

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2009

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rancho Murieta Community Services District
Rancho Murieta, California

We have audited the accompanying financial statements of each major fund, and the fiduciary fund of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District does not utilize an accounting system with a self balancing set of accounts for recording transactions to each major fund. As a result entries can be posted to the general ledger causing the financial statements to be out of balance by fund. Furthermore the District utilizes a cash account to be spread across each fund in order to balance the funds. The amount of cash allocated in order to balance the funds was \$310,420.

In our opinion, except for the effect of not maintaining an accounting system with a self-balancing set of accounts for each major fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Rancho Murieta Community Services District, California, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis and the required supplementary information other than Management's Discussion and Analysis, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The Schedules of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, Solid Waste and Security Funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Rancho Murieta Community Services District. The Schedule of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, Solid Waste and Security Funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Larry Bain, CPA,
An Accounting Corporation
December 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rancho Murieta Community Services District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the District's financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$31,480,626 (net assets). Of this amount, \$8,434,126 (unrestricted net assets) may be used to meet the District's ongoing obligation to customers and creditors.
- The District's total net assets decreased by \$379,935. This decrease is primarily due to the combined effect of increased expenses (inclusive of depreciation) and decreased interest earnings.

Overview of the Basic Financial Statements

This annual financial report consists of four parts: Management's Discussion and Analysis, the Basic Financial Statements, Notes to Basic Financial Statements, and optional Supplementary Information.

This discussion and analysis provides an introduction and brief description of the District's basic financial statements, which include:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

The *Statement of Net Assets*, commonly referred to as the Balance Sheet, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Assets also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Assets* reflects all of the current year's revenues and expenses. All of the current year's revenues and expenses are recorded using the accrual basis of accounting by recognizing revenues in the period they are earned and expenses in the period they are incurred without regard to the timing of the related cash flows. This statement measures the success of the District's operations over the past year and determines whether the District has recovered its costs through its rates, fees and other charges. The District's profitability and creditworthiness can also be determined from this statement.

The *Statement of Cash Flows* provides information about the District's cash receipts and cash payments during the reporting period as well as net changes in cash resulting from operations, non-capital financing, capital and related financing activities, and investing. The statement explains where cash came from and where cash was used and the change in the cash balance during the reporting period.

The District's basic financial statements are organized by fund. **Fund Financial Statements** report on groupings of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives. The accounts of the District are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in these basic financial statements into two broad categories which, in aggregate, include two fund types as follows:

1. PROPRIETARY FUND TYPE

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and special taxes; and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Revenues are fully accrued to include unbilled services at fiscal year end. The District uses enterprise funds to account for the Water, Sewer, Drainage, Solid Waste and Security activities of the District.

2. FIDUCIARY FUND TYPE

Agency Funds

Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and other governmental, and/or other funds. Since the resources of these funds are not available to support the District's own activities, they are not reflected in the government-wide financial statements.

The basic financial statements can be found on pages 9-16 of this report.

Notes to the financial statements 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 18-28 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$31,480,626 (net assets) at the close of the most recent fiscal year.

Condensed Financial Information Rancho Murieta Community Services District Net Assets

	June 30, 2009	June 30, 2008
<u>Assets</u>		
Current and other assets	\$ 9,036,401	\$ 8,666,182
Capital Assets - net of accumulated depreciation	23,046,500	23,956,389
Total Assets	<u>32,082,901</u>	<u>32,622,571</u>
<u>Liabilities</u>		
Other liabilities	525,668	695,043
Longterm liabilities	76,608	66,967
Total Liabilities	<u>602,276</u>	<u>762,010</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	23,046,500	23,956,389
Unrestricted	8,434,126	7,904,173
Total Net Assets	<u>\$ 31,480,626</u>	<u>\$ 31,860,561</u>

- The District's total net assets decreased by \$379,935. Unrestricted net assets increased \$529,953 while capital assets, net of accumulated depreciation decreased \$909,889. The decrease in capital assets is the net result of asset additions of \$302,953 and depreciation expense of \$1,212,844.
- Accounts receivable increased due primarily to increased receivables from customer accounts.
- Deposits liability decreased due to the transfer of monies held in relation to the expired Financing and Services Term Sheet to developer escrow accounts.

By far the largest portion of the District's net assets (73%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) (Net Capital Assets \$23,046,500/Total Net Assets \$31,480,626 = 73.2%). No debt was used to acquire those assets; however, some assets are from contributed capital. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

Enterprise-type activities – Water, Sewer, Drainage, Solid Waste and Security

Rancho Murieta Community Services District's Changes in Net Assets

	June 30, 2009	June 30, 2008
Revenues		
Operating revenues	\$ 4,398,003	\$ 3,814,065
Nonoperating revenues	1,198,201	1,294,271
Total Revenues	5,596,204	5,108,336
Operating Expenses		
Water	1,035,234	948,200
Sewer	707,249	648,590
Drainage	100,246	113,411
Security	851,139	785,451
Solid waste	512,734	487,250
Other	1,506,694	1,845,767
Depreciation	1,212,844	1,024,594
Total Operating Expenses	5,926,141	5,853,262
Income (Loss) Before Special Item	(329,935)	(744,925)
Special Item-Sewer Fines	(50,000)	(150,000)
Change in Net Assets	(379,935)	(894,925)
Net Assets, Beginning of Fiscal Year	31,860,561	32,755,486
Net Assets, End of Fiscal Year	\$ 31,480,626	\$ 31,860,561

Key elements of the enterprise activities are as follows:

- Overall operating revenues increased by \$583,939 or 15.31 percent. Water service charges increased by \$169,594 or 13.5 percent resulting from increased service rates. Sewer service charges increased by \$213,905 or 24.5 percent resulting from increased service rates. Security and Drainage special taxes increased by \$181,961 or 17 percent. Solid Waste services charges increased \$13,664 or 2.6 percent resulting from increased service rates. Other charges increased \$4,815 or 5 percent due primarily to the amount of late fees increasing over last year.
- Nonoperating revenues decreased due to a 2.3% reduction in property taxes as a result of Prop 8 reductions (revised assessed values) and a decrease in interest revenues as a result of reduced interest rates.
- The Water, Sewer and Drainage departments share employees and their wages and employer costs (including benefits) are allocated based on actual time worked in specific functions. Operating expenses for Water, Sewer and Drainage increased overall by \$50,055 or 1.2 percent due to the following: *Water department*; increased maintenance/repairs due to the aging of the water facilities and increased expenditures for water meters and boxes. *Sewer department*; total operating costs decreased \$20,905 or 1.1 percent; however, the prior fiscal year 2007-08 included \$150,000 in special fines related to the CDO. *Drainage department*; total expenses decreased by \$18,242 or 9.8 percent due primarily to reduced maintenance/repairs.

