,107</u>
Net position, end of year	<u>\$ 12,567,128</u>	<u>\$ 12,567,128</u>	<u>\$ 12,736,984</u>

**DEL REY COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
YEAR ENDED JUNE 30, 2023**

Business-type activities. Business-type activities decreased the District's net position by \$169,856, accounting for 100 percent of the total decrease in net position.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Proprietary Funds. The purpose of the District's proprietary fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2023, the District's proprietary funds reported a combined ending fund balance of \$12,560,674 a decrease of \$169,856, in comparison to the prior year. Of the entire ending fund balance, \$742,397 is unrestricted and is available for spending at the District's discretion.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business-type activities as of June 30, 2023, amounted to \$4,230,187 (net of allowance for depreciation). This investment in capital assets includes land, building, improvements, machinery & equipment, furniture & fixtures, vehicles, and construction in progress.

Additional information on the District's capital assets can be found in note four.

Debt administration. The District's long-term debt totaled \$566,725 as of June 30, 2023. Of this total amount, \$34,746 is due and payable during the year ending June 30, 2024. The remainder, referred to as deferred liabilities, is due and payable over the next 13 years.

Additional information on the District's long-term debt can be found in note five.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2024 projects a deficit of \$167,712. Revenue is anticipated to decrease by \$446,225 compared to June 30, 2023, while expenses are expected to decrease by \$448,369. Charges for services are anticipated to decrease by \$34,192, while non-operating revenue is expected to decrease by \$412,033. Salaries, wages and employee benefits are expected to decrease by \$17,141 and services and supplies are anticipated to decrease by \$4,191 compared to June 30, 2023.

User rates are not expected to increase during the year ending June 30, 2024.

Requests for Information

This financial report is designed to provide a general overview of Del Rey Community Services District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the General Manager, Del Rey Community Services District, 10649 Morro Ave, Del Rey, CA 93616.

DEL REY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 8,136	\$ 208,827	\$ -	\$ 54,241	\$ 271,204
Investments	4,764	-	-	-	4,764
Accounts receivable, net	33,819	37,943	10,724	-	82,486
Interest receivable	58,802	-	-	563	59,365
Prepaid expenses	3,908	7,816	1,042	261	13,027
Due from other funds	59,006	33,392	-	-	92,398
Other assets					
Restricted cash and investments	<u>8,761,770</u>	<u>-</u>	<u>-</u>	<u>88,298</u>	<u>8,850,068</u>
Total current assets	<u>8,930,205</u>	<u>287,978</u>	<u>11,766</u>	<u>143,363</u>	<u>9,373,312</u>
Capital assets, net of accumulated depreciation	1,738,136	1,806,726	-	685,325	4,230,187
Noncurrent assets					
Bond issuance costs	-	6,891	-	-	6,891
Cash and investments	-	199,395	-	-	199,395
Net pension asset	<u>20,580</u>	<u>41,161</u>	<u>5,488</u>	<u>1,373</u>	<u>68,602</u>
Total non-current assets	<u>20,580</u>	<u>247,447</u>	<u>5,488</u>	<u>1,373</u>	<u>274,888</u>
Total assets	10,688,921	2,342,151	17,254	830,061	13,878,387
DEFERRED OUTFLOWS OF RESOURCES					
Items related to pension plan	51,793	103,586	13,812	3,453	172,644
Items related to OPEB	<u>55,085</u>	<u>110,170</u>	<u>14,689</u>	<u>3,673</u>	<u>183,617</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>10,795,799</u>	<u>2,555,907</u>	<u>45,755</u>	<u>837,187</u>	<u>14,234,648</u>

DEL REY COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	70,151	140,302	18,707	4,677	233,837
Accrued interest payable	-	12,181	-	-	12,181
Deposits	-	-	-	12,171	12,171
Due to other funds	-	-	93,446	-	93,446
Current portion of long-term debt	<u>5,746</u>	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>34,746</u>
Total current liabilities	<u>75,897</u>	<u>181,483</u>	<u>112,153</u>	<u>16,848</u>	<u>386,381</u>
Non-current liabilities					
Notes payable, less current portion	66,079	465,900	-	-	531,979
OPEB liability	<u>138,864</u>	<u>277,727</u>	<u>37,030</u>	<u>9,258</u>	<u>462,879</u>
Total liabilities	280,840	925,110	149,183	26,106	1,381,239
DEFERRED INFLOWS OF RESOURCES					
Items related to pension plan	19,732	39,464	5,262	268	64,726
Items related to OPEB	<u>68,403</u>	<u>136,805</u>	<u>18,241</u>	<u>4,560</u>	<u>228,009</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>368,975</u>	<u>1,101,379</u>	<u>172,686</u>	<u>30,934</u>	<u>1,673,974</u>
NET POSITION					
Net investment in capital assets	1,666,311	1,311,826	-	685,325	3,663,462
Restricted for sewer and lighting improvements	-	147,860	-	16,345	164,205
Restricted for debt service	-	51,535	-	-	51,535
Restricted for TCP project	7,939,075	-	-	-	7,939,075
Unrestricted	<u>821,438</u>	<u>(56,693)</u>	<u>(126,931)</u>	<u>104,583</u>	<u>742,397</u>
Total net position	<u>10,426,824</u>	<u>1,454,528</u>	<u>(126,931)</u>	<u>806,253</u>	<u>12,560,674</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,795,799</u>	<u>\$ 2,555,907</u>	<u>\$ 45,755</u>	<u>\$ 837,187</u>	<u>\$ 14,234,648</u>

