

DEL REY COMMUNITY
SERVICES DISTRICT

FINANCIAL STATEMENTS
JUNE 30, 2021

DEL REY COMMUNITY SERVICES DISTRICT
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Del Rey Community Services District
Del Rey, California

We have audited the accompanying financial statements of Del Rey Community Services District (the District) which comprise the statement of net position of the District as of and for the year ended June 30, 2021, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Del Rey Community Services District, as of June 30, 2021, and the respective changes in financial position and, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

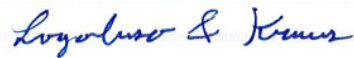
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 3-7 and 32-33, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of Contributions to the Pension Plan, and the schedule of changes to the District's total OPEB liability and related ratios 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 my 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements 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 a report dated December 31, 2021, on our consideration of the 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 the 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 the district's internal control over financial reporting and compliance.



LOGOLUSO & KRAUS

Fresno, California
December 31, 2021
Principle Auditor: Jerod M. Kraus
Firm ID number: 87-1350839

DEL REY COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

Introduction

In this discussion and analysis, management provides an overview of the Del Rey Community Services District's ("the District") financial position at June 30, 2021 and its financial performance for the years then ended. Limited information is presented about conditions and events that may affect the District's future financial position and performance. The intent is to provide context for understanding the financial statements and the District's prospects, and assistance interpreting the financial statements. This discussion and analysis presents management's perspective and should be read in conjunction with the District's financial statements and accompanying notes which follow this discussion and analysis.

Financial Statements

The District's financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements, together with the related footnotes, are known as the "basic financial statements" and comply with generally accepted accounting principles, which for all state and local governments, including the District, are set forth in Governmental Accounting Standards Board (GASB) Statements. In many, but not all cases, GASB Statements incorporate the provisions of Financial Accounting Standards Board Statements which establish generally accepted accounting principles for nongovernmental entities. The District's activities are business type activities and are accounted for as enterprise funds. The accounting principles for an enterprise fund more closely resemble those of a commercial entity than a government.

Statement of Net Position

The statement of net position provides information about assets, obligations (liabilities), and net position of the District at a specific point in time. All amounts unless stated otherwise, are shown at cost. Therefore, the liabilities, and net position sections of this statement reveal the sources of the District's capital, and the assets section shows how the capital has been used. The net position section reveals the life to date results of operations. Current assets and current liabilities are shown separately from other assets and liabilities to enable the reader to evaluate the adequacy of the District's working capital. Working capital is the excess of current assets over current liabilities, and current assets and current liabilities are those which liquidate, or are expected to liquidate, within one year.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses and changes in net position provides information regarding the District's financial performance during the year. The difference between revenues and expenses is the change in net position for the period. The total net position represents the inception to date accumulation of changes in net position.

Revenues earned and expenses incurred during the year are presented in four categories: operating, non-operating, capital contributions, and transfers. This allows the reader to evaluate the financial results of operating activities separately from other sources of income and expense. The statement has the three major proprietary funds stated separately, while the nonmajor funds are combined, which include; water, sewer, solid waste, recreation, and lighting.

The statement ends by showing how net income for the year, including capital contributions, accounts for the change in net position that occurred during the year for each major fund, and the combined nonmajor funds.

DEL REY COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Statement of Cash Flows

Because revenues and expenses are not identical to cash flows, generally accepted accounting principles require we provide the statement of cash flows. The statement of cash flows reports sources and uses of cash in four categories: operating activities, noncapital financing activities, capital financing activities, and investing activities. The statement also presents a reconciliation of the differences between net income from operations and net cash flows from operations.

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

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, 2021 by \$12,596,506. Of this amount, \$12,148,145 is restricted and reserved by external laws and regulations or debt covenants.

Total assets and deferred outflows of resources increased by \$210,023.

There was an increase in capital assets of \$190,635 during the fiscal year ended June 30, 2021. This was due to the purchase of an aerator for the sewer plant, ongoing TCP treatment construction, and TCP related well construction.

Long-term liabilities increased by \$24,801 for the year ended June 30, 2021. This overall increase is due to an increase of OPEB liability beyond the amount that long-term debt decreased.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Supplementary Information

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

Financial Analysis

Net assets may serve over time as a useful indicator of financial position. As noted earlier, as of June 30, 2021, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$12,596,506. Of that amount, \$8,710,921, representing 70% of the District's net position, is restricted for debt service or specific expenditures relating to sewer repair, maintenance, service-life extensions, park improvements, and the TCP project. Capital assets are used to provide services to customers and they are not available for future spending and restrictions of net assets are unavailable for current use except for the funds in the connection fee restricted fund which are available for expenditures relating to sewer repair, maintenance, and service-life extensions, as noted above.

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Financial Analysis, (Continued)

Presented below are summaries of the District's net assets and changes in net assets for the current year:

Condensed Statements of Net Position
For the Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>% Change</u>
Current assets	\$ 842,464	\$ 393,658	448,806	114%
Restricted and other non-current assets	13,362,248	13,596,141	(233,893)	(2)%
Deferred outflows of resources	<u>116,088</u>	<u>120,978</u>	<u>(4,890)</u>	<u>(4)%</u>
Total assets and deferred outflows of resources	<u>\$ 14,320,800</u>	<u>\$14,110,777</u>	<u>\$ 210,023</u>	<u>1%</u>
Current liabilities	\$ 373,296	\$ 175,201	198,095	113%
Non-current liabilities	1,268,827	\$ 1,244,026	24,801	2%
Deferred inflows of resources	82,171	88,443	(6,272)	(7)%
Net position	<u>12,596,506</u>	<u>12,603,107</u>	<u>(6,601)</u>	<u>(1)%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,320,800</u>	<u>\$14,110,777</u>	<u>\$ 210,023</u>	<u>1%</u>

Current assets increased substantially due to the movement of cash from restricted to current, in order to match ending cash flow balances per fund.

Restricted and other non-current assets decreased due to the movement of cash to current, in order to match ending cash flow balances per fund. Deferred outflows decreased slightly.

The increase in current liabilities is for the most part due to the increase of the amount due to PG&E.

Non-current liabilities increased slightly due to an increase of OPEB liability.

The decrease of net position is for the most part due to a decrease of restricted for TCP project.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental enterprise activities as of June 30, 2021 amounted to \$4,120,058 (Net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, furniture & fixtures, and vehicles.

Debt Administration

The District's total liabilities (excluding pension and OPEB liabilities classified as deferred inflows of resources) increased by \$222,896. The increase is due to there being a utility payable, and an increase of OPEB liability.

