



Rancho Murieta Community Services District
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2005



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Prepared by the Accounting and Management Information Services Department

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INTRODUCTORY SECTION

Letter of Transmittal

December 1, 2005

To the Honorable President and Members of the Board of Directors and Customers of the Rancho Murieta Community Services District:

State law requires that all general-purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Comprehensive Annual Financial Report (CAFR) of the Rancho Murieta Community Services District (District) for fiscal year ended June 30, 2005 is hereby submitted as required. Moss, Levy and Hartzheim, a firm of licensed certified public accountants has audited the Rancho Murieta Community Services District's financial statements.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the Rancho Murieta Community Services District for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Rancho Murieta Community Services District's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's organizational chart, and a list of elected officials and principal administrative staff. The financial section includes the independent auditor's report on the basic financial statements, the Management's Discussion and Analysis (MD&A) of the District's overall changes in financial positions, the audited basic financial statements note disclosures, and combining and non-major fund financial statements to provide readers with a comprehensive understanding of the District's financial activities of the past fiscal year. The statistical section includes rate information and various graphs. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Rancho Murieta Community Services District's MD&A can be found immediately following the report by the independent auditors.

Profile of the District

Rancho Murieta Community Services District was formed in 1982 under State Government Code 61000 to provide essential services in Rancho Murieta. The District is an independent special district which provides the following services:

- Water supply collection, treatment, and distribution
- Wastewater collection, treatment, and reuse
- Storm drainage collection, disposal, and flood control
- Security

The District encompasses 3,500 acres, five and a half square miles. Land uses included in the approved master plan call for residential development on 1,981 acres of single-family residences, townhouses, apartments, and mobile homes for a total of 5,189 units.

Governance

The affairs of the District are directed by a five member Board of Directors elected at large by the registered voters residing in the District. The people who are elected are residents and have the same concerns as residents. The board members serve four-year staggered terms. The District board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the District's manager. The District's manager is responsible for carrying out the policies and ordinances of the District board, for overseeing the day-to-day operations of the District, and for appointing the heads for the various departments.

Mission Statement

The mission of Rancho Murieta Community Services District is to take a leadership role in responding to the needs of the residents. The District will deliver superior community services efficiently and professionally at a reasonable cost while responding to and sustaining the enhanced quality of life the community desires.

Population

Highlights from the Census 2000 demographic profiles show total population in Rancho Murieta at 4,193, with the median age being 49.4 years. The average household size is 2.35. Current estimates indicate Rancho Murieta has 2,485 households with a population of over 5,800.

Latent Powers

In June of 1982, after local registered voters petitioned the County and public hearings were held, the voters approved the formation of the Rancho Murieta Community Services District (CSD or District), and elected five directors. The election resulted in voter approval for CSD to provide:

Police protection/security services, road construction and maintenance, landscape maintenance, drainage construction and maintenance, public recreation and street lighting.

Subsequently, the voters authorized the CSD to provide all municipal services authorized in the California Government Code, as well as some special services authorized by the legislature. Those services approved by the voters of Rancho Murieta include:

Fire protection, ambulance, libraries, mosquito abatement, airports, garbage or refuse, transportation services, water and sewer, conversion of existing overhead electric and communication facilities to underground locations, construction improvements of bridges, culverts, curbs, gutters, drains and works incidental to road construction and maintenance.

Later special legislation expanded the District's latent powers to include:

Television and television related services, burglar, and fire alarm facilities, issuance of revenue bonds, enforcement of CC&R's (Covenants, Conditions, and Restrictions), hydroelectric power generating facilities and transmission lines.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Rancho Murieta Community Services District operates.

Local Economy

The District is located within Sacramento County in the Central Valley of California and extends from the Delta of the Sacramento and San Joaquin Rivers to the lower range of the foothills of the Sierra Nevada Mountains. Sacramento County is unique in the State in that less than one-half of all county residents live in an urban unincorporated area and receives municipal services from the County and special districts rather than from cities as is typical in most urban areas in the State.