- Solid Waste services are provided by contract with California Waste Recovery Services. Operating expenses for Solid Waste increased \$25,484 or 5% due to increased contract costs.
- The Security department provides gate and patrol services. Gate services increased by \$39,981 or 9.8 percent. Patrol services increased by \$25,708 or 6.8 percent.
- The Administration department covers the remaining staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. However, all general administration type costs relating to the Water, Sewer, Drainage, Solid Waste and Security departments are combined with the administration department on the Statement of Revenues, Expenses, and Changes in Net Assets and shown as General and administrative costs.

Capital Assets

	July 1, 2008	Additions	Adjustments/ Deletions	June 30, 2009
Depreciable Capital Assets				
Water Transmission	\$ 6,250,264	\$ 1,384,348	\$ (371,787)	\$ 7,262,825
Water Treatment	8,986,831	5,306	-	8,992,137
Studies	572,934	-	(7,513)	565,421
Collection Facilities	4,144,362	12,395	-	4,156,757
Sewer treatment and disposal	15,211,534	22,369	496,998	15,730,901
Lake Chesbro Protection	212,233			212,233
Waste Discharge	-	549,152		549,152
Buildings and improvements	566,240	183,558	16,263	766,061
Vehicles & Equipment	1,544,784	39,158	(72,187)	1,511,755
Total Depreciable Capital Assets	37,489,182	2,196,286	61,774	39,747,242
Less - Accumulated Depreciation	(16,887,765)	(1,212,844)	67,051	(18,033,558)
Net Depreciable Capital Assets	20,601,417	983,442	128,825	21,713,684
Non-Depreciable Capital Assets				
Construction in Progress	2,763,283	-	(2,022,157)	741,126
Land	591,690	-	-	591,690
Total Non-Depreciable Capital Assets	3,354,973		(2,022,157)	1,332,816
Net Capital Assets	23,956,390	983,442	(1,893,332)	23,046,500

Capital Assets. The District's investment in capital assets as of June 30, 2009, amounts to \$23,046,500 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 3.8 percent.

Major capital asset events during the current fiscal year included the following:

- Rio Oso Tank Rehabilitation work was completed in mid 2008
- Waste Discharge requirements from Cease and Desist Order - assets transitioned from Work-in-Process status
- The purchase of a Security vehicle and disposal of the old Security vehicle
- The casualty loss of a Water/Sewer vehicle
- Adjustments were made to reclassify assets in the correct fund and category.

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2009/2010 annual budget on June , 2009 which provides for the District's operating and capital costs for the 2009/2010 fiscal year. Additional reductions in property tax revenues are expected due to additional Prop 8 revaluations of property values within the District. Capital projects that are included in this annual budget are the accreditation of District levees, Wastewater Treatment Plant air drift barrier, and the replacement of a Security Patrol vehicle. The District's rates for water, sewer, drainage, security and solid waste services are reviewed annually by staff and the Board of Directors. The District increased rates for solid waste services by approximately 6% for 2009/2010. All other rates remained unchanged.

Requests for Information

This financial report is designed to provide a general overview of the Rancho Murieta Community Services 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 Rancho Murieta Community Services District, Director of Administration, PO Box 1050, Rancho Murieta, CA, 95683.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Net Assets - Proprietary Funds
June 30, 2009
(With Comparative Totals for June 30, 2008)**

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Solid Waste Fund
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 570,905	\$ -	\$ 60,148	\$ 109,685
Accounts receivable	206,294	143,775	22,398	51,854
Interest receivable	402	304	67	
Prepaid Expenses	27,442	20,811	4,585	
Due from RMA parks	16,391	12,430	2,739	
Due from developers	153,864			
Due from other government	-			
Due from other funds	159,216			
Total Current Assets	1,134,511	177,320	89,938	161,539
Capital Assets - net of accumulated depreciation	9,670,659	13,004,162		
Other Assets:				
Cash and investments -designated	4,830,057	2,421,965		
Interest receivable - designated	5,574	4,732		
Total Other Assets	4,835,631	2,426,697		
Total Assets	15,640,801	15,608,179	89,938	161,539
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	73,571	60,628	10,440	97,967
Accrued payroll	17,670	13,400	2,953	
Deposits	46,890			
Deferred revenue	4,432	3,361	741	
Due to other funds		-		
Total Current Liabilities	142,562	77,389	14,133	97,967
Noncurrent Liabilities:				
Compensated absences	22,291	16,862	1,944	
Total Liabilities	164,854	94,252	16,077	97,967
<u>Net Assets</u>				
Invested in capital assets, net of related debt	9,670,659	13,004,162		
Net Assets:				
Unrestricted	5,805,288	2,509,765	73,861	63,572
Total Net Assets	\$ 15,475,947	\$ 15,513,927	\$ 73,861	\$ 63,572

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

Security Fund	Totals	
	2009	2008
\$ -	\$ 740,738	\$ 394,027
182,014	606,335	494,172
259	1,032	-
17,707	70,545	-
10,576	42,135	42,135
	153,864	140,986
	-	134,695
	159,216	233,803
<u>210,556</u>	<u>1,773,864</u>	<u>1,439,818</u>
<u>371,679</u>	<u>23,046,500</u>	<u>23,956,389</u>
	7,252,021	7,210,894
<u>210</u>	<u>10,516</u>	<u>15,470</u>
<u>209</u>	<u>7,262,537</u>	<u>7,226,364</u>
<u>582,445</u>	<u>32,082,901</u>	<u>32,622,571</u>
20,140	262,745	253,162
11,401	45,424	28,507
	46,890	168,177
2,860	11,393	11,394
<u>159,216</u>	<u>159,216</u>	<u>233,803</u>
193,617	525,668	695,043
<u>35,510</u>	<u>76,608</u>	<u>66,967</u>
<u>229,126</u>	<u>602,276</u>	<u>762,010</u>
371,679	23,046,500	23,956,389
<u>(18,360)</u>	<u>8,434,126</u>	<u>7,904,173</u>
<u>\$ 353,319</u>	<u>\$ 31,480,626</u>	<u>\$ 31,860,561</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Solid Waste Fund
Operating Revenues:				
Service charges	\$ 1,421,278	\$ 1,086,167	\$ -	\$ 543,344
Special taxes			162,528	
Other charges	29,140	19,418	390	
Total Operating Revenues	<u>1,450,418</u>	<u>1,105,584</u>	<u>162,918</u>	<u>543,344</u>
Operating Expenses:				
Source of supply	194,852			
Treatment	465,654			
Transmission and distribution	374,727			
Sewer collection		178,505		
Sewer treatment and disposal		528,744		
Drainage			100,246	
Gate services				
Patrol services				
Solid waste				512,734
General and administrative	650,351	455,140	67,012	
Depreciation	509,486	658,856		
Total Operating Expenses	<u>2,195,071</u>	<u>1,821,245</u>	<u>167,258</u>	<u>512,734</u>
Operating Income (Loss)	<u>(744,653)</u>	<u>(715,662)</u>	<u>(4,340)</u>	<u>30,609</u>
Non-operating Revenues (Expenses):				
Taxes	231,922	175,879	38,753	
Capital reserve fees	169,458	268,534		
Interest revenue	109,813	33,730	451	
Rent				
Water augmentation				
Gain (Loss) on disposal of capital assets				
Refunds and reimbursements				
Miscellaneous	12,280	2,347	491	
Total Non-operating Revenues (Expenses)	<u>523,471</u>	<u>480,490</u>	<u>39,696</u>	
Income (Loss) Before Special Item	(221,181)	(235,171)	35,356	30,609
Special Item-Sewer Fines		(50,000)		
Change in Net Assets	(221,181)	(285,171)	35,356	30,609
Net Assets, Beginning of Fiscal Year	15,678,065	15,826,116	30,550	32,963
Prior Period Adjustment	19,064	(27,018)	7,954	
Net Assets, End of Fiscal Year	<u>\$ 15,475,947</u>	<u>\$ 15,513,927</u>	<u>\$ 73,861</u>	<u>\$ 63,572</u>

