
**KEYES COMMUNITY SERVICES DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023**

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**KEYES COMMUNITY SERVICES DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Keyes Community Services District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Keyes Community Services District, as of June 30, 2023, and the respective changes in financial position and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to the District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2025, on our consideration of the Keyes Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Keyes Community Services District's internal control over financial reporting and compliance.

MUN CPA, LLP

Sacramento, California
August 11, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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

This discussion and analysis of the financial performance of the Keyes Community Services District ("KCSD") provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It is management's view of the District's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, June 30, 2023, assets of the District exceeded its liabilities by \$36,498,922 (net position). Of this amount, \$12,991,430 (unrestricted net position) may be used to meet the District's ongoing obligations to the citizens that the District serves.
- The District's total net position decreased by \$18,022.
- At the close of the fiscal year, June 30, 2023, the District's proprietary funds reported an ending fund balance of \$35,993,521, a decrease of \$45,433 when compared with prior year.
- At the close of the fiscal year, June 30, 2023, the District's governmental fund reported an ending fund balance of 505,401, an increase of \$27,411 when compared with the prior year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District completed the current year with its funds reporting a combined net position of approximately \$36,498,922, a decrease of approximately 0.05% over last year's ending fund balance. The decrease in combined net position was the result of a net loss from the business-type operations and an excess of revenues over expenditures in the governmental fund.

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

STATEMENT OF NET POSITION

The following table summarizes ending Net Position for the fiscal years ending June 30, 2023 and June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022 (Restated)</u>	<u>Change</u>
Assets:			
Current assets	\$ 14,860,555	\$ 14,693,161	\$ 167,394
Capital assets, net	<u>23,206,847</u>	<u>23,434,268</u>	<u>(227,421)</u>
Total assets	<u>38,067,402</u>	<u>38,127,429</u>	<u>(60,027)</u>
Deferred outflows of resources	<u>306,306</u>	<u>203,817</u>	<u>102,489</u>
Liabilities:			
Current liabilities	398,526	369,944	28,582
Non-current liabilities	<u>1,334,496</u>	<u>1,138,080</u>	<u>196,416</u>
Total liabilities	<u>1,733,022</u>	<u>1,508,024</u>	<u>224,998</u>
Deferred inflows of resources	<u>141,764</u>	<u>306,278</u>	<u>(164,514)</u>
Net position:			
Net investment in capital assets	23,239,137	23,434,268	(195,131)
Restricted	268,355	232,005	36,350
Unrestricted	<u>12,991,430</u>	<u>12,850,671</u>	<u>140,759</u>
Total net position	<u>\$ 36,498,922</u>	<u>\$ 36,516,944</u>	<u>\$ (18,022)</u>

This table summarizes the net position of the District and reflects the net position decrease of \$18,022 to \$36,498,922 in fiscal year 2023 from \$36,516,944 in fiscal year 2022. Net investment in capital assets decreased \$195,131 reflecting the net of assets additions/disposals and depreciation on capital assets. Approximately 64% of the District's net position reflects its investment in capital assets (e.g., land, building, machinery, equipment and rolling stock). The District uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Approximately 36% of the District's net position reflects its investment in unrestricted net position. The unrestricted net position is a resource that can be used for transactions relating to the general operations of the District.

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

CHANGES IN NET POSITION

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

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

This statement shows that revenues exceeded expenses by \$18,022 for fiscal year 2023. Ending net position totaled \$36,498,922 as of June 30, 2023. This is a 0.05% decrease over June 30, 2022.

The following table summarizes the Statement of Activities for the fiscal years ending June 30, 2023 and June 30, 2022:

STATEMENT OF ACTIVITIES

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Program Revenues			
Charges for services	\$ 3,042,100	\$ 3,008,741	\$ 33,359
General Revenues			
Property taxes	1,420	1,383	37
Interest income	161,893	102,146	59,747
Other revenues	<u>116,316</u>	<u>85,291</u>	<u>31,025</u>
Total Revenue	<u>3,321,729</u>	<u>3,197,561</u>	<u>124,168</u>
Program Expenses			
Street lighting	48,133	42,439	5,694
Water	1,956,934	2,039,423	(82,489)
Sewer	<u>1,334,684</u>	<u>1,118,367</u>	<u>216,317</u>
Total Expenses	<u>3,339,751</u>	<u>3,200,229</u>	<u>139,522</u>
Change in net position	<u>(18,022)</u>	<u>(2,668)</u>	<u>(15,354)</u>
Net position - beginning	<u>38,161,188</u>	<u>38,332,485</u>	<u>(171,297)</u>
Prior period adjustment	<u>(1,644,244)</u>	<u>(168,629)</u>	<u>-</u>
Net position - beginning, restated	<u>36,516,944</u>	<u>38,163,856</u>	<u>-</u>
Net position - ending	<u>\$ 36,498,922</u>	<u>\$ 38,161,188</u>	<u>\$ (186,651)</u>

Total revenues increased by \$124,168 or 4% during the fiscal year 2023 compared to 2022, totaling \$3,321,729. Total expenditures increased by \$139,522 or 4% to \$3,339,751 in 2023.

**KEYES COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2023 and 2022 was \$23,206,847 and \$23,434,268 respectively. The decrease in capital assets is due to minimal additions to fixed assets in 2023, and an increase in accumulated depreciation.

CAPITAL ASSETS

	<u>2023</u>	<u>2022 (Restated)</u>
Land	\$ 219,100	\$ 219,100
Construction in progress	1,680,313	1,680,313
System	26,532,904	26,532,904
Building and improvements	529,431	529,431
Equipment and vehicles	<u>1,433,055</u>	<u>741,213</u>
Subtotal	30,394,803	29,702,961
Less accumulated depreciation	<u>(7,187,956)</u>	<u>(6,268,693)</u>
Total net capital assets	<u>\$ 23,206,847</u>	<u>\$ 23,434,268</u>

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The District completed the current year with its funds reporting a slight decrease of approximately 0.05% over last year's ending fund balance. The increase was the result of a net loss from the business-type operations and an excess of revenues over expenditures in the governmental fund.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

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

The property that will be used to treat the 123 TCP was purchased from Stanislaus County in March 2021 and construction will start in 2024. The money to fund this project will come from funding that will be received from SWRCB.

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

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments (Note 2)	\$ 218,355	\$ 13,181,138	\$ 13,399,493
Accounts receivable, net	-	1,299,378	1,299,378
Internal balances (Note 7)	50,000	(50,000)	-
Prepaid expenses	-	129,394	129,394
Easements	-	32,290	32,290
Capital assets, net (Note 3)	237,046	22,969,801	23,206,847
TOTAL ASSETS	505,401	37,562,001	38,067,402
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related (Note 4)	-	306,306	306,306
<u>LIABILITIES</u>			
Accounts payable	-	124,438	124,438
Accrued expenses	-	72,833	72,833
Customer deposits	-	102,726	102,726
Long-term liabilities (Note 5)			
Due within one year	-	98,529	98,529
Due after one year	-	1,334,496	1,334,496
TOTAL LIABILITIES	-	1,733,022	1,733,022
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related (Note 4)	-	141,764	141,764
<u>NET POSITION</u>			
Net investment in capital assets	237,046	23,002,091	23,239,137
Restricted	268,355	-	268,355
Unrestricted	-	12,991,430	12,991,430
TOTAL NET POSITION	\$ 505,401	\$ 35,993,521	\$ 36,498,922

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:						
Street Lighting	\$ 48,133	\$ 72,963	\$ -	\$ 24,830	\$ -	\$ 24,830
Total Governmental Activities	\$ 48,133	\$ 72,963	\$ -	24,830	-	24,830
Business-Type Activities:						
Water	\$ 1,956,934	\$ 1,545,281	\$ -		(411,653)	(411,653)
Sewer	1,334,684	1,423,856	-		89,172	89,172
Total Business-type Activities	\$ 3,291,618	\$ 2,969,137	\$ -		(322,481)	(322,481)
General Revenues:						
Property taxes				-	1,420	1,420
Interest earnings				2,581	159,312	161,893
Miscellaneous				-	116,316	116,316
Total General Revenues				2,581	277,048	279,629
Change in Net Position				27,411	(45,433)	(18,022)
Net Position - July 1, 2022				477,990	37,683,198	38,161,188
Prior period adjustment (Note 11)				-	(1,644,244)	(1,644,244)
Net Position - July 1, 2022, restated				477,990	36,038,954	36,516,944
Net Position - June 30, 2023				\$ 505,401	\$ 35,993,521	\$ 36,498,922