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Financial Analysis, (Continued)

Condensed Statements of Revenues
For the Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>% Change</u>
Operating Revenues				
Services revenues	\$ 1,257,902	\$ 1,085,241	172,661	16%
Other	19,667	31,780	(12,113)	(38)%
Total operating revenues	<u>\$ 1,277,569</u>	<u>\$ 1,117,021</u>	<u>\$ 160,598</u>	<u>14%</u>
Nonoperating Revenues				
Litigation recovery	--	--	--	--
Investment income	142,380	195,535	(53,155)	(27)%
Donations/Other	--	--	--	--
Total nonoperating revenues	<u>142,380</u>	<u>195,535</u>	<u>(53,155)</u>	<u>(27)%</u>
Revenues before grant revenue	<u>1,419,949</u>	<u>1,312,556</u>	<u>107,343</u>	<u>8%</u>
Grant Revenues	--	--	--	--
TOTAL REVENUES	<u>\$ 1,419,949</u>	<u>\$ 1,312,556</u>	<u>\$ 107,393</u>	<u>8%</u>

Condensed Statements of Operating Expenses
For the Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>% Change</u>
General operating expenses	\$ 757,395	\$ 785,366	\$ (27,971)	(4)%
Depreciation	224,065	227,761	(3,696)	(2)%
General administrative expenses	59,925	42,730	17,194	40%
Solid Waste contracts	89,231	88,953	278	1%
Utilities	270,880	141,005	129,875	92%
Total operating expenses	<u>\$ 1,401,496</u>	<u>\$ 1,285,815</u>	<u>\$ 115,680</u>	<u>9%</u>

DEL REY COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Financial Analysis, (Continued)

Comparison of Budget to Actual

The budget is prepared annually and has budget, actual and variance categories. The budgeted amount for pension is -0- with an actual expense of \$31,567 . Pension expense will be added to future budgets. The budgeted amount for office supplies is \$5,043 with an actual of \$8,621. Office supplies actual includes; postage, bank fees, uniform, alarm, and general admin. The budgeted amount for accounting is \$45,000 with an actual of \$19,000. The budgeted amount for depreciation is -0- with an actual of \$224,065. Depreciation is not budgeted for. The budgeted amount for donations is -0- with an actual of \$6,515. Donations are not budgeted. The budgeted amount for capital grants is -0- with an actual of -0-. Capital grants are not budgeted. There is a positive budget variance for total operating income of \$128,721, most of which is attributable to Sequoia pumping revenue. Operating expenses have a negative variance of \$208,340. As mentioned, many categories of expense are not budgeted for.

Billing Assessment Study

The public voted down the rate increase that was proposed based upon the billing assessment study. Rates remain unchanged.

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 information should be addressed to: District Manager, Del Rey Community Services District, P.O. Box 186, Del Rey, California 93616.

DEL REY COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	Water	Sewer	Solid Waste	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets					
Unrestricted:					
Cash and cash equivalents	\$ 11,270	\$ 351,182	\$ --	\$ 33,392	\$ 395,844
Investments	196,443	--	--	--	196,443
Accounts receivable, net	34,641	38,180	9,665	--	82,486
Interest Receivable	61,801	--	--	465	62,266
Prepaid expenses	4,429	5,862	1,042	1,694	13,027
Due from other funds	59,006	33,392	--	--	92,398
Total current unrestricted assets	<u>367,590</u>	<u>428,616</u>	<u>10,707</u>	<u>35,551</u>	<u>842,464</u>
Restricted:					
Cash and investments	<u>8,905,926</u>	<u>--</u>	<u>--</u>	<u>16,435</u>	<u>8,922,361</u>
Total current assets	<u>9,273,516</u>	<u>428,616</u>	<u>10,707</u>	<u>51,986</u>	<u>9,764,825</u>
Noncurrent Assets					
Restricted and other noncurrent assets:					
Cash and investments	--	218,075	--	--	218,075
Bond issuance costs	--	6,460	--	--	6,460
Net pension asset	<u>32,400</u>	<u>42,882</u>	<u>7,624</u>	<u>12,388</u>	<u>95,294</u>
Total restricted and other noncurrent assets	<u>32,400</u>	<u>267,417</u>	<u>7,624</u>	<u>12,388</u>	<u>319,829</u>
Capital Assets:					
Non-depreciable	563,418	331,724	--	66,833	961,975
Depreciable	2,151,399	3,900,904	--	2,950,694	9,002,997
Less accumulated depreciation	<u>(1,567,686)</u>	<u>(2,223,787)</u>	<u>--</u>	<u>(2,053,441)</u>	<u>(5,844,914)</u>
Total Capital Assets, net	<u>1,147,131</u>	<u>2,008,841</u>	<u>--</u>	<u>964,086</u>	<u>4,120,058</u>
Total assets	<u>10,453,047</u>	<u>2,704,874</u>	<u>18,331</u>	<u>1,028,460</u>	<u>14,204,712</u>
DEFERRED OUTFLOWS OF RESOURCES					
Items related to pension plan	11,692	15,475	2,751	4,471	34,389
Items related to OPEB	<u>24,510</u>	<u>49,019</u>	<u>6,536</u>	<u>1,634</u>	<u>81,699</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 10,489,249</u>	<u>\$ 2,769,369</u>	<u>\$ 27,618</u>	<u>\$ 1,034,564</u>	<u>\$ 14,320,800</u>

See accompanying notes to financial statements.

DEL REY COMMUNITY SERVICES DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	Water	Sewer	Solid Waste	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 55,778	\$ 148,680	\$ 8,617	\$ 1,754	\$ 214,829
Accrued liabilities	--	--	--	19,965	19,965
Accrued interest payable	--	12,181	--	--	12,181
Deposits	--	--	--	2,177	2,177
Due to other funds	--	--	17,319	75,079	92,398
Current portion of long-term debt	<u>5,746</u>	<u>26,000</u>	<u>--</u>	<u>--</u>	<u>31,746</u>
Total current liabilities	61,524	186,861	25,936	98,975	373,296
Noncurrent Liabilities					
Long-term debt, net of current portion	77,571	522,900	--	--	600,471
OPEB liability	<u>200,507</u>	<u>401,014</u>	<u>53,468</u>	<u>13,367</u>	<u>668,356</u>
Total noncurrent liabilities	<u>278,078</u>	<u>923,914</u>	<u>53,468</u>	<u>13,367</u>	<u>1,268,827</u>
Total liabilities	339,602	1,110,775	79,404	112,342	1,642,123
DEFERRED OUTFLOWS OF RESOURCES					
Items related to pension plan	12,701	16,810	2,988	4,856	37,356
Items related to OPEB	<u>13,445</u>	<u>26,889</u>	<u>3,585</u>	<u>896</u>	<u>44,815</u>
Total liabilities and deferred inflows of resources	<u>365,747</u>	<u>1,154,474</u>	<u>85,978</u>	<u>118,095</u>	<u>1,724,294</u>
Net Position					
Net investment in capital assets	1,063,813	1,409,235	--	964,086	3,437,134
Restricted for sewer and lighting improvements	--	147,757	--	16,435	164,192
Restricted for debt service	--	50,705	--	--	50,705
Restricted for TCP project	8,496,114	--	--	--	8,496,114
Unrestricted	<u>563,575</u>	<u>7,198</u>	<u>(58,360)</u>	<u>(64,052)</u>	<u>448,361</u>
TOTAL NET POSITION	<u>10,123,502</u>	<u>1,614,895</u>	<u>(58,360)</u>	<u>916,469</u>	<u>12,596,506</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,489,249</u>	<u>\$ 2,769,396</u>	<u>\$ 27,618</u>	<u>\$ 1,034,564</u>	<u>\$ 14,320,800</u>

See accompanying notes to financial statements.