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

Security Fund	Totals	
	2009	2008
\$ -	\$ 3,050,788	\$ 2,653,626
1,088,521	1,251,049	1,069,088
47,218	96,166	91,351
<u>1,135,739</u>	<u>4,398,003</u>	<u>3,814,065</u>
	194,852	140,699
	465,654	383,101
	374,727	424,400
	178,505	133,779
	528,744	514,811
	100,246	113,411
446,324	446,324	406,343
404,816	404,816	379,108
	512,734	487,250
334,190	1,506,694	1,845,767
44,502	1,212,844	1,024,594
<u>1,229,831</u>	<u>5,926,141</u>	<u>5,853,262</u>
<u>(94,092)</u>	<u>(1,528,137)</u>	<u>(2,039,197)</u>
149,646	596,200	610,367
	437,992	285,194
3,686	147,680	357,378
		22,380
<u>1,211</u>	<u>16,329</u>	<u>18,952</u>
<u>154,544</u>	<u>1,198,201</u>	<u>1,294,271</u>
60,452	(329,935)	(744,925)
	(50,000)	(150,000)
<u>60,452</u>	<u>(379,935)</u>	<u>(894,925)</u>
292,867	31,860,561	32,755,486
	-	-
<u>\$ 353,319</u>	<u>\$ 31,480,626</u>	<u>\$ 31,860,561</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Solid Waste Fund
Cash Flows from Operating Activities:				
Receipts from customers	\$ 1,270,020	\$ 1,096,373	\$ 159,591	\$ 539,536
Payments to employees	(770,624)	(467,227)	(100,136)	
Payments to suppliers	(926,148)	(759,209)	(67,138)	(414,768)
Net Cash Provided By (Used In) Operating Activities	(426,752)	(130,063)	(7,683)	124,768
Cash Flows from Non-capital Financing Activities:				
Taxes received	231,922	175,879	38,753	
Due from other funds	209,282			
Due to other funds				(15,083)
Sewer fine		(50,000)		
Prior period adjustment	19,064	(27,018)	7,954	
Miscellaneous	12,280	2,347	491	
Net Cash Provided By (Used In) Non-capital Financing Activities	472,548	101,208	47,198	(15,083)
Cash Flows from Capital and Related Financing Activities:				
Purchase/adjustment of capital assets	102,457	(363,026)		
Capital reserve fees	169,458	268,534		
Water augmentation	-			
Net Cash Provided By (Used In) Capital and Related Financing Activities	271,915	(94,492)		
Cash Flows from Investing Activities:				
Interest received	112,035	35,657	384	
Net Cash Provided by (Used in) Investing Activities	112,035	35,657	384	
Net Increase (Decrease) in Cash and Cash Equivalents	429,745	(87,690)	39,900	109,685
Cash and Cash Equivalents, July 1	4,971,217	2,509,655	20,248	
Cash and Cash Equivalents, June 30	<u>\$ 5,400,962</u>	<u>\$ 2,421,965</u>	<u>\$ 60,148</u>	<u>\$ 109,685</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and investments	\$ 570,905	\$ -	\$ 60,148	\$ 109,685
Restricted cash and investments	4,830,057	2,421,965		
Total Cash and Cash Equivalents	<u>\$ 5,400,962</u>	<u>\$ 2,421,965</u>	<u>\$ 60,148</u>	<u>\$ 109,685</u>

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

Security Fund	Totals	
	2009	2008
\$ 1,086,157	\$ 4,151,677	\$ 3,785,175
(960,217)	(2,298,204)	(2,085,846)
(282,235)	(2,449,498)	(3,011,165)
(156,295)	(596,026)	(1,311,836)
149,646	596,200	610,367
	209,282	14,957
(59,504)	(74,587)	(149,652)
	(50,000)	(150,000)
	-	
1,211	16,329	18,953
91,353	697,224	344,625
(42,386)	(302,955)	(1,678,238)
	437,992	285,194
	-	22,380
(42,386)	135,037	(1,370,664)
3,526	151,601	417,473
3,526	151,601	417,473
(103,802)	387,837	(1,920,403)
103,802	7,604,922	9,525,324
\$ -	\$ 7,992,759	\$ 7,604,921
\$ -	\$ 740,738	\$ 394,027
	7,252,021	7,210,894
\$ -	\$ 7,992,759	\$ 7,604,921

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

	Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Solid Waste Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities				
Operating loss	\$ (744,653)	\$ (715,662)	\$ (4,340)	\$ 30,609
Noncash items included in operating loss				
Depreciation	509,486	658,856		
Changes in assets and liabilities				
Decrease (increase) in operating assets				
Accounts receivable	(46,234)	(9,212)	(3,326)	(3,808)
Prepaid expenses	(27,442)	(20,811)	(4,585)	
Due from others	(12,878)			
Increase (decrease) in operating liabilities				
Accounts payable	7,640	(49,758)	3,509	97,967
Accrued payroll	6,581	4,990	1,100	
Customer deposits	(121,287)			
Compensated absences	2,035	1,534	(41)	
Deferred revenue				
Due to other funds				
Net Cash Provided By (Used In) Operating Activities	\$ (426,752)	\$ (130,063)	\$ (7,683)	\$ 124,768

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

Security Fund	Totals	
	2009	2008
\$ (94,092)	\$ (1,528,137)	\$ (2,039,197)
44,502	1,212,844	1,024,594
(49,582)	(112,162)	(64,563)
(17,707)	(70,545)	101,606
	(12,878)	(53,614)
(49,774)	9,583	(327,856)
4,246	16,917	(222)
	(121,287)	35,673
6,112	9,641	11,742
<u>\$ (156,295)</u>	<u>\$ (596,024)</u>	<u>\$ (1,311,836)</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Fiduciary Net Assets
June 30, 2009**

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and investments	\$ 1,897,296
Assessments receivable	<u>345,732</u>
Total Assets	<u>\$ 2,243,028</u>
<u>Liabilities</u>	
Due to others	<u>\$ 2,243,028</u>
Total Liabilities	<u>\$ 2,243,028</u>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1: Significant Accounting Policies

The Rancho Murieta Community Services District (District) was formed in 1982, under California State Government Code 61600 and currently provides water, sewer, drainage, solid waste and security service throughout the Rancho Murieta Community. The District's financial and administrative functions are governed by a five member Board of Directors elected by the voting population within the District.