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2023**

	<u>Street Lighting Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 218,355
Due from other funds	<u>50,000</u>
Total Assets	<u>\$ 268,355</u>
<u>FUND BALANCE</u>	
Restricted	\$ <u>268,355</u>
Total Fund Balance	<u>268,355</u>
Total Liabilities and Fund Balances	<u>\$ 268,355</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balance of governmental fund	\$	268,355
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Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Fund above because of the following:

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

Capital assets at cost		268,171
Accumulated depreciation		<u>(31,125)</u>
Net position of governmental activities	\$	<u><u>505,401</u></u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Street Lighting Fund</u>
<u>REVENUES</u>	
Street light special assessment	\$ 72,963
Interest	<u>2,581</u>
Total Revenues	<u>75,544</u>
<u>EXPENDITURES</u>	
Current expenditures/expenses:	
Supplies and services	<u>39,194</u>
Total Expenditures	<u>39,194</u>
Net change in fund balance	<u>36,350</u>
Fund Balance - July 1, 2022	<u>232,005</u>
Fund Balance - June 30, 2023	<u>\$ 268,355</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

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

Change in fund balance - governmental fund	\$ 36,350
The governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:	
Depreciation expense	<u>(8,939)</u>
Change in net position of governmental activities	<u>\$ 27,411</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023**

	<u>Sewer</u>		<u>Water</u>		<u>Totals</u>
	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	<u>Operating Fund</u>	<u>Capital Improvement Fund</u>	
ASSETS					
Current assets:					
Cash and investments (Note 2)	\$ 1,875,108	\$ 559,045	\$ 10,023,110	\$ 723,875	\$ 13,181,138
Accounts receivable, net	152,350	-	1,147,028	-	1,299,378
Due from other funds (Note 7)	2,942	100,000	250,000	100,000	452,942
Prepaid expenses	64,434	-	64,960	-	129,394
Total Current Assets	<u>2,094,834</u>	<u>659,045</u>	<u>11,485,098</u>	<u>823,875</u>	<u>15,062,852</u>
Non-current assets:					
Easements	32,290	-	-	-	32,290
Capital assets, net (Note 3)	4,251,223	-	18,718,578	-	22,969,801
Total Non-Current Assets	<u>4,283,513</u>	<u>-</u>	<u>18,718,578</u>	<u>-</u>	<u>23,002,091</u>
Total Assets	<u>6,378,347</u>	<u>659,045</u>	<u>30,203,676</u>	<u>823,875</u>	<u>38,064,943</u>
DEFERRED OUTFLOWS OF RESOURCES					
Changes in net pension liability (Note 4)	153,153	-	153,153	-	306,306
Total Deferred Outflows of Resources	<u>153,153</u>	<u>-</u>	<u>153,153</u>	<u>-</u>	<u>306,306</u>
LIABILITIES					
Current liabilities:					
Accounts payable	63,941	-	60,497	-	124,438
Accrued expenses	7,351	-	65,482	-	72,833
Customer deposits	-	-	102,726	-	102,726
Accrued compensated absences - current (Note 5)	33,452	-	42,121	-	75,573
Due to other funds (Note 7)	500,000	-	2,942	-	502,942
Loan payable - current (Note 5)	-	-	22,956	-	22,956
Total Current Liabilities	<u>604,744</u>	<u>-</u>	<u>296,724</u>	<u>-</u>	<u>901,468</u>
Long-term liabilities:					
Loan payable (Note 5)	-	-	585,372	-	585,372
Net pension liability (Note 5)	374,562	-	374,562	-	749,124
Total Long-term Liabilities	<u>374,562</u>	<u>-</u>	<u>959,934</u>	<u>-</u>	<u>1,334,496</u>
Total Liabilities	<u>979,306</u>	<u>-</u>	<u>1,256,658</u>	<u>-</u>	<u>2,235,964</u>
DEFERRED INFLOWS OF RESOURCES					
Changes in net pension liability (Note 4)	70,882	-	70,882	-	141,764
Total Deferred Inflows of Resources	<u>70,882</u>	<u>-</u>	<u>70,882</u>	<u>-</u>	<u>141,764</u>
NET POSITION:					
Net investment in capital assets	4,283,513	-	18,718,578	-	23,002,091
Unrestricted	1,197,799	659,045	10,310,711	823,875	12,991,430
Total Net Position	<u>\$ 5,481,312</u>	<u>\$ 659,045</u>	<u>\$ 29,029,289</u>	<u>\$ 823,875</u>	<u>\$ 35,993,521</u>