DEL REY COMMUNITY SERVICES DISTRICT

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

	Water	Sewer	Solid Waste	Nonmajor Enterprise Funds	Total
OPERATING REVENUES					
Residential	\$ 71,830	\$ 445,380	\$ 76,356	\$ --	\$ 593,566
Commercial	40,009	95,814	1,520	--	137,343
Industrial	141,912	267,894	25,067	--	434,873
Taxes	37,246	37,245	--	17,065	91,556
Reimbursements	--	8,590	--	--	8,590
Recreation Fees	--	--	--	564	564
Other	3,482	--	--	7,595	11,077
Total Operating Revenues	<u>294,479</u>	<u>854,923</u>	<u>102,943</u>	<u>25,224</u>	<u>1,277,569</u>
OPERATING EXPENSES					
Salaries and wages	71,122	92,894	16,588	26,749	207,353
Employee benefits and payroll taxes	18,442	24,088	4,301	6,936	53,768
Pension Expense	10,827	14,142	2,525	4,072	31,567
OPEB Expense	18,807	37,615	5,015	1,254	62,691
Directors' fees	2,021	4,041	539	135	6,735
Professional fees	40,590	81,179	10,824	2,706	135,299
Utilities	113,770	135,440	--	21,670	270,880
Repair, maintenance, and testing	64,950	120,668	--	--	185,618
License and permits	2,896	36,754	--	--	39,650
Insurance	8,331	26,383	--	--	34,714
General and administrative	13,705	42,408	3,049	763	59,925
Solid waste contract services	--	--	89,231	--	89,231
Total Operating Expenses	<u>365,462</u>	<u>615,612</u>	<u>132,073</u>	<u>64,285</u>	<u>1,177,431</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(70,983)	239,311	(29,130)	(39,061)	100,138
Depreciation	61,114	87,316	--	75,635	224,065
OPERATING INCOME (LOSS)	<u>(132,097)</u>	<u>151,995</u>	<u>(29,130)</u>	<u>(114,696)</u>	<u>(123,927)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	142,380	--	--	--	142,380
Interest expense	--	(25,054)	--	--	(25,054)
Total Non-Operating Revenue (Expenses)	<u>142,380</u>	<u>(25,054)</u>	<u>--</u>	<u>--</u>	<u>117,326</u>
Income (loss) before capital grants	10,283	126,941	(29,130)	(114,696)	(6,601)
Capital grants	--	--	--	--	--
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>10,283</u>	<u>126,941</u>	<u>(29,130)</u>	<u>(114,696)</u>	<u>(6,601)</u>
CHANGE IN NET POSITION	10,283	126,941	(29,130)	(114,696)	(6,601)
NET POSITION, JULY 1	<u>10,113,219</u>	<u>1,487,954</u>	<u>(29,230)</u>	<u>1,031,164</u>	<u>12,603,107</u>
NET POSITION, JUNE 30	<u>10,123,502</u>	<u>1,614,895</u>	<u>(58,360)</u>	<u>916,468</u>	<u>12,596,506</u>

See accompanying notes to financial statements.

DEL REY COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Water	Sewer	Solid Waste	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers, users, and county	\$ 291,104	\$ 877,438	\$ 99,454	\$ 24,623	\$ 1,292,619
Payments to employees and benefit providers	(103,332)	(130,966)	(22,936)	(34,304)	(291,538)
Payments to suppliers for goods and services	<u>(234,985)</u>	<u>(303,632)</u>	<u>(95,170)</u>	<u>(85,360)</u>	<u>(719,147)</u>
Net cash from operating activities	<u>(47,213)</u>	<u>442,840</u>	<u>(18,652)</u>	<u>(95,041)</u>	<u>281,934</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due from other funds	(59,006)	(33,392)	--	--	(92,398)
Due to other funds	<u>--</u>	<u>--</u>	<u>17,319</u>	<u>75,079</u>	<u>92,398</u>
Net cash from noncapital financing activities	<u>(59,006)</u>	<u>(33,392)</u>	<u>17,319</u>	<u>75,079</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(177,141)	(13,497)			(190,638)
Acquisition and construction of capital assets					--
Receipts from other governments - grants					--
Interest paid on long-term debt		(25,784)			(25,784)
Principle paid on long-term debt	<u>(5,746)</u>	<u>(25,000)</u>	<u>--</u>	<u>--</u>	<u>(30,746)</u>
Net cash from capital and related financing activities	<u>(182,887)</u>	<u>(64,281)</u>	<u>--</u>	<u>--</u>	<u>(247,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>125,212</u>			<u>396</u>	<u>125,608</u>
Net cash from investing activities	<u>125,212</u>	<u>--</u>	<u>--</u>	<u>396</u>	<u>125,608</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(163,894)	345,167	(1,333)	(19,566)	160,374
CASH AND CASH EQUIVALENTS, JULY 1	<u>9,277,533</u>	<u>224,090</u>	<u>1,333</u>	<u>69,393</u>	<u>9,572,349</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>9,113,639</u></u>	<u><u>569,257</u></u>	<u><u>--</u></u>	<u><u>49,827</u></u>	<u><u>9,732,723</u></u>

See accompanying notes to financial statements.

DEL REY COMMUNITY SERVICES DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Water	Sewer	Solid Waste	Nonmajor Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (132,097)	\$ 151,995	\$ (29,130)	\$ (114,695)	\$ (123,927)
Adjustments to reconcile operating income (loss) to net cash from operating activities	61,114	87,316		75,635	224,065
Depreciation					
(Increase) decrease in					
Accounts receivable	(5,810)	26,774	(2,732)		18,232
Interest receivable					--
Prepays	2,435	(4,259)	(757)	(941)	(3,522)
Net pension asset	1,462	9,491	1,687	2,741	15,381
Deferred outflows					
Increase (decrease) in					
Accounts payable	11,890	144,050	8,617	(60,269)	104,288
Accrued liabilities				1,229	1,229
Deposits payable				340	340
OPEB liability	13,793	27,473	3,663	919	45,848
Net pension liability					--
Deferred inflows					--
Net cash from operating activities	<u>(47,213)</u>	<u>442,840</u>	<u>(18,652)</u>	<u>(95,041)</u>	<u>281,934</u>

See accompanying notes to financial statements.

DEL REY COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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 District has no component units. The board of directors consist of the following members:

<u>Name</u>	<u>Title</u>
Stephanie Garza	President
Joaquin Nunez	Vice-President
Daniel Ramirez	Director
Rumaldo Reyna	Director
Rolando Sanchez	Director

Basis of Accounting

These financial statements are prepared in conformity with accounting principles generally accepted ("GAAP") in the United States of America. The Governmental Accounting Standards Boards ("GASB") is the acknowledged standard setting body for accounting and financial reporting standards followed by government entities in the United States of America. The District is presented as an enterprise fund. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where activities are financed in whole or in substantial part by fees charged in exchange for goods and services provided by the District. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place, so revenues are recognized when earned rather than when received, and expenses are recorded when incurred rather than when paid.

The District classifies as operating revenues those charges for goods and services which constitute the primary business activities of the District. Operating expenses are those required to provide the primary goods and services of the District and to earn the operating revenues. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, which includes nonexchange transactions and ancillary activities.

Cash and Cash Equivalents

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.

Restricted Assets

The use of some assets can be restricted to certain purposes by law, by grantors of the assets, by legislative acts of the Board of Directors, or by contracts to which the District is a party. When the District has a choice to use either restricted or unrestricted funds the District's policy is normally to use restricted funds first.

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Receivables

The District uses the direct write-off method for uncollectable trade receivable accounts. Grants receivable are subject to review and costs could be disallowed by the granting authority. Management is of the opinion that any adjustments would be immaterial. Such adjustments relating to prior year receivables are taken against income in the year in which the receivable was determined to be uncollectable. The trade receivables in the District's financial statements include a year-end accrual for services through the end of the fiscal year that have not yet been billed, which apply primarily to industrial accounts.

Property Tax Revenue

Property taxes are levied as of January 1 on property values assessed as of the same date. State statutes provide that the property tax rate is limited generally to one percent of assessed value, and can be levied by only the county, and shared by applicable jurisdictions within the county. The County of Fresno collects the taxes and distributes them to the taxing jurisdictions on the basis of the assessed valuations subject to voter approved debt. Property taxes are due to the county on November 1 and February 1, and become delinquent after December 10 and April 10. The District recognizes property tax revenues in the year in which they are credited to the District's account by the county and thus available for use by the District.