According to Sacramento County, local economic conditions appear to be improving. The real estate market remains very robust with high levels of both new home construction and home resales. Taxable sales are increasing. However, the State of California continues to face budget problems that could have an impact on local government revenues.

Property Tax Revenue

In the early 1990s, there was a deep recession – the State passed much of its budget problem off to local governments in the form of property tax shifts from counties, cities

and special districts to schools, enabling the State to reduce its school funding commitments.

The total secured assessed valuation of the properties within the District's service area increased 14.8% in 2004-05 to \$801.5 million. Property Taxes and miscellaneous tax collections allocated from Sacramento County decreased by 57.8% in 2004-05 to \$183,295. Due to the State of California's record budget deficit, the District lost 81% of its property tax revenue estimated at \$311,000 per year for at two years, starting in Fiscal Year 2004-05. The District currently allocates annual property tax revenues received between the following funds; Water 38.9%, Wastewater 29.5%, Drainage 6.5% and Security 25.1%.

Measure J & K

In June 1998, voters approved Measures J & K to comply with the constitutional amendment, Proposition 218. Measure J funds Security services and Measure K funds Drainage services. These "special taxes" are collected along with water and sewer charges on the regular CSD monthly billing statement.

Long Term Financial Planning

The Board of Directors elected to map out the District's future through a facilitated strategic planning process in the Fall of 2003. The purpose was to find ways of assuring that the community's needs in all areas would continue to be met in the future, effectively and efficiently. A product of the completed strategic plan was a list of specific action items that identified work responsibilities and targeted schedules. One of those action items is a Financial Master Plan. The District has many of the components of a Financial Master Plan, but desires to combine those separate components into a single master plan document that will portray in clear form the complete financial situation of the agency.

In addition, the District currently maintains over \$36,000,000 in plant, property, and equipment assets before accumulated depreciation. As such, the District adopted Reserve Policy 2004-01, a financial policy guided by sound accounting principles of public fund management. The policy establishes several reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated District expenses.

The following reserves are covered under the policy:

- *Capital Replacement Fee Reserve* (Water, Sewer and Security) – fees are collected for the future replacement of existing facilities and major equipment
- *Capital Improvement Fee Reserve* – provide funds for the orderly and timely expansion of the District's facilities to meet future demand and to maintain and/or improve the District's existing level of service
- *Water Augmentation Fee Reserve* – provides funds for the orderly and timely expansion of the District's water supply system to meet future demands of the undeveloped lands within the District's existing boundaries during an equivalent 1976-77 drought event

- *Capital Improvement Connection Fee Reserve* (Water and Sewer) - fees previously collected as a primary source of funds for the development of additional water and wastewater capacity and is set at a level which will defray the costs of providing additional: treatment and/or reclamation facilities, major trunk and transmission pipelines and facilities for pumping when such facilities are needed
- *Rate Stabilization Fund Reserve* (Water, Sewer and Security) – offsets revenue shortages due to economic hardships and/or unforeseen major expenses

Internal Controls

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the District’s assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Cash Management Policies and Practices

The District’s Investment Policy 2005-04 is a conservative policy guided by three principles of public fund management. In specific order of importance the three principles are:

- 1) Safety of Principal. Investments shall be undertaken in a manner which first seeks to preserve portfolio principal.
- 2) Liquidity. Investments shall be made with maturity dates that are compatible with cash flow requirements and which will permit easy and rapid conversion into cash, at all times, without a substantial loss of value.
- 3) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first consideration for principal and liquidity.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Debt Management

In August of 1986, the District formed *Improvement District No. 1* for the purpose of acquiring certain sewer facilities and expanding its existing water treatment plant. In order to finance this expansion, assessment bonds, totaling \$19,000,000, were issued under the “Improvement Bond Act” of 1915. Security for the \$19,000,000 is in the form of levies assessed against the properties owned by the property owners within the Rancho Murieta Community Services District. The Assessment is added as a line item to the property tax bills of owners of land within the ID and collected by the County of Sacramento. No funds of the District were utilized to acquire, repair, or construct these facilities and no funds of the District are to be used to pay bond principal and interest. **The bonds for this assessment district have been paid in full.**

