

Mountain House Community Services District, Mountain House, California

Annual Comprehensive Financial Report

FY 2022-2023 | Fiscal Year Ended June 30, 2023



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**MOUNTAIN HOUSE
COMMUNITY SERVICES DISTRICT
MOUNTAIN HOUSE, CALIFORNIA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended

June 30, 2023

Prepared by the Finance Department

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MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

Annual Comprehensive Financial Report

For the Year Ended June 30, 2023

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MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

Annual Comprehensive Financial Report

For the Year Ended June 30, 2023

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INTRODUCTORY SECTION



Mountain House Community Services District

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November 1, 2023

To the Honorable Members of the Board of Directors, and Residents of Mountain House Community Services District:

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) for Mountain House Community Services District (the District) for the year ended June 30, 2023. The District's Revenue Bonds Continuing Disclosure requires the District submit audited financial statements in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. This report fulfills that requirement for the year ended June 30, 2023.

District management assumes full responsibility for the completeness and reliability of the information contained in this report. We believe the data fairly represents the financial position and results of operations of the District. The disclosures necessary to enable the reader to understand the District's financial affairs have been included. The District's accounting system has been developed and maintained with due consideration given to the adequacy of internal controls. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The evaluation of the costs and benefits of a particular control requires estimates and judgments by management.

An annual audit is performed by an independent certified public accountant (CPA) selected by the District's Board of Directors. The accounting firm of Richardson & Company, LLP, was selected in 2013 and extended through 2018 before agreeing to a three-year contracts in 2019 and 2022 to perform the District's annual financial audits. The auditors have issued an unmodified ("clean") opinion on the financial statements for the fiscal year ended June 30, 2023, which is presented on page 1. The audit was performed 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, and the State Controller's Minimum Audit Requirements for California Special Districts.

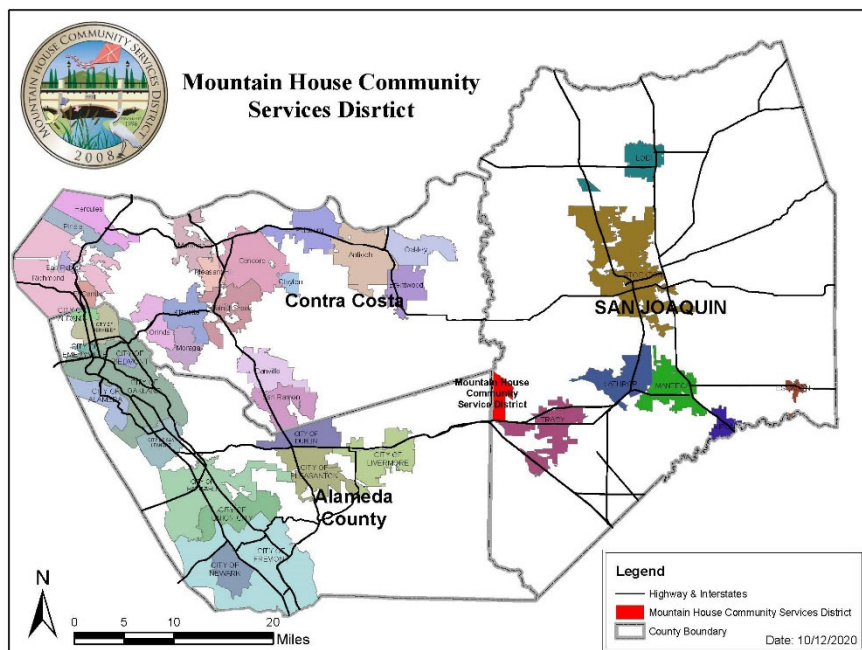
Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to be read in conjunction with this transmittal letter.

The MD&A immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to be read in conjunction with this transmittal letter.

District Profile

The Mountain House Community Services District is located in the west area of San Joaquin County, approximately 61 miles southeast of San Francisco, 52 miles east of Oakland, 51 miles northeast of San Jose, and 76.5 miles southwest of Sacramento. The District occupies 7.5 square miles.

Created April 16, 1996, the Mountain House Community Services District is a Special District, governed by a five-member Board of Directors with a Board-elected President and Vice President.



The Mountain House Community Services District is a Board-Manager form of government. The Board of Directors appoints the General Manager who appoints all other District personnel. The General Manager is charged with overseeing the District’s daily operations.

The District is a political subdivision of the State of California, formed in 1996, in accordance with the Community District Services Law in Government Code Section 61000. When created, the Local Agency Formation Commission granted the District the following eighteen separate governmental powers to exercise within the boundaries of the District:

- | | |
|-------------------------------------|----------------------------------|
| 1. Water services | 10. Road maintenance |
| 2. Sewer services | 11. Transportation services |
| 3. Garbage services | 12. Graffiti abatement |
| 4. Fire protection | 13. CC&R enforcement |
| 5. Public recreation | 14. Flood control protection |
| 6. Street lighting | 15. Pest and weed abatement |
| 7. Library buildings and services | 16. Wildlife habitat mitigation |
| 8. Convert utilities to underground | 17. Telecommunications services |
| 9. Police protection | 18. Dissemination of information |

In addition, the District has the following general powers: sue and be sued; purchase, receive by gift or bequest and hold land, make contracts and purchases and hold personal property necessary to the exercise of its powers, manage, sell, lease, or otherwise dispose of its property as the interest of its inhabitants require; levy and collect taxes authorized by law and exercise such other and further powers as may be especially conferred by law or as may be necessarily implied from those expressed. All services outside of the eighteen enumerated powers are performed either by San Joaquin County or the State of California.

Mission and Values

The District's mission is to provide responsive service to our growing community that exceeds expectations at a fair value.

The District's values are:

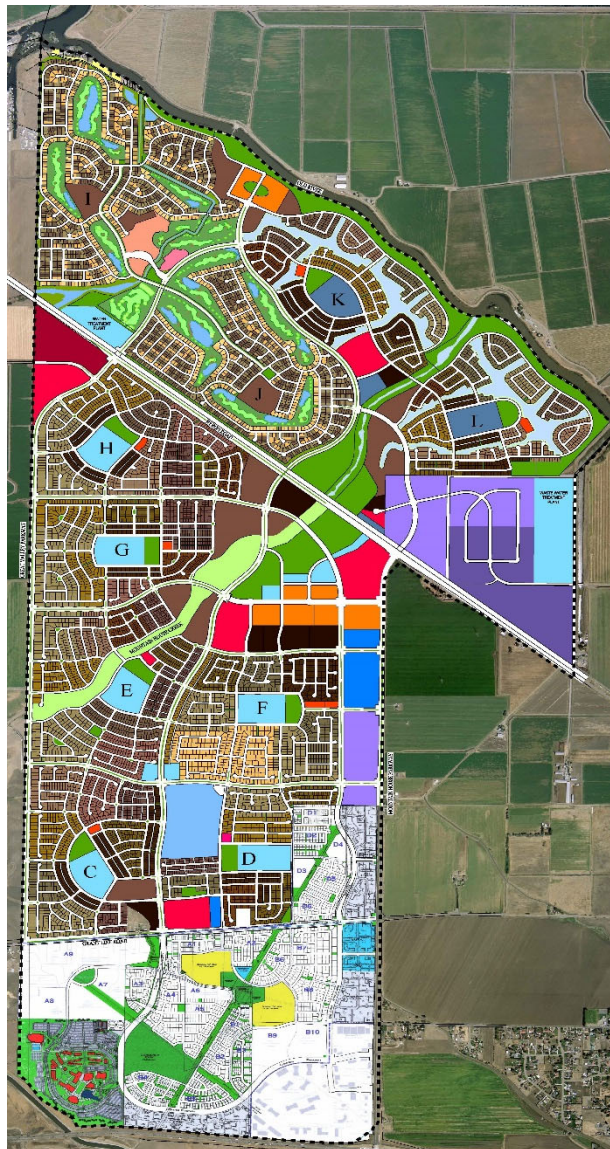
- Ethics: To hold to highest ethical standards, and to act with honesty and integrity.
- Responsibility: To accept responsibility for our individual and collective actions, and to have the courage to take right actions on behalf of the whole irrespective of political pressures.
- Vision: To be visionary, innovative, and resourceful.
- Community-Minded: To create a vibrant, thriving, and resilient community and to build strong, positive partnerships with residents and stakeholders.
- Respect: To interact respectfully, use active listening skills, and develop the self-awareness to monitor how our actions impact ourselves and others.
- Competence: To competently discharge our duties and seek opportunities to increase our efficiency as well.

Economic Growth and Development

The District is planned to include approximately 2,619 acres of residential development of varying densities, 674 acres of commercial and industrial uses, and approximately 760 acres of open space, recreation and resource conservation areas. Essential public services, including streets, public safety, fire and emergency services, storm drain, water and sewer, are provided by the District, as required by the Master Plan. When fully built out, Mountain House is intended to provide approximately 15,700 units of housing and services for approximately 44,000 people.

In 1996, the County established the District. The District provides many, but not all, of the same services and receives many, but not all, of the same revenues as an incorporated city in the State. Upon formation of the District, it was contemplated the territory in Mountain House community would someday incorporate. The Incorporation application process was approved by the Board of Directors in 2020 and is currently entering the final stages of incorporation.

Development within the District has been ongoing for approximately 20 years, and the community is expected to continue developing over approximately the next 25 to 30 years. As of June 30, 2023, over 7,800 units of housing have been built in seven neighborhoods, all being billed for utility services by the District. To date, nearly all of the planned homes in Neighborhoods C, D, E, F, G and H have been completed. Infrastructure in Neighborhoods A and B are underway and multiple merchant builders are actively constructing homes, many of which have been completed and sold to homeowners. Construction of infrastructure in Neighborhoods I, J, K and L is in the final planning stages. These two neighborhoods will be a mix of family and active adult housing.



To date, seven K-8 schools, a high school and one of the planned village centers have been built. An additional K-8 school is in the planning stage. In March 2020, the District moved into its Town Hall and Library building in the town center. This building is expected to become an anchor and focal point for the Mountain House community. Infrastructure is also nearly complete for the new Town Center Shopping Center, which will be anchored by Safeway. In addition, 525,000 square feet of industrial/commercial use was recently completed.

The major economic impact facing the District is the rapid rate of development occurring within the District. The District has reached a level and pace of development and operations and maintenance activity that requires additional staff to review, evaluate, and manage growth as it relates to infrastructure development and construction, operations and maintenance activities, regulatory permits, and plan review services. The goal is to facilitate development while protecting the interests of the community by ensuring compliance with the District's Master Plan and design standards and specifications. As we embark on this wave of economic activity, we anticipate rising to meet the following challenges:

- It is estimated that the District will issue in excess of 300 residential building permits during fiscal year 2023/2024.
- Staff anticipates demand for additional development, services and annexations in fiscal year 2023/2024.
- New growth will include multi-family residential as well as commercial developments, which will present additional challenges unique to these types of development.
- Growth has triggered the expansion of the water and wastewater plants, stormwater system, neighborhood and community parks, and construction of public buildings.
- As the population of the community increases, staff will observe traffic patterns and recommend effective, affordable, and proven safety improvements that comply with state and county regulations.
- The District's parks require play equipment inspection, repair and replacement. Play surfaces for various sports activities require monitoring and management to ensure safe and reliable use for the community. As a result of the growth in development, more parks will be constructed and require similar oversight.
- Administrative staff is in the process of evaluating processes that will need to be enhanced to support increased development activity.

Financial Outlook

Growth in the District's property tax revenue continues to reflect a healthy and thriving community. Following a loss in overall Assessed Valuation (AV) during the recession, the District has increased total AV from \$1.1 billion in FY 2012-13 to \$5.1 billion in FY 2023-24, owing to the number of property sales, higher sales prices, and new developments. Total AV increased by \$538 million (11%) over the prior year.

Special taxes are the second major revenue source and have increased roughly 60% over the last five years. The dramatic increases in the special taxes is the result of slight increases in rates but more largely due to increase in residential units in the community. Over the last five years the District has issued permits for over 2,000 of the roughly 7,800 housing units in the District.



While FY 2022-23

finished with a General Fund addition to fund balance of approximately \$6.3 million, it is long-term fiscal sustainability that remains at the forefront of budget discussions. Even with the continued growth in property tax, special taxes, and the rising costs of contracted services, it is projected that the General Fund surplus is not expected to decrease in the near future, but the Special Tax funds will need to increase rates to stay balanced, as reflected in the most recent update to the 5-Year Forecast.

Financial Planning and Policies

The Board of Directors adopted a Strategic Plan in Fiscal Year 2022-23. Strategies were identified to establish the framework and overarching policy focus for the delivery of public services to the community. The Budget document has a section containing the Strategic Plan and Goals and Objectives. Updates to programs in the Budget document were tied to the prioritization of elements within the Strategic Plan.

The District adopts a balanced operational budget in accordance with District policies and uses an annual budget format. The District uses a five-year financial planning model for long-term financial planning within the budget. This model is based on financial assumptions, trends, and the infrastructures needs of the District. This allows the District to prepare for future needs and have cashflows available when needed. The District Board of Directors adopts a final budget and appropriates funds in advance of the July 1st start of the new Fiscal Year. The importance of being prepared to address long-term needs has always been a key principle supported by the Board of Directors.

Accomplishments

The District's accomplishments:

- Submitted application of incorporation to the Local Agency Formation Commission (LAFCo) and worked with San Joaquin County and LAFCo staff, and consultants to finalize the fiscal analysis studies.
- Issued utility revenue bonds in the amount of approximately \$40 million to reduce balances of notes payable and secure fixed financing costs during a time of relatively low interest rates.
- Town Center Shopping Center: Worked with Shea Commercial Development and San Joaquin County Planning Department to bring this long-awaited project to fruition.
- Secured property needed to proceed with the Wastewater Treatment Plant expansion, a project that will be critical in permitting and sustaining continued development and build out of the Master Plan.
- Awarded Certificate of Recognition for Budget Preparation from the Government Finance Officers' Association for the fiscal year 2022-2023 budget.
- Awarded the Operating Budget Excellence Award from the California Society of Municipal Finance Officers.
- The District issued its 2021-2022 Annual Comprehensive Financial Report (ACFR) and was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers' Association.
- Implemented OpenGov program to enhance financial transparency and accountability. A link to this program is available on the District's website.
- Awarded a Highway Safety Improvement Program Grant from the California Department of Transportation (Caltrans) in the amount of \$249,930 to convert one travel lane in each direction on Great Valley Parkway from Byron Road to Grant Line Road; Arturo Boulevard from Great Valley Parkway to Central Parkway; and Main Street from Great Valley Parkway to Central Parkway to accommodate the implementation of Class IV bikeway facility. The application was approved by Caltrans on March 30, 2023.

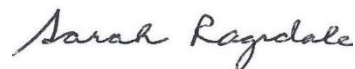
- Awarded a Highway Safety Improvement Program Grant from the California Department of Transportation (Caltrans) in the amount of \$151,000 to enhance the existing Rectangular Rapid Flash Beacons. Grant proceeds will be used to install additional beacons at the median and to modify signing and striping on Central Parkway at the intersections of Legacy Drive and Heritage Drive. The application was approved by Caltrans on March 30, 2023.
- Executed an agreement with South San Joaquin Irrigation District to purchase water in case of a curtailment. Some of this water has been transferred and stored at Los Vaqueros Reservoir.
- Completed the design and installation of 97 community mailboxes in Wicklund Neighborhood.
- Launched Central Park playground renovation project.

Acknowledgements

The preparation of this report was made possible by the collaborative efforts of staff in the Administrative Services Department and other departments, as well as the District's audit firm, Richardson & Company, LLP. A special thanks and acknowledgement goes to our Finance staff for their work on the audit. We would also like to recognize the Board of Directors for their guidance and support in the District's pursuit of excellence in financial reporting.



Steven Pinkerton
General Manager



Sarah Ragsdale
Administrative Services Director

Mountain House Community Services District

Principal Officers

Fiscal Year 2022/2023

President

Bernice King Tingle

Vice President

Andy Su

Director

Manuel Moreno

Director

Harry Dhillon

Director

Matt Disko

Administration Personnel

General Manager

Steven Pinkerton

Administrative Services Director

Sarah Ragsdale

Community Development Director

David James

Public Works Director

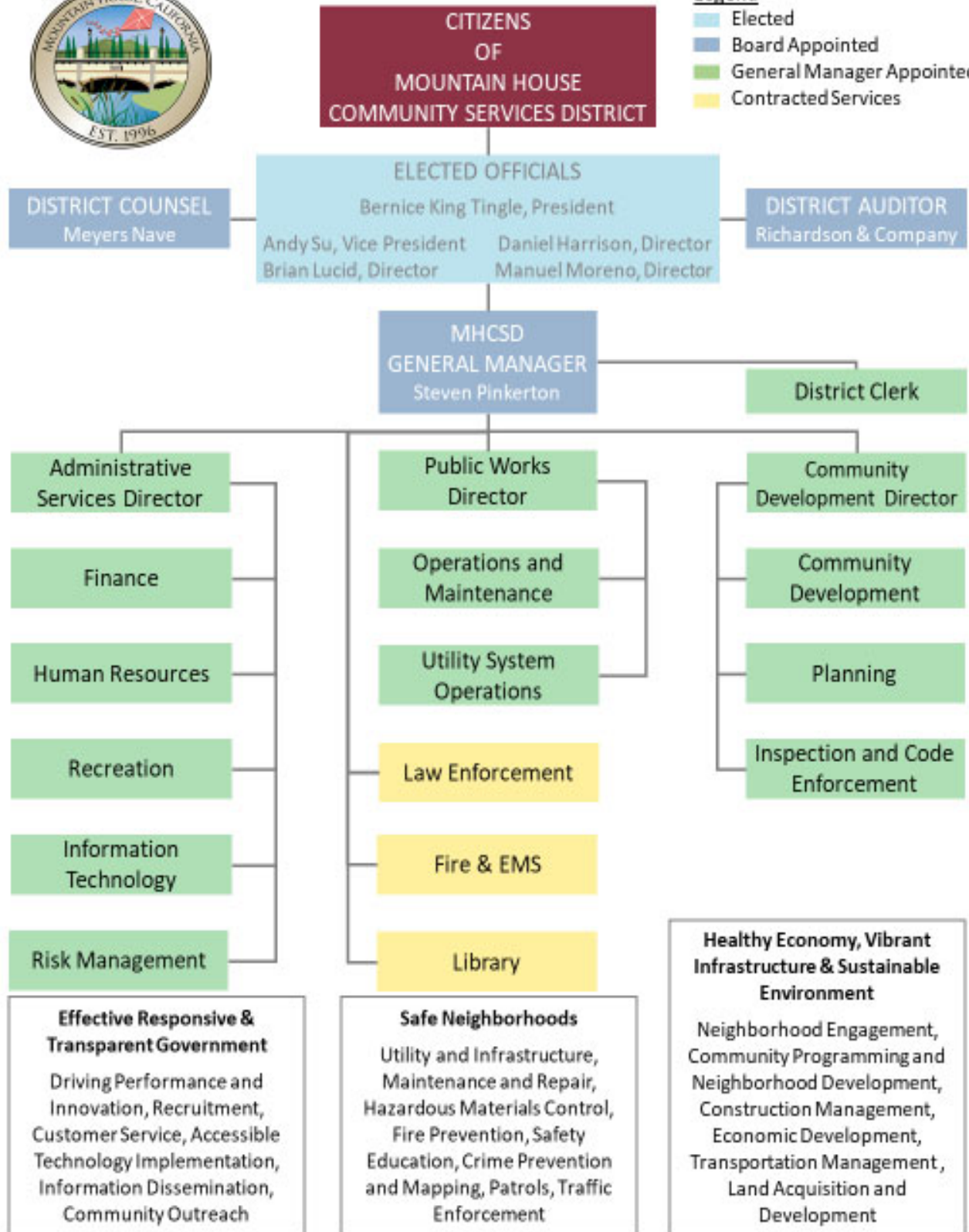
Nader Shareghi

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT ORGANIZATIONAL CHART



Legend

- Elected
- Board Appointed
- General Manager Appointed
- Contracted Services





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Mountain House Community Services District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mountain House Community Services District
Mountain House, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, of Mountain House 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, business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

To the Board of Directors
Mountain House Community Services District

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement 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 response 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 judgement, there are conditions or events, consider 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 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, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions to the Pension Plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Board of Directors
Mountain House Community Services District

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.

Supplementary 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 individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 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 and 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.

Richardson & Company, LLP

October 31, 2023

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2023

The Mountain House Community Services District (District) is an independent local government entity and a subdivision of the State of California guided by a five-member elected Board of Directors. As management of the District, we offer readers the District's financial statements and this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59.7 million.
- The District's total net position increased by \$11.8 million. This is attributable a changes in estimates in pledged notes payable in the Utility Funds which were roughly \$8.8 million lower than estimated.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$80.9 million. Approximately \$31.3 million or 39% of total fund balances is reported as Unassigned fund balance making it available for spending at the District's discretion (in compliance with *Governmental Accounting Standards Board's (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions* - see Note A).
- At the end of the current fiscal year, the Unassigned (GASB No. 54) fund balance for the General Fund was \$31.3 million.
- The District's total liabilities increased by \$24.7 million (7%) during the current fiscal year. The majority of the increase was due to an increase in unearned revenues. The key factor in the unearned revenue increase was revenue received in the 2022/23 fiscal year for future improvement projects. The majority of these improvement projects will be completed within the next two years. Some of the improvements include Grantline Road, B4 and B5 Linear Park, and Village Parkway Corridor.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods like those used by private sector companies. The Statement of Net Position includes all the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Overview of the Financial Statements

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

Government-wide financial statements

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

The *statement of net position* presents information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net amount reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

June 30, 2023

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government, public safety, public ways and facilities, and recreation and culture. The business-type activities of the District include water, wastewater and storm system operations and developer activity.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains ten individual governmental funds aggregated and grouped into four funds for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special assessment fund, the impact fees fund, and the capital projects fund all of which are considered to be major funds. The governmental fund financial statements can be found on pages 15 - 18 of this report.