The accounting policies of the Rancho Murieta Community Services District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

The District's basic financial statements include the operations of all organizations for which the District's Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the aforementioned oversight criteria, the following entities have been included within the reporting entity as blended component units:

Special Assessment Districts – The two special assessment districts are the Community Facilities District No. 1 and the Improvement District No. 1. These Special Assessment Districts were created for the purposes of acquiring, constructing and maintaining water and sewer facilities within the Rancho Murieta boundaries. The District is not obligated to repay debt of the Special Assessment Districts but functions as an agent for the property owners by collecting assessments, forwarding collections to special assessment debt holders, and, if appropriate, begin foreclosures on delinquent property owners. Because of the special financing relationships, the Community Facilities District No. 1 and the Improvement District No. 1 have been included in the financial statements as a fiduciary fund type. The bonds for Improvement District No. 1 were paid off in a prior fiscal year, however the District has still maintains a cash balance in banking institutions.

B. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Fund Financial Statements

The proprietary fund financial statements provide information about the District's funds. Separate statements for each fund category - *proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1: Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains two fiduciary funds. Fiduciary funds use the “economic resources” measurement focus and the accrual basis of accounting.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the District’s major proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total or five percent of all fund-type totals. The District may also select other funds it believes should be presented as major funds. The District reports all its proprietary funds as major funds.

The District reported the following major proprietary funds:

Water

This fund accounts for the activities of providing water to the residents of the District.

Sewer

This fund accounts for the activities of collecting and treating wastewater of the residents in the District.

Drainage

This fund accounts for the activities of providing drainage to the residents of the District.

Solid Waste

This fund accounts for the activities of collecting solid waste of the residents of the District.

Security

This fund accounts for the activities of providing security to the residents of the District.

D. Basis of Accounting

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide financial statements and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1: Significant Accounting Policies (Continued)

E. Budget and Budgeting

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following July 1. The budgets are a management tool and not a legal requirement.

F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and as such are legally or contractually restricted from an external source.

G. Comparative Data

Comparative total data for the prior fiscal year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position, operations, and cash flows. Certain amounts presented in the prior fiscal year data may have been reclassified in order to be consistent with the current fiscal year.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Amounts held in the State of California Local Agency Investment Fund (LAIF) are considered to be cash and cash equivalents due to their highly liquid nature.

I. Property Taxes

Secured property taxes are levied on January 1 and are payable in two installments on November 1 and February 1, which become delinquent after December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Sacramento County (County) bills and collects the property taxes and allocates a portion to the District. Property tax revenues are recognized in the fiscal year for which they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The District is under the Teeter Plan and thus can receive 100% of the property tax apportionment each fiscal year, eliminating the need for an allowance for uncollectible tax. The County, in return, receives all penalties and interest. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

J. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are recorded at fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding \$5,000.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 1: Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

means the costs of the capital asset is divided by its expected useful life in years and the result is charged to expense each year until the capital asset is fully depreciated. The District has assigned the useful lives listed below to capital assets.

Buildings	40 Years
Improvements	20-50 Years
Equipment	5-15 Years

K. Compensated Absences

All earned vacation, which is payable upon termination or retirement, is accrued as compensated absences, in accordance with GASB Statement No. 16. Sick leave benefits are not vested to the employee.

L. Net Assets

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets.

M. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributed to those amounts, are maintained in a trust. Participants have sole rights under the plan in an amount equal to the fair value of the deferred account for each participant.

N. Use of Estimates

The preparation of 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, 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 2: Cash and Investments

Classification

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements:

Cash and investments	\$ 529,350
Designated cash and investments	<u>7,463,409</u>
Cash and investments, Statement of Net Assets	7,992,759
Cash and investments, Statement of Fiduciary Net Assets	<u>1,897,296</u>
Total cash and investments	<u>\$9,890,055</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	1,178,044
Investments	<u>8,711,761</u>
Total cash and investments	<u>\$ 9,890,055</u>

A. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the **investment types** that are authorized for the Rancho Murieta Community Services District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk, credit risk, and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California government Code or the District's investment policy

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statues governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Account	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Investments Authorized by Debt Agreements

Investments held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the **investment types** that are authorized for investments held by trustees. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk, and concentration of credit risk**.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 2: Cash and Investments (Continued)

B. Investments Authorized by Debt Agreements (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Investment pools authorized under CA Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Account	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None
Money Market Accounts	N/A	None	None

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>					<u>More Than 60 Months</u>
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	
CAMP Investment Pool	\$ 4,764,114	\$ 4,764,114	\$ -	\$ -	\$ -	\$ -	\$ -
State Investment Pool	3,071,530	3,071,530					
Money Market	876,117	876,117					
	<u>\$ 8,711,761</u>	<u>\$ 8,711,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 2: Cash and Investments (Continued)

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfil 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 fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
CAMP Investment Pool	\$ 4,764,114	N/A					\$ 4,764,114
State Investment Pool	3,071,530	N/A					3,071,530
Money Market Funds	876,117	N/A					876,117
Total	<u>\$ 8,711,761</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,711,761</u>

E. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer that represent 5% or more of **total District investments**.

F. Custodial Credit Risk

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

As of June 30, 2009, \$952,738 of the District's deposits with financial institutions in excess of federal depository insurance limits was held in public funds collateralized accounts. As of June 30, 2009, the District did not hold investments in investments held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

G. Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 3: Capital Assets

Capital Assets at June 30, 2009, consist of the following:

	Balance June 30, 2008	Additions	Adjustments/ Deletions	Balance June 30, 2009
Water				
Depreciable assets:				
Water Transmission	\$ 6,250,264	\$ 1,384,348	\$ (371,787)	\$ 7,262,825
Water Treatment	8,986,831	5,306		8,992,137
Studies	572,934		(7,513)	565,421
Vehicles and equipment	496,911	4,999	(12,439)	489,471
Subtotal	16,306,940	1,394,653	(391,739)	17,309,854
Less: Accumulated Depreciation	(7,713,796)	(509,486)	62,518	(8,160,764)
Net Capital Assets	8,593,144	885,167	(329,221)	9,149,090
Non-depreciable assets:				
Construction in progress	1,675,819		(1,167,890)	507,929
Land	13,640			13,640
Subtotal	1,689,459	-	(1,167,890)	521,569
Net Capital Assets	\$ 10,282,603	\$ 885,167	\$ (1,497,111)	\$ 9,670,659
Sewer				
Depreciable assets:				
Collection Facilities	\$ 4,144,362	\$ 12,395	\$ -	\$ 4,156,757
Pumping facility	42,763			42,763
Treatment Plant/Facilities	15,168,771	22,369	496,998	15,688,138
Vehicles and equipment	621,215	11,709	(23,634)	609,290
Lake Chesbro Protection	212,233			212,233
Waste Discharge		549,152		549,152
Telemetry Building	512,452			512,452
Subtotal	20,701,796	595,625	473,364	21,770,785
Less: Accumulated Depreciation	(8,867,776)	(658,856)	(26,662)	(9,553,294)
Net Capital Assets	11,834,020	(63,231)	446,702	12,217,491
Non-depreciable assets:				
Construction in progress	887,922		(679,301)	208,621
Land	578,050			578,050
Subtotal	1,465,972	-	(679,301)	786,671
Net Capital Assets	\$ 13,299,992	\$ (63,231)	\$ (232,599)	\$ 13,004,162
Security				
Depreciable assets:				
Vehicle and equipment	\$ 426,658	\$ 22,450	\$ (36,114)	\$ 412,994
Buildings and improvements	53,788	183,558	16,263	253,609
Subtotal	480,446	206,008	(19,851)	666,603
Less: Accumulated Depreciation	(306,193)	(44,502)	31,195	(319,500)
Net Capital Assets	174,253	161,506	11,344	347,103
Non-depreciable assets:				
Construction in progress	199,542		(174,966)	24,576
Subtotal	199,542	-	(174,966)	24,576
Net Capital Assets	\$ 373,795	\$ 161,506	\$ (163,622)	\$ 371,679

Note 4: Long-Term Debt

Long-term liabilities activity for the fiscal year ended June 30, 2009, was as follows:

Business-type activities:	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Compensated absences	\$ 66,967	\$ 84,826	\$ (75,185)	\$ 76,608
Business-type activity				
Long-term liabilities	\$ 66,967	\$ 84,826	\$ (75,185)	\$ 76,608

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 5: Net Assets

Net Assets are the excess of all the District's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined at the proprietary funds, and fiduciary funds and are described below.

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

Restricted net assets consists of constraints placed on net asset use through external creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation which the District cannot unilaterally alter. These principally include connection fees received for use on capital projects and debt service requirements.

Unrestricted Net Assets

Unrestricted net assets describe the portion of net assets which is not restricted as to use.

Note 6: Defined Benefit Pension Plan

A. Plan Description

The District's defined benefit pension plan with the California Public Employees' Retirement System (CalPERS) provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. This CalPERS is part of the Public Agency portion of the CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions and other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

B. Funding Policy

Active plan members in the District's defined pension plan are required to contribute 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members as required by the defined pension plan. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008/2009 was 11.135%. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established, and may be amended, by CalPERS annually.

C. Annual Pension Cost

For fiscal year 2008/2009, the District's annual required employer pension cost was \$135,765 and the District actually contributed \$135,765. The District also contributes the employees' 7% portion of their annual covered salary as a benefit to the employee. The employer's required contribution for fiscal year

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 6: Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

2008/2009 was determined as part of the June 30, 2006, actuarial valuation using entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members; and (c) 3.25% overall payroll growth including 3.0% for inflation.

The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006, was 13 years.

Trend Information for the District

Fiscal Year <u>Ended</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
06/30/07	\$ 128,045	100%	\$ -
06/30/08	125,765	100%	-
06/30/09	150,762	100%	-

Note 7: Post Employment Benefits

The District provides post employment benefit options for healthcare insurance to eligible retirees and their dependents. The benefits are provided in accordance with the District's policy. The District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay a set premium for a portion of the cost with the District subsidizing the balance. During the 2009 fiscal year, \$75,178 of expense was recognized for post-employment retirement benefits. There were 10 participants eligible at June 30, 2009. The District will be adopting the provisions of Government Accounting Standards Board Statements 43 and 45 during the 2009-2010 fiscal year.

Note 8: Special Assessments Districts

The Rancho Murieta Community Services District's Board and management are responsible for the administration of the Community Facilities District (Community Facilities District No. 1) formed under the provisions of Mello-Roos. The District is not obligated to repay the special assessment debt to the special assessment debt holders.

The amount of special assessment debt at June 30, 2009, is:

Community Facilities District No. 1	<u><u>\$ 5,360,000</u></u>
-------------------------------------	----------------------------

Separate audited financial statements have been issued for the assessment district.

Note 9: Revenue Limitation Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, will regulate the District's ability to impose, increase, and extend taxes and assessments. Any new, increase, or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in the future years by the voters.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2009

Note 10: Fund Deficit

Security Fund: A deficit unrestricted net assets in the amount of \$80,931 exists in the security fund. Anticipated increases in future special tax for security is expected to alleviate the deficit unrestricted net assets.

Note 11: Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following presents a summary of current interfund balances at June 30, 2009.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	\$ 159,216	Security	\$ 159,216
Total	<u>\$ 159,216</u>	Total	<u>\$ 159,216</u>

Note 12: Prior Period Adjustments

Prior period adjustments were made resulting in an increase to net assets of \$19,064 in the water fund and an decrease in net assets of \$19,064 in the sewer fund to adjust depreciation expense recorded in the water fund that should have been recorded in the sewer fund in the prior year. A prior period adjustment was also made increasing the drainage fund net assets \$7,954 and decreasing the sewer fund net assets \$7,954 to adjust employer costs that were incorrectly allocated in the prior year.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Required Supplementary Information
Schedule of Funding Progress
June 30, 2009

The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employee defined benefit plan. Since the District has less than 100 active members in the plan, it is required by CalPERS to participate in a risk pool. The following valuation reports the funding history of the risk pool as a whole, and not the specific activity of individual members, such as the District.