On March 1, 1991, the District formed the *Community Facilities District No. 1* for the purpose of financing the design, construction, and acquisition of additional water and sewer treatment facilities within the boundaries of Rancho Murieta. To finance the projects, special tax bonds were issued in the amount of \$12,925,000. In August 2002, the special tax bonds were refunded in the amount of \$8,760,000. As a result of the refunding, ratepayers realized a reduction in their annual tax installments of approximately 33%. Security for the \$8,760,000 is in the form of levies assessed against the properties owned by the property owners within the Rancho Murieta Community Services District. The Special Tax is added as a line item to the property tax bills of owners of land within the CFD and collected by the County of Sacramento. No funds of the District were utilized to acquire, repair, or construct these facilities and no funds of the District are to be used to pay bond principal and interest.

Risk Management

The District is a member of the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Section 6500 *et seq.* and provides a full-service risk management program for California's local governments. SDRMA provides comprehensive property, liability and workers' compensation protection to the District.

Pension and other postemployment benefits

The District's defined benefit pension plan with the California Public Employees' Retirement System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (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.

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.

The District provides post-employment benefit options for healthcare 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. There are 14 participants currently eligible.

Independent Audit

The Government Code requires an annual audit of the District's financial records by a Certified Public Accountant. The District selected, through a competitive bid process, the firm of Moss, Levy and Hartzheim to conduct the audit. The auditor report on the financial statements and schedules are included in the financial section of this report.

Acknowledgements

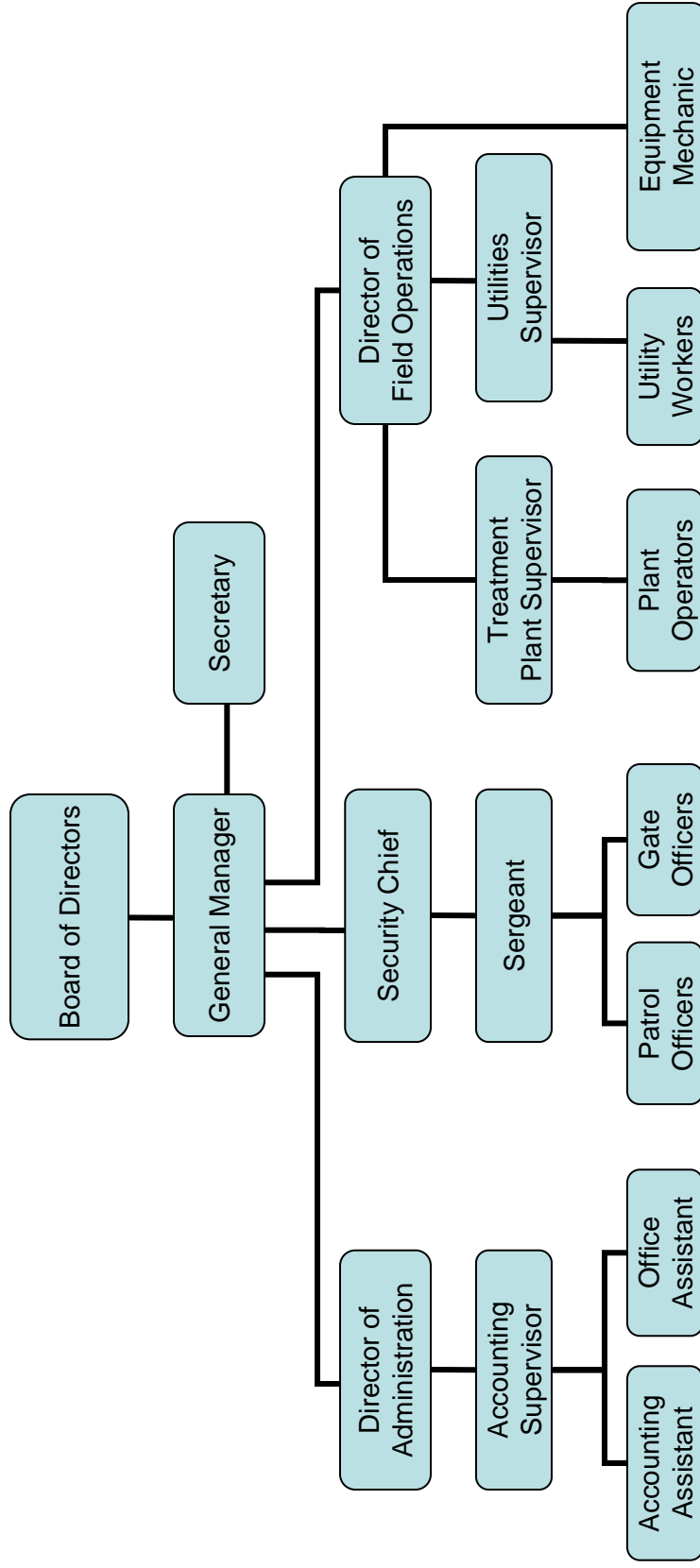
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Administration Department and the cooperation and assistance of all District departments. We would like to commend the Board of Directors for its interest, support, and leadership in planning and conducting the financial operations of the District in a responsive and progressive manner.