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Sewer		Water		Totals
	Operating Fund	Capital Improvement Fund	Operating Fund	Capital Improvement Fund	
<u>OPERATING REVENUES</u>					
Services charges	\$ 1,315,656	\$ -	\$ 1,383,281	\$ -	\$ 2,698,937
Late charges	-	-	46,308	-	46,308
Connections fees	-	108,200	-	162,000	270,200
Miscellaneous	540	-	69,468	-	70,008
Total Operating Revenue	<u>1,316,196</u>	<u>108,200</u>	<u>1,499,057</u>	<u>162,000</u>	<u>3,085,453</u>
<u>OPERATING EXPENSES</u>					
Salaries and benefits	422,572	-	454,283	-	876,855
Supplies and services	743,961	-	760,478	-	1,504,439
Depreciation	168,151	-	742,173	-	910,324
Total Operating Expenses	<u>1,334,684</u>	<u>-</u>	<u>1,956,934</u>	<u>-</u>	<u>3,291,618</u>
Operating Income (Loss)	<u>(18,488)</u>	<u>108,200</u>	<u>(457,877)</u>	<u>162,000</u>	<u>(206,165)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Property taxes	-	-	1,420	-	1,420
Interest income	26,800	7,097	115,301	10,114	159,312
Total Non-Operating Revenues (Expenses)	<u>26,800</u>	<u>7,097</u>	<u>116,721</u>	<u>10,114</u>	<u>160,732</u>
Change in net position	8,312	115,297	(341,156)	172,114	(45,433)
Net Position - July 1, 2022	<u>5,497,130</u>	<u>543,748</u>	<u>30,990,559</u>	<u>651,761</u>	<u>37,683,198</u>
Prior period adjustment (Note 11)	<u>(24,130)</u>	<u>-</u>	<u>(1,620,114)</u>	<u>-</u>	<u>(1,644,244)</u>
Net Position - July 1, 2022, restated	<u>5,473,000</u>	<u>543,748</u>	<u>29,370,445</u>	<u>651,761</u>	<u>36,038,954</u>
Net Position - June 30, 2023	<u>\$ 5,481,312</u>	<u>\$ 659,045</u>	<u>\$ 29,029,289</u>	<u>\$ 823,875</u>	<u>\$ 35,993,521</u>

See accompanying notes to the basic financial statements.

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

	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers	\$ 4,077,055
Payments to employees for salaries and wages	(894,531)
Payments to suppliers for goods and services	<u>(1,487,477)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,695,047</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition and construction of capital assets	(722,967)
Property taxes	1,420
Payments on long-term debt	<u>(22,956)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(744,503)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	<u>159,312</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>159,312</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,109,856</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,071,282</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 13,181,138</u></u>

See accompanying notes to the basic financial statements.

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

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

Operating Loss	\$	(206,165)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		919,263
Pension		(24,675)
(Increase) decrease in:		
Accounts receivable		993,197
Prepaid expenses		(14,385)
Increase (decrease) in:		
Accounts payable		18,294
Accrued expenses		4,114
Customer deposits		(1,595)
Compensated absences		(8,858)
Accrued wages		15,857
		15,857
TOTAL ADJUSTMENTS		1,901,212
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	1,695,047

See accompanying notes to the basic financial statements.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements provide information about the District's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

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

D. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District reports the following major funds:

Governmental Fund:

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

Proprietary – Enterprise Funds:

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

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

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

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary – Enterprise Funds (continue):

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

E. Cash and Cash Equivalents

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

F. Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable. Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. The District reports water charges as their major receivables.