DEL REY COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Operating Revenue					
Residential	\$ 64,587	\$ 194,495	\$ 79,348	\$ -	\$ 338,430
Commercial	36,406	99,194	3,072	-	138,672
Industrial	111,577	360,055	26,276	-	497,908
Taxes	52,646	52,646	-	22,873	128,165
Reimbursements	-	-	-	11,956	11,956
Recreation fees	-	-	-	59,070	59,070
Other	<u>52,515</u>	<u>-</u>	<u>-</u>	<u>15,426</u>	<u>67,941</u>
Total operating revenue	<u>317,731</u>	<u>706,390</u>	<u>108,696</u>	<u>109,325</u>	<u>1,242,142</u>
Operating Expense					
Salaries and wages	59,006	131,433	20,131	20,827	231,397
Employee benefits and payroll taxes	23,019	51,274	7,854	8,125	90,272
Pension expense / (recovery)	65,205	145,241	22,246	23,014	255,706
OPEB expense	(679)	(1,513)	(232)	(240)	(2,664)
Directors' fees	1,715	3,820	585	605	6,725
Professional fees	38,805	86,436	13,239	13,696	152,176
Utilities	110,353	129,397	-	21,131	260,881
Repair, maintenance, and testing	61,045	113,370	-	-	174,415
License and permits	3,623	48,136	-	-	51,759
Insurance	10,460	33,125	-	-	43,585
General and administrative	58,197	116,392	15,519	3,879	193,987
Solid waste contract services	-	-	99,090	-	99,090
Depreciation	<u>62,667</u>	<u>90,519</u>	<u>-</u>	<u>78,913</u>	<u>232,099</u>
Total operating expense	<u>493,416</u>	<u>947,630</u>	<u>178,432</u>	<u>169,950</u>	<u>1,789,428</u>
Operating income (loss)	(175,685)	(241,240)	(69,736)	(60,625)	(547,286)
Nonoperating Revenues/(Expenses)					
TCP Revenue	297,810	-	-	-	297,810
Interest income	114,223	-	-	-	114,223
Interest expense	<u>-</u>	<u>(34,603)</u>	<u>-</u>	<u>-</u>	<u>(34,603)</u>
Net nonoperating revenues/(expenses)	<u>412,033</u>	<u>(34,603)</u>	<u>-</u>	<u>-</u>	<u>377,430</u>
Change in net position	236,348	(275,843)	(69,736)	(60,625)	(169,856)
Net Position - beginning of year	10,488,840	1,730,371	(57,195)	866,878	13,028,894
Prior Period Adjustment	<u>(298,364)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(298,364)</u>
Net Position - beginning of year (restated)	<u>10,190,476</u>	<u>1,730,371</u>	<u>(57,195)</u>	<u>866,878</u>	<u>12,730,530</u>
Net Position, End of Year	<u>\$ 10,426,824</u>	<u>\$ 1,454,528</u>	<u>\$ (126,931)</u>	<u>\$ 806,253</u>	<u>\$ 12,560,674</u>

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

DEL REY COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Operating Activities					
Received from customers	\$ 47,338	\$ 737,774	\$ 117,564	\$ 109,325	\$ 1,012,001
Payments to suppliers	(274,210)	(510,701)	(125,770)	(37,780)	(948,461)
Payments to employees	(103,928)	(255,279)	(67,921)	(50,821)	(477,949)
Net cash provided by (used in) operating activities	<u>(330,800)</u>	<u>(28,206)</u>	<u>(76,127)</u>	<u>20,724</u>	<u>(414,409)</u>
Non-capital Financing Activities					
Due to other funds	-	-	76,127	(75,079)	1,048
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>76,127</u>	<u>(75,079)</u>	<u>1,048</u>
Capital and Related Financing Activities					
Grant revenue	297,810	-	-	-	297,810
Increase in bond issuance costs	-	(432)	-	-	(432)
Principal paid on notes payable	(5,746)	(28,000)	-	-	(33,746)
Interest paid on notes payable	-	(34,775)	-	-	(34,775)
Purchase of capital assets	(616,566)	155,432	-	160,889	(300,245)
Net cash provided (used) in capital and related financing activities	<u>(324,502)</u>	<u>92,225</u>	<u>-</u>	<u>160,889</u>	<u>(71,388)</u>
Investing Activities					
Interest received	85,650	-	-	(258)	85,392
Change in cash and cash equivalents	(569,652)	64,019	-	106,276	(399,357)
Cash and Investments					
Beginning of year	9,344,322	344,203	-	36,263	9,724,788
End of year	<u>\$ 8,774,670</u>	<u>\$ 408,222</u>	<u>\$ -</u>	<u>\$ 142,539</u>	<u>\$ 9,325,431</u>

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

DEL REY COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Reconciliation of Operating Income (Loss)					
to Net Cash Provided By/(Used) for Operating Activities					
Operating income (loss)	\$ (175,685)	\$ (241,240)	\$ (69,736)	\$ (60,625)	\$ (547,286)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	62,667	90,519	-	78,913	232,099
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	(270,393)	31,384	8,868	-	(230,141)
(Increase) Decrease in prepaid expense	(866)	(1,732)	(231)	(57)	(2,886)
(Increase) Decrease in net pension asset	47,886	95,771	12,770	3,191	159,618
(Increase) Decrease in deferred outflows	5,984	(27,865)	(1,945)	(488)	(24,314)
Increase (Decrease) in accounts payable	10,854	21,707	2,894	724	36,179
Increase (Decrease) in accrued liabilities	-	-	-	-	-
Increase (Decrease) in deposits	-	-	-	864	864
Increase (Decrease) in OPEB liability	(37,507)	(75,016)	(10,002)	(2,501)	(125,026)
Increase (Decrease) in deferred inflows	<u>26,260</u>	<u>78,266</u>	<u>(18,745)</u>	<u>703</u>	<u>86,484</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (330,800)</u>	<u>\$ (28,206)</u>	<u>\$ (76,127)</u>	<u>\$ 20,724</u>	<u>\$ (414,409)</u>
Summary of cash balances, end of year					
Cash and cash equivalents	12,900	208,827	-	54,241	275,968
Restricted cash	<u>8,761,770</u>	<u>199,395</u>	<u>-</u>	<u>88,298</u>	<u>9,049,463</u>
	<u>\$ 8,774,670</u>	<u>\$ 408,222</u>	<u>\$ -</u>	<u>\$ 142,539</u>	<u>\$ 9,325,431</u>

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies

Del Rey Community Services District (the District) was organized in 1963 under the Municipal Water District Act of 1911 (California Water Code 7100). A five-member board of directors, who are elected at large, provide governance. The District was formed to secure a high quality, reliable source of water, sewer, solid waste, street lighting, and recreation services to the public. Those services are provided on a continuing basis and are financed through user charges. The Board of Directors has the authority to fix rates and charges for the District's services. The District also may incur indebtedness, including issuing bonds, and is exempt from federal and state income taxes.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable).