The District adopts an annual appropriated budget for its general fund and major special revenue funds. Budgetary comparison statements have been provided for the general fund, the special assessment fund, and the impact fees fund located on pages 48 - 50 to demonstrate compliance with this budget.

Proprietary funds

The District maintains four proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its water, wastewater and stormwater system operations and developer activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 47 of this report.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2023

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* consisting of the budgetary schedules described above under Notes to the Required Supplementary Information and required disclosures related to the District's pension plan. Required supplementary information can be found on pages 48 – 52 of this report. A budgetary comparison schedule for the major capital projects fund is included as other supplemental information.

Statistical Section

This report also contains a statistical section that presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. The statistical section can be found on pages 54 – 70.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59.7 million at the close of the most recent fiscal year.

	Governmental		Business-Type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2023	2022	2023	2022	2023	2022	Change	Change
Assets:								
Current and other assets	\$85.57	\$77.83	\$42.10	\$17.57	\$127.67	\$95.40	\$32.27	34%
Capital assets	140.05	134.56	157.12	160.74	297.17	295.30	1.87	1%
Total assets	225.61	212.39	199.22	178.31	424.84	390.70	34.14	9%
Deferred outflow s:								
Pension plan								
Deferred outflow	2.65	1.90	1.70	1.48	4.35	3.38	0.97	29%
Total deferred outflow	2.65	1.90	1.70	1.48	4.35	3.38	0.97	29%
Liabilities:								
Long-term liabilities								
outstanding	115.99	102.46	218.87	222.70	334.86	325.16	9.70	3%
Other liabilities	5.20	6.89	28.18	11.50	33.38	18.39	14.99	82%
Total liabilities	121.19	109.35	247.05	234.20	368.24	343.55	24.69	7%
Deferred inflow s:								
Pension plan								
Deferred inflow	0.91	1.89	0.36	0.74	1.27	2.63	(1.36)	-52%
Total deferred inflow	0.91	1.89	0.36	0.74	1.27	2.63	(1.36)	-52%
Net position:								
Net investment in capital								
assets	88.95	91.50	25.06	11.75	114.03	103.25	10.78	10%
Restricted	33.32	29.95	16.82	5.89	50.14	35.84	14.30	40%
Unrestricted	(16.10)	(18.42)	(88.36)	(72.80)	(104.48)	(91.22)	(13.26)	15%
Total net position	\$106.17	\$103.03	\$(46.48)	\$(55.16)	\$59.69	\$47.87	\$11.82	25%

By far the largest portion of the District's net position (84%) reflects its net investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
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capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of District's net position, \$50.1 million, is subject to constraints by bond financing agreements and enabling legislation.

The District's unrestricted net position was at a deficit of \$104.5 million generally because of financing charges accruing on pledged notes payable to developers for contributed infrastructure. In addition, the District is reporting a net pension liability at June 30, 2023 in the amount of \$9.2 million.

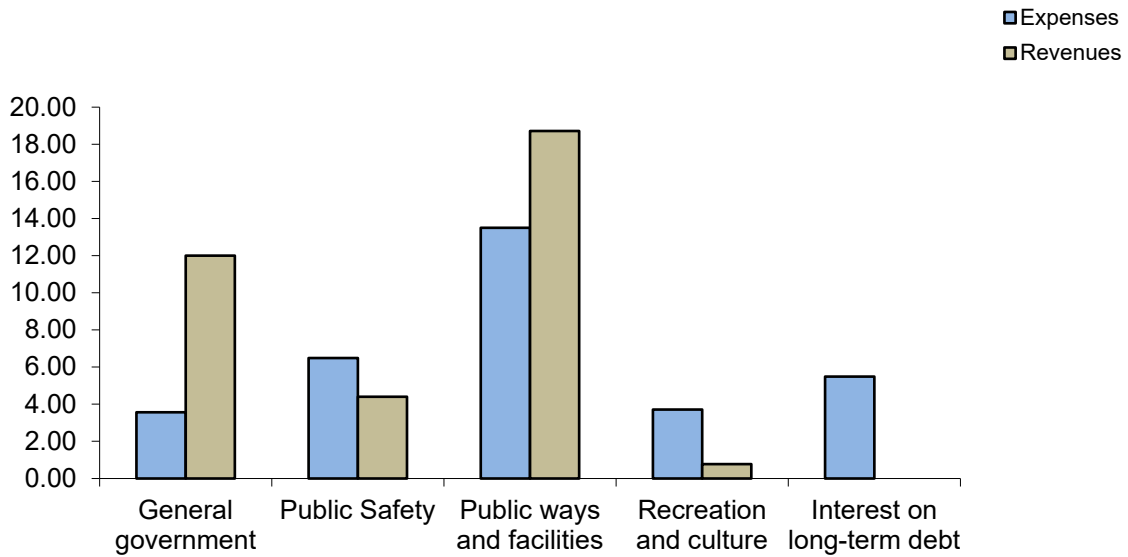
Mountain House Community Services District's Change in Net Position (in millions)

	Governmental		Business-Type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2023	2022	2023	2022	2023	2022	Change	Change
Revenues:								
Program revenues:								
Fees, fines and charges for services	\$9.05	\$8.36	\$32.57	\$27.02	\$41.62	\$35.38	\$6.24	18%
Special assessments	15.10	14.54			15.10	14.54	0.56	4%
General revenue:								
Change in estimate - pledge notes payable	0.72		10.41	0.00	11.13	0.00	11.13	0%
Property taxes	7.73	6.93			7.73	6.93	0.80	12%
Miscellaneous revenues	3.55	0.22	(0.07)	(0.31)	3.48	(0.09)	3.57	-3964%
Total revenues	<u>36.16</u>	<u>30.05</u>	<u>42.91</u>	<u>26.71</u>	<u>79.07</u>	<u>56.76</u>	<u>22.31</u>	<u>39%</u>
Expenses:								
General government	3.56	3.06			3.56	3.06	0.50	16%
Public safety	6.48	5.52			6.48	5.52	0.96	17%
Public ways and facilities	13.80	13.30			13.80	13.30	0.50	4%
Recreation and culture	3.70	3.25			3.70	3.25	0.45	14%
Interest on long-term debt	5.48	3.04			5.48	3.04	2.44	80%
Water system			11.02	12.80	11.02	12.80	(1.78)	-14%
Wastewater system			8.02	5.96	8.02	5.96	2.06	35%
Stormwater system			2.52	2.22	2.52	2.22	0.30	14%
Developer projects			12.67	8.71	12.67	8.71	3.96	45%
Total expenses	<u>33.02</u>	<u>28.17</u>	<u>34.23</u>	<u>29.69</u>	<u>67.25</u>	<u>57.86</u>	<u>9.39</u>	<u>16%</u>
Increase in net position	<u>3.14</u>	<u>1.88</u>	<u>8.68</u>	<u>(2.98)</u>	<u>11.82</u>	<u>(1.10)</u>	<u>12.92</u>	<u>-1174%</u>
Restatement	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0%</u>
Net position, beginning of year	<u>103.03</u>	<u>101.15</u>	<u>(55.16)</u>	<u>(52.18)</u>	<u>47.87</u>	<u>48.97</u>	<u>(1.10)</u>	<u>-2%</u>
Net position, end of year	<u>\$106.17</u>	<u>\$103.03</u>	<u>\$(46.48)</u>	<u>\$(55.16)</u>	<u>\$59.69</u>	<u>\$47.87</u>	<u>\$11.82</u>	<u>25%</u>

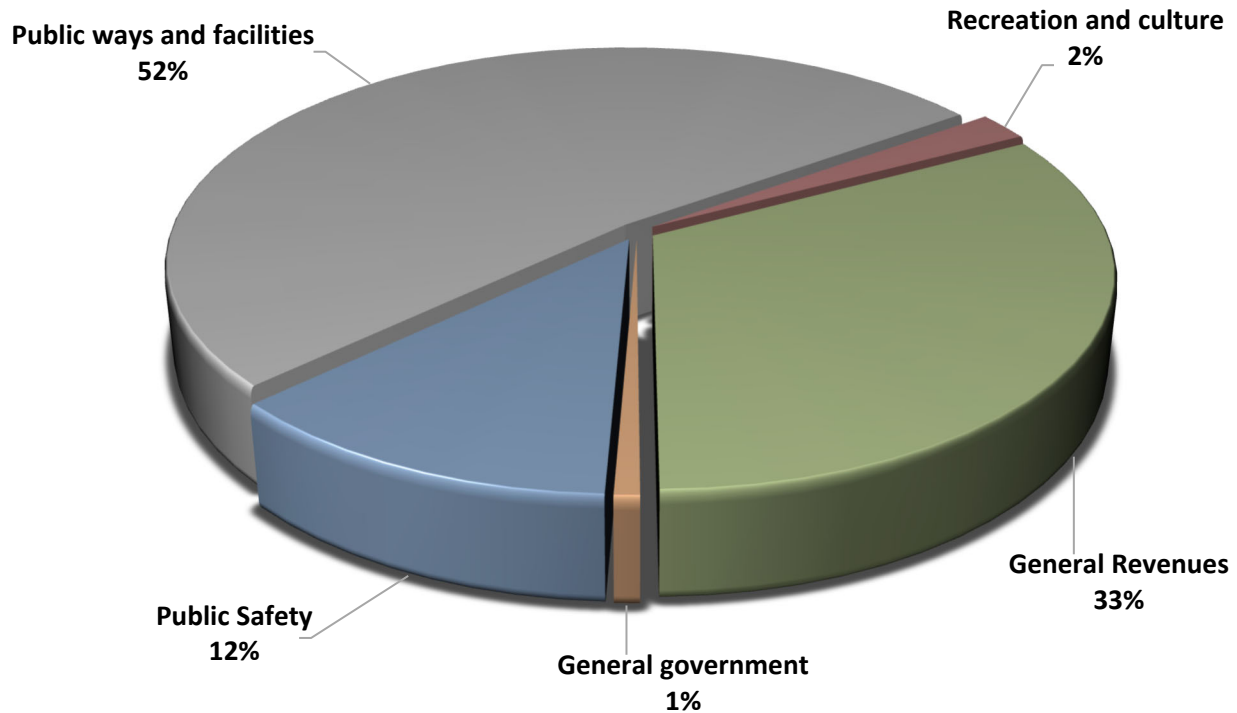
Governmental Activities: Governmental activities increased the District's net position by \$3.1 million. This increase is primarily due to the increase in special taxes, property taxes, and impact fees from scheduled rate increases, an increase in the number of properties paying the taxes, and due to development within the District.

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 Management's Discussion and Analysis
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Total Expenses and Revenues - Governmental Activities



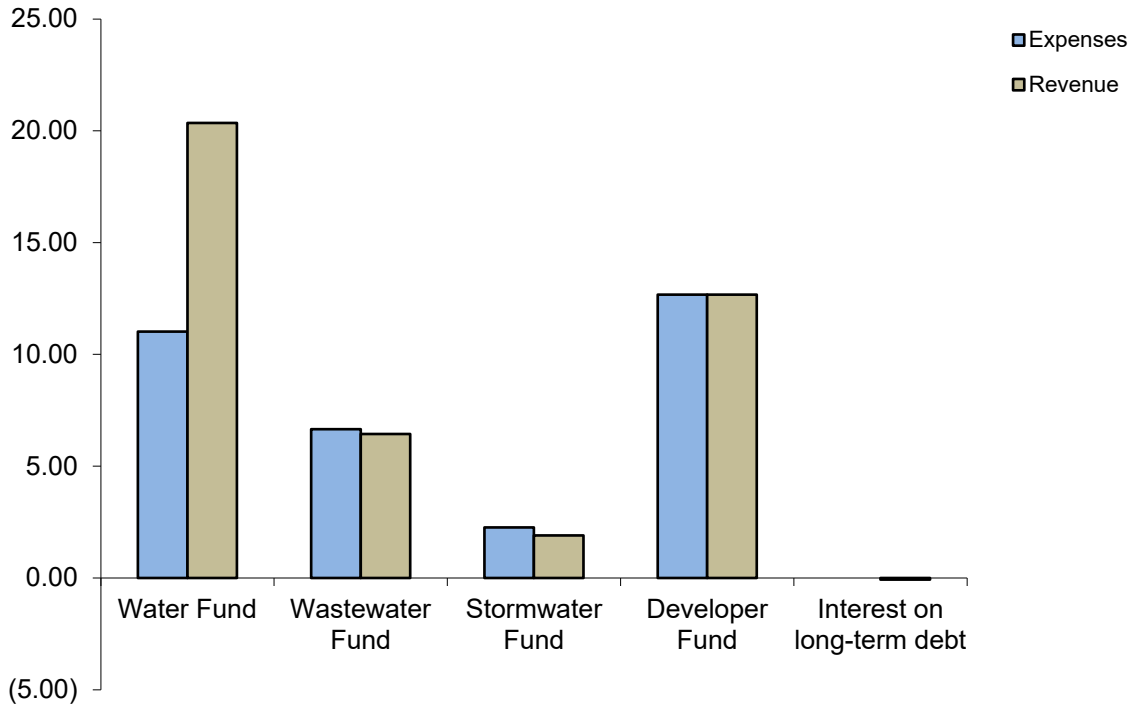
TOTAL REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



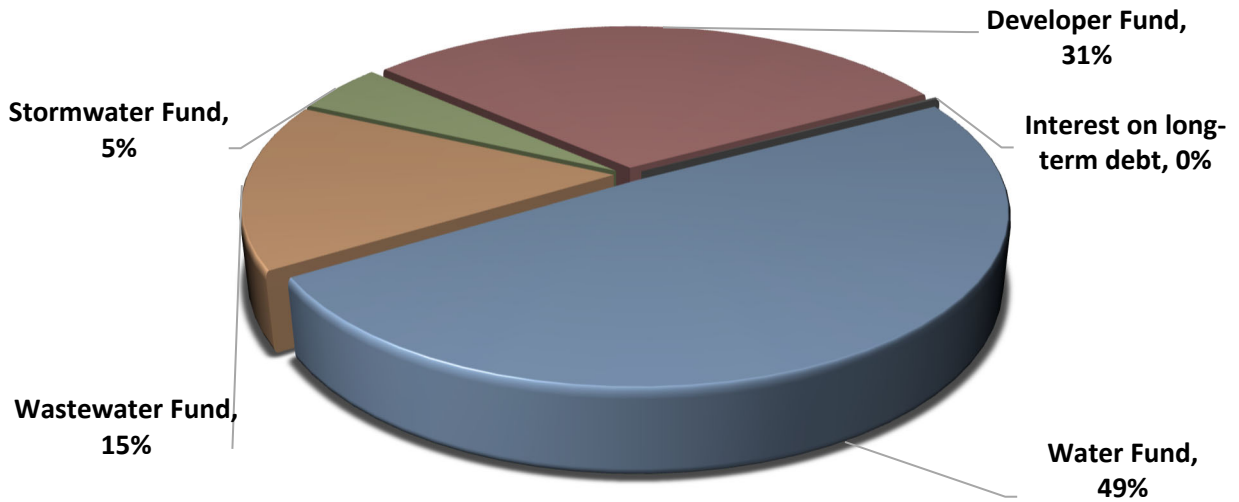
Business-Type Activities: Business-type activities increased the District's net position by \$8.7 million. This is primarily due to a changes in estimates in pledged notes payable in the Utility Funds which were roughly \$8.8 million lower than estimated.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
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Total Expenses and Revenues - Business-type Activities



REVENUE BY SOURCE - BUSINESS-TYPE ACTIVITIES



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FINANCIAL ANALYSIS OF DISTRICT FUNDS

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

Governmental Funds

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

At June 30, 2023, the District's governmental funds reported total fund balances of \$80.9 million, an increase of \$9.4 million over the prior year.

The District reports the following components of fund balance:

- **Nonspendable fund balance** - \$14.2 million (inherently nonspendable) included the portion of net resources that cannot be spent because of their form, and the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - \$33.3 million (externally enforceable limitation on use) include amounts subject to limitation imposed by creditors, contributors, or laws and regulations of other government.
- **Committed fund balance** - \$2.1 million (constrained to specific purpose) included amounts that cannot be used for any purpose unless government takes the same highest level action.
- **Unassigned fund balance** - \$31.3 million (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance.

The General Fund is the main operational fund of the District. At June 30, 2023, the fund balance components were reported as nonspendable \$14.2 million, restricted \$1.7 million, committed \$2.1 million, and unassigned \$31.3 million. The fund balance increased by \$6.3 million to \$49.2 million compared to the prior year. The primary reason for the increase is due to revenues exceeding expenditures as the General Fund has done historically because taxes and franchise fees exceed the amount needed to fund expenses.

The Special Assessments Fund is used to account for funding from property assessments to pay for roads, transportation, community services, public safety, public works, parks and recreation, and landscaping and lighting district activity. Therefore, fund balance must be used for these designated services. At June 30, 2023, restricted fund balance of \$5.8 million was available to finance future appropriations. The fund balance decreased by \$160 thousand to \$5.8 million compared to the prior year. The primary reason for the decrease is due to a transfer of funding to the capital projects fund for future capital improvement projects.

The Impact Fees Fund is used to account for fees collected from builders to mitigate the impact of development. The fees are used to reimburse developers for identified infrastructure projects. At June 30, 2023, the restricted fund balance was \$15.9 million. The fund balance increased by \$1.3 million to \$15.9 million compared to the prior year. The primary reason for the increase is due to unspent development fees.

The Capital Projects Fund is used to account for implementation of the District's capital improvement program. At June 30, 2023, the restricted fund balance was \$9.9 million. The fund balance increased by \$2.0 million to \$9.9 million compared to the prior year. The primary reason for the increase is due to unspent funding for future capital improvement projects.

Proprietary funds

The District's proprietary funds provide similar information found in the government-wide financial statements, but in more detail.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget to Final Budget (in millions)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>
Estimated revenue	\$ 8.73	\$ 8.73	\$.00
Appropriations	4.59	4.59	.00

Final Budget to Actual (in millions)

	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Estimated revenue	\$ 8.73	\$ 10.23	\$ 1.50
Appropriations	4.59	18.79	(14.20)

During the year, actual revenues were higher than budgetary estimates, which was mainly due to increases in investment earnings.

Actual expenditures were more than final budgeted estimates. The difference was due to the District accepting improvements that were constructed by developers.

Capital assets

The District's capital assets, net of accumulated depreciation is shown below. For additional information related to capital assets, see Note D in the Notes to the Basic Financial Statements.

Mountain House Community Services District's Capital Assets
(net of depreciation) in millions

	Government Activities		Business-Type Activities		Total		Total	
	2023	2022	2023	2022	2023	2022	Dollar Change	Percent Change
	Land	\$28.04	\$28.04	\$2.60	\$2.60	\$30.64	\$30.64	\$0.00
Machinery and equipment	1.67	0.60	0.17	0.09	1.84	0.69	1.15	167%
Buildings	30.38	31.28	0.00	0.00	30.38	31.28	(0.90)	-3%
Infrastructure	79.95	74.64	154.35	158.05	234.30	232.69	1.61	1%
Total	\$140.05	\$134.56	\$157.12	\$160.74	\$297.17	\$295.30	\$1.87	2%

Governmental activities infrastructure increased during the year mainly due to accepting improvements that were constructed by developers. Business-type activities infrastructure decreased due to a reduction in certified costs, offset by accepting improvements that were constructed by developers. Buildings and equipment of both activities decreased during the year due to depreciation.

Long-term debt

The District's outstanding debt is shown below. The net increase to outstanding debt is \$9.6 million. The outstanding debt was increased by notes payable for infrastructure for improvement projects. New bonds were issued in the amount of \$42.8 million which was applied to the outstanding balance of the pledged notes payable in accordance with acquisition agreements.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2023

Mountain House Community Services District's Outstanding Debt

Pledged Notes and Revenue Bonds (in millions)

	Governmental		Business-Type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2023	2022	2023	2022	2023	2022	Change	Change
Pledged Notes Payable	\$54.19	\$41.16	\$0.00	\$44.11	\$54.19	\$85.27	\$(31.08)	-36%
Revenue Bonds	48.85	49.69	201.80	160.24	250.64	209.93	40.71	19%
Total	\$103.03	\$90.85	\$201.80	\$204.35	\$304.83	\$295.20	\$9.63	3%

In addition to the long-term debt, the District also has a liability to pay future compensated absences in the amount of \$481 thousand and a net pension liability of \$6.59 million. For additional information related to long-term liabilities, see Note E in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, the District's overall financial position improved over the prior year. There were increases in both the Business-Type Activities and in the Government Activities. The unassigned fund balance in the General Fund increased by \$5.0 million to \$31.3 million. The District has nonspendable funds of \$14.2 million for advances to Water, Wastewater, and Storm Water enterprise funds. The special assessment rates increased by 4% for the 2023/2024 budget year. The water, wastewater, and stormwater operations and maintenance rates remained consistent with the rate study which was adopted in June, 2022, and started in fiscal year 2022/2023. Resulting rate increases are necessary to keep up with inflation and to keep the District from having to institute large rate increases in future years.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of the past, present and future.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Director, 251 East Main Street, Mountain House, CA 95391.