Miscellaneous Members

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
6/30/2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
6/30/2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
6/30/2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Water Fund

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Service Charges:		
Water sales - residential	\$ 1,262,444	\$ 1,102,946
Water sales - commercial	150,408	140,618
Water availability charges	440	480
Water sales - others	<u>7,986</u>	<u>7,640</u>
Total Service Charges	<u>1,421,278</u>	<u>1,251,684</u>
Other Charges:		
Water telephone line contracts	4,985	5,085
Meter installation fees	-	3,530
District project charges	6,888	88
Late charges	14,806	14,407
Water inspection fees	127	253
Transfer fees	<u>2,334</u>	<u>1,595</u>
Total Other Charges	<u>29,140</u>	<u>24,958</u>
Total Operating Revenues	<u><u>\$ 1,450,418</u></u>	<u><u>\$ 1,276,642</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Water Fund**

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Source of Supply:		
Wages and salaries	\$ 32,513	\$ 18,027
Employer costs	11,812	5,410
Maintenance and repairs	60,134	27,128
Purchased power	50,459	39,638
Dam inspection costs	36,122	35,641
Supplies	651	7,363
Chemical	1,800	7,492
Equipment rental	1,362	-
	<hr/>	<hr/>
Total Source of Supply	194,852	140,699
	<hr/>	<hr/>
Treatment:		
Wages and salaries	118,391	120,535
Employer costs	45,074	47,372
Purchased power	83,991	71,621
Chemicals	91,207	59,202
Maintenance and repairs	106,711	69,664
Supplies	598	3,845
Equipment rental	3,938	4,667
Lab tests	14,391	2,051
Miscellaneous	1,352	4,143
	<hr/>	<hr/>
Total Treatment	465,654	383,101
	<hr/>	<hr/>
Transmission and Distribution:		
Wages and salaries	154,851	159,402
Employer costs	59,080	60,977
Water meters	49,534	101,127
Maintenance and repairs	56,591	49,044
Purchased power	36,359	27,625
Lab tests	8,139	12,645
Equipment rentals	6,581	7,326
Supplies	3,594	6,254
Miscellaneous	-	-
	<hr/>	<hr/>
Total Transmission and Distribution	374,727	424,400
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	241,965	212,643
Employer costs	115,555	76,813
	<hr/>	<hr/>
Subtotal General and Administrative	357,519	289,456
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Water Fund

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Subtotal General and Administrative:	\$ 357,519	\$ 289,456
Communications	19,279	22,034
Maintenance and repairs	47,937	60,497
Insurance	29,214	27,041
Permits	29,137	16,907
Supplies	16,616	17,217
Directors' meeting and expenses	7,237	12,017
Elections	1,943	-
Legal and audit	20,412	37,447
Clerical services	12,027	21,564
Training and safety	10,107	11,322
Vehicle expenses	23,812	32,270
Tools	4,480	2,415
Sacramento Water Authority	5,000	15,138
Miscellaneous	28,258	18,170
Postage	7,141	7,600
Travel and meetings	2,881	4,565
Consulting services	8,612	103,588
Dues and memberships	3,682	4,554
Uniforms	3,753	4,645
Purchased power	3,041	2,885
Contingency	-	-
Equipment lease	749	1,087
Bad debts	-	129
Water conservation	141	-
Janitorial and pest control	1,134	1,134
CIA ditch operations	6,241	5,367
	<u>650,351</u>	<u>719,049</u>
Total General and Administrative		
Depreciation	<u>509,486</u>	<u>438,621</u>
Total Operating Expenses	<u>\$ 2,195,071</u>	<u>\$ 2,105,869</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Sewer Fund**

**For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
Service Charges:		
Sewer service - residential	\$ 980,560	\$ 777,444
Sewer service - commercial	105,117	94,288
Sewer availability charges	490	530
	<u>1,086,167</u>	<u>872,262</u>
Total Service Charges		
Other Charges:		
Sewer inspection fees	127	253
District project charges	2,715	2,250
Late charges	14,806	14,407
Transfer fees	1,770	1,210
	<u>19,418</u>	<u>18,120</u>
Total Other Charges		
Total Operating Revenues	<u>\$ 1,105,584</u>	<u>\$ 890,382</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Sewer Fund
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
Collections:		
Wages and salaries	\$ 77,341	\$ 61,635
Employer costs	29,241	15,435
Maintenance and repairs	55,253	35,025
Purchased power	14,319	13,288
Equipment rental	2,196	2,753
Supplies	155	-
Miscellaneous	-	5,643
	<hr/>	<hr/>
Total Collections	178,505	133,779
	<hr/>	<hr/>
Treatment and Disposal:		
Purchased power	108,061	110,104
Chemicals	55,965	60,758
Wages and salaries	126,034	111,616
Employer costs	47,369	43,201
Lab tests	45,429	34,871
Maintenance and repairs	139,814	125,080
Supplies	1,740	8,470
Equipment rental	4,264	17,976
Miscellaneous	68	2,735
	<hr/>	<hr/>
Total Treatment and Disposal	528,744	514,811
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	140,116	132,851
Employer costs	53,651	47,827
Communications	15,133	16,681
Maintenance and repairs	38,299	49,277
Insurance	22,155	20,507
Vehicle expenses	14,389	21,316
Supplies	12,973	13,889
Directors' meetings and expenses	6,962	9,113
Legal and audit	20,898	82,236
Training and safety	15,031	6,802
Clerical services	9,120	16,353
Permits	16,586	14,506
Miscellaneous	23,106	13,324
Postage	5,415	5,763
Tools	3,234	1,266
	<hr/>	<hr/>
Subtotal General and Administrative	397,068	451,711
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Sewer Fund

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Subtotal General and Administrative:	\$ 397,068	\$ 451,711
Travel and meetings	2,716	4,071
Consulting	45,825	182,955
Uniforms	2,794	4,443
Dues and memberships	2,728	3,454
Purchased power	2,306	2,188
Bad debts	-	17
Janitorial and pest control	1,134	1,134
Contingency	-	-
Equipment lease	568	824
	<u>455,140</u>	<u>650,796</u>
Total General and Administrative	<u>455,140</u>	<u>650,796</u>
Depreciation	<u>658,856</u>	<u>542,765</u>
Total Operating Expenses	<u><u>\$ 1,821,245</u></u>	<u><u>\$ 1,842,150</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Drainage Fund
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
Special Taxes:		
Drainage service - residential	\$ 136,080	\$ 130,439
Drainage service - commercial	26,448	25,320
	<u>162,528</u>	<u>155,759</u>
Total Special Taxes		
Other Charges:		
Transfer fees	390	267
	<u>390</u>	<u>267</u>
Total Operating Revenues	<u>\$ 162,918</u>	<u>\$ 156,026</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Drainage Fund
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
Drainage:		
Wages and salaries	\$ 43,945	\$ 34,946
Maintenance and repairs	7,726	22,612
Purchased power	11,812	11,769
Employer costs	16,520	23,389
Equipment rental	2,319	3,193
Legal and audit	-	1,128
Chemicals	15,827	14,061
Improvements	780	1,617
Miscellaneous	1,316	696
	<u>100,246</u>	<u>113,411</u>
 General and Administrative:		
Wages and salaries	29,358	28,707
Employer costs	11,371	10,319
Communications	2,255	2,578
Insurance	4,882	4,518
Maintenance and repairs	5,275	7,564
Vehicle Expenses	204	464
Directors' meeting and expenses	1,534	2,008
Uniforms	313	
Clerical services	2,010	3,603
Office supplies	1,945	2,024
Legal and audit	3,269	5,182
Postage	1,193	1,270
Consulting services	66	343
Miscellaneous	1,237	1,086
Travel and meeting	287	600
Memberships	601	761
Training and safety	582	398
Purchased power	508	482
Contingency	-	-
Equipment lease	125	182
	<u>67,012</u>	<u>72,089</u>
 Total General and Administrative		
	<u>67,012</u>	<u>72,089</u>
 Total Operating Expenses	<u>\$ 167,258</u>	<u>\$ 185,500</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Solid Waste Fund
For the Fiscal Year Ended June 30, 2009
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)**