Financial Reporting Entity

As required by generally accepted accounting principles, these general purpose financial statements present the District in conformance with GASB Statement No. 14, "The Financial Reporting Entity." Under Statement No. 14, component units are organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue include charges to customers, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The financial statements of the District are prepared in accordance with generally accepted accounting principles. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The District's reporting entity does not apply FASB pronouncements of APB opinions issued after November 30, 1989.

Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flow. Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions.

Assets, Liabilities and Net Position or Equity

1. Cash and Investments

GAAP allows a financial statement issuer to choose the focus of the statement of cash flows as either cash or "cash and cash equivalents." The District reports restricted and unrestricted cash, including bank deposits and the District's investment in the State of California Local Agency Investment Fund (LAIF), as well as cash equivalents in the statement of cash flows. The District defines cash equivalents as certain highly liquid investments with an original maturity of three months or less.

2. Property, Plant and Equipment

Capital assets, which include property, plant and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated useful life in years
Buildings	30-40
Water System	20-40
Sewer System	5-40
Park Development	10-40
General Equipment	5-10

Statement Reclassifications

Certain reclassifications may have been made in the prior year's amounts to conform with current year financial statement presentation.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

3. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position is classified in the following three components:

Nonspendable – Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt.

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restrictions for the year ended June 30, 2023 were as follows:

Lighting	16,345	Restricted for lighting repairs, improvements associated lighting expenses
Sewer	147,860	Restricted for repairs to the connections or further connection improvements and area extensions
Debt service	51,535	Restriction for current liability for the water bonds, principal and interest included
TCP water well	7,939,075	Restricted towards construction of the TCP water well project

Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

Budgets and Budgetary Accounting

The District established a budget for its enterprise fund for the year ended June 30, 2023. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 2: Cash and Investments

The District pools all of its cash and investments except those funds held by outside fiscal agents under the provisions of bond indentures and certain restricted funds which are held in separate deposit or investment accounts as required by bond indentures, loan covenants, and statutory or regulatory requirements. Interest earned on non-pooled funds is credited directly to the related funds.

Cash and investments are reported in the financial statements as follows:

Cash and cash equivalents	\$ 271,204
Investments	4,764
Restricted cash and investments	9,049,463
Total cash and investments	<u>\$ 9,325,431</u>

Cash and investments as of June 30, 2023, consisted of the following:

Cash on hand	\$ 22
Deposits with financial institutions	244,505
Local Agency Investment Fund (LAIF)	4,764
County of Fresno	9,049,463
Money market funds	26,677
Total cash and investments	<u>\$ 9,325,431</u>

Investment Policy

California statutes authorize districts to invest idle, surplus, or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, et seq., Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by a bond trustee that are governed by the provisions of debt agreements of the District rather than the general provisions of the California Government Code or the District’s investment policy.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 2: Cash and Investments (continued)

The District's Investment Policy authorizes the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Bankers Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of base value	None
Medium Term Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk: Interest rate risk that changes in the 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. As of June 30, 2023, the District has the following investments:

<u>Investment Type</u>	<u>12 months or less</u>	<u>Total</u>
Money market funds	\$ 26,677	\$ 26,677
Local Agency Investment Fund	4,764	4,764
County of Fresno	9,049,463	9,049,463
Total investments	<u>\$ 9,080,904</u>	<u>\$ 9,080,904</u>
Cash on hand and deposits at banks		244,527
Total cash and investments		<u>\$ 9,325,431</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 organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 2: Cash and Investments (continued)

The custodial risk for investments is the risk that, in the event of the failure of the counterparty 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

As of June 30, 2023, the balances in financial institutions were \$244,527. The balance in financial institutions covered by the Federal Depository Insurance Corporation (FDIC) is \$244,527. The excess amount of \$0 was collateralized as required under the California Government Code, by pledging financial institution with assets held in common pool for the District and other governmental agencies, but not in the name of the District.

Note 3: Accounts Receivable and Uncollectable Accounts

Changes in accounts receivable for the year ended June 30, 2023, are as follows:

	As of June 30, 2023	As of June 30, 2022	Increase/ (Decrease)
Industrial Users	\$ 36,774	\$ 56,485	\$ (19,711)
Commercial / Other Users	45,712	94,225	(48,513)
Total	<u>\$ 82,486</u>	<u>\$ 150,710</u>	<u>\$ (68,224)</u>

Note 4: Property, Plant and Equipment

The following is an analysis of the District's capital assets as of June 30, 2023:

	Beginning Balance	Additions/ Completions	Disposals/ Adjustments	Ending Balance
Land	\$ 427,734	\$ -	\$ -	\$ 427,734
Auto/transport equipment	74,153	-	-	74,153
Buildings	669,034	-	-	669,034
Furniture and fixtures	59,828	-	-	59,828
Improvements	920,161	-	-	920,161
Machinery and equipment	724,500	1,984	-	726,484
Miscellaneous	1,114,176	-	-	1,114,176
Park improvements	294,571	-	-	294,571
Sewer system	3,082,038	-	-	3,082,038
Water system	2,115,949	-	-	2,115,949
Construction in progress-water system	153,251	-	-	153,251
Construction in progress-TCP project	594,914	298,261	-	893,175
Total	10,230,309	300,245	-	10,530,554
Allowance for depreciation	<u>(6,068,268)</u>	<u>(232,099)</u>	<u>-</u>	<u>(6,300,367)</u>
	<u>4,162,041</u>	<u>68,146</u>	<u>-</u>	<u>4,230,187</u>

Depreciation expense for the year ended June 30, 2023, totals \$232,099.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 5: Long-Term Debt

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District's debt issues and transactions are summarized below:

1996 Sewer Revenue Bonds

4.5% - \$932,000 1996 Sewer Bonds issued on March 8, 1996. Proceeds of these bonds combined with a government grant of \$1,222,600 were used to finance construction of a domestic wastewater treatment plant. First payment of interest only was due March 2, 1997, and thereafter semi-annually on the 2nd of September and March in each year with principal due in March of each year; balance of \$494,900 at June 30, 2023, and \$522,900 at June 30, 2022.

