

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**COMPONENT UNIT FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1  
JUNE 30, 2016**

**TABLE OF CONTENTS**

Independent Auditor’s Report .....	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	3
Statement of Activities .....	4
Fund Financial Statements:	
Government Fund:	
Balance Sheet .....	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	6
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	7
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	8
Notes to Basic Financial Statements .....	9
Report on Internal Controls over Financial Reporting.....	16

# LARRY BAIN, CPA

An Accounting Corporation

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Rancho Murieta Community Services District  
Community Facilities District No. 2014-1  
Rancho Murieta, California

We have audited the accompanying financial statements of the governmental activities and the major fund of Rancho Murieta Community Services District, Community Facilities District No. 2014-1 (CFD 2014-1), a component unit of the Rancho Murieta Community Services District, as of and for the fiscal year ended June 30, 2016, which collectively comprise the CFD 2014-1's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Rancho Murieta Community Services District, Community Facilities District No. 2014-1 as of June 30, 2016, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with the accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

The CFD 2014-1 has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**Other Information**

We have also issued our report dated November 3, 2016 on our consideration of the CFD 2014-1's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

*Larry Bain, CPA,*  
*An Accounting Corporation*  
November 3, 2016

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**STATEMENT OF NET POSITION  
JUNE 30, 2016**

Current Assets		
Cash and investments	\$	527,766
Prepaid expense		1,496
Noncurrent assets		
Restricted cash and investments		671,255
Special assessment receivables		5,569,876
Total Assets	\$	<u><u>6,770,393</u></u>
Liabilities		
Current		
Accounts payable	\$	1,660
Accrued interest payable		87,187
Total Current Liabilities		<u>88,847</u>
Noncurrent		
Special assessment debt		5,960,000
Total Liabilities		<u>6,048,847</u>
Net Position		
Restricted		721,546
Total Net Position	\$	<u><u>721,546</u></u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**STATEMENT OF ACTIVITIES  
JUNE 30, 2016**

	Expenses	Program Revenues Capital Grants and Contributions	Total
Governmental Activities:			
Community facilities district	\$ 373,480	\$ -	\$ (373,480)
Interest expense	262,020		(262,020)
Total Governmental Activities	\$ 635,500	\$ -	(635,500)

General Revenues:

Tax revenue		139
Investment income		139
Total general revenues		139
Change in net position		(635,361)
Net position - beginning		1,356,907
Net position - ending		\$ 721,546

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

**Assets**

Cash and investments	\$ 527,766
Restricted cash and investments	671,255
Prepaid expense	1,496
Accounts receivable:	
Special assessments	5,569,876
Total Assets	\$ 6,770,393

**Liabilities, Deferred Inflows of Resources and Fund Balances**

**Liabilities**

Accounts payable	\$ 1,660
Total Liabilities	1,660

Deferred inflows of resources:

Unavailable revenues-special assessments	5,568,409
Total Deferred Inflows of Resources	5,568,409

Fund Balance

Fund balances	
Restricted for CFD # 2014-1	1,200,324
Total Fund Balance	1,200,324
Total Liabilities Deferred Inflows of Resources and Fund Balance	\$ 6,770,393

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
JUNE 30, 2016**

Fund Balances of Governmental Funds	\$ 1,200,324
Amounts reported for governmental activities in the statement of net position are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are not reported in the funds.	5,568,409
Certain liabilities, including long-term debt and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,047,187)</u>
Net position of governmental activities	<u><u>\$ 721,546</u></u>



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Revenues	
Investment income	\$ 139
Total Revenues	139
Expenditures	
Current:	
Administration	10,710
Debt Service	
Principal	-
Interest	284,810
Total Expenditures	295,520
Excess (Deficit) of Revenues over expenditures	(295,381)
Other Financing Sources (Uses)	
Transfers to other government	(362,770)
Total Other Financing Sources (Uses)	(362,770)
Net Change in Fund Balance	(658,151)
Fund Balance, July 1, 2015	1,858,475
Fund Balance, June 30, 2016	\$ 1,200,324

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ (658,151)
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	-
The change in accrued interest is recorded as a current liability in the statement of activity, however interest expense is recorded when paid in the governmental funds.	<u>22,790</u>
Change in net position of governmental activities	<u><u>\$ (635,361)</u></u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Rancho Murieta Community Services District, Community Services District No. 2014-1 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), as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CFD 2014-1's accounting policies are described below.