Inventory

Inventories are stated at the lower of cost or market on a first-in, first-out ("FIFO") method; however, as of June 30, 2021, the District maintained virtually no inventory of materials or supplies.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid expenses in the Financial Statements.

Capital Assets

Property, plant, equipment, and infrastructure are reported at historical cost. The District capitalizes as part of the asset cost any significant interest incurred during the construction phase of the asset. Depreciation is provided using the straight-line method for assets other than land. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	30-40
Water System	20-40
Sewer System	5-40
Park Development	10-40
General Equipment	5-10

Maintenance and repairs are charged to expense as incurred unless they extend the useful life or increase the capacity of an asset in which case these costs are capitalized.

Capital Grant Income

Capital grant income is recognized in the year that all requirements of the grant have been satisfied.

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Compensated Absences

The total amount of liability for compensated absences is reflected in the basic financial statements. Each of the District's regular full-time employees accrue one to four weeks of paid vacation per year, depending on the length of service. Employees are encouraged to utilize vacation leave within the anniversary year in which it was earned. At the discretion of the Board, the District may cash out all accrued, unused vacation leave at the end of the employee's anniversary year.

Regular, full-time employees are eligible for sick leave. Earned sick leave days accrue at 1.66 hours per pay period. As an incentive feature, if an employee does not use any sick leave days within a 12-month calendar year, the employee will receive five (5) days paid time at the end of the calendar year in-lieu of days not taken as paid sick leave. The District does not recognize an accrual for unpaid sick leave as part of its compensated absences liability because sick leave time does not vest and it is forfeited when employment terminates.

District policy prohibits compensatory time off which is defined as the excess of hours worked over their normally specified hours in a workweek.

The District accrues a liability for compensated absences when they meet the following criteria:

1. The District's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered;
2. The obligation relates to rights that vest or accumulate;
3. Payment of the compensation is probable; and,
4. The amount can be reasonably estimated.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District's pension plans under GASB 68 and OPEB under GASB 75.

Pensions

For purposes of measuring the net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B - CASH AND INVESTMENTS

Classification

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:

Statement of Net Position	
Cash and investments	\$ 592,287
Restricted cash and investments	9,140,436
Total cash and investments	<u>\$ 9,732,723</u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 22
Deposits with financial institutions	409,551
Local Agency Investment Fund (LAIF)	196,443
County of Fresno	9,100,062
Money Market Funds	26,645
Total cash and investments	<u>\$ 9,732,723</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.

The District's investment policy only authorized selection of investments based on safety, liquidity, and yield, authorizing investment in the Local Agency Investment Fund (LAIF), administered by the State of California. Except for Government Code §53601, as amended in 1995, prohibiting investment in "inverse floaters", "range notes", and "interest only strips", the District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

*Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.
(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B - CASH AND INVESTMENTS, (Continued)

The District complied with the provisions of the California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements

Investments of any debt proceeds held by a bond trustee are governed by provisions of the debt agreements(s), rather than the general provisions of the California Government Code.

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that increases in market interest rates will decrease the market value of an investment. Normally, the longer the remaining maturity of an investment, the greater is the sensitivity of its market value to changes in the market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>12 months or less</u>	<u>Total</u>
Money market funds	\$ 26,645	\$ 26,645
Local Agency Investment Fund	196,443	196,443
County of Fresno	9,100,062	9,100,062
Total investments	<u>\$ 9,323,150</u>	<u>\$ 9,323,150</u>
Cash on hand and deposits at banks		409,573
Total cash and investments		<u>\$ 9,732,723</u>

Credit risk is the risk an issuer or other counter party to an investment will not fulfill its obligations. At June 30, 2021, the District's cash and investments were held in insured or collateralized deposit accounts, collateralized governmental pools, or on account with the County of Fresno for the benefit of the District.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. The District has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions: the California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B - CASH AND INVESTMENTS, (Continued)

At June 30, 2021, the balances in financial institutions were \$436,195. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance (FDIC) and \$186,195 was collateralized as required under the California Government Code, by pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

California Local Agency Investment Fund

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is over \$75 billion managed by the State Treasurer. Of that amount, 2.81% is invested in structured notes and asset-backed securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The board consists of five members as designated by State statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There are no restrictions or limitations on withdrawals from LAIF. At June 30, 2021 the LAIF fund balance was \$196,443. The funds are protected by California statute 16429.3 and 16429.4.

NOTE C - ACCOUNTS RECEIVABLE

Changes in accounts receivable for the year ended June 30, 2021 are as follows:

	At June 30, 2020	At June 30, 2021	Increase/ (Decrease)
Industrial Users	\$ 68,510	\$ 36,774	\$ (31,736)
Commercial/Other Users	32,208	45,712	13,504
Total	<u>\$ 100,718</u>	<u>\$ 82,486</u>	<u>\$ 18,232</u>

NOTE D - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021 are summarized below:

	Beginning	Additions	Deletions	Ending
Land	\$ 427,734	\$	\$	\$ 427,734
Auto/Transport Equipment	22,740			22,740
Buildings	669,034			669,034
Furniture and Fixtures	59,828			59,828
Improvements	920,161			920,161
Machinery and Equipment	724,500			724,500
Miscellaneous	1,114,176			1,114,176
Park Improvements	294,571			294,571
Sewer System	3,068,541	13,497		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	357,100	23,890		380,990
Total before depreciation	<u>9,774,334</u>	<u>190,638</u>	<u>--</u>	<u>9,964,972</u>
Accumulated Depreciation	<u>(5,620,849)</u>	<u>(224,065)</u>		<u>(5,844,914)</u>
Total, Net of Depreciation	<u>\$4,153,485</u>			<u>\$ 4,120,058</u>

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - 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 \$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 \$548,900 at June 30, 2021 and \$573,900 at June 30, 2020.

Year	Schedule of Remaining Payments			Principal Balance	Reserve Requirements
	Principle Due	Interest Due	Annual Total		
2021	\$ 25,000	\$ 25,830	\$ 50,830	\$ 548,900	\$ 50,830
2022	26,000	24,705	50,705	522,900	50,705
2023	28,000	23,535	51,535	494,900	51,535
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>\$ 573,900</u>	<u>\$ 243,855</u>	<u>\$ 817,755</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.

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 \$83,317 at June 30, 2021 and \$89,063 at June 30, 2020.

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - LONG-TERM DEBT, (Continued)

Required payments on the loan at June 30, 2021, including current maturities are as follows:

<u>Year Ending</u>	<u>Principal</u>
2022	\$ 5,746
2023	5,746
2024	5,746
2025	5,746
2026	5,746
Thereafter	54,587
TOTAL	<u>\$ 83,317</u>

NOTE F - NET POSITION

Net Position is the excess of all the District's assets outflows over all its liabilities. Net Position is divided into three categories as follows:

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

The current net investment in capital assets is \$3,487,841.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations laws, or other restrictions which the District cannot unilaterally alter, or is restricted by enabling legislation. These principally include facility capacity fees received for use on capital projects, fees charged for the provision of future water resources, and debt service reserve funds. The debt service reserve is established under the terms of the various debt agreements to be used in the event of inadequate funds to pay debt service.

Restricted for sewer and lighting improvements is \$164,192. The lighting fund has \$16,435. This amount is restricted for lighting repairs, improvements and associated lighting expenses. The connection fee reserve has \$147,757. This amount is restricted for repairs to the connections or further connection improvements and area extensions.

Restricted for debt service is \$50,705. This restriction pertains to the current liability for the water bonds; principal and interest included.

Restricted for the TCP water well project is \$8,496,114. The original litigation recovery amount was \$9,001,287 of which \$505,173 has been spent towards the construction of the TCP water well project.