Future payments of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total	Principal Balance	Reserve Requirements
2024	\$ 29,000	\$ 22,275	\$ 51,275	\$ 465,900	\$ 51,275
2025	30,000	20,970	50,970	435,900	50,970
2026	31,000	19,620	50,620	404,900	50,620
2027	33,000	18,225	51,225	371,900	51,225
2028	34,000	16,740	50,740	337,900	50,740
2029	36,000	15,210	51,210	301,900	51,210
2030	38,000	13,590	51,590	263,900	51,590
2031	39,000	11,880	50,880	224,900	50,880
2032	41,000	10,125	51,125	183,900	51,125
2033	43,000	8,280	51,280	140,900	51,280
2034	45,000	6,345	51,345	95,900	51,345
2035	47,000	4,320	51,320	48,900	51,320
2036	48,900	2,205	51,105	-	
Total	<u>\$ 494,900</u>	<u>\$ 169,785</u>	<u>\$ 664,685</u>		

1996 Sewer Revenue Bond Requirements

The bonds are authorized by ordinance 1996-1, in strict accordance with the Sewer Revenue Bond Act of 1933. All revenues derived from the sewer service are pledged to pay the principal and interest on the bonds. The agreement which governs the bond issuance requires 120% of net revenue to be maintained and a reserve requirement equal to all payments during the next 12 months.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

Note 5: Long-Term Debt (continued)

State Water Loan

In circa 2005 the District obtained a loan from the State of California under the safe drinking water program. The loan terms are zero interest for 30 years and require semi-annual payments of \$2,873 (\$5,746 annually) beginning July 1, 2006, and continuing each January 1, and July 1, with the last payment scheduled for January 1, 2036. The balance is \$71,825 at June 30, 2023, and \$77,571 at June 30, 2022.

Required payments on the loan at June 30, 2023, including current maturities are as follows:

2024	\$ 5,746	\$ 66,079
2025	5,746	60,333
2026	5,746	54,587
2027	5,746	48,841
2028	5,746	43,095
Thereafter	43,095	-
	<u>\$ 71,825</u>	

Note 6: Subsequent Events

In compliance with accounting standards, subsequent events were evaluated through February 12, 2024, which is the date the financial statements were available to be issued. Management has determined that no events require disclosure in accordance with the accounting standards subsequent to June 30, 2023.

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Water	\$ 261,891	\$ 212,570	\$ (49,321)
Sewer	635,165	653,744	18,579
Solid Waste	102,988	108,696	5,708
Hall Rentals	10,250	59,070	48,820
Taxes	135,000	128,165	(6,835)
Late Charges	100	-	(100)
Other Income	49,000	79,897	30,897
	<u>1,194,394</u>	<u>1,242,142</u>	<u>47,748</u>
OPERATING EXPENSES			
Salaries	241,037	231,397	9,640
Health & Life Insurance	77,271	77,801	(530)
Employment taxes employer	18,439	19,126	(687)
Retirement	13,051	(6,655)	19,706
Pension expense	-	255,706	(255,706)
OPEB expense	-	(2,664)	2,664
Worker's Compensation Insurance	13,252	7,153	6,099
Director's Fees	10,875	6,725	4,150
Telephone (communication)	6,000	7,791	(1,791)
General administrative	3,000	34,798	(31,798)
Postage and Shipping	2,000	1,837	163
Computer Software	2,000	2,077	(77)
Office Supplies	3,000	1,971	1,029
Alarm Service	1,241	-	1,241
Bank Service Charges	1,000	850	150
Legal	30,000	45,606	(15,606)
Accounting	16,600	16,800	(200)
Audit Contract	15,000	12,200	2,800
Engineering Fees	24,000	77,570	(53,570)
Dues Subscription Fees	3,000	3,584	(584)
SIGMA Recharge Fees	22,374	22,000	374
South Kings GSA	85,000	85,000	-
Fuel and Oil	8,000	5,435	2,565
Utilities	310,730	260,881	49,849
General Maintenance & Repairs	27,500	28,341	(841)
Equipment Rental	2,500	786	1,714
Small Tools	2,500	-	2,500
Pest Control	2,000	1,263	737
Supplies and Consumables	20,000	26,191	(6,191)
Uniform Expense	3,000	3,968	(968)
Compliance Expense	500	-	500
Payroll Service expense	2,500	(315)	2,815
Auto Repair and Maintenance	2,000	8,882	(6,882)
Testing	128,000	130,494	(2,494)

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON (continued)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget	Actual	Variance Positive (Negative)
Solid Waste Contract	88,452	99,090	(10,638)
General Liability Insurance	22,366	36,432	(14,066)
Licenses and Permits	46,000	51,759	(5,759)
Property Taxes	7,000	3,449	3,551
Depreciation	-	232,099	(232,099)
TOTAL OPERATING EXPENSES	1,261,188	1,789,428	(528,240)
NON-OPERATING REVENUES (EXPENSES)			
TCP Revenue	-	297,810	297,810
Interest Income	-	114,223	114,223
Interest Expense	(23,535)	(34,603)	(11,068)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(23,535)	377,430	400,965
CHANGE IN NET ASSETS	\$ (90,329)	\$ (169,856)	\$ (79,527)
BUDGETED PRINCIPAL PAYMENTS			
State Water Loan	(5,750)	(5,746)	4
Sewer Bond Principal	\$ (28,000)	\$ (28,000)	\$ -
CHANGE IN NET ASSETS AFTER PRINCIPAL PAYMENTS	\$ (124,079)	\$ (203,602)	\$ (79,523)

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2023**

Note 1: Pension Plan

General Information About the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).

CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. Cal PERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one full time employment. All members are eligible for non-duty disability benefits after 5 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The 1328 Classic Plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

Benefit Provision	Misc. Plan
Benefit Formula	2.0%@60
Social Security Coverage	Yes
Full/Modified	Full
Employee Contribution Rate	7%
Final Average Compensation Period	Three Years
Sick Leave Credit	Yes
Non-Industrial Disability	Standard
Industrial Disability	No
Pre-Retirement Death Benefit	Optional Settlement W2
Post- Retirement Death Benefit	\$2,000
COLA	2%
Covered Employees	12
Inactive Employees Receiving Benefits	3
Inactive Employees Entitled Yet Not Receiving	7
Active Employees	2

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2023**

Note 1: Pension Plan (Continued)

The 26898 PEPRA Plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

<u>Benefit Provision</u>	<u>Misc. Plan</u>
Benefit Formula	2.0%@62
Social Security Coverage	Yes
Full/Modified	Full
Employee Contribution Rate	7.75%
Final Average Compensation Period	Three Years
Sick Leave Credit	Yes
Non-Industrial Disability	Standard
Industrial Disability	No
Pre-Retirement Death Benefit	Optional Settlement W2
Post- Retirement Death Benefit	\$2,000
COLA	2%
Covered Employees	2
Inactive Employees Receiving Benefits	0
Inactive Employees Entitled Yet Not Receiving	0
Active Employees	2

Contributions

Section 20814© of the California Public Employee' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Employer's Contribution Schedule 10-Year Data Begins in 2014 and Includes Both Plans

<u>Year</u>	<u>Employer Contribution Amount</u>
2014	\$ -
2015	6,312
2016	4,896
2017	8,730
2018	8,749
2019	9,368
2020	13,507
2021	10,406
2022	11,881
2023	11,977

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2023**

Note 1: Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Miscellaneous Plan, 1328 Classic Plan

Ten-Year Schedule of Changes in The Net Pension Liability

Valuation Date	Accrued Liability	Share of Pool's Market value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2013	\$ 527,513	\$ 633,982	\$ (106,469)	120.18%	112,017
6/30/2014	579,333	730,119	(150,786)	126.03%	116,095
6/30/2015	610,935	734,420	(123,485)	120.21%	119,857
6/30/2016	624,366	701,543	(77,177)	112.36%	77,583
6/30/2017	650,777	749,033	(98,256)	115.10%	85,799
6/30/2018	734,604	819,920	(85,316)	111.61%	93,600
6/30/2019	720,929	804,083	(83,154)	111.53%	99,840
6/30/2020	770,467	836,544	(66,077)	108.58%	110,760
6/30/2021	783,818	960,106	(176,288)	122.49%	76,960
6/30/2022	815,682	857,319	(41,637)	105.10%	79,116

At June 30, 2023, the District reported a pension asset of \$68,602 for its proportionate share of the net pension liability.

The District is responsible for its proportionate share of the net pension liability of the Plans. The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2023, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The 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 plans relative to the projected contributions of all participating employers, actuarially determined.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resource and Deferred Inflows of Resources Related to Pension PEPR Plan

Ten-Year Schedule of Changes in The Net Pension Liability

Valuation Date	Accrued Liability	Share of Pool's Market value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
6/30/2017	\$ 1,791	\$ 1,826	\$ (35)	101.95%	\$ 14,186
6/30/2018	6,446	6,198	248	96.15%	24,960
6/30/2019	11,788	11,116	672	94.30%	27,040
6/30/2020	19,124	17,925	1,199	93.73%	30,680
6/30/2021	28,396	31,130	(2,734)	109.63%	32,240
6/30/2022	41,605	37,655	3,950	90.51%	66,889

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB)

Summary of Results

Background

The District maintains a program which pays part or all of monthly medical insurance premiums on behalf of retired former employees, provided that the employee has satisfied certain requirements. As of June 30, 2022, the District continues to fund the benefits on a pay-as-you-go basis. GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", often referred to as **GASB 75**, requires governmental entities to (1) record annual expense for their OPEB and (2) disclose certain information in their year-end financial statements.

The District has requested this actuarial valuation to determine what its OPEB obligations under the program are, and what the impact of GASB 75 will be for the 2022-2023 year. This report also includes GASB 75 results that were accrued and disclosed by the District during the 2021-2022 year.

Actuarial Present Value of Projected Benefit Payments

The Actuarial Present Value of Projected Benefit Payments (APVPBP) for all current and former employees, as of June 30, 2021, is **\$1,046,289**. This is the amount the District would theoretically need to set aside at this time to fully fund all those future benefits.

The total value of \$1,046,289 is the sum of these amounts:

Future benefits of current employees	\$ 926,398
Future benefits of current retirees	<u>119,891</u>
APVPBP	\$ 1,046,289

This figure may be compared to the APVPBP of \$1,086,399 that was shown in the 2019 valuation report. We would have expected the APVPBP to be approximately \$1,105,000 by 2021 as employees continue working and benefits are paid to retirees. The difference between the 2019 figure of \$1,086,399 and this year's figure of \$1,046,289 is due to:

• Expected change in the APVPBP since 2019	\$ 18,241
• Changes in assumptions	143,126
• Miscellaneous other experience gains and losses	<u>(201,477)</u>
Total of changes	\$ (40,110)

The assumption changes are explained below under "Actuarial Assumptions". The experience gain of \$201,477 is mostly from a new employee replacing a previous employee, and from 3 persons delaying their retirement.