The District utilizes the allowance method with respect to its accounts receivable. As of June 30, 2023, the allowance for doubtful accounts was \$-.

G. Restricted Assets

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

H. Customer Deposit Liability

The District receives deposits from customers requesting water service. The amount of the deposit varies depending on the type of customer. Deposits are returned to customers after balances are paid in full and the customer has cancelled water service. The amount on deposit as of June 30, 2023 was \$102,726.

I. Compensated Absences

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

J. Capital Assets

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

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

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

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Revenues

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

L. Property Taxes

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

M. Income Taxes

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

N. Pensions

For purposes of measuring the net pension (asset) liability, 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 Stanislaus County Employees' Retirement Association (StanCERA) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by StanCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

O. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

P. Fund Balance

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

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

R. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2022, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The purpose of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District adopted this accounting statement for its June 30, 2023 year-end. There was no significant financial impact to the District as a result of implementation.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Accounting Standards Board Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District adopted this accounting statement for its June 30, 2023 year-end. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023. There was no significant financial impact to the District as a result of implementation.

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2023 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Governmental Accounting Standards Board Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for guarantees. The requirements of this statement related to leases, PPPs and SBITAs are effective for the District's fiscal year ending June 30, 2023 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for the District's fiscal year ending June 30, 2025.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Accounting Standards Board Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The requirements of this statement are effective for the District's fiscal year ending June 30, 2025.

Government Accounting Standards Board Statement No. 103

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2: CASH AND INVESTMENTS

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

	Governmental Activities	Business-Type Activities	Total
Cash in bank	\$ -	\$ 63,574	\$ 63,574
Cash and investments held by the county	71,667	3,266,144	3,337,811
California CLASS	146,688	9,851,420	9,998,108
Total Cash and Investments	\$ 218,355	\$ 13,181,138	\$ 13,399,493

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

Cash held by the County

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

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

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Investment in California CLASS

California CLASS in a Joint Powers Authority created by public agencies to provide a convenient method for agencies to pool their assets for investment purposes. California CLASS is governed by a Board of Trustees made up of experienced local agency executives. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. Following the investment policy direction established by the Board of Trustees, the primary objective of the investment manager is to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the participants, and the final objective shall be to maximize the yield in a manner consistent with the first two objectives. The objective of the investment policy is to obtain the best possible return commensurate with the degree of risk that participants are willing to assume in obtaining such return. The District invests in the California CLASS Prime Fund. The 30 day yield at June 30, 2023 was 5.2264% and the weighted average maturity was 32 days.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3: CAPITAL ASSETS

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

Business-type activities:

	<u>July 1, 2022</u> <u>Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Capital assets not being depreciated					
Land	\$ 219,100	\$ -	\$ -	\$ -	\$ 219,100
Construction in progress	<u>1,680,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,680,313</u>
Total capital assets not being depreciated	<u>1,899,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,899,413</u>
Capital assets being depreciated					
System	26,264,733	-	-	-	26,264,733
Equipment and vehicles	741,213	691,842	-	-	1,433,055
Building and improvements	<u>529,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,431</u>
Total capital assets being depreciated	<u>27,535,377</u>	<u>691,842</u>	<u>-</u>	<u>-</u>	<u>28,227,219</u>
Less accumulated depreciation					
System	(5,464,138)	(836,496)	-	-	(6,300,634)
Equipment and vehicles	(679,288)	(56,437)	-	-	(735,725)
Building and improvements	<u>(103,081)</u>	<u>(17,391)</u>	<u>-</u>	<u>-</u>	<u>(120,472)</u>
Total accumulated depreciation	<u>(6,246,507)</u>	<u>(910,324)</u>	<u>-</u>	<u>-</u>	<u>(7,156,831)</u>
Total capital assets, net	<u>\$ 23,188,283</u>	<u>\$ (218,482)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,969,801</u>

Depreciation expense was charged to the business-type functions as follows:

Business-type Activities:

Water Operating fund	\$ 742,173
Sewer Operating fund	<u>168,151</u>
Total business-type activities depreciation expense	<u>\$ 910,324</u>