Unrestricted describes the portion of net position which is not restricted as to use. The unrestricted amount is \$448,361

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - 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. CalPERS 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, 2021, are summarized as follows:

<u>Benefit Provision</u>	<u>Misc. Plan</u>
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	\$500
COLA	2%
Covered Employees	12
Inactive Employees Receiving Benefits	3
Inactive Employees Entitled Yet not Receiving	6
Active Employees	3

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - PENSION PLAN, (Continued)

The 26898 PEPR Plan provisions and benefits in effect at June 30, 2021, 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	6.75%
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	\$500
COLA	2%
Covered Employees	1
Inactive Employees Receiving Benefits	0
Inactive Employees Entitled Yet not Receiving	0
Active Employees	1

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	\$ 0
2015	6,312
2016	4,896
2017	8,730
2018	8,749
2019	9,368
2020	13,507
2021	10,406

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - 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
06/30/11	\$ 507,807	\$ 603,181	\$ (95,374)	118.78%	\$ 45,760
06/30/12	506,165	580,785	(74,620)	114.74%	106,798
06/30/13	527,513	633,982	(106,469)	120.18%	112,017
06/30/14	579,333	730,119	(150,786)	126.03%	116,095
06/30/15	610,935	734,420	(123,485)	120.21%	119,857
06/30/16	624,366	701,543	(77,177)	112.36%	77,583
06/30/17	650,777	749,033	(98,256)	115.10%	85,799
06/30/18	734,604	819,920	(85,316)	111.60%	93,600
06/30/19	720,929	804,083	(83,154)	111.50%	99,840
06/30/20	770,467	836,544	(66,077)	108.58%	110,760

At June 30, 2021, the District reported a pension asset of \$95,294 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, 2021, 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, 2020 rolled forward to June 30, 2021 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 PEPRA 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
06/30/17	\$ 1,791	\$ 1,826	(35)	101.95%	\$14,186
06/30/18	6,446	6,198	248	96.15%	24,960
06/30/19	11,788	11,116	672	94.30%	27,040
06/30/20	19,124	17,925	1199	93.73%	30,680

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - PENSION PLAN, (Continued)

For the year ended June 30, 2021, miscellaneous plans, the District recognized a pension expense of \$31,567. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

6/30/20 Measurement Date	Pool Miscellaneous	TPL 0.00003980	FNP 0.00005770
	Pool Total	ER Proportion	
TPL	\$ 18,920,437,526	\$ 753,033	
FNP	14,702,361,183	848,326	
NPL/(A)	4,218,076,343	(95,293)	
Changes In Net Pension Liability Recognized Over the Measurement Period			
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 06/30/19	\$ 17,984,188,264	\$ 13,979,687,268	\$ 4,004,500,996
Changes for the year:			
Service Costs	432,411,777		432,411,477
Interest on total pension Liability	1,276,503,850		1,276,503,850
Changes of Benefit Terms	900,289		900,289
Changes of Assumptions	0		0
Differences Between Expected and Actual Experience	77,379,161		77,379,161
Net Plan to Plan Resource Movement		40,252,296	(40,252,296)
Contributions - Employer		656,896,339	(656,896,339)
Contributions - Employees		197,721,443	(197,721,443)
Net Investment Income		698,414,922	(698,414,922)
Benefit Payments, including refunds of Employee Contributions	(850,945,815)	(850,945,815)	0
Administrative Expense		(19,665,270)	19,665,270
Other Miscellaneous Income		0	0
Net Changes	936,249,262	722,673,915	213,575,347
Balances at 06/30/20	\$ 18,920,437,526	\$ 14,702,361,183	\$ 4,218,076,343

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - PENSION PLAN, (Continued)

	TPL 0.000010143	FNP 0.000029349	
Changes In Net Pension Liability Recognized Over the Measurement Period	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 06/30/19	\$ 762,529	\$ 869,536	\$ (107,007)
Changes for the year:			
Service Costs	(4,386)		(4,386)
Interest on total pension Liability	(12,947)		(12,947)
Changes of Benefit Terms	(9)		(9)
Changes of Assumptions	0		0
Differences Between Expected and Actual Experience	(785)		(784)
Net Plan to Plan Resource Movement		(1,181)	1,181
Contributions - Employer		(19,279)	19,279
Contributions - Employees		(5,803)	5,803
Net Investment Income		(20,498)	20,498
Benefit Payments, including refunds of Employee Contributions	8,631	24,975	(16,344)
Administrative Expense		577	(577)
Other Miscellaneous Income		0	0
Net Changes	(9,462)	(21,210)	11,714
Balances at 06/30/20	\$ 753,033	\$ 848,326	\$ (95,293)

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's Net Pension Liability (Asset)	\$ 4,918	\$ (95,293)	\$ (178,094)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (4,911)	\$ --
Change of Assumptions	--	(680)
Net difference between projected and actual investment earnings	--	2,831
Differences between employer's contributions and proportionate share of contributions	--	35,204
Change in employers proportion	28,823	--
Contributions subsequent to the measurement date	10,476	--
Total	\$ 34,388	\$ 37,355

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - PENSION PLAN, (Continued)

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

Year ended June 30:	
2022	\$ 364
2023	(8,398)
2024	(4,051)
2025	(1,358)
2026	--
Thereafter	--
	<u>(13,443)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 and June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2019	June 30, 2020
Measurement Date	June 30, 2020	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.00%	7.00%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	0.40%-8.5% (1)	0.40%-8.5% (1)
Investment Rate of Return	4.50% (2)	4.50% (2)

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 actuarial experience study for the period 2000 to 2019. The Experience Study can be obtained at the CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the test plans run out of assets. Therefore, the current 7.00% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.00% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to paragraph 68 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The discount rate was changed from 7.65% (net of administration expense in 2015) to 7.50% as of the June 30, 2015 measurement date. At the December 2016 meeting Calpers Board Administration lowered the discount rate from 7.50% to 7.00% using a 3 year phase in beginning with June 30, 2016 actuarial valuation.

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - PENSION PLAN, Discount Rate (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one percent.

On December 19, 2017, the CalPERS Board of Administration adopted changes to the current asset allocation as shown in the Policy Target Allocation below expressed as a percentage of total assets. The assets allocation and market value of assets shown below reflect the values of the Public Employees's Retirement Fund (PERF) in its entirety as of June 30, 2021.

<u>Asset Class(1)</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10 (2)</u>	<u>Real Return Years 11+ (3)</u>
Global Equity	50%	4.8%	5.98%
Private Equity	8%	6.3%	7.23%
Global Fixed Income	28%	1.0%	2.62%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	--%	(0.92%)

(1) In the system's CAFR Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term investments; inflation assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.0% used for this period.

(3) An expected inflation of 2.92% used for this period.

Net Pension Liability (Asset) Classic

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate Real Rate of Return

The following presents the net pension liability/(asset) for the Classic Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.00%, as well as what the net position liability/(asset) would be if it were calculated using a discount rate that is quarter percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

<u>As of June 30, 2020</u>	<u>6.00 Discount Rate (- 1.00%)</u>	<u>7.00% Discount Rate 8.00%Discount Rate (Assumed rate)</u>	<u>Rate (+1.00%)</u>
Plan's Total Normal Cost	19.21%	15.56%	12.74%
Accrued Liability	\$ 877,318	\$ 770,467	\$ 683,230
Unfunded Accrued Liability/(Asset)	40,774	(66,077)	(153,314)
Funded Status	95.4%	108.6%	122.4%

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - PENSION PLAN, (Continued)

Net Pension Liability (Asset) PEPPRA

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate Real Rate of Return

The following presents the net pension liability/(asset) for the PEPPRA Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.00%, as well as what the net position liability/(asset) would be if it were calculated using a discount rate that is one and one quarter percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

This analysis is intended to illustrate the long-term risk to the contribution rates.