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BASIC FINANCIAL STATEMENTS

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 70,255,005	\$ 31,049,417	\$ 101,304,422
Restricted cash and investments	7,450	16,821,528	16,828,978
Accounts receivable, net	77,426	6,024,424	6,101,850
Taxes receivable	107,956		107,956
Interest receivable	934,128		934,128
Prepaid expense		2,389,338	2,389,338
Internal balances	14,185,326	(14,185,326)	
Restricted interest receivable		19	19
Capital assets:			
Nondepreciable	28,041,500	2,604,300	30,645,800
Depreciable, net	112,005,146	154,520,353	266,525,499
Total capital assets	140,046,646	157,124,653	297,171,299
TOTAL ASSETS	225,613,937	199,224,053	424,837,990
DEFERRED OUTFLOWS OF RESOURCES			
Debt refunding		662,859	662,859
Pension plan	2,652,180	1,041,211	3,693,391
	2,652,180	1,704,070	4,356,250
LIABILITIES			
Accounts payable	1,411,822	3,587,548	4,999,370
Retention payable	91,000		91,000
Accrued interest payable	488,450	525,296	1,013,746
Unearned revenues	2,478,894	23,824,766	26,303,660
Deposits from others	727,293	246,528	973,821
Long-term liabilities			
Due within one year			
Bonds and notes payable	970,000	1,400,000	2,370,000
Compensated absences	411,915		411,915
Due in more than one year			
Bonds and notes payable	107,956,220	214,879,704	322,835,924
Compensated absences	69,529		69,529
Net pension liability	6,586,653	2,585,835	9,172,488
TOTAL LIABILITIES	121,191,776	247,049,677	368,241,453
DEFERRED INFLOWS OF RESOURCES			
Pension plan	909,335	356,993	1,266,328
	909,335	356,993	1,266,328
NET POSITION			
Net investment in capital assets	88,951,441	25,064,102	114,015,543
Restricted for:			
Roads, transportation and community services	30,382,848		30,382,848
Debt service		16,821,547	16,821,547
Public works	1,069,093		1,069,093
Lighting and landscaping	1,825,322		1,825,322
Community services	32,847		32,847
Public Safety	4,644		4,644
Unrestricted	(16,101,189)	(88,364,196)	(104,465,385)
Total net position	\$ 106,165,006	\$ (46,478,547)	\$ 59,686,459

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Contributions and Grants	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities						
General government	\$ 3,561,394	\$ 277,021		\$ (3,284,373)		\$ (3,284,373)
Public safety	6,483,232	4,396,034		(2,087,198)		(2,087,198)
Public ways and facilities	13,797,202	18,708,028		4,910,826		4,910,826
Recreation and culture	3,704,672	764,115		(2,940,557)		(2,940,557)
Interest on long-term debt	5,481,297			(5,481,297)		(5,481,297)
Total governmental activities	33,027,797	24,145,198		(8,882,599)		(8,882,599)
Business-Type Activities						
Water Fund	11,018,662	9,930,385			\$ (1,088,277)	(1,088,277)
Wastewater Fund	8,020,144	7,806,059			(214,085)	(214,085)
Stormwater Fund	2,524,959	2,163,244			(361,715)	(361,715)
Developer Fund	12,672,511	12,672,514			3	3
Total business-type activities	34,236,276	32,572,202			(1,664,074)	(1,664,074)
Total primary government	\$ 67,264,073	\$ 56,717,400	\$ -	(8,882,599)	(1,664,074)	(10,546,673)
General Revenues:						
Taxes:						
Property taxes				7,732,189		7,732,189
Franchise and miscellaneous taxes				1,106,275		1,106,275
Unrestricted interest and investment earnings				2,009,733	(72,229)	1,937,504
Change in estimate - capial assets and pledged note payable				722,347	10,417,687	11,140,034
Other				446,759		446,759
Total general revenues				12,017,303	10,345,458	22,362,761
Change in net position				3,134,704	8,681,384	11,816,088
Net position, beginning of year				103,030,302	(55,159,931)	47,870,371
Net position, end of year				\$ 106,165,006	\$ (46,478,547)	\$ 59,686,459

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Balance Sheets
Governmental Funds
June 30, 2023

	Major Funds				Total Governmental Funds
	General Fund	Special Assessments Special Revenue Fund	Impact Fees Special Revenue Fund	Capital Projects Fund	
ASSETS					
Cash and investments	\$ 35,676,704	\$ 7,488,822	\$ 16,926,550	\$ 10,162,929	\$ 70,255,005
Accounts receivable, net	73,701	3,725			77,426
Taxes receivable	107,956				107,956
Interest receivable	934,128				934,128
Due from other funds	7,387				7,387
Advances to other funds	14,177,939		594,000		14,771,939
Restricted cash and investments			7,450		7,450
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 50,977,815</u>	<u>\$ 7,492,547</u>	<u>\$ 17,528,000</u>	<u>\$ 10,162,929</u>	<u>\$ 86,161,291</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 782,117	\$ 382,345		\$ 247,360	\$ 1,411,822
Retention payable	91,000				91,000
Unearned revenues	128,553	736,985	\$ 1,613,356		2,478,894
Deposits from others	727,293				727,293
Advances from other funds		594,000			594,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>1,728,963</u>	<u>1,713,330</u>	<u>1,613,356</u>	<u>247,360</u>	<u>5,303,009</u>
Fund balances:					
Nonspendable	14,177,939				14,177,939
Restricted for:					
Roads, transportation and community services, operational and administrative functions	1,705,324	2,847,311	15,914,644	9,915,569	30,382,848
Public works		1,069,093			1,069,093
Lighting and landscaping		1,825,322			1,825,322
Community Service		32,847			32,847
Public Safety		4,644			4,644
Committed	2,099,160				2,099,160
Unassigned	31,266,429				31,266,429
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>49,248,852</u>	<u>5,779,217</u>	<u>15,914,644</u>	<u>9,915,569</u>	<u>80,858,282</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 50,977,815</u>	<u>\$ 7,492,547</u>	<u>\$ 17,528,000</u>	<u>\$ 10,162,929</u>	<u>\$ 86,161,291</u>

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Position
For the Year Ended June 30, 2023

Fund Balance - total governmental funds	\$ 80,858,282
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental activities of the Statement of Net Position.</p>	140,046,646
<p>Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.</p>	(488,450)
<p>Long-term assets and liabilities and related deferred inflows and outflows of resources are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:</p>	
Deferred outflows of resources - pension plan	2,652,180
Long-term debt	(108,926,220)
Compensated absences	(481,444)
Net pension liability	(6,586,653)
Deferred inflows of resources - pension plan	<u>(909,335)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION	<u><u>\$ 106,165,006</u></u>

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>Major Funds</u>				Total Governmental Funds
	General Fund	Special Assessments Special Revenue Fund	Impact Fees Special Revenue Fund	Capital Projects Fund	
Revenues					
Taxes	\$ 7,732,189				\$ 7,732,189
Special assessments		\$ 15,101,756			15,101,756
Licenses and permits	8,364				8,364
Franchise fees	1,106,275				1,106,275
Developer and impact fees	438,534		\$ 8,596,068		9,034,602
Investment earnings (losses)	926,447	372,261	731,254	\$ (20,229)	2,009,733
Other revenues	15,055	132,180		300,000	447,235
TOTAL REVENUES	<u>10,226,864</u>	<u>15,606,197</u>	<u>9,327,322</u>	<u>279,771</u>	<u>35,440,154</u>
Expenditures					
Current:					
General government	141,437				141,437
Public safety		6,071,136			6,071,136
Public ways and facilities	3,752,606	3,098,354		1,460,242	8,311,202
Recreation and culture		2,695,236	50,000		2,745,236
Debt service					
Principal			5,102,274		5,102,274
Interest and fiscal charges		19,335	1,905,561		1,924,896
Capital outlay	14,895,144	49,828		1,685,520	16,630,492
TOTAL EXPENDITURES	<u>18,789,187</u>	<u>11,933,889</u>	<u>7,057,835</u>	<u>3,145,762</u>	<u>40,926,673</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,562,323)</u>	<u>3,672,308</u>	<u>2,269,487</u>	<u>(2,865,991)</u>	<u>(5,486,519)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	14,864,854		50,000		14,914,854
Transfer in				4,831,339	4,831,339
Transfer out		(3,831,339)	(1,000,000)		(4,831,339)
Total other financing sources (uses)	<u>14,864,854</u>	<u>(3,831,339)</u>	<u>(950,000)</u>	<u>4,831,339</u>	<u>14,914,854</u>
NET CHANGE IN FUND BALANCE	6,302,531	(159,031)	1,319,487	1,965,348	9,428,335
Fund balance, beginning of year	42,946,321	5,938,248	14,595,157	7,950,221	71,429,947
FUND BALANCE, END OF YEAR	<u>\$ 49,248,852</u>	<u>\$ 5,779,217</u>	<u>\$ 15,914,644</u>	<u>\$ 9,915,569</u>	<u>\$ 80,858,282</u>

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Reconciliation of the Statements of Revenues, Expenditures and Charges in Fund Balances to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2023

Net change in fund balance - total governmental funds	\$ 9,428,335
Amounts reported for governmental activities in the statement of activities are different	
Governmental funds report capital outlay as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports capital asset purchases as assets. The outlay is allocated over the assets' estimated useful lives as depreciation expense.	
Capital outlay expense	16,630,492
Depreciation expense	(10,050,899)
Disposal of capital assets	(1,083,521)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities reports such issuance of debt as a liability. Governmental funds report repayment of bond and note principal payments as an expenditures. In contrast, the Statement of Activities reports such repayments as a reduction in long-term liabilities. This is the the difference between debt proceeds, repayments and premium amortization plus the change in estimate disclosed in Note E.	
	(7,382,433)
Interest expenses accrued as part of pledged notes payable reported in the Government-wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents accrued interest on pledged notes plus accrued interest payable on governmental activities bonds payable.	
	(4,200,012)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds:	
Change in net pension liability	(1,913,601)
Change in compensated absences	(34,063)
Change in deferred outflows/inflows of resources on the pension plan	1,740,406
Change in net position of governmental activities	<u>\$ 3,134,704</u>

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Statements of Net Position
Proprietary Funds
June 30, 2023

	Major Funds				
	Water	Wastewater	Stormwater	Developer	Total
ASSETS					
Current assets:					
Cash and investments	\$ 2,943,659	\$ 1,339,238	\$ 3,826,310	\$ 22,940,210	\$ 31,049,417
Accounts receivable	1,126,719	1,108,520	255,412	3,533,773	6,024,424
Prepaid expenses	1,152,863	914,456	322,019		2,389,338
Due from other funds	190,836	14,809			205,645
Total current assets	<u>5,414,077</u>	<u>3,377,023</u>	<u>4,403,741</u>	<u>26,473,983</u>	<u>39,668,824</u>
Non-current assets:					
Restricted cash and investments	3,883,636	8,124,140	4,813,752		16,821,528
Restricted interest receivable	10	7	2		19
Advances to other funds		10,752,342			10,752,342
Capital assets					
Non-depreciable	984,200	1,620,100			2,604,300
Depreciable, net	84,820,693	45,799,767	23,899,893		154,520,353
Total capital assets, net	<u>85,804,893</u>	<u>47,419,867</u>	<u>23,899,893</u>		<u>157,124,653</u>
Total non-current assets	<u>89,688,539</u>	<u>66,296,356</u>	<u>28,713,647</u>		<u>184,698,542</u>
TOTAL ASSETS	<u>95,102,616</u>	<u>69,673,379</u>	<u>33,117,388</u>	<u>26,473,983</u>	<u>224,367,366</u>
DEFERRED OUTFLOWS					
Debt refunding	348,880	234,218	79,761		662,859
Pension plan	498,351	414,926	127,934		1,041,211
TOTAL DEFERRED OUTFLOWS	<u>847,231</u>	<u>649,144</u>	<u>207,695</u>		<u>1,704,070</u>
LIABILITIES					
Current liabilities:					
Accounts payable	355,823	178,364	62,858	2,990,503	3,587,548
Accrued interest payable	262,688	193,714	68,894		525,296
Due to other funds		92,712	112,933	7,387	213,032
Unearned revenue				23,824,766	23,824,766
Deposits from others	246,528				246,528
Bonds, notes and loans payable, current portion	720,000	490,000	190,000		1,400,000
Total current liabilities	<u>1,585,039</u>	<u>954,790</u>	<u>434,685</u>	<u>26,822,656</u>	<u>29,797,170</u>
Long-term liabilities:					
Advances from other funds	18,884,965	5,408,323	636,993		24,930,281
Bonds, notes and loans payable	104,734,762	81,661,383	28,483,559		214,879,704
Net pension liability	1,237,649	1,030,464	317,722		2,585,835
Total long-term liabilities	<u>124,857,376</u>	<u>88,100,170</u>	<u>29,438,274</u>		<u>242,395,820</u>
TOTAL LIABILITIES	<u>126,442,415</u>	<u>89,054,960</u>	<u>29,872,959</u>	<u>26,822,656</u>	<u>272,192,990</u>
DEFERRED INFLOWS					
Pension plan	170,866	142,263	43,864		356,993
NET POSITION					
Net investment in capital assets	13,317,423	4,317,452	7,429,227		25,064,102
Restricted for debt service	3,883,646	8,124,147	4,813,754		16,821,547
Unrestricted	(47,864,503)	(31,316,299)	(8,834,721)	(348,673)	(88,364,196)
TOTAL NET POSITION	<u>\$ (30,663,434)</u>	<u>\$ (18,874,700)</u>	<u>\$ 3,408,260</u>	<u>\$ (348,673)</u>	<u>\$ (46,478,547)</u>

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Statements of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Major Funds				
	Water	Wastewater	Stormwater	Developer	Total
OPERATING REVENUES					
Charges for services	\$ 4,627,880	\$ 3,892,324	\$ 735,998	\$ 12,672,514	\$ 21,928,716
Charges for services - pledged	5,024,379	3,913,735	1,361,180		10,299,294
Penalty charges and other	278,126		66,066		344,192
TOTAL OPERATING REVENUES	9,930,385	7,806,059	2,163,244	12,672,514	32,572,202
OPERATING EXPENSES					
Salaries and benefits	768,375	727,416	202,048	240,320	1,938,159
Professional and special services	1,758,851	1,236,570	261,758	12,432,191	15,689,370
Utilities	1,452,100	290,745			1,742,845
Chemicals	408,373	168,226			576,599
Maintenance	659,054	342,579	234,828		1,236,461
Depreciation	2,808,526	1,455,362	711,326		4,975,214
TOTAL OPERATING EXPENSES	7,855,279	4,220,898	1,409,960	12,672,511	26,158,648
OPERATING INCOME (LOSS)	2,075,106	3,585,161	753,284	3	6,413,554
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	68,916	34,512	48,970	(224,627)	(72,229)
Change in estimate - capital assets and pledged notes payable	10,417,687	(1,368,869)	(262,657)		8,786,161
Interest expense	(2,752,781)	(2,030,424)	(719,966)		(5,503,171)
Debt issuance costs	(410,602)	(399,953)	(132,376)		(942,931)
TOTAL NON-OPERATING REVENUES (EXPENSES)	7,323,220	(3,764,734)	(1,066,029)	(224,627)	2,267,830
CHANGE IN NET POSITION	9,398,326	(179,573)	(312,745)	(224,624)	8,681,384
Net position, beginning of year	(40,061,760)	(18,695,127)	3,721,005	(124,049)	(55,159,931)
TOTAL NET POSITION, END OF YEAR	\$ (30,663,434)	\$ (18,874,700)	\$ 3,408,260	\$ (348,673)	\$ (46,478,547)

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

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Statements of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water	Wastewater	Stormwater	Developer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 9,930,278	\$ 7,554,413	\$ 2,152,940	\$ 10,386,200	\$ 30,023,831
Cash paid to suppliers	(5,466,882)	(2,262,319)	(563,215)	5,651,797	(2,640,619)
Cash paid to employees	(735,831)	(700,320)	(193,693)	(240,320)	(1,870,164)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,727,565</u>	<u>4,591,774</u>	<u>1,396,032</u>	<u>15,797,677</u>	<u>25,513,048</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	1		(1)	(147,641)	(147,641)
CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>1</u>		<u>(1)</u>	<u>(147,641)</u>	<u>(147,641)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Payment for acquisition of capital assets	(114,920)				(114,920)
Principal paid on long-term debt	(30,828,805)	(4,838,505)	(3,088,410)		(38,755,720)
Interest paid on long-term debt	(2,742,351)	(1,913,202)	(694,174)		(5,349,727)
Long-term debt issued	17,952,625	17,879,646	5,789,600		41,621,871
Bond issuance costs paid	(410,602)	(399,953)	(132,376)		(942,931)
Advances from other funds	11,801,370	(10,752,342)			1,049,028
CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,342,683)</u>	<u>(24,356)</u>	<u>1,874,640</u>		<u>(2,492,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	68,916	34,512	48,970	(224,627)	(72,229)
INCREASE IN CASH AND CASH EQUIVALENTS	<u>(546,201)</u>	<u>4,601,930</u>	<u>3,319,641</u>	<u>15,425,409</u>	<u>22,800,779</u>
Cash and cash equivalents, beginning of year	7,373,496	4,861,448	5,320,421	7,514,801	25,070,166
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,827,295</u>	<u>\$ 9,463,378</u>	<u>\$ 8,640,062</u>	<u>\$ 22,940,210</u>	<u>\$ 47,870,945</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and investments	\$ 2,943,659	\$ 1,339,238	\$ 3,826,310	\$ 22,940,210	\$ 31,049,417
Restricted cash and investments	3,883,636	8,124,140	4,813,752		16,821,528
CASH AND INVESTMENTS	<u>\$ 6,827,295</u>	<u>\$ 9,463,378</u>	<u>\$ 8,640,062</u>	<u>\$ 22,940,210</u>	<u>\$ 47,870,945</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,075,106	\$ 3,585,161	\$ 753,284	\$ 3	\$ 6,413,554
Adjustments to reconcile operating income (loss) to cash provided by operating activities:					
Depreciation	2,808,526	1,455,362	711,326		4,975,214
(Increase) decrease in accounts receivable	95,170	(251,646)	(10,304)	(2,286,314)	(2,453,094)
(Increase) decrease in prepaid expenses	(248,710)	(256,678)	(81,936)		(587,324)
(Increase) decrease in deferred outflows	(142,074)	(118,291)	(36,472)		(296,837)
Increase (decrease) in accounts payable	(939,794)	32,479	15,307	1,688,810	796,802
Increase (decrease) in unearned revenue				16,387,887	16,387,887
Increase (decrease) in deposits from others	(95,277)			7,291	(87,986)
Increase (decrease) in net pension liability	359,571	299,378	92,307		751,256
Increase (decrease) in deferred inflows	(184,953)	(153,991)	(47,480)		(386,424)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,727,565</u>	<u>\$ 4,591,774</u>	<u>\$ 1,396,032</u>	<u>\$ 15,797,677</u>	<u>\$ 25,513,048</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES					
Amortization of bond prepaid insurance	\$ (248,710)	\$ (256,678)	\$ (81,936)		\$ (587,324)
Amortization of deferred amount on refunding of bonds	\$ 39,417	\$ 22,204	\$ 8,155		\$ 69,776
Amortization of bond premiums and discounts	\$ 446,453	\$ 321,270	\$ 117,061		\$ 884,784
Capital asset additions to pledged notes payable	\$ (7,324,719)	\$ (2,581,097)	\$ (686,487)		\$ (10,592,303)
Change in fair value of investments	\$ 60,113	\$ 25,205	\$ (32,186)	\$ (224,627)	\$ (171,495)
Change in estimate on capital assets and pledged notes payable	\$ 10,417,687	\$ (1,368,869)	\$ (262,657)		\$ 8,786,161

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

NOTES TO BASIC FINANCIAL STATEMENTS

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The reporting entity refers to the scope of activities, organizations and functions included in the financial statements. The Mountain House Community Services District (District), formed in 1996, is a political subdivision created under Section 61000-61850 of the Government Code of the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The District operates under the general laws of the State and is governed by an elected five-member Board of Directors (Board). In November 2008, Mountain House residents voted to have a locally elected Board of Directors. The Board currently consists of five members of the community elected at large.

The District provides general government, public safety, public ways and facilities, recreation and culture, water, wastewater, and storm drain services. Police services are provided through contracts with the County of San Joaquin and a private security company. Fire services are provided through contract with French Camp McKinley Rural Fire Protection District. Development inspections and plan checks are provided by the County of San Joaquin.

For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Board. The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental entities.

The District entered into a Joint Exercise of Powers Agreement dated April 1, 2007, between the District and the County of San Joaquin for the purpose of creating the Mountain House Public Financing Authority (Authority). The Authority was created to facilitate the financing and refinancing of certain public programs and projects of the District through the issuance of the Utility Systems Revenue Bonds, Series 2007 and 2011. The District owns the underlying capital assets that were financed with the debt. The Bonds issued in the name of the Authority were refunded in December 2019 with the proceeds of the Utility System Revenue Bonds, Series 2019A and B. The Authority has no other transactions and does not issue separate financial statements.