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3: CAPITAL ASSETS (Continued)

Governmental activities:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Capital assets being depreciated System	\$ <u>268,171</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>268,171</u>
Total capital assets being depreciated	<u>268,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,171</u>
Less accumulated depreciation System	<u>(22,186)</u>	<u>(8,939)</u>	<u>-</u>	<u>-</u>	<u>(31,125)</u>
Total accumulated depreciation	<u>(22,186)</u>	<u>(8,939)</u>	<u>-</u>	<u>-</u>	<u>(31,125)</u>
Total capital assets, net	\$ <u>245,985</u>	\$ <u>(8,939)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>237,046</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Street Lighting fund	\$ <u>8,939</u>
Total governmental activities depreciation expense	\$ <u>8,939</u>

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4: EMPLOYEE RETIREMENT PLAN

A. Plan Description

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

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

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

Summary of Plans and Eligible Participants

General Tiers

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

Safety Tiers

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

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4: EMPLOYEES RETIREMENT PLAN (Continued)

B. Benefits Provided

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

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

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

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

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

Plan	Employer Contribution Rates	Employee Contribution Rates
General Tier 2	25.18%	8.10-8.28%
General Tier 3	20.56%	Non-contributory
General Tier 4	33.07%	4.45%
General Tier 5	30.51%	9.01-9.05%
General PEPRA	25.74%	8.44-9.10%
Safety Tier 2	43.10%	12.95%
Safety Tier 5	73.59%	14.29-14.41%
Safety PEPRA	67.22%	13.18-14.72%

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

As of June 30, 2023, the Keyes Community Services District reported net pension liability for its proportionate share of \$749,124.

Keyes Community Services District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan was measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. Keyes Community Services District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023 the District's proportion was 0.1015%, compared to 0.1185% at June 30, 2022, an decrease of 0.0170%.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4: EMPLOYEES RETIREMENT PLAN (Continued)

For the year ended June 30, 2023, the District recognized pension expense of \$39,582. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,644	\$ -
Changes in assumptions	4,922	48,247
Net differences between projected and actual earnings on plan investments	106,703	-
Changes in proportion and differences between District's contributions and proportionate share of contributions	33,942	86,806
Differences between employer contributions and proportionate share of contributions	7,698	6,711
District contributions subsequent to measurement date	98,397	-
Total	\$ 306,306	\$ 141,764

\$98,397 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

Year Ended June 30,		
2024	\$	20,830
2025		17,964
2026		(23,405)
2027		50,756
Total	\$	66,145

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuation were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021 rolled forward to June 30, 2022
Experience Study Report	July 1, 2018 through June 30, 2021
Actuarial Cost Method	Entry-Age
Inflation Rate	2.50%
Investment Rate of Return	6.75%
Projected Salary Increases	2.75%
COLA Increases	100% of Consumer Price Index (CPI) up to 3.0% annually with banking 2.4% annual increases assumed.
Mortality (1)	Derived using CalPERS membership data for all funds

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries scale MP 2020. For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4: EMPLOYEES RETIREMENT PLAN (Continued)

rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class Component	Target Allocation	Expected Real Rate of Return
Domestic Equities		
U.S. Large Cap	16.00%	4.50%
U.S. Small Cap	4.00%	5.10%
International Equities		
International Development	14.50%	4.60%
Emerging Market Equity	5.50%	7.10%
U.S. Fixed Income		
U.S. Treasury	6.00%	1.00%
Short-term Gov/Credit	7.00%	3.00%
Real Estate		
Core	6.50%	2.80%
Value-add	6.00%	4.30%
Risk Parity	10.00%	3.70%
Absolute Return	3.00%	3.10%
Private Equity	5.00%	7.90%
Private Credit	8.00%	6.30%
Infrastructure	7.50%	5.50%
Cash	1.00%	.50%
Assumed Inflation - Mean		2.50%

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

	<u>Discount Rate -1%</u> <u>(5.75%)</u>	<u>Current Discount Rate</u> <u>(6.75%)</u>	<u>Discount Rate +1%</u> <u>(7.75%)</u>
District proportionate share of the net pension liability (asset)	\$ 1,196,972	\$ 749,124	\$ 381,273

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

D. Payable to the Pension Plan

The District had \$2,496 of contributions due to the pension plan required for the year ended June 30, 2023.