<u>As of June 30, 2020</u>	<u>6.00 Discount Rate - (1.00%)</u>	<u>7.00% Discount Rate (Assumed rate)</u>	<u>8.00% Discount Rate (1.00%)</u>
Plan's Total Normal Cost	17.65%	14.22%	11.59%
Accrued Liability	\$ 23,519	\$ 19,124	\$ 15,594
Unfunded Accrued Liability/(Asset)	\$ 5,594	\$ 1,199	\$ (2,331)
Funded Status	76.2%	93.7%	114.9%

Payable to the Pension Plan

At June 30, 2021, the District had an outstanding payable to the pension plan of \$1,400 and a prepayment of \$13,027.

NOTE H COMPENSATED ABSENCES

At June 30, 2021, accrued compensated absences totaled \$19,965, representing a \$1,228 increase from the July 1, 2020 beginning balance.

NOTE I OTHER POST-EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits

The District provides retired employees medical insurance benefits through a single-employer defined benefit plan administered by CalPERS. 100% of the retiree's medical premium is paid, for the lifetime of the retired employee. No other benefits are paid by the district of any kind, for dental or vision or Medicare Part B or D coverage. All benefits cease upon the death of the retiree. Dependents are not covered. The District does not establish a trust account for the provision of these benefits. The District funds the benefits on a pay-as-you-go basis. The total medical insurance paid for retired employees during the 6/30/21 fiscal year is \$15,476.

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. District does not pay for dental or vision coverage, or any other benefits. There is no stand alone financial report issued.

Summary of Participating Employees as of June 30, 2020

Active Employees

Number	5 employees
Expected remaining Service	8 years

Retired Former Employees and Surviving Spouses

Number	2 persons
Average Age	77 years

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

Del Rey Community Service District's total OPEB liability of \$668,356 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021. The \$668,356 consists of \$548,971 attributed to the present value of benefits for employees and \$119,385 attributed to the present value of benefits for retirees.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to the June 30, 2021 period in the measurement, unless otherwise specified.

Inflation	2.75%
Salary Increases	3.00%
Discount Rate	2.66%
Medical Cost Increases (Trend)	5.50%

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the 2021 CalPERS OPEB Assumptions Model. The data for this model was gathered from 2000-2019.

The actuarial assumptions used in the June 30, 2021 valuation were selected by the District in accordance with the requirements of GASB 75. The plan's fiduciary net position is \$0, therefore this schedule reflects the net OPEB liability.

10-Year Total OPEB liability Schedule

<u>Year</u>	<u>Amount</u>
06/30/17	\$ 532,852
06/30/18	522,819
06/30/19	559,408
06/30/20	611,809
06/30/21	668,356

10 Year Schedule of Changes in the Total OPEB Liability

The plan fiduciary net position is 0, therefore the total OPEB liability is also the net OPEB liability.

Reporting date	<u>06/30/2021</u>	<u>06/30/20</u>
Total OPEB liability		
Service Cost	\$ 43,857	\$ 31,880
Interest	16,806	16,356
Changes of benefit terms	0	0
Differences between actual and expected experience	0	(38,611)
Changes of assumptions	14,749	63,887
Benefits paid to retirees	(18,865)	(21,111)
Net change in Total OPEB liability	<u>56,547</u>	<u>52,401</u>
 Total OPEB liability - beginning	 611,809	 559,408
Total OPEB liability - ending	\$ 668,356	\$ 611,809
 Covered-employee payroll	 \$ 150,501	 \$ 195,857
 Net OPEB liability as a percentage of covered-employee payroll	 444.09%	 312.38%

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Reporting date	<u>06/30/2019</u>	<u>06/30/2018</u>
Total OPEB liability		
Service Cost	\$ 29,931	\$ 31,945
Interest	16,018	14,153
Changes of benefit terms	0	0
Differences between actual and expected experience	0	0
Changes of assumptions	12,738	(34,944)
Benefits paid to retirees	<u>(22,098)</u>	<u>(21,187)</u>
Net change in Total OPEB liability	36,589	(10,033)
 Total OPEB liability - beginning	 522,819	 532,852
Total OPEB liability - ending	\$ 559,408	\$ 522,819
 Covered-employee payroll	 \$ 192,175	 \$ 179,558
 Net OPEB liability as a percentage of covered-employee payroll	 291.09%	 291.17%

Below are estimates of the benefits expected to be paid to retirees and the amounts the District is expected to accrue as GASB 75 OPEB expense. For these estimates it is assumed that all actuarial assumptions and the size of the work force will remain unchanged, that the promised benefits will remain the same, and that there are no experience gains or losses.

Fiscal Year Ending	Employer-Paid Retiree Payments	Projected Implicit Rate Subsidy Payments	GASB 75 OPEB Expense
06/30/21	\$ 11,808	\$ 2,162	\$ 64,853
06/30/22	14,267	3,889	67,000
06/30/23	16,480	5,495	70,000
06/30/24	17,674	0	72,000
06/30/25	19,565	0	74,000
06/30/26	21,241	0	73,000
06/30/27	22,722	0	79,000
06/30/28	24,044	0	80,000
06/30/29	26,200	0	83,000
06/30/30	27,006	0	86,000

Changes of assumptions and other inputs reflect a change in the discount rate from 2.79% in 2019 to 2.66% in 2020.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate for the June 30, 2021 measurement year:

	1% decrease <u>1.66%</u>	Discount Rate <u>2.66%</u>	1% increase <u>3.66%</u>
Total OPEB liability	\$ 799,069	\$ 668,356	\$ 565,783

(Continued)

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current discount rate for the June 30, 2021 measurement year:

	<u>1% decrease</u> 4.50%	<u>Trend Rate</u> 5.50%	<u>1% increase</u> 6.50%
Total OPEB liability	\$ 552,511	\$ 668,356	\$ 822,321

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$62,691. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 25,063
Changes of assumptions	62,634	19,752
Net difference between projected and actual earnings on OPEB plan investments	0	0
District contributions subsequent to the measurement date	<u>19,065</u>	<u>0</u>
Total	<u>\$ 81,699</u>	<u>\$ 44,815</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2021	
2022	\$ 4,190
2023	4,190
2024	4,190
2025	2,862
2026	(244)
Thereafter	<u>2,631</u>
	<u>\$ 17,819</u>

NOTE J RISK MANAGEMENT

The District carries comprehensive commercial liability and business interruption insurance as well as mandatory workers' compensation insurance. Types of coverage and coverage limits are contained in the schedule of insurance coverage included in the Supplementary Information section of this report.

DEL REY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the Statement of Net Position date through December 31, 2021, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

NOTE L - BUDGETARY COMPARISON RECONCILIATION

The budget is condensed, and consists of the following funds: water, sewer, solid waste, recreation, lighting and general. Interest expense, interest income, donations and capital grants are in non-operating revenues (expenses). No amount was budgeted for pension expense, other post employment benefits, accounting, bad debt, depreciation donations or capital grants. Not all principal payments are included in the budget.

NOTE M - INTERFUND BALANCES AND TRANSFERS

There are three major funds; water, sewer, and solid waste. Water has fund receivable of \$59,006, with \$31,746 due from general fund, \$17,319 due from solid waste, and \$9,567 due from recreation. Sewer has a fund receivable of \$33,392 due from Lighting Fund. Bills were paid out of the Water Fund and the Sewer Fund, for the General Fund, Solid Waste Fund, and the Recreation Fund.