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

These figures are computed by (1) estimating the OPEB benefits that will be paid to each current and former employee and their beneficiaries (if applicable), upon the employee's retirement from the District, (2) estimating the likelihood that each payment will be made, taking into consideration the likelihood of remaining employed until retirement age and the likelihood of survival after retirement, and (3) discounting each expected future payment back to the present date at an assumed rate of investment return.

Net OPEB Liability

The **Total OPEB Liability** (TOL) is the portion of the APVPBP which has been "earned" by employees based on past years of service (i.e. benefits allocated to past years of service).

The **Plan Fiduciary Net Position** (FNP) is equal to the value of assets that have been accumulated in an irrevocable trust for these benefits.

The **Net OPEB Liability or Asset** (NOL) is the excess of the Total OPEB Liability over the Plan Fiduciary Net Position. At the end of each fiscal year, the District must show a liability equal to the NOL.

At June 30, 2021 and June 30, 2022, these amounts are:	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Total OPEB Liability	\$ 587,905	\$ 462,879
Plan Fiduciary Net Position	<u>-</u>	<u>-</u>
Net OPEB Liability	<u>\$ 587,905</u>	<u>\$ 462,879</u>

OPEB Expense under GASB 75

GASB 75 requires that the annual change in the TOL be recognized as OPEB expense, except for certain specific changes which are to be recognized over different periods of time. Changes in actuarial assumptions, and experience gains and losses, are to be recognized over the average of the expected remaining service lives of all employees. This average for District employees is 5.5 years. The unrecognized remaining amounts of assumption changes, experience gains/losses and investment earnings differences are called "deferred outflows and inflows of resources relating to OPEB" (see Exhibit 5).

The OPEB Expense for the fiscal year ending June 30, 2022 was **\$46,186**. For the year ending June 30, 2023, the OPEB Expense is **\$(2,663)**. Derivations of these amounts are shown in Exhibit 4.

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Disclosure Information as of June 30, 2022 and June 30, 2023

Amounts to be disclosed in the footnotes to the District's audited financial statements as of June 30, 2022 and as of June 30, 2023 are shown in Exhibits 2 through 6 of this report. Numbers labelled as "June 30, 2021" are to be disclosed at June 30, 2022. Numbers labelled as "June 30, 2022" are to be disclosed at June 30, 2023. For GASB 75 reporting, we use a one-year "lookback" which is the reason for the differences in dates.

Exhibit 7 shows estimated retiree benefits and OPEB expense for the 9 years after that.

Actuarial Assumptions

All actuarial assumptions are unchanged from the June 30, 2020 valuation, except as described below. The assumptions are described in detail in Exhibit 9.

The discount rate has been changed from 2.18% to 4.09%. The discount rate for an unfunded plan is required to be based on a 20-year index of high-quality bonds. The District has elected to use the S&P Municipal Bond 20 Year High Grade Rate Index, which was 2.66% as of June 30, 2020; 2.18% as of June 30, 2021; and 4.09% as of June 30, 2022. Changing the discount rate had the effect of decreasing the APVPBP by \$(146,584).

Exhibit 1 - Actuarial Values as of June 30, 2022

The Actuarial Present Value of Projected Benefit Payments (APVPBP) as of June 30, 2022 of all future employer-paid benefits from the program, for all current and former employees, is:

	Actuarial Present Values	Number of Persons
Current Employees	\$ 926,398	5
Retired Employees	<u>119,891</u>	<u>2</u>
	\$ 1,046,289	7

As of June 30, 2022, the District has not accumulated any assets in an irrevocable trust toward this liability.

The Total OPEB Liability (TOL) as of June 30, 2021 is the portion of the APVPBP which has been "earned" to date by current and former employees, based on the years of service already completed:

Current employees	\$ 468,014
Retired former employees	<u>119,891</u>
Totals	\$ 587,905

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Exhibit 1 - Actuarial Values as of June 30, 2022 (continued)

Summary of Participating Employees

	<u>As of June 30, 2020</u>	<u>as of June 30, 2022</u>
Active Employees		
Number	5 employees	5 employees
Average Age	54.2 years	54.2 years
Average Service	6.4 years	6.4 years
Retired Former Employees and Surviving Spouses		
Number	2 persons	2 persons
Average Age	78.0 years	78.0 years

Exhibit 2 - Total OPEB Liability

As of June 30, 2020, June 30, 2021 and June 30, 2022 the Total OPEB Liability is:

	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Discount rate	2.66 %	2.18 %	4.09 %
Value of benefits for employees	\$ 478,437		\$ 468,014
Value of benefits for retirees	<u>133,372</u>		<u>119,891</u>
Total OPEB Liability	\$ 668,356	\$ 587,905	\$ 587,905

The Total OPEB Liability has changed from June 30, 2020 to June 30, 2021 in this way:

Value at June 30, 2020	\$ 668,356
Service cost	46,572
Interest	17,469
Differences between actual and expected experience	(162,091)
Assumption changes	40,843
Benefit changes	0
Benefits paid to retirees	(23,244)
Administrative expense	0
Net changes	\$ (80,451)
Value at June 30, 2021	\$ 587,905

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Exhibit 2 - Total OPEB Liability (continued)

The Total OPEB Liability has changed from June 30, 2021 to June 30, 2022 in this way:

Value at June 30, 2021	\$ 587,905
Service cost	29,249
Interest	12,595
Differences between actual and expected experience	0
Assumption changes	(146,584)
Benefit changes	0
Benefits paid to retirees	(20,286)
Administrative expense	0
Net changes	\$ (125,026)
Value at June 30, 2022	\$ 462,879