The District entered into a Joint Exercise of Powers Agreement dated June 1, 2019, between the District and the California Statewide Communities Development Authority (CSCDA) for the purpose of creating the Mountain House Financing Authority (MHFA). The MHFA was created to issue bonds and to purchase bonds issued by, or to make loans to, the District or CSCDA for financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits. The District owns any underlying capital assets financed with debt issued by the MHFA, as described in Note E. The accompanying basic financial statements of the District include the financial activities of the MHFA as a blended component unit of the District because the District's Board of Directors controls the MHFA, the District is financially accountable for the MHFA and the MHFA is financially dependent upon the District. Debt issued by the MHFA is reflected as debt of the District in these financial statements. The MHFA has no other transactions and does not issue separate financial statements.

Basis of Presentation—Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Basis of Presentation—Fund Financial Statements: The fund financial statements provide information about the District’s funds. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds. All of the District’s funds are considered major funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s principal ongoing operations. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. All revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating.

The District reports the following major governmental funds:

- The General Fund is the general operating fund of the District. It is used to account for all financial resources and transactions except those required to be accounted for in another fund. It includes certain special accounts that are used to accumulate resources for designated purposes.
- The Special Assessments Special Revenue Fund is used to account for funding from property assessments, levied per one hundred square feet of living area and per one hundred square feet of parcel area, to pay for roads, transportation, community services, public safety, public works, parks and recreation as a result of the adoption of Resolutions 96-1, 96-2, 96-3 and 96-4 and assessments from two landscaping and lighting districts as follows:
 - Ordinance No. 96-1 – Transportation, Operations and Administration: Provides funding for capital and operating costs, including administrative costs, of providing public transportation, including, but not limited to, construction and maintenance of streets and roads rights of way, bus service and equipment and facilities, train station facilities, and programs for the provision of public transportation, including, but not limited to, such items as programs for transportation demand management and alternative transportation programs. Funding is also available for operational and administrative functions of the District to the extent these latter functions are not funded from other sources.
 - Ordinance No. 96-2 – Public Safety Services: Provides funding for capital and operating costs, including administrative costs, of providing public safety services, including, but not limited to, fire protection, weed and pest abatement, police, ambulance services, security services, graffiti abatement, and animal control, and other programs for the provision of public safety services.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Ordinance No. 96-3 – Parks, Recreation, and Community Facilities Services: Provides funding for capital and operating costs, including administrative costs, of providing parks, recreation and community facilities and services, including, but not limited to, public recreation activities and facilities, landscaping, wildlife habitat and open space, information services, library services, public events, and the administration and enforcement of community covenants, conditions and restrictions.
- Ordinance No. 96-4 – Public Works: Provides funding for capital and operating costs, including administrative costs, of providing public works services, including, but not limited to, flood control and prevention, stormwater and drainage, sewer services, water services, street lighting, utility undergrounding, and telecommunications services.
- Mountain House Community Services District Consolidated Landscape Maintenance Assessment District No. 2016 (District No. 2016): Established under the provisions of the Landscaping and Lighting Act of 1972 to maintain landscaping and lighting improvements in Zone 1, Neighborhood D.
- Mountain House Community Services District Consolidated Landscape Maintenance Assessment District No. 2008-1 (District No. 2008-1): Established under the provisions of the Landscaping and Lighting Act of 1972 to maintain landscaping and lighting improvements in Zone 1, Neighborhood H.
- The Impact Fees Special Revenue Fund is used to account for fees collected from builders to mitigate the impact of development. The fees are used to reimburse developers for identified infrastructure projects.
- The Capital Projects Fund is used to account for financial resources used for the acquisition and construction of major capital facilities.

The District reports the following major enterprise funds:

- The Water Fund is used to account for the revenues from water users and the associated expenses to provide water treatment and services, and debt service.
- The Wastewater Fund is used to account for the revenues from wastewater users and the associated expenses to provide wastewater treatment and services, and debt service.
- The Stormwater Fund is used to account for the revenues from stormwater line users and the associated expenses to provide stormwater treatment and services, and debt service.
- The Developer Fund is used to account for financial resources used and expended for new developments.

Basis of Accounting: The government-wide and proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, special assessments and franchise fees. On an accrual basis, revenue from property taxes, special assessments and franchise fees is recognized in the fiscal year for which the taxes are levied.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available (“susceptible to accrual”). The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the accounting period so as to be measurable and available. Expenditures are generally 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. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Expenditures in the Special Assessment Special Revenue Fund are categorized consistently with the requirements of the related Ordinance. This results in general government expenditures being categorized with related expenditures rather than being reported separately as in the government-wide statements.

Cash and Cash Equivalents: The statements of cash flows include both cash and cash equivalents. Cash equivalents are defined as all cash and investments with original maturities of 90 days or less and the District’s investment in the County of San Joaquin’s pooled cash and investments.

Receivables, Unearned Revenue, and Unavailable Revenue: Receivables consist mostly of property taxes, developer reimbursements, and utility billings. Amounts in the Statements of Net Position for the Proprietary Funds are aggregated into a single accounts receivable. Below is the detail of the receivable for the proprietary funds:

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater</u>	<u>Developer</u>	<u>Total</u>
Receivables	\$1,144,557	\$1,123,015	\$ 259,456	\$ 3,533,773	\$ 6,060,801
Less: Allowance for uncollectible accounts	(17,838)	(14,495)	(4,044)		(36,377)
Ending balance	<u>\$ 1,126,719</u>	<u>\$ 1,108,520</u>	<u>\$ 255,412</u>	<u>\$ 3,533,773</u>	<u>\$ 6,024,424</u>

The District reports unearned revenue on its financial statements. Unearned revenues arise when the District receives resources before it has a legal claim to them, including developer deposits for plan checks and inspections, a police station, roads and a water treatment plant extension that are not considered earned until the permit is pulled. In subsequent periods, when the District has a legal claim to the resources, the unearned revenue is removed from the financial statements and revenue is recognized. The District also reports unavailable revenues on its financial statements, which arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Revenue is recognized when the revenue recognition criteria are met.

Restricted Assets: Certain resources set aside for repayment of revenue bonds and pledged notes payable are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and the Master Acquisition and Reimbursement Agreement. The amounts reported as restricted cash and investments consist of debt service reserves as well as accumulated pledged revenue in restricted accounts containing the portion of the enterprise fund utility bills that are pledged for repayment of the revenue bonds and the pledged notes payable.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The capital improvement fee portion of the District’s utility bill collections from its customers is pledged to pay debt service on the bonds and to reimburse the developers for the cost of the construction of the utility infrastructure. The cash and investments and receivables not yet disbursed to the developer or to the bond trustee are reported as restricted assets. The cash and investments are held at Wells Fargo Bank to pay related debt service on the revenue bonds issued, with the remainder being used to pay the pledged notes payable to the developers.

Capital Assets: Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 for equipment/furniture and \$5,000 for structures and improvements, and an estimated useful life in excess of one year.

Capital assets acquired by the governmental funds are accounted for as expenditures of those funds and capitalized and recorded as assets in the government-wide financial statements. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Contributed capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, tract improvements, right of ways, and utility facilities.

Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets. The range of estimated useful lives by type of asset is as follows:

Structures and Improvements	10-50 years
Equipment and Machinery	2-10 years
Infrastructure	25 years

Compensated Absences: Compensated absences are comprised of unpaid vacation and certain compensated time off, which are accrued as earned. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Unused sick leave benefits generally do not vest with the employee upon separation and have not been accrued. Compensated absences are liquidated by the General Fund.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, net of any related discounts. Issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Leases and Subscriptions: The District recognizes a lease liability and an intangible right-of-use lease asset and a subscription liability and subscription asset in the government-wide and enterprise fund statements if the lease meets the criteria in GASB Statement No. 87, *Leases*, or the subscription meets the criterion in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The District does not recognize short-term leases and subscriptions with a maximum possible term of 12 months or less. The District currently does not have any material leases or subscriptions.

Pledged Notes Payable: The District acquired various infrastructure facilities from developers through various Project Acquisition Agreements. In accordance with the Master Acquisition and Reimbursement Agreement and various Project Reimbursement Agreements, the District is obligated to reimburse for the accepted infrastructure based on agreed-upon amounts after costs are certified. The District certified the costs Central Parkway and Great Valley parkway and paid approximately \$49 on the enterprise fund pledged notes payable from the issuance of new debt and existing resources during the year ended June 30, 2023. In accordance with the agreements, financing charges are applied to the outstanding balance using the percentage increase in the Engineering News Record (ENR), a construction cost index. The rate for the year ended June 30, 2023 was 8.4211%. Repayment of the governmental activities pledged notes payable are made as impact fees are collected. If fees collected are insufficient to completely reimburse the developers at the time of build-out, the District will not have further obligation for reimbursement. The District's service area was approximately one-third built-out at year-end. Repayment of the business-type activities pledged notes are made from the capital improvement fee included in the utility billings received from the customers. When the developers have been fully reimbursed, the capital improvement fee will be used by the District to refurbish or replace the infrastructure.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources and pension expense related to the pension plan, information about the fiduciary net position of the District's pension plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the County of San Joaquin's Pension Plan. 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. The General Fund is used to liquidate the pension liability.

Property Tax Revenues: Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on July 1st and are payable in two installments on December 10th and April 10th.

The County of San Joaquin is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The District recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District participates in an alternative method of distribution of property tax levies and assessments known as the “Teeter Plan.” The State Revenue and Taxation Code allows counties to distribute secured real property and assessment and supplemental property taxes on an accrual basis resulting in full payment to districts each fiscal year. Any subsequent delinquent payments, penalties and interest during a fiscal year will revert to the County.

Special Assessments: There are five special taxes used to fund the services in the District. Each tax is levied per one hundred square feet of living area and per one hundred square feet of parcel area. The tax rates are subject to adjustment annually. The various assessments fund the capital and operating costs of providing roadways and other transportation infrastructure; public safety; parks, recreation, and community facilities; and public works services. The County of San Joaquin collects the special assessments as part of the property tax collection system and the District recognizes special assessment revenue when the installments are due, provided they are collected within 60 days after year-end.

Net Position/Fund Balances: The government-wide and business-type activities financial statements report net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted. These categories are described on the following page:

- Net Investment in Capital Assets — This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category, with the exception of the accrued interest included in the pledged notes payable. The net investment in capital assets in the Water Enterprise Fund is negative due to the principal on pledged notes payable being paid slower than the capital assets are depreciated.
- Restricted Net Position — This category represents net position that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position — This category represents net position of the District, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

In the Governmental Fund Statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance — amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact.
- Restricted fund balance — amounts with constraints placed on their use by those external to the District, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance — amounts that can only be used for specific purposes determined by a resolution of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

limitation needs to occur no later than the close of the reporting period. The District's committed fund balance in the General Fund represents an amount committed for the construction of an aquatic center.

- Assigned fund balance — amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designed for that purpose.
- Unassigned fund balance — the residual classification that includes amounts not contained in the other classifications. The General Fund is the only fund that reports positive unassigned fund balance while negative fund balance may be reported as unassigned fund balance if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes.

The District's Board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed. The District's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Excess Expenditures Over Appropriations: Expenditures in the General Fund exceeded appropriations by \$14,201,614 due to the District not anticipating the debt issuance and park dedications that are reported as revenue and capital outlay expenditures when creating the budget. The debt was approved by the Board of Directors without amending the budget.

Use of Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements: In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement was implemented by the District during the year ended June 30, 2023 and did not have any impact on the District's financial statements. .

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported prospectively by recognizing the change in the current period. This

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement applies to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. The provisions of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. The provisions of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

The District is currently analyzing the impact of the required implementation of these new statements.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE B – CASH AND INVESTMENTS

Cash and investments at June 30, 2023 are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 70,255,005	\$ 31,049,417	\$ 101,304,422
Restricted cash and investments	7,450	16,821,528	16,828,978
	\$ 70,262,455	\$ 47,870,945	\$ 118,133,400

At June 30, 2023, the District’s total cash and investments at fair value were as follows:

Cash:	
Cash on hand	\$ 300
Deposits in financial institutions	8,113,141
Total cash	8,113,441
Investments:	
Investment in County of San Joaquin Treasury	105,022,040
Money market mutual funds	1,048,440
Certificates of deposit	236,958
Medium term corporate notes	2,755,604
U.S. Agency securities	956,917
Total investments	110,019,959
Total cash and investments	\$ 118,133,400

Except for amounts held by fiscal agents in accordance with bond ordinances and the Master Acquisition and Reimbursement Agreement, all of the District’s cash and investments are deposited in the County of San Joaquin Treasury. The County maintains a cash and investment pool that is available to all funds for which the County Treasury is the depository, for the purpose of increasing interest earnings through investment activities. Investments held in the County’s investment pool are available on demand and consist of cash held in the bank or on hand, debt securities, and investments in third-party investment pools. The County of San Joaquin Treasury Oversight Committee (Committee) has oversight responsibility for the County of San Joaquin’s cash and investment pool. The Committee consists of ten members as required by state law. The value of the pooled shares in the County of San Joaquin that maybe withdrawn is determined on an amortized cost basis, which is different that the fair value of the District’s position in the pool. Deposits held in the County investment pool are subject to withdrawal restrictions that may require thirty days’ notice of the intent to withdrawal funds.

The District’s cash and investments are stated at fair value at June 30, 2023, determined using statements provided by custodial agents. Interest earned on the pooled funds is accrued and apportioned quarterly, based upon the average daily balance of each fund. Information regarding categorizing, ratings, and risk of investments and fair value reporting can be found in the County of San Joaquin’s annual financial report, which can be obtained by contacting the Auditor-Controller’s office at the County of San Joaquin.

Investment Policy: The County’s Board of Supervisors approves an investment policy each year and provides oversight for all pooled investments in the County Treasury. California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE B – CASH AND INVESTMENTS (Continued)

The table below identifies the investment types that are authorized for the District by the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issue
Local agency bonds	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Agency securities	5 years	100%	None
California State Warrants on Bonds	5 years	100%	None
Repurchase Agreements	1 year	100%	None
Bankers acceptances	180 days	40%	30%
Time deposits	1 year	30%	None
High grade commercial paper	270 days	30%	10%
Negotiable certificates of deposit	1 year	30%	10%
Medium term corporate notes	3 years	30%	None
Mutual funds	N/A	20%	None
Specific securities	5 years	Per approval	Per approval
California Local Agency Investment Fund (LAIF)	N/A	None	None
Local government investment pools	N/A	None	\$75,000,000
Joint Powers Authority Programs	N/A	30%	None
Supranationals	5 years	10%	AA

Investment of debt proceeds held by bond trustee are governed by the provision of the debt agreements rather than the California Government Code. However, the District’s debt agreement authorizes investment in all investments that comply with the California Government Code with the following additional requirements: U.S. agencies and financial institutions in which the District invests must have a rating of “A” or higher by two nationally recognized statistical rating agencies and corporations in which the District invests must have total assets of at least \$500 million.

The District complied with the provisions of California Government Code pertaining to the types of investments held, institutions in which deposits were made and security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Interest Rate Risk: Interest rate risk is the risk in the market rate changes that could adversely affect the fair values of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investment by maturity date:

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE B – CASH AND INVESTMENTS (Continued)

	Total	Remaining Investment Maturities			Weighted Average Maturity
		12 Months or Less	12 to 24 Months	24 to 60 Months	
Investment in County of San Joaquin Treasury	\$ 105,022,040	\$ 105,022,040			338 days
Money market mutual funds	1,048,440	1,048,440			25 days
Certificates of deposit	236,958	236,958			N/A
Medium term corporate notes	2,755,604	495,902	\$ 633,113	\$ 1,626,589	N/A
U.S. Agency securities	956,917		494,130	462,787	N/A
Total	\$ 110,019,959	\$ 106,803,340	\$ 1,127,243	\$ 2,089,376	

Credit Risk: Generally, credit risk is the risk that the 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type as of June 30, 2023.

	Total	Minimum Legal Rating	Minimum Rating					Not Rated
			AAA	A+	A-	AA-	BBB+	
Investment in County of San Joaquin Treasury	\$ 105,022,040	N/A						\$ 105,022,040
Money market mutual funds	1,048,440	A	\$ 1,048,440					
Certificates of deposit	236,958	N/A						236,958
Medium term corporate notes	2,755,604	A			\$ 1,511,894	\$ 114,696	\$ 1,129,014	
U.S. Agency securities	956,917	A		\$ 956,917				
Total	\$ 110,019,959		\$ 1,048,440	\$ 956,917	\$ 1,511,894	\$ 114,696	\$ 1,129,014	\$ 105,258,998

Custodial Credit Risk of Cash Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the District’s cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of pledged securities in the collateral pool must equal at least 110% of the District’s cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District’s total cash deposits.

At June 30, 2023, the carrying amount and the bank balance of the District’s deposits was \$8,350,099. The District had balances in banks of \$7,844,250 above the federally insured limit of \$250,000, which were secured by a pledge of the financial institution’s securities, but not in the name of the District.

Funds Held by Fiscal Agents: The District holds all of its restricted investments with a fiscal agent in various accounts for the purpose of paying principal and interest on its bonds, paying down the pledged notes payable and to establish a reserve for the bond issues. The fair value of investments is determined monthly based upon quoted market prices.

Concentration of Credit Risk: The District had no investment policy limiting the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2023, the District had no investments in one issuer (other than mutual funds and the San Joaquin Pooled Investment Fund) that represented 5% or more of total District investments.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE B – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the District’s cash and investments with fiscal agents had no securities exposed to custodial credit risk.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2023:

	Total	Level		
		1	2	3
Money market mutual funds	\$ 1,048,440		\$ 1,048,440	
Certificates of deposit	236,958		236,958	
Medium term corporate notes	2,755,604		2,755,604	
U.S. Agency securities	956,917		956,917	
	<u>4,997,919</u>	<u>\$ -</u>	<u>\$ 4,997,919</u>	<u>\$ -</u>
Investments not categorized:				
Investment in County of San Joaquin Treasury	<u>105,022,040</u>			
Total	<u>\$ 110,019,959</u>			

For investments classified within level 2 of the fair value hierarchy, the District’s custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

NOTE C – INTERFUND TRANSACTIONS

Due to/from other funds: Amounts due to and from other funds are for temporary loans to cover deficit cash and other shortfalls. Due to/from other funds consisted of the following at June 30, 2023:

Receivable Fund	Payable Fund	Amount
General Fund	Developer Enterprise Fund	\$ 7,387
Water Fund	Wastewater Enterprise Fund	92,712
	Stormwater Enterprise Fund	98,124
Wastewater Fund	Stormwater Enterprise Fund	<u>14,809</u>
		<u>\$ 213,032</u>

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE C – INTERFUND TRANSACTIONS (Continued)

Advances to/from other funds: Advances to and from other funds consisted of the following at June 30, 2023:

Receivable Fund	Payable Fund	Amount
General Fund	Water Enterprise Fund	\$ 7,083,595 (a)
	Wastewater Enterprise Fund	5,408,323 (a)
	Stormwater Enterprise Fund	636,993 (a)
	Water Enterprise Fund	1,049,028 (b)
Wastewater Enterprise Fund	Water Enterprise Fund	10,752,342 (c)
Impact Fees Special Revenue Fund	Special Assessments Special Revenue Fund	594,000 (d)
		<u>\$ 25,524,281</u>

- (a) Advances to utility funds are the result of shortfalls of expenses over revenues in the early years where the utility funds cannot generate enough revenue in a start-up community to pay all the operating expenses. It is expected that at some point in the future the utility funds will generate revenues in excess of expenses, which will be used for the repayment of advances.
- (b) The General Fund advanced funds to the Water Enterprise Fund to finance future capital infrastructure projects.
- (c) The Wastewater Enterprise Fund advanced funds to the Water Enterprise Fund in 2023 to repay developer notes payable in order to stabilize and reduce interest expense.
- (d) The Impact Fees Special Revenue Fund advanced funds to the Special Assessments Special Revenue Fund to purchase Fire Station 98. The total amount advanced was \$2,970,000 on August 11, 2015, and the outstanding balance is scheduled to be repaid by June 30, 2026. Principal payments of \$297,000 are due annually starting fiscal year 2015/16. Interest accrues annually on June 30 on the outstanding loan balance at the variable rates based on the Local Agency Investment Fund. Interest of \$19,335 was paid during the year ended June 30, 2023.