Respectfully submitted,

Gregory S. Hall
Director of Administration/Finance Officer

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Organizational Chart



List of Elected Officials and Principal Administrative Staff

June 30, 2005

Elected Officials

Board PresidentJohn Merchant
Board Vice-PresidentDick Taylor
Board DirectorWayne Kuntz
Board DirectorMary Brennan
Board DirectorWilliam White

Principal Administrative Staff

General Manager.....Edward Crouse
Director of AdministrationGregory Hall
Director of Field OperationsJoe Majarucon
Security ChiefGreg Remson

FINANCIAL SECTION

MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS
9107 WILSHIRE BLVD., SUITE 400
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MEMBER:

AMERICAN INSTITUTE OF C.P.A.S
CALIFORNIA SOCIETY OF C.P.A.S
CALIFORNIA SOCIETY OF
MUNICIPAL FINANCE OFFICERS
CALIFORNIA ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS

OFFICES:

BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA

ROBERT M. MOSS, C.P.A.*
RONALD A. LEVY, C.P.A.*
CRAIG A. HARTZHEIM, C.P.A.*
HADLEY HUI, C.P.A.
PAUL NIEDERMULLER, C.P.A.

*DENOTES PROFESSIONAL CORPORATION

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 the business-type activities, each major fund, and the fiduciary fund of the Rancho Murieta Services District (District) as of and for the fiscal year ended June 30, 2005, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the fiduciary fund of the Rancho Murieta Community Services District, as of June 30, 2005, and the respective changes in financial position and cash flows where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as management's discussion and analysis is not a required part of the basic financial statements, but is 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.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The introductory section, Schedules of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, and Security Funds, Schedule of Changes in Restricted Net Assets, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Rancho Murieta Services District. The Schedule of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, and Security Funds and the Schedule of Changes in Restricted Net Assets has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

MOSS, LEVY & HARTZHEIM, C.P.A.s

September 30, 2005

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, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2-8 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$33,781,344 (net assets). Of this amount, \$542,261 (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 \$213,048. This decrease is a result of several factors; increased expenses, loss of property tax revenue resulting from Proposition 1A, and reduced developer contributions through system hookups.

Overview of the Financial Statements

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

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

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

The government-wide financial statements can be found on pages 21-23 of this report.

Fund financial statements. 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 self-balancing 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 general-purpose financial statements into two broad categories which in aggregate, include two fund types as follows:

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.