Exhibit 3 - Sensitivity of the Total OPEB Liability

The following presents the Total OPEB Liability (TOL) as well as what the TOL would be if it were calculated using a discount rate that is 1-percentage-point higher or lower than the current discount rate, as of June 30, 2021 and June 30, 2022:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.18%	2.18%	3.18%
Total OPEB Liability 6-30-2021	\$ 688,190	\$ 587,905	\$ 507,270
	3.09%	4.09%	5.09%
Total OPEB Liability 6-30-2022	\$ 532,304	\$ 462,879	\$ 406,012

The following presents the TOL as well as what the TOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point higher or lower than the current healthcare cost trend rates, as of June 30, 2021 and June 30, 2022:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	4.50%	5.50%	6.50%
Total OPEB Liability 6-30-2021	\$ 507,645	\$ 587,905	\$ 686,501
Total OPEB Liability 6-30-2022	\$ 401,283	\$ 462,879	\$ 538,049

**DEL REY COMMUNITY SERVICES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
 YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Exhibit 4 – OPEB Expense for the Fiscal Year Ending June 30, 2023

For the year ending June 30, 2022, the District recognized OPEB expense of \$46,186, computed as follows:

Service cost	\$	46,572
Interest		17,469
Expected investment return		-
Administrative expense		-
Change in TOL due to changes in benefits		-
Recognition of difference between actual and expected experience		(36,245)
Recognition of changes in assumptions		18,390
Recognition of difference between projected and actual earnings on investments		-
		<hr/>
Total	\$	46,186

For the year ending June 30, 2023, the District will recognize OPEB expense of \$(2,663), computed as follows:

Service cost	\$	29,249
Interest		12,595
Expected investment return		-
Administrative expense		-
Change in TOL due to changes in benefits		-
Recognition of difference between actual and expected experience		(36,245)
Recognition of changes in assumptions		(8,262)
Recognition of difference between projected and actual earnings on investments		-
		<hr/>
Total	\$	(2,663)

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Exhibit 5 - Deferred Outflows and Inflows of Resources

The values of deferred outflows and inflows of resources related to OPEB as of June 30, 2021, to be reported as of June 30, 2022, are:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 150,909
Changes of assumptions	81,289	15,954
Net difference between projected and actual earnings on OPEB plan investments	-	-
District contributions subsequent to the measurement date	<u>20,286</u>	<u>-</u>
Total	\$ 101,575	\$ 166,863

Amounts reported as deferred outflows and inflows of resources related to OPEB as of June 30, 2021, to be reported as of June 30, 2022, will be recognized in OPEB expense as follows:

Year Ended June 30,

2023	\$ (17,855)
2024	(17,855)
2025	(19,183)
2026	(22,289)
2027	(8,665)
Thereafter	273

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

The values of deferred outflows and inflows of resources related to OPEB as of June 30, 2022, to be reported as of June 30, 2023, are:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 114,664
Changes of assumptions	59,101	132,088
Net difference between projected and actual earnings on OPEB plan investments	-	-
District contributions subsequent to the measurement date	<u>22,941</u>	<u>-</u>
Total	\$ 82,042	\$ 246,752

Amounts reported as deferred outflows and inflows of resources related to OPEB as of June 30, 2022, to be reported as of June 30, 2023, will be recognized in OPEB expense as follows:

Year Ended June 30,

2024	\$ (44,507)
2025	(45,835)
2026	(48,941)
2027	(35,317)
2028	(13,051)

Thereafter

-

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Exhibit 6 – Schedule of Changes in the Total OPEB Liability

Reporting date	<u>6/30/2022</u>	<u>6/30/2023</u>
Total OPEB Liability		
Service cost	\$ 46,572	\$ 29,249
Interest	17,469	12,595
Changes of benefit terms	-	-
Differences between actual and expected experience	(162,091)	-
Changes of assumptions	40,843	(146,584)
Benefits paid to retirees	<u>(23,244)</u>	<u>(20,286)</u>
Net change in total OPEB liability	(80,451)	(125,026)
Total OPEB liability - beginning	<u>668,356</u>	<u>587,905</u>
Total OPEB liability - ending	\$ 587,905	\$ 462,879
Covered-employee payroll	\$ 207,087	\$ 227,839
Total OPEB liability as a percentage of covered-employee payroll	283.89%	203.16%

Exhibit 7 – Ten-Year Projection of Costs

Shown below are estimates of (a) the benefits expected to be paid to retirees, and (b) the amounts the District is expected to accrue as GASB 75 OPEB expense, for the next ten years. For these estimates, it is assumed that all actuarial assumptions and the size of the workforce will remain unchanged, that the promised benefits will remain the same, that the District will continue paying benefits to retirees each year, and that there are no experience gains or losses.

Fiscal Year Ending:	<u>Employer-Paid Retiree Payments</u>	<u>Projected Implicit Rate Subsidy Payments</u>	<u>GASB 75 OPEB Expense</u>
2023	\$ 19,000	\$ 4,232	\$ (2,663)
2024	15,000	-	(7,000)
2025	17,000	-	(7,000)
2026	19,000	-	(9,000)
2027	20,000	-	6,000
2028	22,000	-	30,000
2029	24,000	-	44,000
2030	25,000	-	46,000
2031	26,000	-	48,000
2032	28,000	498	49,000

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Exhibit 8 - Summary of Benefit Provisions

The District contributes toward post-retirement benefits for employees who retire with a pension from CalPERS and select medical coverage with CalPERS.

The District pays 100% of the CalPERS medical premiums for eligible retired employees. Payments are made for as long as the retiree lives. The District makes no other payments to the retiree's dependents or to any other person. The District does not pay for dental or vision coverage, or any other benefits.

Exhibit 9 - Summary of Actuarial Assumptions

Actuarial Assumptions: The following assumptions as of June 30, 2022 were selected by the District in accordance with the requirements of GASB 75. These assumptions, in my opinion, are reasonable and appropriate for purposes of determining OPEB costs under GASB 75.