Transfer in/out: Interfund transfers for the year ended June 30, 2023 were as follows:

Transfer In	Transfer Out	Amount
Capital Projects Fund	Special Assessments Special Revenue Fund	\$ 3,831,339 (a)
Capital Projects Fund	Impact Fee Fund	1,000,000 (a)
		<u>\$ 4,831,339</u>

- (a) The transfer to the Capital Projects Fund is for future construction projects under the five-year CIP plan.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE D – CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2023:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 28,041,500			\$ 28,041,500
Total capital assets, not being depreciated	28,041,500			28,041,500
Capital assets, being depreciated:				
Equipment and furnishings	2,081,811	\$ 1,350,594		3,432,405
Buildings	33,710,975			33,710,975
Infrastructure	203,612,040	15,279,898	\$ (1,805,868)	217,086,070
Total capital assets, being depreciated	239,404,826	16,630,492	(1,805,868)	254,229,450
Less accumulated depreciation for:				
Equipment and furnishings	(1,480,438)	(280,914)		(1,761,352)
Buildings	(2,439,415)	(887,476)		(3,326,891)
Infrastructure	(128,975,899)	(8,882,509)	722,347	(137,136,061)
Total accumulated depreciation	(132,895,752)	(10,050,899)	722,347	(142,224,304)
Capital assets being depreciated, net	106,509,074	6,579,593	(1,083,521)	112,005,146
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 134,550,574</u>	<u>\$ 6,579,593</u>	<u>\$ (1,083,521)</u>	<u>\$ 140,046,646</u>
	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
<u>Business-Type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,604,300			\$ 2,604,300
Total capital assets, not being depreciated	2,604,300			2,604,300
Capital assets, being depreciated:				
Equipment	1,160,519	\$ 114,920		1,275,439
Other property	230,696,998	10,592,303	\$ (12,625,083)	228,664,218
Total capital assets, being depreciated	231,857,517	10,707,223	(12,625,083)	229,939,657
Less accumulated depreciation for:				
Equipment	(1,079,347)	(23,338)		(1,102,685)
Other property	(72,647,264)	(4,951,876)	3,282,521	(74,316,619)
Total accumulated depreciation	(73,726,611)	(4,975,214)	3,282,521	(75,419,304)
Capital assets being depreciated, net	158,130,906	5,732,009	(9,342,562)	154,520,353
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 160,735,206</u>	<u>\$ 5,732,009</u>	<u>\$ (9,342,562)</u>	<u>\$ 157,124,653</u>

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE D – CAPITAL ASSETS (Continued)

The disposals of capital assets of governmental and business-type activities above represent adjustments to certified costs of developer constructed project costs funded with pledged notes payable in anticipation of funding the notes payable with the proceeds of the 2023 Utility System Revenue Bonds described in Note E. This represents change in estimate of the qualifying costs of the projects. Because equal amounts of capital assets and pledged notes payable were removed, the change in estimate is due to the adjustment to the capitalized accrued interest on the notes payable that was eliminated and accumulated depreciation eliminated on the developer donated assets. The effect of the change in estimate was a gain of \$722,347 reported in general revenues of governmental activities and gains (losses) of \$10,417,687, (\$1,368,869) and (\$262,657) reported as nonoperating revenues or expenses in the Water Enterprise Fund, Wastewater Enterprise Fund and Stormwater Enterprise Fund, respectively.

Depreciation expense was charged to governmental functions as follows:

General government	\$	804,660
Public safety		326,156
Public ways		7,691,391
Culture and recreation		<u>1,228,692</u>
Total Governmental Activities		<u>\$ 10,050,899</u>

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

Water	\$	2,808,526
Wastewater		1,455,362
Stormwater		<u>711,326</u>
Total Business-type Activities		<u>\$ 4,975,214</u>

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE E – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2023:

	Maturity	Interest Rates	Principal Installments	Date of Issue	Amount Authorized	Outstanding June 30, 2023
<u>Governmental Activities Debt</u>						
Pledged notes payable <i>(to acquire infrastructure from developers)</i>	None	Agreement based	Based on impact fee receipts	Various	\$ 132,401,349	\$ 54,189,808
Mountain House Financing Authority 2021 Lease Revenue Bonds <i>(to finance the cost of improvements to construct roads, streets and other transportation improvements and paydown pledged notes payable)</i>	Oct 1 2051	4.00%	\$845,000-\$2,765,000	2021	<u>49,690,000</u>	<u>48,845,000</u>
Total Governmental Activities					<u>\$ 182,091,349</u>	<u>\$ 103,034,808</u>
<u>Business-type Activities Debt</u>						
Mountain House Financing Authority Utility Systems Revenue Bonds, Series 2020A <i>(to finance the cost of improvements to the water, wastewater, and storm drain system and paydown pledged notes payable)</i>	Dec 1 2055	4.00%	\$1,065,000-\$6,780,000	2020	\$ 91,325,000	\$ 91,325,000
Utility Systems Revenue Bonds, Series 2020B <i>(to finance the cost of improvements to the water, wastewater, and storm drain system and paydown pledged notes payable)</i>	Dec 1 2043	4.00%	\$180,000-\$4,355,000	2020	37,300,000	37,120,000
Utility Systems Revenue Bonds, Series 2019A <i>(to finance the cost of improvements to the water, wastewater, and storm drain system and refund remaining Utility System Revenue Bonds, Series 2011 and 2007)</i>	Dec 1 2041	3.0% - 5.0%	\$570,000-\$2,275,000	2019	25,185,000	25,185,000
Utility Systems Revenue Bonds, Series 2019B <i>(to finance the cost of improvements to the water, wastewater, and storm drain system and refund remaining Utility System Revenue Bonds, Series 2011 and 2007)</i>	Dec 1 2028	2.316% - 3.671%	\$255,000-\$1,065,000	2019	8,505,000	5,390,000
Utility Systems Revenue Bonds, Series 2023 <i>(to provide funds to repay developers for the cost of improvements to each system and to fund a Reserve Fund for the Bonds with a reserve fund insurance policy)</i>	Dec 1 2052	4.125%-4.250%	\$3,240,000-\$6,465,000	2023	42,775,000	42,775,000
Total Business-type Activities					<u>\$ 205,090,000</u>	<u>\$ 201,795,000</u>

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE E – LONG-TERM LIABILITIES (Continued)

Changes to long-term liabilities during the year ended June 30, 2023 were as follows:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
<u>Governmental Activities</u>					
Direct borrowing:					
Pledged notes payable	\$ 41,160,106	\$ 19,123,317	\$ (6,093,615)	\$ 54,189,808	\$ 50,000
Lease revenue bonds	49,690,000		(845,000)	48,845,000	920,000
Add premium	6,485,218		(593,806)	5,891,412	
Total notes and bonds	97,335,324	19,123,317	(7,532,421)	108,926,220	970,000
Compensated absences	447,381	410,426	(376,363)	481,444	411,915
Net pension liability	4,673,052	1,913,601		6,586,653	
Total governmental activities long-term liabilities	<u>\$ 102,455,757</u>	<u>\$ 21,447,344</u>	<u>\$ (7,908,784)</u>	<u>\$ 115,994,317</u>	<u>\$ 1,381,915</u>
<u>Business-type Activities</u>					
Revenue bonds	\$ 160,235,000	\$ 42,775,000	\$ (1,215,000)	\$ 201,795,000	\$ 1,400,000
Add premium	16,876,002		(912,399)	15,963,603	
Less discount	(353,388)	(1,153,129)	27,618	(1,478,899)	
Direct borrowing:					
Pledged notes payable	44,105,767	11,563,676	(55,669,443)		
Total notes and bonds	220,863,381	53,185,547	(57,769,224)	216,279,704	1,400,000
Net pension liability	1,834,579	751,256		2,585,835	
Total business-type activities long-term liabilities	<u>\$ 222,697,960</u>	<u>\$ 53,936,803</u>	<u>\$ (57,769,224)</u>	<u>\$ 218,865,539</u>	<u>\$ 1,400,000</u>

Additions to governmental activities pledged notes payable consists of new notes issued totaling \$14,914,854 that are reported as other financing sources in the governmental funds plus interest payable added to the principal balance that is not reported as a financing source.

As described in Note D, the District adjusted certified costs and the outstanding balance of pledged notes payable in both the governmental activities and enterprise funds that are reported as a change in estimate in the governmental activities general revenues and the enterprise fund nonoperating revenues and expenses. The change in estimate in the pledged notes payable balance was a reduction of \$893,881 in governmental activities and \$18,128,723 in proprietary funds pledged notes payable.

Payment Requirements for Debt Service: Due to the unknown amount and timing of future debt payments on the pledged notes payable, the future maturity schedules for these payables are not available. As of June 30, 2023, annual debt service requirements of all Utility System Revenue Bonds to maturity are as follows:

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE E – LONG-TERM LIABILITIES (Continued)

Year Ending June 30:	Governmental Activities		
	Principal	Interest	Total
2024	\$ 920,000	\$ 1,935,400	\$ 2,855,400
2025	960,000	1,897,800	2,857,800
2026	1,000,000	1,858,600	2,858,600
2027	1,040,000	1,817,800	2,857,800
2028	1,080,000	1,775,400	2,855,400
2029-2033	6,075,000	8,180,900	14,255,900
2034-2038	7,390,000	6,838,000	14,228,000
2039-2043	8,995,000	5,205,100	14,200,100
2044-2048	10,945,000	3,217,100	14,162,100
2049-2052	10,440,000	855,600	11,295,600
Totals	\$ 48,845,000	\$ 33,581,700	\$ 82,426,700

Year Ending June 30:	Business-type Activities		
	Principal	Interest	Total
2024	\$ 1,400,000	\$ 8,149,877	\$ 9,549,877
2025	1,605,000	8,026,965	9,631,965
2026	1,815,000	7,968,656	9,783,656
2027	2,045,000	7,899,380	9,944,380
2028	2,290,000	7,814,660	10,104,660
2029-2033	15,715,000	37,233,412	52,948,412
2034-2038	24,520,000	33,007,756	57,527,756
2039-2043	43,690,000	27,435,956	71,125,956
2044-2048	43,395,000	19,709,947	63,104,947
2049-2053	52,025,000	9,918,387	61,943,387
2054-2056	13,295,000	1,194,200	14,489,200
Totals	\$ 201,795,000	\$ 168,359,196	\$ 370,154,196

Requirement for District to Issue Bonds to Repay Pledged Notes Payable: The Master Acquisition and Reimbursement Agreements between the District and developers require the District to issue bonds to repay pledged notes payable to developers when the District has capacity to issue revenue bonds until the pledged notes payable are fully reimbursed. The requirements reside in the District’s “Revenue Bond Rules,” which require the District to analyze bonding capacity every six months, with one review occurring not more than 180 days after the end of each fiscal year based on the previous 24-month period using the District’s audited financial statements. The Revenue Bond Rules require the District to issue revenue bonds if the review indicates: 1) the District is in compliance with all covenants and other tests set forth to bond holders in previous revenue bond issues, and 2) a minimum of \$10 million face or par amount of additional revenue bonds can be issued in compliance with the rate covenant and additional indebtedness test described in the agreement. The requirement is subject to certain limitations discussed in the Revenue Bond Rules, including the ability of the District to obtain an investment grade rating (minimum of “Baa3”, “BBB-” or “BBB” by Moody’s, Standard & Poor’s or Fitch, respectively).

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE E – LONG-TERM LIABILITIES (Continued)

Default Provisions: The 2023 Utility System Revenue Bonds, 2021 Lease Revenue Bonds and the Utility System Revenue Bonds, Series 2020A and B and Series 2019A and B, contain default provisions that allow the trustee to call the revenue bonds principal and interest immediately due and payable if the bonds remain past due more than 30 days after the District is provided a notice of default by the trustee.

Pledged Revenues: The District has pledged utility revenues in enterprise funds to secure the repayment of principal and interest on the Utility System Revenue Bonds, Series 2023, Series 2020A and B, Series 2019A and B and the pledged notes payable in accordance with the terms and the provisions of the bonds and other agreements. The Series 2023 Bonds have maturity dates of December 1, 2052, the Series 2020A and B Bonds have maturity dates of December 1, 2055 and December 1, 2043 respectively, and the Series 2019A and B Bonds have maturity dates of December 1, 2041 and December 1, 2028, respectively, and the pledged notes receivable have no stated maturity date. The District has a rate covenant under the 2020A and B agreements and pledged note payable agreements to collect revenues from the water, wastewater and stormwater systems at least equal to 110% of annual debt service payments allocated to those systems. Total principal and interest remaining on the Utility System Revenue Bonds, Series 2023, Series 2020A and B and Series 2019A and B was \$370,154,196 at June 30, 2023, which is payable through December 2056. No enterprise fund pledged notes payable were outstanding at the end of the year. For the year ended June 30, 2023, combined cash basis principal and interest payments on the bonds with pledged revenue were \$7,536,100.

Total pledged utility revenues for the year ended June 30, 2023 were \$10,299,294, which represents 100% of the “Charges for services – pledged” on the proprietary fund statement of revenues, expenses and changes in fund net position revenue that is pledged for repayment of the Series 2020A and B Bonds, Series 2019A and B Bonds and the pledged notes payable combined.

In addition, the District has pledged governmental activity impact fees to secure repayment of the pledged notes payable in accordance with the terms of the Master Acquisition and Reimbursement Agreement. Total principal and finance charges accrued at the ENR index rate on these pledged notes payable that were outstanding at June 30, 2023 were \$54,189,808. No payments were made during the year on the pledged notes payable, but reductions to certified costs and previously accrued interest were made totaling \$6,093,615 during the year ended June 30, 2023. Total pledged revenue for the year ended June 30, 2023 was \$8,596,068 which represents total developer and impact fee revenue in the Impact Fee Special Revenue Fund.

Debt Refunding: On June 30, 2023, the District issued the \$42,775,000 2023 Lease Revenue Bonds, with an interest rate of 4.125% and 4.250% to pay \$34,023,814 on the proprietary fund pledged notes payable that accrued interest at the ENR index rate, as described in Note A. Due to the requirement to issue bonds to repay pledged notes payable above and due to the ENR rate being variable, the savings and net present value of savings on the refunding were not computed.

Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financings and at June 30, 2023, does not expect to incur a liability.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE F – NET POSITION DESIGNATIONS

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. As of June 30, 2023, the Board has designated \$1,400,000 for contingency funding in the event the District needs to make emergency water supply purchases. The Board of Directors also approved a cash reserve of three months of operating expenditures as part of the budget.

NOTE G – PENSION PLAN AND DEFERRED COMPENSATION PLAN

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 San Joaquin County Employees’ Retirement Association (SJCEA). The Plan consists of the Tier 1 and Tier 2 rate plans.

The County Employee’s Retirement Act of 1937 is the statutory basis for the SJCERA. The Board of Retirement has the authority to establish and amend benefit provisions. The SJCERA issues a Comprehensive Annual Financial Report available at www.sjcera.org or by writing to the Board of Retirement, San Joaquin County Employees’ Retirement Association, 6 South El Dorado, Suite 400, Stockton, California 95202.

Benefits Provided: SJCERA 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 year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for Tier 2) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the following: the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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

Hire date	Tier 1 (Prior to January 1, 2013)	Tier 2 (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55 1/2	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 62	52 - 67
Monthly benefits, as a % of eligible compensation	1.48% to 2.61%	1.0% to 2.5%
Required employee contribution rates - 2022	5.67% - 10.09%	10.35%
Required employer contribution rates - 2022	45.67%	39.70%

The Tier 1 rate plan is closed to new members that are not already SJCERA eligible participants.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE G – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

Contributions: Section 20814(c) of the California Public Employees’ 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. Funding contributions for the Plans are determined annually on an actuarial basis as of December 31 by SJCERA. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions to the plan were \$1,332,850.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability in the amount of \$9,172,488.

The net pension liability as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to December 31, 2022 using standard update procedures. The District’s proportionate share 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, as actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2022 (December 31, 2022 and 2021 measurement dates) was as follows:

Proportion - June 30, 2022	0.5338%
Proportion - June 30, 2023	0.5398%
Change - Increase (Decrease)	0.0060%

For the year ended June 30, 2023, the District recorded pension expense of \$1,574,037. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 713,804	
Changes in assumptions	308,778	\$ (253,645)
Change in employer's proportion	988,818	
Differences between the employer's contribution and the employer's proportionate share of contributions		(667,615)
Net differences between projected and actual earnings on plan investments	1,676,646	
Differences between actual and expected experience	5,345	(345,068)
Total	\$ 3,693,391	\$ (1,266,328)

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE G – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date above will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2023	\$ 347,586
2024	411,293
2025	335,068
2026	619,312
	\$ 1,713,259

Actuarial Assumptions: The total pension liability at June 30, 2023 (according to January 1, 2022 actuarial valuation) was determined using the following actuarial assumptions:

Valuation Date	January 1, 2022
Measurement Date	December 31, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Inflation	2.75%
Amortization Growth Rate	3.00%
Salary Increases	3.00% plus merit component
Cost of Living Salary Increase	2.60%
Investment Rate of Return/Discount Rate	6.75%
Mortality	Post-Retirement mortality: Gender distinct tables from CalPERS' experience study with generational mortality improvements projected from 2010 using Projection Scale MP-2018.

Discount Rate: The discount rate used to measure the total pension liability was 6.75% as of the December 31, 2022 measurement date, which is a change in estimate from the 7.00% rate used at the December 31, 2021 measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's plan net position was projected to be available to make all projected future benefit payments for 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 as of December 31, 2022.

Change of Assumptions: The change in the discount rate above represents a change in assumptions for the year ended June 30, 2023.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE G – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plan. 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	Target Allocation	Real Return (a)
Aggressive Growth	16.00%	9.65%
Traditional Growth	34.00%	5.45%
Stabilized Growth	30.00%	3.75%
Principal Protection	7.00%	-0.25%
Crisis Risk Offset (CRO)	13.00%	1.95%
Cash	0.00%	-1.05%
Total	100.0%	

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 the Plan, calculated using the discount rate for the 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:

1% Decrease	5.75%
Net Pension Liability	\$ 13,131,803
Current Discount Rate	6.75%
Net Pension Liability	\$ 9,172,488
1% Increase	7.75%
Net Pension Liability	\$ 5,908,366

Pension Plan Fiduciary Net Position: Detailed information about the Plan fiduciary net position is available in the separately issued SJCERA financial reports.

Payable to the Pension Plan: As of June 30, 2023, there were no significant payables to the Plan.

Deferred Compensation Plan

The District participates in the County of San Joaquin Internal Revenue Code (IRC) Section 457 Deferred Compensation Plan (457 Plan). All employees are allowed to participate. The 457 Plan is administered by Nationwide Retirement Solutions and Nationwide Life Insurance Company.

Benefit terms, including contribution requirements and withdrawals for the 457 Plan are established by the County of San Joaquin Board of Supervisors and are subject to limitations imposed by the IRC. Employees are permitted to make contributions to the 457 Plan, up to the applicable IRC limits. The District makes contributions based on a percentage of base salary. Contributions are 1% for management employees and employees who are members of its Supervisor/Confidential bargaining unit and 2% for persons designated as District Directors. The District contributes 5% on behalf of the General Manager in accordance with the related employment contract. All participant and employer contributions and earnings on the contributions vest immediately. Plan member and District contributions totaled \$42,653 and \$296,885 respectively, during the year ended June 30, 2023.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District participates in the Special District Risk Management Authority (SDRMA) Property and Liability Insurance Program for risk of loss. The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions and public official personal liability insurance coverage.

SDRMA is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of SDRMA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services. The District paid no material uninsured losses during the last three fiscal years and had no significant reductions in coverage during the year. Liabilities of the District are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The District considers claims incurred and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable.

The District’s maximum coverage as of June 30, 2023 consisted of \$2.5 million for general liability, including bodily injury, property damage, employee benefits, public officials E&O and employment practices liability and auto bodily injury and property damage, \$500,000 for public official’s personal liability and \$1.0 million employees/public officials E&O. The District has property mobile/contractors equipment and catastrophic loss coverage of \$1.0 billion, boiler and machinery coverage of \$100 million and pollution coverage of \$2 million. Workers’ compensation coverage includes \$5,000,000 for employer’s liability and the statutory limit for workers’ compensation.

The District insures through the County of San Joaquin’s self-insurance programs for unemployment compensation, medical insurance, and dental insurance. The County also purchases commercial stop loss insurance for the health and dental insurance coverage in excess of the County-covered portion. Settled claims have not exceeded the County coverage or the commercial insurance coverage in any of the past three fiscal years.

NOTE I – FUND BALANCE/NET POSITION DEFICIT

The following funds had deficit net position at June 30, 2023:

	<u>Deficit Amount</u>
Water	\$ (30,663,434)
Wastewater	(18,874,700)
Developer	(348,673)

The deficit in these funds are expected to be eliminated in the future through increased charges for services revenues as the number of connections increase or through the collection of development fees.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE J – COMMITMENTS AND CONTINGENCIES

Byron-Bethany Irrigation District: The District entered into an agreement on June 22, 2015 with Byron-Bethany Irrigation District (Irrigation District) whereby the District, in addition to paying actual costs of water delivered, agrees to indemnify the Irrigation District for any and all costs, including, but not limited to, any fines penalties, legal or other costs associated with any enforcement or other action brought by the State Water Resources Control Board or any other rent related to the Irrigation District's diversion of water to meet the water supply requirements of the District while the State Water Resources Control Board curtailment of the Irrigation District's pre-1914 appropriative water rights is in effect.

French Camp McKinley Rural Fire Protection District: The District entered into an agreement with French Camp McKinley Rural Fire Protection District to provide fire protection and emergency medical services extending through June 30, 2025. The annual fee will be negotiated based on the Fire District's proposed budget, or if unable to negotiate, the fee will be the current contract fee increased by 3%. The annual fee for year ended June 30, 2023 was \$2,878,620.

Legal Actions: The District is party to legal actions that arose in the normal operation of business. Management of the District believes that the legal actions will not have a material adverse impact on the financial position of the District.

Contingency on Developer Notes Payable: The District reports notes payable for governmental and business-type activities. The notes payable represent amounts due for infrastructure and improvements constructed by various developers. Some developers have taken issue with the amount reported for their individual note. They assert that the balance of their individual note payable should be increased and the balance of another developer be decreased. However, if any adjustments of amounts payable were to be proven warranted, the changes would not impact the total of notes payable reported in these financial statements.