NOTE N - COMMITMENTS AND CONTINGENCIES

Contract Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments and the County of Fresno. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, will not be material.

The District was a plaintiff in claims against various companies alleging damages in connection with contaminated ground water that the District uses for its services. There were some litigation recovery funds received to fund the TCP filtration water project in the amount of, \$9,001,287, on 12/21/2018. As of 06/30/2021, \$8,496,114 remains restricted for the TCP project.

There were no known claims pending against the District nor any known potential claims at June 30, 2021. Previous billing discrepancies resulted in a billing adjustment to industrial customers, which may result in future billing adjustments.

REQUIRED SUPPLEMENTARY INFORMATION

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Water	\$ 341,942	\$ 253,751	\$ (88,191)
Sewer	624,231	562,283	(61,948)
Solid Waste	157,278	102,943	(54,335)
Hall Rentals	100	1,080	980
Taxes	102,000	91,556	(10,444)
Late Charges	100	490	390
Other Income	<u>31,100</u>	<u>258,952</u>	<u>227,852</u>
Total Operating Income	<u>1,256,751</u>	<u>1,271,055</u>	<u>14,304</u>
OPERATING EXPENSES			
Salaries	230,920	207,353	23,567
Health & Life Insurance	52,083	35,873	16,210
Employment taxes employer	14,850	17,896	(3,046)
Retirement	9,586	--	9,586
Pension expense	--	31,567	(31,567)
OPEB expense	-	62,691	(62,691)
Worker's Compensation Insurance	5,000	8,751	(3,751)
Social Security	--	--	--
Director's Fees	6,500	6,736	(236)
Training	--	7,257	(7,257)
Communication	6,000	6,815	(815)
Office Equipment	--	--	--
Computer Software	2,000	792	1,208
Office Supplies	9,900	8,621	1,279
Rate Study	--	--	--
Legal	40,800	29,034	11,766
Mileage	--	--	--
Accounting	14,400	19,000	(4,600)
Audit Contract	20,000	27,150	(7,150)
Actuary Fees	--	2,700	(2,700)
Engineering Fees	32,000	57,415	(25,415)
Dues Subscription Fees	12,000	6,736	5,264
Utilities	150,000	270,879	(120,879)
General Maintenance & Repairs	29,720	43,490	(13,769)
Equipment Rental	500	817	(317)
General Maintenance Supplies	42,500	26,391	16,109
Auto Repair and Maintenance	10,300	19,624	(9,324)
Testing	144,000	118,528	25,472

(Continued)

**DEL REY COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Solid Waste Contract	88,452	89,231	(779)
General Liability Insurance	22,000	25,963	(3,963)
Licenses and Permits	35,500	39,650	(4,150)
Property Taxes	4,929	4,957	(28)
Bad Debt	--	--	--
Depreciation	--	224,065	(224,065)
Reserves	--	--	--
TOTAL OPERATING EXPENSES	<u>983,940</u>	<u>1,399,982</u>	<u>(416,042)</u>
NON-OPERATING REVENUES (EXPENSES)			
Donations	--	6,515	6,515
Interest Income	65,000	142,380	77,380
Donation Expense	--	(1,515)	(1,515)
Interest Expense	(25,830)	(25,054)	776
Capital Grant	--	--	--
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>39,170</u>	<u>122,376</u>	<u>83,156</u>
CHANGE IN NET ASSETS	<u>\$ 311,981</u>	<u>\$ (6,601)</u>	<u>\$ (318,582)</u>
BUDGETED PRINCIPAL PAYMENTS			
State Water Loan	--	(5,746)	(5,746)
Sewer Bond Principal	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ --</u>
CAPITAL PURCHASES			
Purchase of vehicle	(50,000)	--	50,000
WATER REMEDIATION			
Transfer from water remediation fund	6,140,000	--	(6,140,000)
Water remediation expenditures	<u>(6,140,000)</u>	<u>--</u>	<u>6,140,000</u>
CHANGE IN NET ASSETS AFTER PRINCIPAL PAYMENTS	<u>\$ 236,981</u>	<u>\$ (37,347)</u>	<u>\$ (274,328)</u>

DEL REY COMMUNITY SERVICES DISTRICT
JUNE 30, 2021

Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
2021 and 2020-Miscellaneous Rate Plan 1328 and PEPR Miscellaneous Rate plan 26898

Last 10 Years*

	<u>2021</u>	<u>2020</u>
Proportion of the net pension liability	0.00577%	0.00622%
Proportionate share of the net pension liability	\$ (64,878)	\$ (82,492)
Covered employee payroll - measurement period	\$ 141,440	\$ 126,880
Proportionate share of the net pension liability as percentage of covered employee payroll	(46)%	(65)%
Plan fiduciary net position as a percentage of the total pension liability	113%	111%

Schedule of Contributions to the Pension Plan

Actuarially determined contributions	\$ 10,476	\$ 13,507
Contributions in relation to the actuarially determined contributions	\$ (10,476)	\$ (13,507)
Contribution deficiency (excess)	\$ --	\$ --
Covered-employee payroll - fiscal year	\$ 132,708	\$ 150,501
Contributions as a percentage of covered-employee payroll	7.89%	8.97%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

	June 30, 2020	June 30, 2019
Valuation date	Entry age normal cost method	Entry age normal cost method
Actuarial cost method	Level percent of payroll	Level percent of payroll
Amortization method	Market value	Market value
Asset valuation method		
Actuarial assumptions:		
Discount rate	7.00%	7.00%
Projected salary increases	0.40 to 8.5%	0.40 to 8.5%
Inflation	2.50%	2.50%
Payroll growth	2.75%	2.75%

* Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015.
No information was available prior to this date.

DEL REY COMMUNITY SERVICES DISTRICT
JUNE 30, 2021

Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
2019 and 2018-Miscellaneous Rate Plan 1328 and PEPR Miscellaneous Rate plan 26898

Last 10 Years*

	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability	0.00612%	0.00639%
Proportionate share of the net pension liability	\$ (85,068)	\$ (98,291)
Covered employee payroll - measurement period	\$ 118,560	\$ 99,985
Proportionate share of the net pension liability as percentage of covered employee payroll	(72)%	(115)%
Plan fiduciary net position as a percentage of the total pension liability	111%	115%

Schedule of Contributions to the Pension Plan

Actuarially determined contributions	\$ 9,368	\$ 8,749
Contributions in relation to the actuarially determined contributions	\$ (9,368)	\$ (8,749)
Contribution deficiency (excess)	\$ --	--
 Covered-employee payroll - fiscal year	 \$ 131,907	 \$ 112,245
Contributions as a percentage of covered-employee payroll	7.10%	7.79%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2018	June 30, 2017
Actuarial cost method	Entry age normal cost method	
Amortization method	Level percent of payroll	
Asset valuation method	Market value	
Actuarial assumptions:		
Discount rate	7.00%	7.25%
Projected salary increases	0.40% to 8.5%	0.40 to 8.5%
Inflation	2.50%	2.50%
Payroll growth	2.75%	2.75%

* Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015.
No information was available prior to this date.