20-Year Bond Rate: The District has chosen to use the "S&P Municipal Bond 20 Year High Grade Rate Index" as its 20-year bond rate. That Index was 2.66% at June 30, 2020; 2.18% at June 30, 2021; and 4.09% at June 30, 2022.

Discount rate: 2.66% at June 30, 2020; 2.18% at June 30, 2021; and 4.09% at June 30, 2022. Since the benefits are not funded, the discount rate is equal to the 20-Year Bond Rate.

Medical Cost Increases (Trend): Medical premium amounts are assumed to increase 5.5% per year.

Payroll Growth: Total payroll is assumed to increase 3% per year in the future.

Coverage Elections: 100% of future eligible retired employees are assumed to participate in this program. Employees are assumed to keep the same medical plan after retirement that they have while employed.

Mortality: Mortality rates are taken from the 2017 CalPERS valuation.

Funding Method: The Entry Age actuarial cost method has been used, with normal costs calculated as a level percentage of payroll, as required by GASB 75.

Disability: Incidence of disability is considered to be included in the termination and retirement rates here, so no explicit recognition of disablement has been included.

Inflation: Long-term inflation is assumed to be 2.75% per year.

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2023**

Note 2: Other Post-Employment Benefits (OPEB) (continued)

Age-Specific Claims: The per person annual “true cost” of medical coverage for the 2019-2020 fiscal year has been developed from the monthly insurance premiums, the demographics of the employee population and industry norms. The annual “true cost” amounts used in this valuation were (sample rates only are shown):

Age 50	14,501
Age 55	17,883
Age 60	20,844
Age 62	21,822
Age 64	22,362

These age-specific rates were developed so as to reproduce in the aggregate the same total premium that would be paid to the carriers for all current employees and all current retirees.

Retirement: Retirement rates are taken from the 2017 CalPERS OPEB Assumptions Model (for classified employees) and from the 2016 valuation of Cal STRS (for certificated employees). Sample rates are:

	<u>10 Years Service</u>	<u>20 Years Service</u>	<u>30 Years Service</u>
Age 55	5.5%	11.3%	23.4%
Age 58	6.6%	12.4%	20.1%
Age 61	9.4%	15.3%	24.1%
Age 64	14.7%	22.1%	30.8%

Turnover (withdrawal): Likelihood of termination within the next year is taken from the 2017 CalPERS OPEB Assumptions Model. Sample rates are:

	<u>5 Years Service</u>	<u>10 Years Service</u>	<u>15 Years Service</u>
Age 20	6.54%		
Age 30	6.15%	4.16%	2.62%
Age 40	5.19%	3.75%	2.43%
Age 50	4.41%	2.86%	1.88%

**DEL REY COMMUNITY SERVICES DISTRICT
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

ASSESSED VALUATION OF THE DISTRICT

The assessed valuation of Del Rey Community Services District for the fiscal year ended June 30, 2023, as provided by the County of Fresno Assessor's Office, is as follows:

	<u>For Rate Computation</u>	<u>Homeowners Exemptions</u>	<u>For Tax Levy</u>
Secured:			
a. Maintenance account	\$ 118,475,003	\$ 543,200	\$ 117,931,803
b. Lighting account	29,091,503	445,200	28,646,303
Unsecured:			
a. Maintenance account	7,824,694	-	7,824,694
b. Lighting account	<u>5,402,494</u>	<u>-</u>	<u>5,402,494</u>
	<u>\$ 160,793,694</u>	<u>\$ 988,400</u>	<u>\$ 159,805,294</u>

**DEL REY COMMUNITY SERVICES DISTRICT
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

Insurance Coverage

<u>TYPE OF COVERAGE</u>	<u>Limit</u>
<u>PROPERTY</u>	
Blanket Building & Personal Property	\$ 6,995,789
Coverage Extension Blanket	2,000,000
<u>CRIME</u>	
Employee Theft	250,000
Forgery or Alteration	250,000
Inside the Premises – Theft	250,000
Inside the Premises – Robbery	250,000
Outside the Premises	250,000
Computer Fraud	250,000
Funds Transfer Fraud	250,000
Money Orders	250,000
<u>GENERAL LIABILITY</u>	
General Aggregate	10,000,000
Products – Comp/Op AGG	10,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence Limit for the above items	1,000,000
Damage to Rented Premises	1,000,000
Medical Payment	10,000
<u>WORKERS' COMP AND EMPLOYER LIABILITY</u>	
Each Accident	1,000,000
Disease – Each Employee	1,000,000
Disease – Policy Limit	1,000,000
<u>EQUIPMENT</u>	
Scheduled Equipment: Computer	79,500
Unscheduled Equipment (Maximum item \$10,000)	150,000
Borrowed, Rental & Land	100,000
<u>AUTOMOBILE COVERAGE</u>	
Combined Single Limit CSL	1,000,000
Automobile Medical Payments	5,000
Uninsured Motorists Coverage	1,000,000
<u>PUBLIC OFFICIALS & MANAGEMENT LIABILITY</u>	
Bodily Injury & Property Damage	10,000,000
Aggregate	1,000,000
Each Occurrence	1,000,000
Personal Injury & Advertising Injury-Each Action for Injunctive Relief	1,000,000
Damage to premises rent to you	1,000,000
Wrongful acts	1,000,000
Employment practices	1,000,000
Employee benefit plans	1,000,000



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**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
Del Rey Community Services District

We have audited, 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, the financial statements of the governmental activities, the business-type activities and each major fund of the Del Rey Community Services District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Del Rey Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Del Rey 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 determination of financial statement amounts. 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 District'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.

Jaribu W. Nelson, CPA

February 12, 2024

**DEL REY COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified			
Internal control over financial reporting:				
• Material weaknesses identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
• Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Non-compliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement finding to be reported in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*.

SECTION III – FEDERAL AWARDS FINDINGS

There are no federal award findings in accordance with *GAGAS* and the Compliance Supplement.

**DEL REY COMMUNITY SERVICES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

The District did not have any prior year findings.