The District is responsible for reimbursement of certified costs of certain developer improvements under development agreements. The District records an estimate of the allowable costs as capital assets and developer notes payable when submitted to the District by developers and adjusts the costs when a final cost certification is completed. Developers may have incurred costs that are reimbursable under the development agreements that have not been submitted for reimbursement at year-end. Consequently, the capital assets and developer note payable submitted by developers are subject to change and certain costs have not been recorded as they are not estimable. Projects in the process of being completed by developers at June 30, 2023 include a wastewater treatment plant expansion project that is budgeted at \$60 million and water treatment plan infrastructure improvements budgeted at \$2 million.

Fire Apparatus Purchase: On June 8, 2022, the Board of Directors approved a contract to purchase two Rosenbauer Pumpers for fire services for \$1,857,921. The Rosenbauer Pumpers are scheduled to be delivered approximately 600 days from order.

NOTE K – SUBSEQUENT EVENTS

On October 14, 2020, the Board of Directors provided direction to management to submit an application to the San Joaquin Local Agency Formation Commission (LAFCo) to incorporate the District as a City. During May 2022, the Board of Directors adopted an amended resolution to incorporate the District as a City. LAFCo approved the District's application to incorporate as a City in September 2023. An election will be held on March 5, 2024. If voters approve the incorporation, the City Council will be sworn in on July 1, 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2023

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,951,505	\$ 6,951,505	\$ 7,732,189	\$ 780,684
Licenses and permits	8,000	8,000	8,364	364
Franchise fees	1,206,717	1,206,717	1,106,275	(100,442)
Developer and impact fees	475,900	475,900	438,534	(37,366)
Investment earnings (losses)	77,700	77,700	926,447	848,747
Other revenues	10,322	10,322	15,055	4,733
TOTAL REVENUES	<u>8,730,144</u>	<u>8,730,144</u>	<u>10,226,864</u>	<u>1,496,720</u>
Expenditures				
Current:				
General government	334,395	334,395	141,437	192,958
Public ways and facilities	4,242,178	4,242,178	3,752,606	489,572
Capital outlay	13,000	13,000	14,895,144	(14,882,144)
TOTAL EXPENDITURES	<u>4,589,573</u>	<u>4,589,573</u>	<u>18,789,187</u>	<u>(14,199,614)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,140,571</u>	<u>4,140,571</u>	<u>(8,562,323)</u>	<u>(12,702,894)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt			14,864,854	14,864,854
Transfer out	(1,113,454)	(1,113,454)		1,113,454
Total other financing sources (uses)	<u>(1,113,454)</u>	<u>(1,113,454)</u>	<u>14,864,854</u>	<u>15,978,308</u>
NET CHANGE IN FUND BALANCE	3,027,117	3,027,117	6,302,531	3,275,414
Fund balance, beginning of year	<u>42,946,321</u>	<u>42,946,321</u>	<u>42,946,321</u>	
FUND BALANCE, END OF YEAR	<u>\$ 45,973,438</u>	<u>\$ 45,973,438</u>	<u>\$ 49,248,852</u>	<u>\$ 3,275,414</u>

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Assessments Special Revenue Fund
For the Year Ended June 30, 2023

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 15,106,850	\$ 15,106,850	\$ 15,101,756	\$ (5,094)
Investment earnings (losses)	36,000	36,000	372,261	336,261
Other revenues	80,000	80,000	132,180	52,180
TOTAL REVENUES	<u>15,222,850</u>	<u>15,222,850</u>	<u>15,606,197</u>	<u>383,347</u>
Expenditures				
Current:				
Public safety	6,289,692	6,289,692	6,071,136	218,556
Public ways and facilities	3,643,091	3,643,091	3,098,354	544,737
Recreation and culture	3,167,035	3,167,035	2,695,236	471,799
Debt service				
Interest and fiscal charges	5,500	5,500	19,335	(13,835)
Capital outlay			49,828	(49,828)
TOTAL EXPENDITURES	<u>13,105,318</u>	<u>13,105,318</u>	<u>11,933,889</u>	<u>1,171,429</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,117,532</u>	<u>2,117,532</u>	<u>3,672,308</u>	<u>1,554,776</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(3,535,339)</u>	<u>(3,535,339)</u>	<u>(3,831,339)</u>	<u>(296,000)</u>
Total other financing sources (uses)	<u>(3,535,339)</u>	<u>(3,535,339)</u>	<u>(3,831,339)</u>	<u>(296,000)</u>
NET CHANGE IN FUND BALANCE	(1,417,807)	(1,417,807)	(159,031)	1,258,776
Fund balance, beginning of year	<u>5,938,248</u>	<u>5,938,248</u>	<u>5,938,248</u>	
FUND BALANCE, END OF YEAR	<u>\$ 4,520,441</u>	<u>\$ 4,520,441</u>	<u>\$ 5,779,217</u>	<u>\$ 1,258,776</u>

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Impact Fees Special Revenue Fund
For the Year Ended June 30, 2023

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Developer and impact fees	\$ 10,504,200	\$ 10,504,200	\$ 8,596,068	\$ (1,908,132)
Investment earnings (losses)	58,500	58,500	731,254	672,754
TOTAL REVENUES	<u>10,562,700</u>	<u>10,562,700</u>	<u>9,327,322</u>	<u>(1,235,378)</u>
Expenditures				
Recreation and culture			50,000	(50,000)
Debt service				
Principal	10,504,200	10,504,200	5,102,274	5,401,926
Interest and fiscal charges			1,905,561	(1,905,561)
TOTAL EXPENDITURES	<u>10,504,200</u>	<u>10,504,200</u>	<u>7,057,835</u>	<u>3,446,365</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>58,500</u>	<u>58,500</u>	<u>2,269,487</u>	<u>2,210,987</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt			50,000	50,000
Transfer out	(1,000,000)	(1,000,000)	(1,000,000)	
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(950,000)</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE				
	(941,500)	(941,500)	1,319,487	2,260,987
Fund balance, beginning of year				
	<u>14,595,157</u>	<u>14,595,157</u>	<u>14,595,157</u>	
FUND BALANCE, END OF YEAR				
	<u>\$ 13,653,657</u>	<u>\$ 13,653,657</u>	<u>\$ 15,914,644</u>	<u>\$ 2,260,987</u>

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

BUDGETARY BASIS OF ACCOUNTING

The District prepares and legally adopts an operating balanced final budget on or before July 1, of each year. Public hearings are conducted to review all proposed appropriations and the sources of financing before the adoption. Until the adoption of this balanced final budget, operations are governed by the prior budget, which is approved by the Board of Directors.

The budget is prepared on a modified accrual basis in accordance with generally accepted accounting principles. Throughout the fiscal year, supplemental appropriations may be made by the Board when revenues are received from unanticipated sources, or from anticipated sources in excess of estimates thereof, or from contingency sources.

The legal level for budgetary control (the level at which expenditures may not exceed budgeted appropriations) is at the fund level.

All amendments or transfers of line-item appropriations within the same fund require the General Manager's approval. Amendments and transfers of appropriations between funds or that involve the addition or deletion of a project or piece of equipment must be approved by the General Manager. The Board of Directors has authorized the General Manager of the District to make year-end budget adjustments and appropriation transfers within the respective District budgets and funds to provide for expenditures in excess of budgeted amounts.

Budgeted amounts in the budgetary financial schedules are reported as originally adopted and amended during the fiscal year by resolutions approved by the Board of Directors.

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**OTHER SUPPLEMENTARY INFORMATION –
INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (UNAUDITED)**

Last 10 Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.5398%	0.5338%	0.4733%	0.4451%	0.4017%	0.3585%	0.3385%	0.2869%	0.2931%
Proportionate share of the net pension liability	\$ 9,172,488	\$ 6,507,631	\$ 7,936,884	\$ 7,517,184	\$ 7,469,538	\$ 5,671,032	\$ 5,644,644	\$ 4,413,499	\$ 3,861,581
Covered payroll during measurement period	\$ 2,818,964	\$ 2,553,381	\$ 2,408,599	\$ 2,241,456	\$ 1,990,698	\$ 1,757,812	\$ 1,527,861	\$ 1,303,509	\$ 1,273,202
Proportionate share of the net pension liability as a percentage of covered payroll	325.39%	254.86%	329.52%	335.37%	375.22%	322.62%	369.45%	338.58%	303.30%
Plan fiduciary net position as a percentage of the total pension liability	69.20%	74.10%	67.90%	65.76%	60.44%	64.54%	60.51%	61.07%	65.18%
Notes to Schedule:									
Change in Benefit Terms: None									
Changes in assumptions for measurement period:									
Changes in discount rate	6.75%	7.00%	7.00%	7.25%	7.25%	7.40%	7.40%	7.40%	7.40%

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)

Last 10 Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution employer's fiscal year (actuarially determined)	\$ 1,332,850	\$ 1,142,040	\$ 996,604	\$ 894,751	\$ 776,891	\$ 641,658	\$ 505,575	\$ 410,518	\$ 367,300
Contributions in relation to the actuarially determined contributions - employer fiscal year	(1,332,850)	(1,142,040)	(996,604)	(894,751)	(776,891)	(641,658)	(505,575)	(410,518)	(367,300)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer's fiscal year	\$ 3,588,560	\$ 2,742,437	\$ 2,702,903	\$ 2,366,125	\$ 2,125,488	\$ 1,790,011	\$ 1,548,017	\$ 1,336,539	\$ 1,059,358
Contributions as a percentage of covered - payroll	37.14%	41.64%	36.87%	37.82%	36.55%	35.85%	32.66%	30.72%	34.67%
Notes to Schedule:									
Valuation date- January 1:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date - December 31:	2022	2021	2020	2019	2018	2017	2016	2015	2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Asset valuation method	Excess earnings smoothed over 5 years, 80%/120% corridor around fair value
Amortization method	Level percentage of payroll, closed
Discount rate	7.00%
Amortization growth rate	3.00%
Price inflation	2.75%
Salary increases (plus merit component)	3.00%
Mortality - prior to 2022	Gender distinct tables from CALPERS' 2013 experience study, with generational mortality improvements projected from 2010 using Projection Scale MP-2018.
Mortality - 2022	Gender distinct tables from Society of Actuaries' new Public mortality tables, with generational mortality improvements projected from 2010 using Projection Scale MP-2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. These schedules are intended to present ten years of information and additional years will be added prospectively as they become available.

MOUNTAIN HOUSE COMMUNITY SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Major Capital Projects Fund
For the Year Ended June 30, 2023

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings (losses)			\$ (20,229)	\$ (20,229)
Other revenues		\$ 370,927	300,000	(70,927)
TOTAL REVENUES		<u>370,927</u>	<u>279,771</u>	<u>(91,156)</u>
Expenditures				
Current:				
Public ways and facilities		9,428,186	1,460,242	7,967,944
Capital outlay	\$ 2,855,339		1,685,520	(1,685,520)
TOTAL EXPENDITURES	<u>2,855,339</u>	<u>9,428,186</u>	<u>3,145,762</u>	<u>6,282,424</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,855,339)</u>	<u>(9,057,259)</u>	<u>(2,865,991)</u>	<u>6,191,268</u>
Other Financing Sources (Uses)				
Transfer in	4,535,339	4,535,339	4,831,339	296,000
Total other financing sources (uses)	<u>4,535,339</u>	<u>4,535,339</u>	<u>4,831,339</u>	<u>296,000</u>
Net change in fund balance	1,680,000	(4,521,920)	1,965,348	6,487,268
Fund balance, beginning of year	<u>7,950,221</u>	<u>7,950,221</u>	<u>7,950,221</u>	
Fund balance, end of year	<u>\$ 9,630,221</u>	<u>\$ 3,428,301</u>	<u>\$ 9,915,569</u>	<u>\$ 6,487,268</u>

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STATISTICAL SECTION

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**Mountain House Community Services District
Statistical Section**

Table of Contents

This part of the Comprehensive Annual Financial Report presents detailed information to aid in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

A. Financial trends

These schedules contain trend information to help the reader understand how the District's financial performance has changed over time:

1. Net position by component
2. Changes in net position
3. Fund balances of governmental funds
4. Changes in fund balances of governmental funds

B. Revenue capacity

These schedules give information on the District's most significant local revenue sources:

1. Water utility system – ten largest customers
2. Water utility system rates
3. Property tax valuations and rates
4. Property and franchise taxes
5. Special tax levies and rates
6. Principal property taxpayers

C. Debt capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the Districts' ability to issue additional debt in the future:

1. Ratio of outstanding debt by type
2. Computation of direct and overlapping debt
3. Revenue bond coverage

D. Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place:

1. Demographic and economic statistics

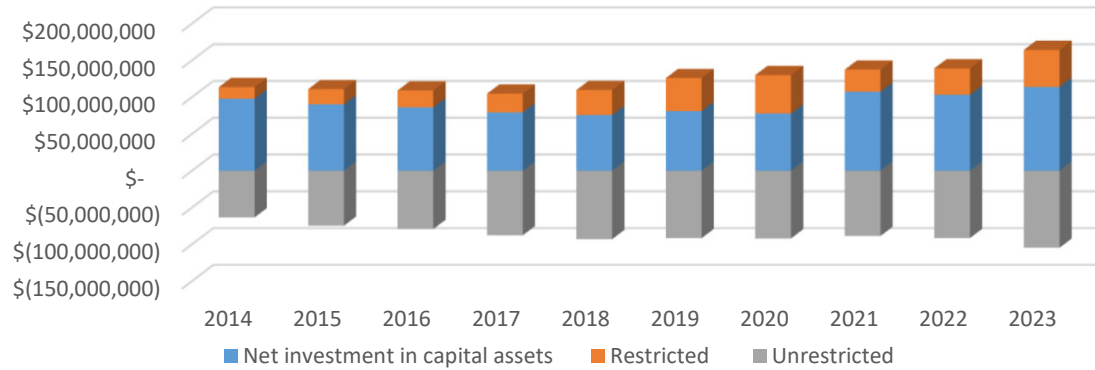
E. Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs:

1. Full-time District employees by function
2. Capital asset statistics by function/program

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial statements for the relevant year.

Mountain House Community Services District
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net investment in capital assets	\$ 80,398,272	\$ 74,501,674	\$ 72,172,012	\$ 66,219,990	\$ 63,551,020	\$ 69,069,002	\$ 65,354,553	\$ 96,861,978	\$ 91,517,660	\$ 88,951,441
Restricted	11,097,534	15,910,242	17,503,312	20,155,037	28,010,993	37,721,051	43,033,670	23,842,393	29,929,824	33,314,754
Unrestricted	(22,649,670)	(27,915,912)	(28,022,197)	(28,920,852)	(28,891,469)	(23,100,430)	(20,349,760)	(19,551,827)	(18,417,182)	(16,101,189)
Total governmental activities net position	<u>\$ 68,846,136</u>	<u>\$ 62,496,004</u>	<u>\$ 61,653,127</u>	<u>\$ 57,454,175</u>	<u>\$ 62,670,544</u>	<u>\$ 83,689,623</u>	<u>\$ 88,038,462</u>	<u>\$ 101,152,543</u>	<u>\$ 103,030,302</u>	<u>\$ 106,165,006</u>
Business-Type Activities										
Net investment in capital assets	\$ 17,520,100	\$ 15,744,512	\$ 14,020,884	\$ 13,051,286	\$ 12,147,222	\$ 11,970,183	\$ 12,351,729	\$ 10,677,879	\$ 11,749,591	\$ 25,064,102
Restricted	4,559,413	4,698,724	5,411,210	5,322,884	5,999,236	7,201,355	9,279,464	6,039,806	5,891,040	16,821,547
Unrestricted	(40,697,226)	(46,660,220)	(51,011,009)	(58,655,092)	(63,875,644)	(68,324,151)	(71,463,109)	(68,895,466)	(72,800,562)	(88,364,196)
Total business-type activities net position	<u>\$ (18,617,713)</u>	<u>\$ (26,216,984)</u>	<u>\$ (31,578,915)</u>	<u>\$ (40,280,922)</u>	<u>\$ (45,729,186)</u>	<u>\$ (49,152,613)</u>	<u>\$ (49,831,916)</u>	<u>\$ (52,177,781)</u>	<u>\$ (55,159,931)</u>	<u>\$ (46,478,547)</u>
Primary Government										
Net investment in capital assets	\$ 97,918,372	\$ 90,246,186	\$ 86,192,896	\$ 79,271,276	\$ 75,698,242	\$ 81,039,185	\$ 77,706,282	\$ 107,539,857	\$ 103,267,251	\$ 114,015,543
Restricted	15,656,947	20,608,966	22,914,522	25,477,921	34,010,229	44,922,406	52,313,134	29,882,199	35,820,864	50,136,301
Unrestricted	(63,346,896)	(74,576,132)	(79,033,206)	(87,575,944)	(92,767,113)	(91,424,581)	(91,812,869)	(88,447,293)	(91,217,744)	(104,465,385)
Total primary government net position	<u>\$ 50,228,423</u>	<u>\$ 36,279,020</u>	<u>\$ 30,074,212</u>	<u>\$ 17,173,253</u>	<u>\$ 16,941,358</u>	<u>\$ 34,537,010</u>	<u>\$ 38,206,546</u>	<u>\$ 48,974,763</u>	<u>\$ 47,870,371</u>	<u>\$ 59,686,459</u>

Note: Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Source: Mountain House Community Services District Audited Financial Statements

Mountain House Community Services District
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Government activities:										
General government	\$ 2,611,252	\$ 2,748,446	\$ 2,013,876	\$ 1,455,982	\$ 3,172,793	\$ 3,234,369	\$ 4,899,573	\$ 4,170,256	\$ 3,056,773	\$ 3,561,394
Public safety	3,682,494	3,802,067	3,579,024	3,497,616	3,412,355	2,773,076	4,398,335	4,972,476	5,524,846	6,483,232
Public ways and facilities	7,974,031	8,042,278	8,529,010	10,822,663	8,826,980	9,366,325	9,658,600	11,988,424	13,296,078	13,797,202
Recreation and culture	1,550,346	1,702,897	1,732,013	2,348,502	2,115,365	2,160,765	2,121,593	2,792,760	3,251,153	3,704,672
Capital expenditures	-	-	-	-	3,316,231	-	-	-	-	-
Interest on long-term debt	2,531,103	3,059,381	2,334,136	3,956,850	-	2,910,827	1,572,512	2,347,775	3,043,406	5,481,297
Total governmental activities expense	<u>18,349,226</u>	<u>19,355,069</u>	<u>18,188,059</u>	<u>22,081,613</u>	<u>20,843,724</u>	<u>20,445,362</u>	<u>22,650,613</u>	<u>26,271,691</u>	<u>28,172,256</u>	<u>33,027,797</u>
Business-Type Activities:										
Water Fund	7,883,200	8,311,512	8,083,278	9,932,771	9,804,272	9,846,232	8,800,063	10,151,539	12,798,136	11,018,662
Wastewater Fund	4,692,470	4,999,178	4,635,738	6,177,871	5,946,255	5,802,012	5,330,204	6,238,672	5,956,128	8,020,144
Storm Fund	1,530,367	1,698,797	1,457,272	1,921,292	1,703,506	1,724,368	1,587,633	3,052,697	2,224,542	2,524,959
Developer Fund	910,453	1,429,107	1,516,447	2,600,066	3,384,006	4,392,076	4,308,647	3,608,206	8,706,525	12,672,511
Total business-type activities expense	<u>15,016,490</u>	<u>16,438,594</u>	<u>15,692,735</u>	<u>20,632,000</u>	<u>20,838,039</u>	<u>21,764,688</u>	<u>20,026,547</u>	<u>23,051,114</u>	<u>29,685,331</u>	<u>34,236,276</u>
Total primary government expenses	<u>\$ 33,365,716</u>	<u>\$ 35,793,663</u>	<u>\$ 33,880,794</u>	<u>\$ 42,713,613</u>	<u>\$ 41,681,763</u>	<u>\$ 42,210,050</u>	<u>\$ 42,677,160</u>	<u>\$ 49,322,805</u>	<u>\$ 57,857,587</u>	<u>\$ 67,264,073</u>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 147,411	\$ 52,491	\$ 40,459	\$ 87,374	\$ 225,902	\$ 899,374	\$ 170,951	\$ 568,184	\$ 263,687	\$ 277,021
Public safety	2,047,519	2,167,626	2,318,311	2,592,544	2,702,572	3,154,205	3,609,729	3,788,208	4,251,835	4,396,034
Public ways and facilities	8,305,090	9,414,704	10,435,975	9,891,159	17,122,382	29,959,109	14,921,264	26,739,974	17,526,290	18,708,028
Recreation and culture	360,905	401,901	444,413	521,048	515,002	615,278	664,738	658,948	739,222	764,115
Operating grants and contributions	-	-	-	-	-	-	-	-	35,556	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>10,860,925</u>	<u>12,036,722</u>	<u>13,239,158</u>	<u>13,092,125</u>	<u>20,565,858</u>	<u>34,627,966</u>	<u>19,366,682</u>	<u>31,755,314</u>	<u>22,816,590</u>	<u>24,145,198</u>
Business-type activities:										
Charges for services										
Water Fund	3,712,879	3,990,954	4,251,147	4,775,333	5,942,185	6,879,604	7,614,955	8,632,286	9,398,230	9,930,385
Wastewater Fund	2,566,536	2,966,666	3,251,615	3,573,826	4,189,463	4,846,667	5,398,879	6,105,102	6,727,728	7,806,059
Storm Fund	965,249	1,167,980	1,254,773	1,413,122	1,811,899	1,979,853	1,843,165	2,294,921	2,188,846	2,163,244
Developer Fund	910,285	1,428,305	1,511,418	2,593,295	3,378,023	4,390,829	4,308,647	3,608,656	8,706,521	12,672,514
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>8,154,949</u>	<u>9,553,905</u>	<u>10,268,953</u>	<u>12,355,576</u>	<u>15,321,570</u>	<u>18,096,953</u>	<u>19,165,646</u>	<u>20,640,965</u>	<u>27,021,325</u>	<u>32,572,202</u>
Total primary government program revenues	<u>\$ 19,015,874</u>	<u>\$ 21,590,627</u>	<u>\$ 23,508,111</u>	<u>\$ 25,447,701</u>	<u>\$ 35,887,428</u>	<u>\$ 52,724,919</u>	<u>\$ 38,532,328</u>	<u>\$ 52,396,279</u>	<u>\$ 49,837,915</u>	<u>\$ 56,717,400</u>
Net (expense)/revenue										
Governmental activities	\$ (7,488,301)	\$ (7,318,347)	\$ (4,948,901)	\$ (8,989,488)	\$ (277,866)	\$ 14,182,604	\$ (3,283,931)	\$ 5,483,623	\$ (5,355,666)	\$ (8,882,599)
Business-type activities	(6,861,541)	(6,884,689)	(5,423,782)	(8,276,424)	(5,516,469)	(3,667,735)	(860,901)	(2,410,149)	(2,664,006)	(1,664,074)
Total primary government net expense	<u>\$ (14,349,842)</u>	<u>\$ (14,203,036)</u>	<u>\$ (10,372,683)</u>	<u>\$ (17,265,912)</u>	<u>\$ (5,794,335)</u>	<u>\$ 10,514,869</u>	<u>\$ (4,144,832)</u>	<u>\$ 3,073,474</u>	<u>\$ (8,019,672)</u>	<u>\$ (10,546,673)</u>