**A. Financial Reporting Entity**

The Rancho Murieta Community Services District, Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) was formed on September 5, 2014, by resolution of the Rancho Murieta Community Services District's Board of Directors for the sole purpose of acquiring and constructing water facilities that will benefit the inhabitants within the Rancho Murieta Community. In order to finance the expansion of water facilities, special tax bonds totalling \$5,960,000 were issued pursuant to the Mello-Roos Community Facilities Act of 1982.

As of June 30, 2016, the construction of the new water facility was in progress and during the 2015/16 fiscal year \$362,770 of constructed facilities were paid with CFD 2014-1 bond proceeds and transferred to the Rancho Murieta Community Services District. Additional construction costs are funded by developers under financing agreements and by the Rancho Murieta Community Services District.

The CFD 2014-1, a component unit of Rancho Murieta Community Services District, is a legally constituted governmental entity governed by the Board of Directors of the Rancho Murieta Community Services District. The financial records of the CFD 2014-1 are maintained by the Rancho Murieta Community Services District staff.

The financial statements present only the financial position and changes in financial position of the CFD 2014-1 and are not intended to present fairly the financial position of Rancho Murieta Community Services District and the changes in its financial position in conformity with accounting principles generally accepted in the U.S.

**B. Basis of Presentation**

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities include the financial activities of the overall CFD 2014-1 government. The CFD 2014-1 does not have any business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the CFD 2014-1's activities. Direct expenses are those that are specially associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the CFD 2014-1's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting:**

The government-wide financial statements are reported using the economic resources measurement focus and the full 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.

Governmental Funds 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*.

The CFD 2014-1 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when related fund liability is incurred, except for principle and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions under capital leases are reported as *other financing sources*.

*Non-exchange transactions*, in which the CFD 2014-1 gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations, are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the CFD 2014-1 funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. The CFD 2014-1's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**D. Budget and Budgetary Accounting**

The CFD 2014-1 is not required to adopt an annual appropriated budget but does, however, adopt a budget for management purposes. Therefore, no budgetary comparison is required.

**E. Restricted Assets**

District loan assets as well as certain resources set aside for loan repayment, are classified as restricted assets on the balance sheet because their use is limited by loan covenants.

**F. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This financial statement element represents revenues associated with assessments receivables that will not be recognized until future periods.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. 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 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.

H. Net Position/Fund Equity

**Government-wide Financial Statements**

Restricted Net Position - This amount consists of amounts restricted from external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position- This amount is all net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position”.

**Fund Financial Statements**

Fund Equity- Restricted fund balance of the governmental fund is created to satisfy the debt covenant reserve, not available for future expenditures. The assigned fund balance is the amount needed to make the current portion of the debt service payment and the unassigned portion is the remaining amount not restricted or assigned.

**NOTE 2: CASH AND INVESTMENTS**

Deposits with financial institutions	\$ 527,766
Investments	<u>671,255</u>
Total cash and investments	<u><u>\$ 1,199,021</u></u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**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 Community Facilities District No. 2014-1. (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 trustees 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 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			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	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 the debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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
Money Market Accounts	N/A	None	None

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**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 investment maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Treasury funds	\$ 671,255	\$ 671,255	\$ -
Totals	<u>\$ 671,255</u>	<u>\$ 671,255</u>	<u>\$ -</u>

\*Not subject to categorization

**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) California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
Treasury funds	\$ 671,255	N/A	\$ -	\$ 671,255	\$ -
Total investments	<u>\$ 671,255</u>		<u>\$ -</u>	<u>\$ 671,255</u>	<u>\$ -</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 (other than money market fund reserve) that represent 5% or more of total District investment.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**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 deposit 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 of 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 deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2016, \$277,766 of the District's deposits with financial institutions were in excess of federal depository insurance limits required to be held in collateralized accounts.

**NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE**

The CFD 2014-1 will start levying Assessments against property owners during the 2016/17 fiscal year. The assessments will be collected through the secured property tax rolls of the County of Sacramento. Assessments receivable represent the amounts to be assessed to the property owners to pay bond principle. In the event property owners are delinquent in their payments, the CFD 2014-1 is required to initiate foreclosure proceedings within 150 days following the date of delinquency. There were no delinquent assessment receivables at June 30, 2016. The CFD 2014-1 will refer pending delinquency cases to the CFD 2014-1's legal counsel for collection.

At June 30, 2016 the CFD 2014-1 held \$238,351 remaining in a special tax fund for the payment of the first two years of accrued interest on the special assessment bonds. These funds were collected and deposited as part of the debt issuance.

**NOTE 4: SPECIAL ASSESSMENT DEBT**

The Rancho Murieta Community Services District adopted a resolution for the formation of Rancho Murieta Community Services District Community Facilities District No. 2014-1 (Rancho North/Murieta gardens) ("CFD No. 2014-1"). CFD No. 2014-1 was formed as part of a financing plan for public infrastructure Facilities and other governmental Facilities to support development of a hotel, commercial, residential and mixed use properties being developed on approximately 828 acres of land within the District boundaries of CFD No. 2014-1. On January 29, 2015 bonds in the amount of \$5,960,000 were issued to finance the costs of the Facilities and to finance costs associated with the issuance of bonds. During the 2014-15 fiscal year a special tax was approved by voters and has been authorized by the Board of Directors to be levied on lots and parcels within CFD No. 2014-1 commencing with the fiscal year 2016-17 fiscal year tax levy. Proceeds from the Special Tax will be used to repay the bonded indebtedness and associated costs and to pay directly for the acquisition or construction of authorized Facilities.



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4: SPECIAL ASSESSMENT DEBT (Continued)**

\$5,960,000 CFD 2014-1 bonds are due in annual payments of \$154,029 to \$391,560 through September 1, 2044, with interest at 4.4% per annum (payable from revenues generated through ad valorem tax assessed by the CFD 2014-1 against properties located within the boundaries of the CFD 2014-1.)

Long-term liabilities activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within One Year
Special Assessment Debt Series 2014-1	\$ 5,960,000	\$ -	\$ -	\$ 5,960,000	\$ -
Total	<u>\$ 5,960,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,960,000</u>	<u>\$ -</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	\$ -	\$ 261,560	\$ 261,560
2018	-	261,560	261,560
2019	130,000	261,560	391,560
2020	130,000	258,310	388,310
2021	135,000	254,735	389,735
2022-2026	750,000	1,205,645	1,955,645
2027-2031	895,000	1,054,263	1,949,263
2032-2036	1,120,000	829,589	1,949,589
2037-2041	1,410,000	537,463	1,947,463
2042-2045	1,390,000	168,622	1,558,622
Totals	<u>\$ 5,960,000</u>	<u>\$ 5,093,307</u>	<u>\$ 11,053,307</u>

**NOTE 5: RESERVE FOR BOND SERVICE**

By the terms of the bond indenture, \$391,602 of the proceeds from the bond issue have been set aside for the purpose of paying any delinquent bond interest and principle payments. An additional \$283,399 is set aside as a source of funds to pay interest expense on the loan, prior to the CFD receiving assessment income.

# LARRY BAIN, CPA

An Accounting Corporation

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[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Board of Directors  
Rancho Murieta Community Services District  
Community Facilities District No. 2014-1  
Rancho Murieta, California

We have audited the Financial Statements of the Rancho Murieta Community Services District CFD No. 2014-1) as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 3, 2016. In our audit report we issued an unqualified opinion. 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 CFD 2014-1'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 CFD 2014-1's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the CFD 2014-1's internal control over financial reporting.

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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting and the result of that testing, and not to provide an opinion on the effectiveness of the CFD 2014-1's internal control. This report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the CFD 2014-1's internal control over financial reporting accordingly this report is not suitable for any other purpose.

This report 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*  
November 3, 2016