DEL REY COMMUNITY SERVICES DISTRICT

JUNE 30, 2021

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability

2016 Miscellaneous Rate Plan 1328 and 2017 PEPRA Miscellaneous Rate Plan 26898

Last 10 Years*

	2017	2016
Proportion of the net pension liability	0.00669%	0.00669%
Proportionate share of the net pension liability	\$ (77,177)	\$ (123,484)
Covered employee payroll - measurement period	\$ 119,857	\$ 119,857
Proportionate share of the net pension liability as percentage of covered employee payroll	(99)%	(103)%
Plan fiduciary net position as a percentage of the total pension liability	112%	120%

Schedule of Contributions to the Pension Plan

Actuarially determined contributions	\$ 8,730	\$ 4,896
Contributions in relation to the actuarially determined contributions	\$ (8,730)	\$ (4,896)
Contribution deficiency (excess)	\$ --	\$ --
Covered-employee payroll - fiscal year	\$ 85,799	\$ 77,583
Contributions as a percentage of covered-employee payroll	10.17%	6.31%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2016	June 30, 2015
Actuarial cost method	Entry age normal cost method	
Amortization method	Level percent of payroll	
Asset valuation method	Market value	
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Projected salary increases	3.30% to 14.20%	
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%

* Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015.
No information was available prior to this date.

DEL REY COMMUNITY SERVICES DISTRICT
JUNE 30, 2021

Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
2015 Miscellaneous Rate Plan 1328

Last 10 Years*

	2015
Proportion of the net pension liability	0.00669%
Proportionate share of the net pension liability	\$ (150,786)
Covered employee payroll - measurement period	\$ 116,095
Proportionate share of the net pension liability as percentage of covered employee payroll	(130)%
Plan fiduciary net position as a percentage of the total pension liability	126%

Schedule of Contributions to the Pension Plan

Actuarially determined contributions	\$ 6,312
Contributions in relation to the actuarially determined contributions	\$ (6,312)
Contribution deficiency (excess)	\$ --
 Covered-employee payroll - fiscal year	 \$ 119,857
Contributions as a percentage of covered-employee payroll	5.27%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2014
Actuarial cost method	
Amortization method	
Asset valuation method	
Actuarial assumptions:	
Discount rate	7.50%
Projected salary increases	3.30% to 14.20%
Inflation	2.75%
Payroll growth	3.00%

* Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015.
No information was available prior to this date.

DEL REY COMMUNITY SERVICES DISTRICT
JUNE 30, 2021

Required Supplementary Information
Schedule of Changes in the District's
Total OPEB Liability and Related Ratios

	June 30, 2020	June 30, 2019
Total OPEB liability		
Service cost	\$ 43,857	\$ 31,880
Interest	16,806	16,356
Change of benefits term	0	0
Differences between actual and expected experience	0	(38,611)
Assumption changes	14,749	63,887
Benefits paid to retirees	<u>(18,865)</u>	<u>(21,111)</u>
Net change in total OPEB liability	\$ 56,547	\$ 52,401
Total OPEB liability June 30, 2016	<u>611,809</u>	<u>559,408</u>
Total OPEB liability June 30, 2017	<u>\$ 668,356</u>	<u>\$ 611,809</u>
Covered-employee payroll	\$ 150,501	\$ 195,857
Total OPEB liability as a percentage of covered-employee payroll	444.08%	312.38%

Changes of assumptions. Changes of assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

June 30, 2019	2.79%
June 30, 2020	2.66%

Information is only available for the displayed years.

SUPPLEMENTARY INFORMATION

DEL REY COMMUNITY SERVICES DISTRICT
SUPPLEMENTARY INFORMATION
JUNE 30, 2021

ASSESSED VALUATION OF DISTRICT

The assessed valuation of Del Rey Community Services District for the fiscal year ended June 30, 2021, as provided by the County of Fresno Assessor's Office, is as follows:

	<u>For Rate Computation</u>	<u>Home owners Exemptions</u>	<u>For Tax Levy</u>
Secured:			
a. Maintenance Account	\$ 106,192,083	558,600	105,633,483
b. Lighting Account	26,719,782	460,600	26,259,182
Unsecured:			
a. Maintenance Account	11,242,115	--	11,242,115
b. Lighting Account	<u>5,588,115</u>	<u>--</u>	<u>5,588,115</u>
	<u>\$ 149,742,095</u>	<u>\$ 1,019,200</u>	<u>\$ 148,722,895</u>
	<i>Source: County of Fresno, Tax Rate Book, 2020-2021 Tax Rate Information & Assessed Valuations</i>		

DEL REY COMMUNITY SERVICES DISTRICT
SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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	
Aggregate	10,000,000
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

DEL REY COMMUNITY SERVICES DISTRICT
SUPPLEMENTARY INFORMATION
JUNE 30, 2021

Water and Sewer Capacity (Connection) Fees for Fiscal Years
Ended June 30, 2004, 2005, and 2006

Connection Fees	2004	\$ 314,841
Connection Fees	2005	115,774
Developer Fees	2006	<u>36,814</u>
TOTAL COLLECTED		<u>\$ 467,429</u>
Applied to Operations	2004	\$ (65,585)
Applied to Operations	2005	(165,710)
Non-Capitalized Related Expenses	2005	(10,833)
Piping of North Garfield	2005	(5,842)
Sludge Drying Bed	2005	(2,928)
VFW for WWWTP	2005	(16,413)
Water Well No. 7 (to be paid back)	2005	(144,892)
Non-Capitalized Related Expenses	2006	(27,738)
Water Well No. 7 (to be paid back)	2006	<u>(27,488)</u>
		<u>\$ (467,429)</u>

DEL REY COMMUNITY SERVICES DISTRICT
SUPPLEMENTARY INFORMATION
JUNE 30, 2021

**Annual Water & Sewer Capacity Fee Deposits Report Per Government Code
Sections 66013(d) and (e) Fiscal Years Ended June 30, 2006, 2005, and 2004**

Beginning Balance	<u>2006</u>	<u>2005</u>	<u>2004</u>
Capacity Fees	\$ 18,411	\$ 249,256	\$ --
Developer Fees			
Interest			
Total Beginning Balance	<u>18,411</u>	<u>249,256</u>	<u>--</u>
Fees Collected			
Capacity Fees		115,774	314,841
Developer Fees	36,814		
Interest			
Total Fees Collected	<u>36,814</u>	<u>115,774</u>	<u>314,841</u>
Applied to: Operations		165,710	65,585
Applied to: Non-Capitalized	27,738	10,834	
Applied to: Capital Costs Funded by:			
VFD for WWTP		16,413	
Sludge-Drying Beds		2,928	
Piping of North Garfield Cnl		5,842	
Water Well #7 Receivables	<u>27,487</u>	<u>144,892</u>	
Total Funds Applied	<u>55,225</u>	<u>346,619</u>	<u>65,585</u>
Net Changes for the Year	<u>(18,411)</u>	<u>(230,845)</u>	<u>249,256</u>
Ending balance:			
Capacity Fees	<u>\$ --</u>	<u>\$ 18,411</u>	<u>\$ 249,256</u>

California Government Code (CGC) Section 66013© requires the District to place facilities connection fees received and any interest income earned from the investment of these monies in a separate capital facilities fund. These monies are to be used solely for the purpose for which they were collected and not commingled with other District funds. CGC Section 66013(d) requires the District to make certain information available to the public within 180 days after the close of each fiscal year. CGC Section 66013(e) allows the required information to be included in the District's annual financial report. The annual connection fee report shown above meets this requirement. Capacity fees are imposed for initiating water and sewer connection service by the District at the request of the customer. No fees are imposed upon real property or upon persons as an incident of property ownership, but rather as a condition of service. Developer fees are imposed for other services such as plan check, right-of-way, inspection, and coring fees.

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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
Del Rey, 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 Del Rey Community Services District, as of the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Del Rey Community Services District's basic financial statements, and have issued our report thereon dated December 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered , 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Del Rey Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of the , Del Rey 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 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 my audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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.



LOGOLUSO & KRAUS

Fresno, California
December 31, 2021

DEL REY COMMUNITY SERVICES DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

There were no current or prior year findings.