Source: Mountain House Community Services District Audited Financial Statements

(continued)

Mountain House Community Services District
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General revenues & other changes in net position										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,056,137	\$ 3,056,591	\$ 3,100,699	\$ 3,460,372	\$ 3,750,725	\$ 4,576,597	\$ 5,211,254	\$ 6,076,030	\$ 6,926,727	\$ 7,732,189
Franchise and miscellaneous taxes	692,637	655,006	701,898	750,332	836,508	1,024,749	1,048,786	1,088,748	1,145,319	1,106,275
Unrestricted interest and investment earnings	20,539	58,675	119,607	234,577	513,438	1,225,989	1,335,586	443,313	(1,061,706)	2,009,733
Change in estimate - pledged note payable	-	-	-	-	-	-	-	-	-	722,347
Other	9,186	44,592	183,820	38,828	393,564	142,224	37,144	22,368	223,084	446,759
Transfers	-	-	-	457,648	-	-	-	-	-	-
Total governmental activities	<u>2,778,499</u>	<u>3,814,864</u>	<u>4,106,024</u>	<u>4,941,757</u>	<u>5,494,235</u>	<u>6,969,559</u>	<u>7,632,770</u>	<u>7,630,459</u>	<u>7,233,424</u>	<u>12,017,303</u>
Business-type activities:										
Unrestricted interest and investment earnings	(512)	3,153	15,489	32,065	68,205	111,224	181,598	64,284	(318,144)	(72,229)
Other	2,453	-	-	-	-	-	-	-	-	-
Change in estimate - pledged note payable	-	-	-	-	-	-	-	-	-	10,417,687
Transfers	-	-	-	(457,648)	-	-	-	-	-	-
Total business-type activities	<u>1,941</u>	<u>3,153</u>	<u>15,489</u>	<u>(425,583)</u>	<u>68,205</u>	<u>111,224</u>	<u>181,598</u>	<u>64,284</u>	<u>(318,144)</u>	<u>10,345,458</u>
Total primary government	<u>\$ 2,780,440</u>	<u>\$ 3,818,017</u>	<u>\$ 4,121,513</u>	<u>\$ 4,516,174</u>	<u>\$ 5,562,440</u>	<u>\$ 7,080,783</u>	<u>\$ 7,814,368</u>	<u>\$ 7,694,743</u>	<u>\$ 6,915,280</u>	<u>\$ 22,362,761</u>
Change in net assets										
Governmental activities	\$ (4,709,802)	\$ (3,503,483)	\$ (842,877)	\$ (4,047,731)	\$ 5,216,369	\$ 21,152,163	\$ 4,348,839	\$ 13,114,082	\$ 1,877,758	\$ 3,134,704
Business-type activities	(6,859,600)	(6,881,536)	(5,408,293)	(8,702,007)	(5,448,264)	(3,556,511)	(679,303)	(2,345,865)	(2,982,150)	8,681,384
Total primary government	<u>\$ (11,569,402)</u>	<u>\$ (10,385,019)</u>	<u>\$ (6,251,170)</u>	<u>\$ (12,749,738)</u>	<u>\$ (231,895)</u>	<u>\$ 17,595,652</u>	<u>\$ 3,669,536</u>	<u>\$ 10,768,217</u>	<u>\$ (1,104,392)</u>	<u>\$ 11,816,088</u>

Source: Mountain House Community Services District Audited Financial Statements

Mountain House Community Services District
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 5,705,332	\$ 6,048,716	\$ 6,919,396	\$ 9,601,868	\$ 11,151,252	\$ 11,298,699	\$ 11,277,165	\$ 11,348,342	\$ 13,128,911	\$ 14,177,939
Restricted	-	54,920	-	-	-	-	-	-	1,446,198	1,705,324
Committed	-	-	-	-	-	2,099,160	2,099,160	2,099,160	2,099,160	2,099,160
Assigned	100,000	100,000	100,000	-	-	-	-	-	-	-
Unassigned	2,839,966	3,834,491	5,252,815	5,587,981	7,946,908	14,913,684	19,836,935	25,055,033	26,272,052	31,266,429
Total General Fund	\$ 8,645,298	\$ 10,038,127	\$ 12,272,211	\$ 15,189,849	\$ 19,098,160	\$ 28,311,543	\$ 33,213,260	\$ 38,502,535	\$ 42,946,321	\$ 49,248,852
All other governmental funds										
Nonspendable	\$ 608,658	\$ -	\$ 2,673,000	\$ 2,376,000	\$ 2,080,008	\$ 1,833,054	\$ 1,499,790	\$ 1,188,000	\$ -	\$ -
Restricted	11,097,534	15,705,322	14,830,312	17,779,037	25,930,985	35,750,869	41,533,969	21,134,705	28,483,626	31,609,430
Committed	150,000	150,000	-	-	-	-	-	-	-	-
Total other governmental funds	\$ 11,856,192	\$ 15,855,322	\$ 17,503,312	\$ 20,155,037	\$ 28,010,993	\$ 37,583,923	\$ 43,033,759	\$ 22,322,705	\$ 28,483,626	\$ 31,609,430

Note: The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis
Source: Mountain House Community Services District Audited Financial Statements

Mountain House Community Services District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	\$ 2,125,613	\$ 3,056,591	\$ 3,102,872	\$ 3,460,372	\$ 3,750,725	\$ 4,576,597	\$ 5,211,254	\$ 6,076,030	\$ 6,926,727	\$ 7,732,189
Special assessment	6,844,451	7,244,664	7,745,965	8,657,551	9,023,810	10,555,005	12,071,805	13,005,628	14,537,793	15,101,756
Licences and permits	134,212	42,112	14,300	12,543	8,985	7,685	8,730	10,830	6,925	8,364
Franchise fees	720,647	655,006	701,898	750,332	836,508	1,024,749	1,048,786	1,088,748	1,145,319	1,106,275
Developer and impact fees	3,882,262	4,725,643	5,431,291	4,278,126	11,272,221	19,687,037	7,282,634	18,736,624	8,228,828	9,034,602
Investment earnings	20,539	58,675	119,315	234,577	513,438	1,225,989	1,335,586	444,569	(1,054,830)	2,009,733
Charges for services	-	-	-	-	-	-	-	-	-	-
Other revenues	9,186	68,894	224,410	179,473	643,686	485,566	96,435	23,344	259,252	447,235
Contributions from developers	-	-	-	-	-	4,000,000	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-
Total revenues	13,736,910	15,851,585	17,340,051	17,572,974	26,049,373	41,562,628	27,055,230	39,385,773	30,050,014	35,440,154
Expenditures										
Current										
General government	2,595,981	2,574,440	1,930,112	-	297,991	286,548	178,366	383,904	347,250	141,437
Public safety	3,682,494	3,802,067	3,475,095	3,923,703	4,505,383	3,994,712	4,141,477	4,693,489	5,290,562	6,071,136
Public ways and facilities	1,132,962	1,201,208	1,665,889	4,467,049	3,154,397	3,424,391	6,035,240	6,788,719	7,475,476	8,311,202
Recreation and culture	609,128	771,241	820,995	1,468,136	1,320,164	1,350,166	1,753,601	1,856,903	2,379,381	2,745,236
Debt service										
Principal	1,715,316	2,082,132	2,374,551	1,838,522	4,472,682	13,105,932	2,745,732	40,587,084	58,381,422	5,102,274
Interest and fiscal charges	-	-	-	-	-	47,110	34,464	7,425	902,274	1,924,896
Bond issuance costs	-	-	-	-	-	-	-	-	902,741	-
Capital outlay	-	28,538	3,191,335	154,980	534,489	434,372	32,814,797	2,929,642	4,947,380	16,630,492
Total expenditures	9,735,881	10,459,626	13,457,977	11,852,390	14,285,106	22,643,231	47,703,677	57,247,166	80,626,486	40,926,673
Excess (deficiency) of revenues over (under) expenditures	4,001,029	5,391,959	3,882,074	5,720,584	11,764,267	18,919,397	(20,648,447)	(17,861,393)	(50,576,472)	(5,486,519)
Other financing sources (uses)										
Proceeds from long term debt	-	-	-	-	-	-	31,000,000	2,439,614	54,233,382	14,914,854
Debt premium	-	-	-	-	-	-	-	-	6,947,797	-
Transfer in	114,373	137,226	2,342,792	2,369,734	4,200,519	3,407,547	3,401,180	2,201,564	5,668,889	4,831,339
Transfer out	(114,373)	(137,226)	(2,342,792)	(2,369,734)	(4,200,519)	(3,407,547)	(3,401,180)	(2,201,564)	(5,668,889)	(4,831,339)
Total other financing sources (uses)	-	-	-	-	-	-	31,000,000	2,439,614	61,181,179	14,914,854
Net change in fund balances	\$ 4,001,029	\$ 5,391,959	\$ 3,882,074	\$ 5,720,584	\$ 11,764,267	\$ 18,919,397	\$ 10,351,553	\$ (15,421,779)	\$ 10,604,707	\$ 9,428,335
Fund balances, July 1	16,500,461	20,501,490	25,893,449	29,775,523	35,344,886	47,109,153	65,895,466	76,247,019	60,825,240	71,429,947
Restatements	-	-	-	(151,221)	-	(133,084)	-	-	-	-
Fund balance, restated	16,500,461	20,501,490	25,893,449	29,624,302	35,344,886	46,976,069	65,895,466	76,247,019	60,825,240	71,429,947
Fund balances, June 30	\$ 20,501,490	\$ 25,893,449	\$ 29,775,523	\$ 35,344,886	\$ 47,109,153	\$ 65,895,466	\$ 76,247,019	\$ 60,825,240	\$ 71,429,947	\$ 80,858,282
Debt service as a percentage of non capital expenditures	17.62%	19.96%	23.13%	15.72%	32.53%	59.22%	18.67%	74.74%	78.34%	28.92%

Note: Noncapital expenditures are total expenditures less capital outlay.
Source: Mountain House Community Services District Audited Financial Statements

Mountain House Community Services District
Water Utility System - Ten Largest Customers
 Current Year and Three Years Ago

2022-23					2019-20						
Customer	(1)				% of Total Water Sales	Customer	(1)				% of Total Water Sales
	Usage (ccf)	% of Total Usage	Water Sales Revenue	Water Sales Revenue			Usage (ccf)	% of Total Usage	Water Sales Revenue	Water Sales Revenue	
Mountain House CSD	179,798	10.64%	\$ 515,497	11.14%	Mountain House CSD	205,137	12.97%	\$ 380,535	11.00%		
School District	111,280	6.58%	448,827	9.70%	School District	136,664	8.64%	266,842	7.72%		
Cambridge Place HOA	25,009	1.48%	206,459	4.46%	Cambridge Place HOA	17,531	1.11%	150,382	4.35%		
San Joaquin Delta College	4,197	0.25%	65,400	1.41%	San Joaquin Delta College	6,166	0.39%	30,988	0.90%		
Mountain House Retail LLC	7,668	0.45%	47,394	1.02%	Gable Lane HOA	16,851	1.07%	21,971	0.64%		
Mountain House APMT Owners LLC	-	0.00%	50,144	1.08%	Cobblestone Owners Association	7,258	0.46%	13,890	0.40%		
Century Communities	9,700	0.57%	25,977	0.56%	Creston Park HOA	7,945	0.50%	12,588	0.36%		
Cobblestone Owners Association	10,435	0.62%	19,832	0.43%	Century Communities	4,865	0.31%	11,152	0.32%		
Gable Lane HOA	9,031	0.53%	18,153	0.39%	Mountain House Developers LLC	4,492	0.28%	8,677	0.25%		
Creston Park HOA	9,056	0.54%	15,985	0.35%	Shea Homes	2,326	0.15%	6,415	0.19%		
Top Ten Total	366,174	21.66%	\$ 1,413,670	30.54%	Top Ten Total	409,235	25.87%	\$ 903,440	26.12%		

Total Flate/Metered Revenues (Water Sales) \$ 4,629,344

Total Flate/Metered Revenues (Water Sales) \$ 1,755,032

(1) CCF means "hundred cubic feet"

Water Utility System Rates
(As of July 1, 2023)

Meter Size	Amount
Water - Low Den	\$ 28.79
Water - Med Den	\$ 22.53
Standard Water 0.625 inch	\$ 37.40
Standard Water 0.75 inch	\$ 55.54
Standard Water 1 inch	\$ 91.83
Standard Water 1.5 inch	\$ 182.55
Standard Water 2 inch	\$ 291.41
Standard Water 3 inch	\$ 636.15
Standard Water 4 inch	\$ 1,271.18
Standard Water 6 inch	\$ 2,904.12
Standard Water 8 inch	\$ 5,081.38
Fire Protection 0.625 inch	\$ 1.64
Fire Protection 8 inch	\$ 43.63

Water Utility System Rates
(As of July 1, 2020)

Meter Size	Amount
Water - Low Den	\$ 23.68
Water - Med Den	\$ 17.83
Standard Water 0.625 inch	\$ 30.66
Standard Water 0.75 inch	\$ 43.76
Standard Water 1 inch	\$ 69.96
Standard Water 1.5 inch	\$ 135.48
Standard Water 2 inch	\$ 214.09
Standard Water 3 inch	\$ 423.73
Standard Water 4 inch	\$ 659.58
Standard Water 6 inch	\$ 1,314.71
Standard Water 8 inch	\$ 2,100.86
Fire Protection 0.625 inch	\$ 4.81
Fire Protection 8 inch	\$ 55.38

Note (1): In addition to these minimum charges, accounts are also charged a volumetric charge for 100 cubic feet of water used.

Note (2): Information was not available prior to fiscal year 2019-20.

Source: Mountain House Community Service District – Utility Division

Mountain House Community Services District
Property Tax Valuations and Rates

Assessed Valuation
 (Last Six Fiscal Years)

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2016-17	\$2,139,221,800	\$0	\$2,885,723	\$2,142,107,523
2017-18	\$2,359,684,956	0	3,107,598	2,362,792,554
2018-19	\$2,760,427,065	0	3,409,051	2,763,836,116
2019-20	\$3,167,577,710	0	2,534,630	3,170,112,340
2020-21	\$3,625,595,443	0	3,466,798	3,629,062,241
2021-22	\$4,026,478,524	0	3,994,084	4,030,472,608
2022-23	\$4,564,475,477	0	5,028,913	4,569,504,390

2022-23 Total Local Secured Assessed Valuation Breakdown

<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Other Property</u>	<u>Total Local Secured Property</u>
\$4,483,928,765	\$28,462,497	\$49,469,523	\$2,614,692	\$4,564,475,477

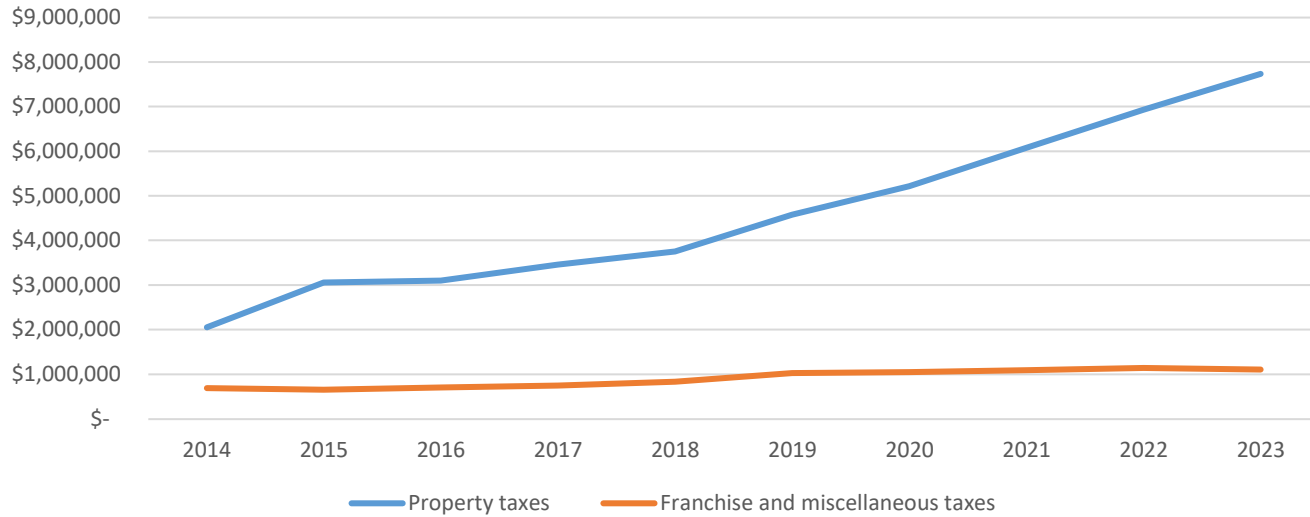
Typical Tax Rate per \$100 of Assessed Valuation (TRA 92-018)

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
General	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Lammersville Joint Unified School District	-	0.0534	0.0550	0.0487	0.0395	0.0388	0.0467
Tracy Unified School District	0.0185	0.0172	0.0162	0.0151	0.0139	0.0137	0.0137
San Joaquin Delta Community College Dist.	<u>0.0180</u>	<u>0.0180</u>	<u>0.0225</u>	<u>0.0199</u>	<u>0.0183</u>	<u>0.0163</u>	<u>0.0144</u>
Total	1.0365	1.0886	1.0937	1.0837	1.0717	1.0688	1.0611

Source: California Municipal Statistics, Inc.

Note: Information was not available prior to fiscal year 2016-17.