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, other governmental, and/or other funds.

The basic governmental fund financial statements can be found on pages 24-32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 46 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 \$33,781,344 (net assets) at the close of the most recent fiscal year.

Condensed Financial Information

Rancho Murieta Community Services District Net Assets

	June 30, 2005	June 30, 2004	Dollar Change	% Change
ASSETS				
Cash & Investments	\$ 299,368	\$ 644,338	\$ (344,970)	(53.54%)
Accounts Receivable	365,243	291,112	74,131	25.46%
Interest Receivable	1,444	1,521	(77)	(5.06%)
Prepaid Expenses	78,442	104,189	(25,747)	(24.71%)
Capital Assets, Net Accum Depreciation	24,151,565	24,279,664	(128,099)	(0.53%)
Cash & Investments, Restricted	9,015,951	8,900,853	115,098	1.29%
Interest Receivable, Restricted	71,567	46,587	24,980	53.62%
Total Assets	<u>\$ 33,983,580</u>	<u>\$ 34,268,264</u>	<u>\$ (284,684)</u>	<u>(0.83%)</u>
LIABILITIES				
Accounts Payable	\$ 74,226	\$ 94,188	\$ (19,962)	(21.19%)
Accrued Payroll	19,368	59,491	(40,123)	(67.44%)
Deposits	59,715	67,501	(7,786)	(11.53%)
Compensated Absenses	48,927	52,692	(3,765)	(7.15%)
Total Liabilities	<u>\$ 202,236</u>	<u>\$ 273,872</u>	<u>\$ (71,636)</u>	<u>(26.16%)</u>
NET ASSETS				
Investment in Capital Assets	\$ 24,151,565	\$ 24,279,664	\$ (128,099)	(0.53%)
Restricted Net Assets	9,087,518	8,947,440	140,078	1.57%
Unrestricted Net Assets	542,261	767,288	(225,027)	(29.33%)
Total Net Assets	<u>\$ 33,781,344</u>	<u>\$ 33,994,392</u>	<u>\$ (213,048)</u>	<u>(0.63%)</u>

- The District's total net assets decreased by \$213,048 or less than 1%. This decrease is a result of several factors; increased expenses, loss of property tax revenue resulting from Proposition 1A, and reduced developer contributions through system hookups.

The operating loss decreased over the prior year by \$222,443 or 13%.

By far the largest portion of the District's net assets (71 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). 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, Security and Drainage