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of the District's long-term obligations as of June 30, 2023:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Current Portion</u>
Net Pension Liability	\$ 506,796	\$ 242,328	\$ -	\$ 749,124	\$ -
Drinking Water Revolving Loan	631,284	-	(22,956)	608,328	22,956
Compensated Absences	<u>84,431</u>	<u>41,141</u>	<u>(49,999)</u>	<u>75,573</u>	<u>75,573</u>
	<u>\$ 1,222,511</u>	<u>\$ 283,469</u>	<u>\$ (72,955)</u>	<u>\$ 1,433,025</u>	<u>\$ 98,529</u>

Compensated Absences

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

Water Revolving Loan Fund

On January 5, 2011, the District entered into a Project Finance Agreement with the State of California Water Resources Control Board to finance the District's Regional Benefit Arsenic Mitigation Project. The loan was provided by the Drinking Water State Revolving Fund. The loan matures through July 1, 2049 and bears an interest of 0%. Annual payments commenced on January 1, 2020.

The following summarizes the Drinking Water Revolving Loan future debt service requirements:

<u>Fiscal Year</u>	<u>Principal</u>
2024	\$ 22,956
2025	22,956
2026	22,956
2027	22,956
2028	22,956
2029-2033	114,780
2034-2038	114,780
2039-2043	114,780
2044-2048	114,780
2049	<u>34,428</u>
Total	<u>\$ 608,328</u>

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6: JOINTLY ORGANIZED ORGANIZATIONS

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

SDRMA is governed by a Board consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution or assessment commensurate with the level of coverage and services requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from SDRMA. Condensed information for SDRMA for the year ended June 30, 2023 (the latest information available) is as follows:

Total Assets	\$	146,574,993
Total Deferred Outflows	\$	1,664,198
Total Liabilities	\$	76,343,471
Total Deferred Inflows	\$	374,517
Total Net Position	\$	71,521,203
Total Revenues	\$	100,884,445
Total Expense	\$	96,706,371
Change in Net Position	\$	4,178,074

NOTE 7: INTERFUND ACTIVITIES

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The composition of due to/from other funds as June 30, 2023 was as follows:

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

**KEYES COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8: CONCENTRATIONS

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

NOTE 9: CONTINGENCIES

Litigation

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

NOTE 10: SUBSEQUENT EVENT

Management has reviewed events subsequent to June 30, 2023 through August 11, 2025, which is the date the financial statements were issued.

NOTE 11: PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2023, the District identified an error on the previously reported financial statements related to the overstatement of capital assets. As a result, the following adjustments were recorded to beginning net position:

<u>Fund</u>	<u>Description of Restatement</u>	<u>Net Position as Previously Stated</u>	<u>Restatement</u>	<u>Net Position, Restated</u>
<u>Proprietary Funds</u>				
Water Operating	Correction of capital assets	\$ 30,990,559	\$ (1,620,114)	\$ 29,370,445
Sewer Operating	Correction of capital assets	5,497,130	(24,130)	5,473,000
		<u>\$ 36,487,689</u>	<u>\$ (1,644,244)</u>	<u>\$ 34,843,445</u>

REQUIRED SUPPLEMENTARY INFORMATION

**KEYES COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL FOR THE STREET LIGHTING FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Under (Over)</u>
<u>REVENUES</u>				
Street light special assessment	\$ 78,000	\$ 78,000	\$ 72,963	\$ 5,037
Interest	<u>3,000</u>	<u>3,000</u>	<u>2,581</u>	<u>419</u>
Total Revenues	<u>81,000</u>	<u>81,000</u>	<u>75,544</u>	<u>5,456</u>
<u>EXPENDITURES</u>				
Supplies and services	<u>24,300</u>	<u>24,300</u>	<u>39,194</u>	<u>(14,894)</u>
Total Expenditures	<u>24,300</u>	<u>24,300</u>	<u>39,194</u>	<u>(14,894)</u>
Change in Fund Balance	<u>\$ 56,700</u>	<u>\$ 56,700</u>	<u>36,350</u>	<u>\$ 20,350</u>
Fund Balance - July 1, 2022			<u>232,005</u>	
Fund Balance - June 30, 2023			<u>\$ 268,355</u>	