	<u>2009</u>	<u>2008</u>
Service Charges:		
Solid Waste - residential	<u>\$ 543,344</u>	<u>\$ 529,680</u>
Total Service Charges	<u>543,344</u>	<u>529,680</u>
Total Operating Revenues	<u><u>\$ 543,344</u></u>	<u><u>\$ 529,680</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Solid Waste Fund

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Solid Waste:		
Contract charges	\$ 480,277	\$ 456,715
Miscellaneous	<u>32,458</u>	<u>30,535</u>
Total Solid Waste	<u>512,734</u>	<u>487,250</u>
Total Operating Expenses	<u><u>\$ 512,734</u></u>	<u><u>\$ 487,250</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Security Fund

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Special Taxes:		
Security service - residential	\$ 933,283	\$ 790,518
Security service - commercial	155,238	122,811
	<u>1,088,521</u>	<u>913,329</u>
Total Special Taxes		
Other Charges:		
Late charges	29,612	28,815
Transfer fees	4,506	3,079
Fines and permits	8,520	8,980
Special events	-	3,484
Other	4,580	3,648
	<u>47,218</u>	<u>48,006</u>
Total Other Charges		
Total Operating Revenues	<u>\$ 1,135,739</u>	<u>\$ 961,335</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund**

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Gate Services:		
Wages and salaries	\$ 263,394	\$ 236,098
Employer costs	146,840	132,668
Miscellaneous	1,869	4,716
Equipment repairs and maintenance	18,346	17,597
Supplies	5,923	4,522
Communications	3,314	2,877
Janitor and pest controls	2,417	2,175
Purchased power	2,865	2,833
Training and safety	463	403
Uniforms	894	2,454
	<u>446,324</u>	<u>406,343</u>
Total Gate Services		
Patrol Services:		
Wages and salaries	216,824	203,353
Employer costs	127,852	108,617
Vehicle fuel	16,851	21,040
Off-duty sheriff patrol	14,154	19,195
Vehicle maintenance	7,882	9,939
Uniforms	1,602	1,988
Miscellaneous	3,021	6,036
Cellular phone	2,374	1,743
Equipment repairs and maintenance	7,948	169
Janitor and pest control	3,013	2,939
Supplies	1,454	2,438
Training and safety	1,838	1,651
	<u>404,816</u>	<u>379,108</u>
Total Patrol Services		
General and Administrative:		
Wages and salaries	153,027	146,680
Employer costs	62,638	58,845
Insurance	23,331	22,743
Legal and audit	24,518	78,025
Supplies	8,097	8,489
Directors' meetings and expenses	5,923	7,754
Training and safety	2,749	4,083
Consulting	253	1,323
Purchased power	1,962	1,861
	<u>282,499</u>	<u>329,803</u>
Subtotal General and Administrative		

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expense (Continued)

Security Fund

For the Fiscal Year Ended June 30, 2009

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Subtotal General and Administrative:	\$ 282,499	\$ 329,803
Communications	9,327	11,024
Equipment repairs and maintenance	20,495	29,711
Clerical services	7,760	13,914
Postage	4,607	4,904
Bad debts	-	21
Travel and meetings	1,107	2,590
Miscellaneous	4,864	6,939
Memberships	2,321	2,938
Contingency	-	-
Equipment lease	483	701
Vehicle expenses	727	1,288
Uniform		
	<u>334,190</u>	<u>403,833</u>
Total General and Administrative		
Depreciation	<u>44,502</u>	<u>43,208</u>
Total Operating Expenses	<u>\$ 1,229,831</u>	<u>\$ 1,232,492</u>

Larry Bain, CPA,
An Accounting Corporation
2148 Frascati Drive
El Dorado Hills, CA 95762

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the Financial Statements of the Rancho Murieta Community Services District as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. In our audit report we issued a qualified opinion on the fund financial statements because the district does not utilize an accounting system with a self balancing set of accounts for each fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Rancho Murieta Community Services District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However we identified seven deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies, following this letter, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. However, we believe prior year findings 07-1, 07-7 and 07-9 are significant deficiencies as described above and constitute material weaknesses. We also noted significant deficiencies not considered material weaknesses.

The Rancho Murieta Community Services District's written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on it.

This communication is intended solely for the information and use of the Board of Directors, management, the Sacramento County Auditor Controller's Office and the Controller's Office of the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Larry Bain, CPA,
An Accounting Corporation
December 11, 2009

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Follow up on June 30, 2007
Findings and Recommendations**

INTERNAL CONTROL FINDINGS

Prior Year Significant Deficiencies Deemed to be Material Weaknesses

Prior Year Finding 07-1: During our testing of fund equity, we noted many board designated reserved balances and unreserved fund equity balances were negative. The normal balance for a fund equity account would be a positive balance. The control deficiency and risk is that the board designated funds are not being maintained to reflect the intended results of the District policy over fund balance reserves.

Prior Year Recommendation: We recommend the District review the fund equity account activity and reconcile the board designated reserved fund balances to comply with the District reserve policy. Furthermore we recommend the District review the negative unreserved fund balances and make any necessary adjustments to reconcile to the financial statements. Only the solid waste fund had a \$9,647 deficit fund balance in the June 30, 2007 audited financial statements.

Current Year Follow Up: At June 30, 2009 many reserve fund equity accounts were negative in the general ledger. There are no supporting schedules or detailed activity that reconciles the fund equity reserve accounts. The Security fund also had a negative unrestricted net assets balance in the financial statements of \$18,360 at June 30, 2009.

District Response: The District is currently reviewing and reconciling the reserved and unreserved fund accounts and will make the necessary adjustments to reconcile the financial statements in the 2009-10 fiscal year.

Prior Year Finding 07-2: ID#1 had a cash balance of \$57,169 at June 30, 2007.

Prior Year Recommendation: We recommend reviewing if the ID#1 excess funds should be allocated to the District or credited to the landowners who paid the assessments.

Current Year Follow Up: At June 30, 2009 \$53,577 cash remained in the ID#1 improvement account and \$6,634 remained in the ID#1 redemption checking account. The District should determine who has a legal claim to these funds.

District Response: The District will research the remaining ID#1 funds to determine who has legal claim to these funds.

Prior Year Finding 07-3: Resolved.

Prior Year Finding 07-4: Resolved.

Prior Year Finding 07-5: Resolved.