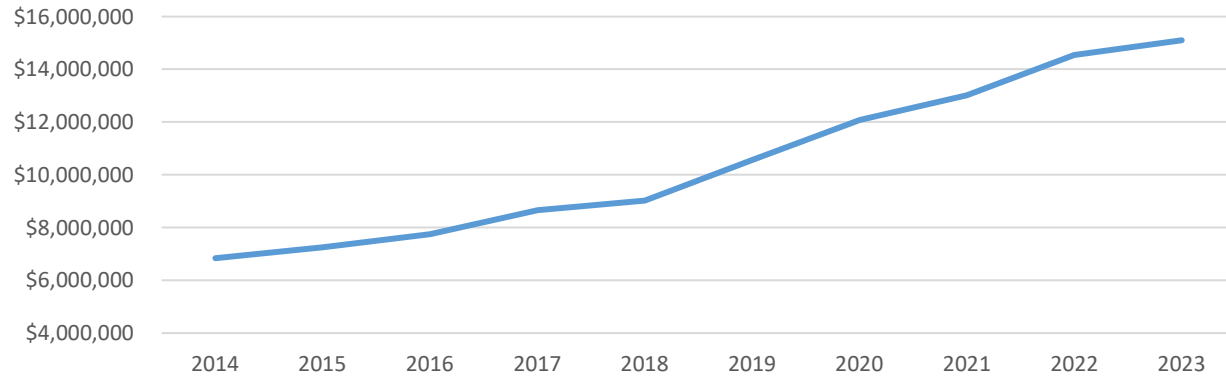
Mountain House Community Services District
Property and Franchise Taxes - Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Taxes										
Property taxes	\$ 2,056,137	\$ 3,056,591	\$ 3,100,699	\$ 3,460,372	\$ 3,750,725	\$ 4,576,597	\$ 5,211,254	\$ 6,076,030	\$ 6,926,727	\$ 7,732,189
Franchise and miscellaneous taxes	692,637	655,006	701,898	750,332	836,508	1,024,749	1,048,786	1,088,748	1,145,319	1,106,275
Total	\$ 2,748,774	\$ 3,711,597	\$ 3,802,597	\$ 4,210,704	\$ 4,587,233	\$ 5,601,346	\$ 6,260,040	\$ 7,164,778	\$ 8,072,046	\$ 8,838,464

Source: Mountain House Community Services District Audited Financial Statements

Mountain House Community Services District
Special Tax Levies and Rates - Governmental Funds
Last Ten Fiscal Years
 (Accrual Basis of Accounting)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Special Tax Levies										
Special Tax No. 1: Roads	\$ 4,016,238	\$ 4,252,003	\$ 4,547,589	\$ 5,086,928	\$ 5,302,562	\$ 6,188,080	\$ 7,079,610	\$ 7,430,993	\$ 8,342,798	\$ 8,673,183
Special Tax No. 2: Public Safety	2,047,519	2,167,626	2,318,311	2,592,544	2,702,572	3,154,205	3,609,729	3,788,208	4,251,835	4,396,034
Special Tax No. 3: Parks	356,722	377,599	403,823	451,974	471,077	544,646	629,991	658,740	738,610	763,639
Special Tax No. 4: Public Works	377,247	399,319	427,052	475,572	497,067	579,153	662,779	693,753	776,709	802,949
Lighting & Landscaping District 1	46,726	48,117	49,191	50,532	50,532	52,045	52,411	52,411	53,849	56,643
Lighting & Landscaping District 2	-	-	-	-	-	36,875	37,284	37,284	38,341	40,329
Lighting & Landscaping District 3	-	-	-	-	-	-	-	344,239	335,651	368,979
Total	\$ 6,844,451	\$ 7,244,664	\$ 7,745,965	\$ 8,657,551	\$ 9,023,810	\$ 10,555,005	\$ 12,071,805	\$ 13,005,628	\$ 14,537,793	\$ 15,101,756

2022-23 Special Tax Rates

	Lot Size < 6,000 sq ft		Lot Size > 6,000 sq ft	
	Living Area - Rate per 100 sq ft	Parcel Area - Rate per 100 sq ft	Living Area - Rate per 100 sq ft	Parcel Area - Rate per 100 sq ft
Special Tax No. 1: Roads	35.67	6.23	35.67	0.98
Special Tax No. 2: Public Safety	18.34	3.06	18.34	0.47
Special Tax No. 3: Parks	3.06	0.60	3.06	0.13
Special Tax No. 4: Public Works	3.26	0.60	3.26	0.13

Source: Mountain House Community Services District Audited Financial Statements and Finance Department

Mountain House Community Services District
Principal Property Taxpayers
Largest Local Secured Taxpayers
Current Year and Three Years Ago

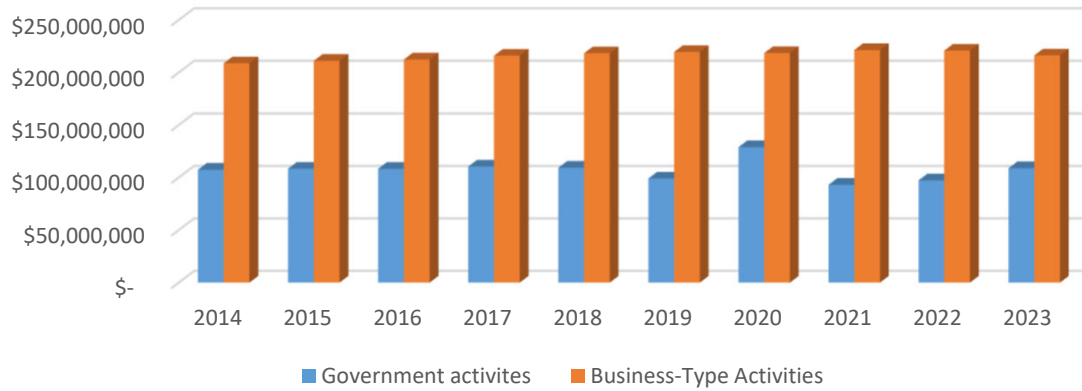
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2022-23</u> <u>Assessed</u> <u>Valuation</u>	<u>% of</u> <u>Total (1)</u>	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20</u> <u>Assessed</u> <u>Valuation</u>	<u>% of</u> <u>Total (1)</u>
1 Shea Homes LP / Shea Mountain House	Residential Development	\$138,071,435	3.02%	1 Shea Homes LP	Residential Development	\$84,901,961	2.68%
2 Mountain Technology Center A LLC	Warehouse	23,441,259	51.00%	2 Mountain House Investors LLC	Residential Development	25,552,208	0.81%
3 BMCH California	Residential Development	14,323,451	31.00%	3 Richmond American Homes Maryland Inc.	Residential Development	24,237,985	0.77%
4 Mountain House Investors LLC	Residential Development	13,459,954	29.00%	4 Arroyo Cap I LLC	Residential Development	23,460,759	0.74%
5 Trimark Communities LLC	Residential Development	12,274,615	27.00%	5 Taylor Morrison California LLC	Residential Development	19,428,060	0.61%
6 Mountain House Developers LLC	Residential Development	11,660,049	26.00%	6 Trimark Communities LLC	Residential Development	16,864,565	0.53%
7 Mountain House Apartments Phase II Owner	Apartments	8,448,000	19.00%	7 BMCH California LLC	Residential Development	16,569,554	0.52%
8 Mountain Technology Center B LLC	Industrial Land	8,184,870	18.00%	8 Tri Pointe Homes Inc.	Residential Development	14,878,070	0.47%
9 Pinderjit Sandhu	Residential Land	7,599,000	17.00%	9 MH Village D 94 Lots LLC	Residential Development	9,561,464	0.30%
10 Sunchaser Technology Center C LLC	Warehouse	6,810,313	15.00%	10 MH Motor Courts 71 Lots LLC	Residential Development	9,171,090	0.29%
11 Sunchaser Real Estate One LLC	Commercial Land	6,718,500	15.00%	11 Mountain House Developers LLC	Residential Development	7,480,040	0.24%
12 Mountain House Square Inc.	Residential Development	5,371,521	12.00%	12 Sunchaser Real Estate One LLC	Commercial Land	6,944,127	0.22%
13 Amanjit S. Sandhu	Residential Land	4,637,552	10.00%	13 Mountain Technology Center B LLC	Industrial Land	6,336,131	0.20%
14 Ameen Housing Cooperative Cal Inc.	Residential Properties	4,570,467	10.00%	14 Woodside 05N LP	Residential Development	5,926,260	0.19%
15 Mountain Technology Center E LLC	Warehouse	4,182,553	9.00%	15 Sunchaser Real Estate Two	Office Building	5,450,000	0.17%
16 Sunchaser Real Estate Two	Office Building	4,000,000	9.00%	16 K Hovnanian Meadow View Mt. House	Residential Development	5,006,920	0.16%
17 Mountain House Apartments Owner LLC	Apartments	3,359,701	7.00%	17 Meritage Homes of California Inc.	Residential Development	2,953,999	0.09%
18 Panakkal and Sindhu Hari	Residential Properties	2,731,477	6.00%	18 Mountain Technology Center A LLC	Industrial Land	2,226,891	0.07%
19 Mountain House Retail LLC	Commercial Land	2,680,666	6.00%	19 Bishwajit Nag, Trust	Residential	2,212,352	0.07%
20 Bishwajit Nag Trust	Residential Properties	<u>2,325,568</u>	<u>5.00%</u>	20 Christopher Wai Cheung and Oi Lan Lau, Trust	Residential	<u>1,938,690</u>	<u>0.06%</u>
		<u>\$284,850,951</u>	<u>6.24%</u>			<u>\$291,101,126</u>	<u>9.19%</u>

Note (1): 2022-23 Total Secured Assessed Valuation: \$4,564,475,477

Note (2): Information was not available prior to fiscal year 2019-20.

Source: California Municipal Statistics, Inc.

Mountain House Community Services District
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Government activities										
Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,175,218	\$ 54,736,412
Notes Payable	\$107,469,024	\$108,446,273	\$108,405,858	\$110,524,186	\$109,367,735	\$ 99,125,520	\$128,952,300	\$ 93,152,605	41,160,106	54,189,808
Total	\$107,469,024	\$108,446,273	\$108,405,858	\$110,524,186	\$109,367,735	\$ 99,125,520	\$128,952,300	\$ 93,152,605	\$ 97,335,324	\$ 108,926,220
Business-Type Activities										
Revenue Bonds	\$ 29,593,425	\$ 28,823,029	\$ 28,012,633	\$ 27,167,237	\$ 26,276,842	\$ 25,351,446	\$ 35,741,291	\$178,663,707	\$176,757,614	\$ 216,279,704
Notes Payable	179,204,802	182,387,423	184,432,002	188,891,138	192,065,188	194,268,477	182,829,201	42,757,753	44,105,767	-
Total	\$208,798,227	\$211,210,452	\$212,444,635	\$216,058,375	\$218,342,030	\$219,619,923	\$218,570,492	\$221,421,460	\$220,863,381	\$ 216,279,704
Debt Per Capita	\$ 21,547	\$ 22,197	\$ 19,402	\$ 19,843	\$ 17,483	\$ 16,361	\$ 14,786	\$ 12,182	\$ 11,705	\$ 11,647
Debt to Personal Income	\$ 2,980	\$ 2,988	\$ 2,732	\$ 2,702	\$ 2,487	N/A	N/A	\$ 2,365	\$ 1,975	\$ 2,019

Source: Mountain House Community Services District Audited Financial Statements

Note: Not available = N/A.

Mountain House Community Services District
Computation of Direct and Overlapping Debt
 June 30, 2023

2022-23 Assessed Valuation: \$4,569,504,390

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2023</u>	<u>% Applicable (1)</u>	District's Share of <u>Debt 6/30/23</u>
San Joaquin Delta Community College District	\$175,675,000	4.25%	\$7,460,917
Lammersville Joint Unified School District	55,850,000	64.65%	36,108,701
Lammersville School District Community Facilities District No. 2002	61,930,000	100.00%	61,930,000
Lammersville School District Community Facilities District No. 2007-1 I.A. No. 1	23,440,000	100.00%	23,440,000
Lammersville School District Community Facilities District No. 2014-1 I.A. No. 1	55,520,000	100.00%	55,520,000
Lammersville School District Community Facilities District No. 2019-1	23,540,000	100.00%	23,540,000
Mountain House Community Services District - Notes & Bonds	255,984,808	100.00%	<u>255,984,808</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$463,984,426</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	\$54,940,000	4.60%	\$2,526,141
Lammersville Joint Unified School District General Fund Obligations	13,930,000	64.65%	9,006,163
Mountain House Community Services District	48,845,000	100.00%	<u>48,845,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$60,377,304</u>
TOTAL DIRECT DEBT			<u>\$48,845,000</u>
TOTAL OVERLAPPING DEBT			<u>\$475,516,730</u>
COMBINED TOTAL DEBT			<u>\$524,361,730</u> (2)

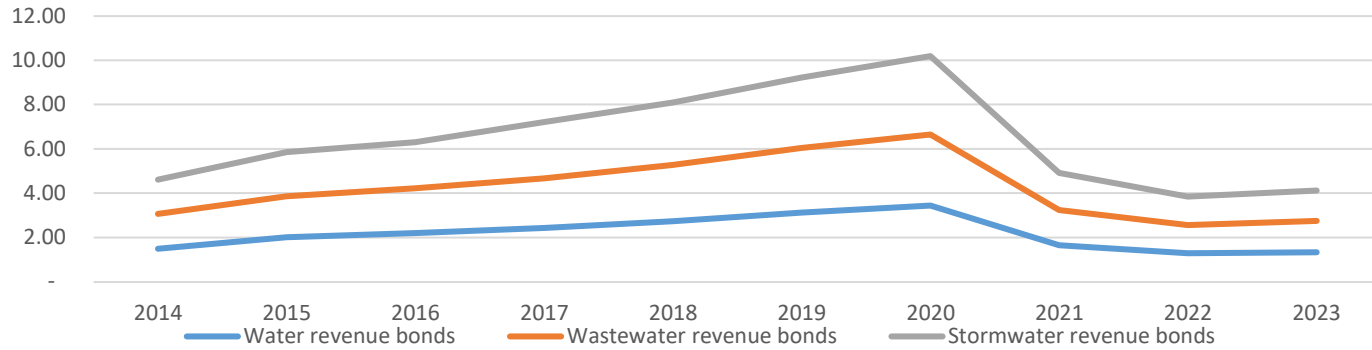
(1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the community services district divided by the overlapping district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

<u>Ratios to 2022-23 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	10.15%
Total Direct Debt	1.07%
Combined Total Debt	11.48%

Legal Debt Margin Information does not pertain to special districts.
 Source: California Municipal Statistics, Inc.

Mountain House Community Services District
Revenue Bond Coverage
Last Ten Fiscal Years



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water revenue bonds										
Pledged facility component revenue	\$ 1,713,183	\$ 2,311,511	\$ 2,521,251	\$ 2,776,942	\$ 3,135,513	\$ 3,585,549	\$ 3,941,256	\$ 4,380,558	\$ 4,756,185	\$ 5,024,379
Annual installment payment	1,148,266	1,146,511	1,147,656	1,144,391	1,146,446	1,145,671	1,142,336	2,663,342	3,686,891	3,786,369
Installment payment coverage	1.49	2.02	2.20	2.43	2.73	3.13	3.45	1.64	1.29	1.33
Wastewater revenue bonds										
Pledged facility component revenue	\$ 1,392,896	\$ 1,618,645	\$ 1,779,951	\$ 1,972,362	\$ 2,234,730	\$ 2,568,168	\$ 2,831,252	\$ 3,149,768	\$ 3,461,579	\$ 3,913,735
Annual installment payment	883,579	880,214	880,114	880,454	881,214	879,949	881,549	1,978,274	2,721,257	2,755,522
Installment payment coverage	1.58	1.84	2.02	2.24	2.54	2.92	3.21	1.59	1.27	1.42
Stormwater revenue bonds										
Pledged facility component revenue	\$ 440,324	\$ 565,175	\$ 589,422	\$ 718,698	\$ 797,341	\$ 898,716	\$ 995,204	\$ 1,144,514	\$ 1,236,432	\$ 1,361,180
Annual installment payment	286,476	282,126	282,301	282,626	283,076	282,871	282,036	684,733	958,266	994,209
Installment payment coverage	1.54	2.00	2.09	2.54	2.82	3.18	3.53	1.67	1.29	1.37

Note: Revenues represent charges for services pledged as reported in the audited financial statements. Debt service payments represent cash basis principal and interest payments from the debt service payment schedule.

Source: Finance Department

Mountain House Community Services District
Demographic and Economic Statistics
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Population (1)	14,678	14,401	16,537	16,458	18,745	19,482	23,504	25,823	27,185	27,923
Housing units (2)	4,053	4,284	4,555	4,882	5,142	5,793	6,466	7,332	7,831	7,881
Median home sales price (3)	\$ 468,000	\$ 490,000	\$ 534,000	\$ 566,000	\$ 604,000	\$ 645,000	\$ 680,000	\$ 950,000	\$ 977,500	\$ 930,000
Median household income (4)	\$ 106,119	\$ 106,976	\$ 117,433	\$ 120,868	\$ 131,766	N/A	N/A	\$ 133,000	\$ 161,086	\$ 154,357

(1) Source: California Department of Finance

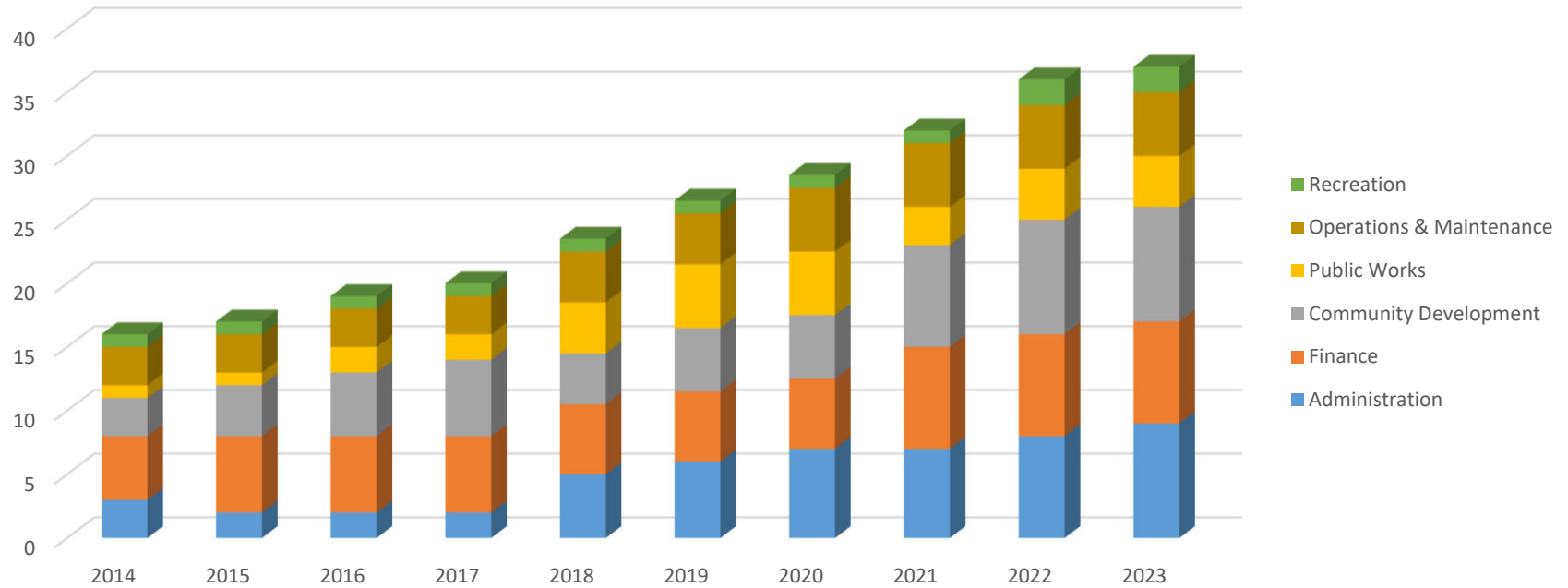
(2) Source: San Joaquin County Community Development Department

(3) Source: Zillow.com for information for years through 2020; Redfin.com for years after 2020

(4) Source US Census Bureau; US Census Bureau for Economic Studies; ESRI Business Analyst On-Line; Kosmont Companie:

Note: Not available = N/A.

Mountain House Community Services District
Full-time District Employees by Function
 Last Ten Fiscal Years



Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration	3	2	2	2	5	6	7	7	8	9
Finance	5	6	6	6	5.5	5.5	5.5	8	8	8
Community Development	3	4	5	6	4	5	5	8	9	9
Public Works	1	1	2	2	4	5	5	3	4	4
Operations & Maintenance	3	3	3	3	4	4	5	5	5	5
Recreation	1	1	1	1	1	1	1	1	2	2
Total	16	17	19	20	23.5	26.5	28.5	32	36	37

Source: Finance Department

Mountain House Community Services District
Capital Asset Statistics by Function/Program
Last Three Fiscal Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Number of :				
District trees	12,500	15,980	14,240	14,240
Traffic signals intersections	11	11	10	10
Street lights	1,743	1,673	1,598	1,598
Pool vehicles	9	9	9	9
Square feet of landscaping maintained	8,480,964	8,470,964	7,936,900	7,936,900
Number of Parks:				
Regional	1	1	1	1
Neighborhood	10	7	6	6
Fire apparatus				
Ladder truck	1	1	1	1
Fire engine	1	1	1	1
Emergency response vehicle	1	1	1	1
Roads:				
	<u>Lane miles</u>	<u>Lane miles</u>	<u>Lane miles</u>	<u>Lane miles</u>
Arterial	70.86	70.86	70.86	70.86
Collector	45.53	45.53	29.51	29.51
Residential/local	94.31	94.31	80.14	80.14
Total	<u>210.7</u>	<u>210.7</u>	<u>180.51</u>	<u>180.51</u>
	<u>Center-line miles</u>	<u>Center-line miles</u>	<u>Center-line miles</u>	<u>Center-line miles</u>
Arterial	17.75	17.75	17.75	17.75
Collector	21.76	21.76	14.23	14.23
Residential/local	47.16	47.16	41.32	41.32
Total	<u>86.67</u>	<u>86.67</u>	<u>73.3</u>	<u>73.3</u>
Water system				
Miles of lines	99	99	90	90
Treated water storage tanks	4	4	3	3
Million gallons/day capacity	19	19	15	15
Water supply available in acre feet	9813	9813	9813	9813
Water supplied by Byron-Bethany Irrigation District; pre-1914 water rights				
Approval from the State Water Resources Control Board				
Conventional surface water treatment plant with UV and chloramines disinfection				
Wastewater system				
Miles of pipeline - gravity system	74	74	67	67
Pipeline diameter range	8" - 24"	8" - 24"	8" - 24"	8" - 24"
Millions of gallons/day capacity	3	3	3	3
Millions of gallons/day average demand	1	1	1	1
System consists of headworks, anoxic reactors, sequencing batch reactors, cloth media filtration, and UV light disinfection				
Tertiary effluent from the plant is discharged into Old River pursuant to a permit from the Regional Water Quality Control Board				
Storm drain system				
Miles of pipeline - gravity system	70	70	70	70
Detention basins serve as regulation storage of first flush runoff and the discharge into Mountain House Creek and eventually into Old River				
A state of the art system that includes primary filtration at street level collection sites using carbon-based filters for treatment of contaminants and debris				

(1) Source: Mountain House Community Services District Public Works Department

Note: Information was not available prior to fiscal year 2019-20.

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COMPLIANCE REPORT

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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
Mountain House Community Services District
Mountain House, 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, each major fund, and the aggregate remaining fund information of Mountain House 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, and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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

To the Board of Directors
Mountain House Community Services District

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

Richardson & Company, LLP

October 31, 2023