**KEYES COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
LAST 10 YEARS ***

	Measurement Period								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.1015 %	0.1185 %	0.1144 %	0.1075 %	0.1082 %	0.1149 %	0.1094 %	0.1023 %	0.0903 %
Proportionate share of the net pension liability	\$ 749,124	\$ 506,796	\$ 932,732	\$ 709,745	\$ 698,655	\$ 764,414	\$ 806,604	\$ 301,944	\$ 11,507
Covered payroll	\$ 385,894	\$ 377,347	\$ 369,825	\$ 295,578	\$ 310,069	\$ 296,853	\$ 278,952	\$ 245,398	\$ 229,831
Proportionate share of the net pension liability as a percentage of covered payroll	194.13 %	134.31 %	252.21 %	240.12 %	225.32 %	257.51 %	289.16 %	123.04 %	5.01 %
Plan fiduciary net position as a percentage of the total pension liability	77.4 %	86.5 %	73.0 %	77.0 %	76.7 %	75.0 %	70.6 %	86.1 %	88.5 %

Notes to Schedule:

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

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

**KEYES COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PENSION CONTRIBUTIONS
AS OF JUNE 30, 2023
LAST 10 YEARS ***

	Fiscal Year-End								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution (actuarially determined)	\$ 98,397	\$ 111,454	\$ 103,183	\$ 95,234	\$ 78,515	\$ 61,826	\$ 56,273	\$ 43,946	\$ 42,228
Contributions in relation to the actuarially determined contributions	<u>98,397</u>	<u>111,454</u>	<u>103,183</u>	<u>95,234</u>	<u>78,515</u>	<u>61,826</u>	<u>56,273</u>	<u>43,946</u>	<u>45,815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,587)</u>
Covered payroll	\$ 385,894	\$ 377,347	\$ 369,825	\$ 295,578	\$ 310,069	\$ 296,853	\$ 278,952	\$ 245,398	\$ 229,831
Contributions as a percentage of covered payroll	25.50 %	29.54 %	27.90 %	32.22 %	25.32 %	20.83 %	20.17 %	17.91 %	19.93 %

Notes to Schedule:

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

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

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

JUNE 30, 2023

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

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

B. Schedule of Proportionate Share of the Net Pension Liability

For the measurement period June 30, 2023, the discount rate and inflation rate remained consistent with the prior year at 6.75% and 2.50%, respectively. For the measurement period June 30, 2022, the discount rate changed from 7.00% to 6.75%, and the inflation rate changed from 2.75% to 2.50%.

Fiscal year 2023 was the 9th year of implementation, therefore only nine years are shown.

C. Schedule of Pension Contributions

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Keyes Community Services District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Keyes Community Services District's basic financial statements, and have issued our report thereon dated August 11, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first section of this paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Purpose of this Report

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

MUN CPAs, LLP

Sacramento, California
August 11, 2025

**KEYES COMMUNITY SERVICES DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II: FINANCIAL STATEMENT FINDINGS

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

Finding 2023-1: Financial Close Process (Significant Deficiency)

Criteria

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

Condition

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

- Accounts Receivable: The District had not determined accounts to be uncollectible. Therefore, accounts receivable was not presented net of an allowance for uncollectible accounts, as is required by accounting principles generally accepted in the United States of America. This required a journal entry to correctly reflect the net receivable balance.
- Pension Liability: We noted the pension liability accounts that did not reconcile to the actuary report. This required journal entries in order to reflect the correct balances.
- Revenue: A settlement payment that was recognized as revenue in the prior year, was again recorded as revenue in the current year. This should have been recorded as a reduction to the receivable. A journal entry was needed to correct the revenue balance.

Cause

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

Effect

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

Recommendation

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

**KEYES COMMUNITY SERVICES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023**

Finding 2022-1: Financial Close Process (Material Weakness)

Recommendation

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

Current year Status

Partially implemented. See finding 2023-1 under current findings.