Prior Year Finding 07-6: Resolved.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Follow up on June 30, 2007

Findings and Recommendations

Prior Year Finding 07-7: During our setup of the auditors trial balance we noted the District general ledger is not a self balancing set of accounts per fund. Significant adjustments need to be made through cash in order to balance the funds. In the aggregate the District trial balance does have a self balancing set of accounts.

Prior Year Recommendation: We recommend either obtaining an accounting program that will create a self balancing set of accounts for each fund, or modify the existing accounting program.

Current Year Follow Up: During the current year we did not observe implementation of an accounting program with a self-balancing set of accounts.

District Response: The District is evaluating the best method to implement the self-balancing set of accounts; either by modifying/upgrading the current accounting software program.

Prior Year Finding 07-8: Resolved.

Prior Year Finding 07-9: During our testing of accounts receivables we noted the District had not adjusted the assessments receivables account to agree to the County records. The effect of this deficiency was an overstatement of \$57,613 to the assessments receivable balance. An audit adjustment was proposed to correct the account balance.

Prior Year Recommendation: We recommend the District periodically review the assessments receivable support and reconcile to the general ledger.

Current Year Follow Up: During the current year we noted \$136,630 in current assessments receivable was not accrued by the CFD #1. The District provided us with the adjusting journal entry during the audit.

District Response: The District concurs and will periodically review the assessments receivable support and reconcile to the general ledger.

Prior Year Finding 07-10: Resolved.

Prior Year Finding 07-11: Resolved.

Prior Year Finding 07-12: Resolved.

Prior Year Finding 07-13: Resolved.

Prior Year Finding 07-14: Resolved.

Prior Year Significant Deficiencies Not Deemed Material Weaknesses:

Prior Year Finding 07-15: Resolved.

Prior Year Significant Deficiencies Deemed Material Weaknesses:

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Follow Up on June 30, 2008
Findings and Recommendations

Prior Year Finding 08-1: During the current year audit we noted the District (CSD) paid a portion of the Community Facilities District #1 (CFD #1) April 2008 debt payment with a \$137,564 transfer from the District investment account. Because the District does not utilize an accounting system with a self balancing set of accounts this material error was made and went undetected. This error also resulted in fund equity being out of balance at June 30, 2008.

Prior Year Recommendation: We proposed an entry setting up a due to/due from other governments for the CFD #1 to repay the CSD for this transfer. The proposed audit entry also was one component of reconciling fund equity at June 30, 2008. We recommend the District management review transactions to verify that funds are being taken from the correct bank accounts to pay CSD or CFD #1 payments. We also recommend the District obtain fund accounting software with a self balancing set of accounts, which would have detected this error when the funds were noted to be out of balance.

Current Year Follow Up: During the current year audit we noted CFD #1 transferred \$83,553.14 from account 950-1000 to CSD account 200-1521 on February 18, 2009 and CFD #1 transferred \$54,011 from account 950-1545 to CSD account 200-1521 also on February 18, 2009.

Prior Year Finding 08-2: During our audit we noted the CAMP operating account was understated in the general ledger by \$53,709. Per review it was noted that \$54,959 interest income and market valuation adjustments had not been recorded in the general ledger. After posting the entry there was an unrecognized difference of \$1,249, which was considered trivial for audit purposes.

Prior Year Recommendation: We recommend reconciling monthly the cash and investments accounts to the general ledger and posting required adjustments to balance the accounts.

Current Year Follow Up: Not noted in the current year.

Prior Year Finding 08-3: During our audit we noted the District misposted \$21,506 of reserve fund allocations which resulted in fund equity being out of balance.

Prior Year Recommendation: We recommend better attention to detail when making entries to increase/decrease reserve accounts. Audit entries were made to correct the mispostings, which also was a component of balancing fund equity.

Current Year Follow Up: Not noted in the current year.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Follow Up on June 30, 2008
Findings and Recommendations

Prior Year Significant Deficiencies Not Deemed Material Weaknesses:

Prior Year Finding 08-4: During our testing of accounts receivables we noted account (Cycle) 40000 had a balance due of \$4,371. This account did not have any activity since November 2005. The account is not part of the normal billing, but is a direct bill account.

Prior Year Recommendation: We recommend the review the direct bill accounts to determine collectability. If accounts are still valid we recommend the District take collection action, otherwise we recommend the Board review any uncollectable accounts prior to approving writeoff.

Current Year Follow Up: The District reviewed the account and determined the balance due at June 30, 2009 was \$11,238.89. The District expects to collect the account balance.

Prior Year Finding 08-5: During our audit we noted the District purchased a truck and coded the cost to the sewer fund. According to the invoice the cost should have been split 50/50 between sewer and water.

Prior Year Recommendation: We recommend the District review account coding instructions prior to posting entries.

Current Year Follow Up: The District allocated between water and sewer in the current year.

Prior Year Finding 08-6: During our audit we noted account 200-2225 had a negative \$6,927 balance at June 30, 2008. This accrued payroll account should zero out each month.

Prior Year Recommendation: We recommend the District review this account to determine why it is not clearing to a zero balance after each payment.

Current Year Follow Up: The District reviewed the account and made a yearend journal entry to reconcile to a \$0 ending balance.

Prior Year Finding 08-7: During our testing of credit card invoices, we noted many invoices to support travel related credit card charges were missing.

Prior Year Recommendation: We recommend the District require invoices to support all expenditures made by the District. We also recommend the District review the travel policy to ensure compliance with AB1234 requirements.

Current Year Follow Up: Not noted during the current year audit.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Findings and Recommendations
June 30, 2009

Significant Deficiencies Not Deemed Material Weaknesses:

Finding 09-1: During our testing of payroll we noted the Board of Directors are being paid through accounts payables and issued a 1099 to report amounts received. The IRS requires most elected officials to be treated as employees for payroll reporting purposes.

Recommendation: We recommend the District review the IRS regulations for reporting Board member pay and change the payment methods to comply with the legal requirements.

District Response: In February 2008, the District requested that District counsel provide an opinion on the classification of Directors as employees of the District. Based on CSD statutory provisions, as well as the fact that Directors do not share any of the normal characteristics of employees, District counsel concluded that CSD Directors are not employees of the District.

Finding 09-2: During our testing of cash we noted the District had several stale dated checks between 2004 and 2006 totaling \$4,771.

Recommendation: We recommend reviewing and voiding the stale dated checks.

District Response: The District concurs.

Finding 09-3: During our testing of fixed assets we noted the District had many assets recorded below \$5,000. The fixed assets policy determined a \$5,000 capitalization threshold.

Recommendation: We recommend the District review the fixed asset schedule and remove assets that do not meet the capitalization threshold.

District Response: The capitalization threshold was formally established at \$5,000 in April 2008. The assets in question were placed on the fixed asset schedule several years prior to that date and most are fully depreciated. The District agrees that some of the assets in question would be more correctly classified as inventory/expendable items and will remove those assets from the fixed asset schedule.