Rancho Murieta Community Services District's Changes in Net Assets

	June 30, 2005	June 30, 2004	Dollar Change	% Change
Operating Revenue				
Service Charges	\$ 1,814,878	\$ 1,390,012	\$ 424,866	30.57%
Special Taxes	1,002,415	906,257	96,158	10.61%
Other Charges	158,768	165,253	(6,485)	(3.92%)
Total Operating Revenues	<u>\$ 2,976,061</u>	<u>\$ 2,461,522</u>	<u>\$ 514,539</u>	<u>20.90%</u>
Operating Expenses				
Source of Supply	\$ 87,036	\$ 164,818	\$ (77,782)	(47.19%)
Treatment	253,386	199,127	54,259	27.25%
Transmission & Distribution	326,639	203,541	123,098	60.48%
Sewer Collection	174,215	140,063	34,152	24.38%
Sewer Treatment & Disposal	371,022	320,834	50,188	15.64%
Storm Drainage	188,254	119,866	68,388	57.05%
Gate Services	374,697	336,953	37,744	11.20%
Patrol Services	329,659	309,936	19,723	6.36%
General & Administrative	1,353,341	1,394,047	(40,706)	(2.92%)
Depreciation	987,010	963,978	23,032	2.39%
Total Operating Expenses	<u>\$ 4,445,259</u>	<u>\$ 4,153,163</u>	<u>\$ 292,096</u>	<u>7.03%</u>
Operating Loss	\$ (1,469,198)	\$ (1,691,641)	\$ 222,443	13.15%
Non Operating Income (Expenses)				
Taxes	\$ 183,295	\$ 434,031	\$ (250,736)	(57.77%)
Capital Reserve Fees	92,630	472,208	(379,578)	(80.38%)
Interest Revenue	206,084	100,738	105,346	104.57%
Rent	500	3,000	(2,500)	(83.33%)
Water Augmentation	217,886	295,773	(77,887)	(26.33%)
Gain on sale of disposal assets	-	6,122	(6,122)	(100.00%)
Miscellaneous	50,391	39,975	10,416	26.06%
Net Non-Operating Revenue (Expenses)	<u>\$ 750,786</u>	<u>\$ 1,351,847</u>	<u>\$ (601,061)</u>	<u>(44.46%)</u>
Income (Loss) before Capital Contributions	\$ (718,412)	\$ (339,794)	\$ (378,618)	111.43%
Capital Contributions	<u>\$ 505,364</u>	<u>\$ 22,289</u>	<u>483,075</u>	<u>2167.32%</u>
Change in Net Assets	\$ (213,048)	\$ (317,505)	\$ 104,457	(32.90%)
Net Assets, Beginning Fiscal Year	<u>\$ 33,994,392</u>	<u>\$ 34,311,897</u>	<u>\$ (317,505)</u>	<u>(0.93%)</u>
Net Assets, Ending Fiscal Year	<u><u>\$ 33,781,344</u></u>	<u><u>\$ 33,994,392</u></u>	<u><u>\$ (213,048)</u></u>	<u><u>(0.63%)</u></u>

Key elements of the enterprise activities are as follows:

- Overall operating revenues increased by \$514,539 or 20.9 percent. Water service charges increased by \$190,503 or 23 percent resulting from increases in customers, water usage and suspending contributions to the replacement reserve program. Sewer service charges increased by \$234,363 or 42 percent for new customers and suspending contributions to the replacement reserve program. Security and Drainage special taxes increased by \$96,158 or 11 percent. Other charges also increased by \$6,485 or 4 percent.
- 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 \$252,303 or 22 percent due to the following:
Water department; various maintenance and street repairs partially offset by reserve transfers of \$20,478, and fee increases for dam inspections and permits by the Department of Water Resources. Consulting also increased due to consulting services related to unfilled plant operator positions.
Sewer department; permit fees increased, power charges increased, various maintenance and repairs including wastewater reservoir repairs partially offset by reserve transfers of \$52,500. Legal and consulting also increased due to consulting services related to unfilled plant operator positions.
Drainage department; additional time spent on ditch cleaning and improvements and chemical applications used to control pests in Laguna Joaquin. In addition, amounts were paid to finalize the BNY settlement totaling \$60,672.
- The Security department provides gate and patrol services. Gate services increased by \$37,744 or 11.2 percent. Patrol services increased by \$19,723 or 6.4 percent. In addition, amounts were paid to finalize the BNY settlement totaling \$21,586.
- 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 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.
- Taxes (Property taxes) decreased by \$250,736 or 57.8 percent.
- Capital Reserve Fees and Water Augmentation Fees collected were reduced by \$457,465 or 100.7 percent due to reduced hookups. The Capital Reserve Fees are a combination of several reserve fees collected during the year including Water and Sewer Replacement Reserves and the Capital Improvement Reserves.
- Interest revenue increased by \$105,346 because of an overall increase in market interest rates. This includes \$186,461 of interest earned on reserve funds which are credited to the proper reserve accounts.

Capital Asset and Debt Administration

	July 1, 2004	Additions	Transfers	June 30, 2005
Depreciable Capital Assets				
Water Transmission	\$ 5,896,336	\$ 6,056	\$ (22,722)	\$ 5,879,670
Gen Plant Admin Facilities	496,857			496,857
Studies	415,835	67,449		483,284
Water Treatment Facilities	9,438,411	-	(502,569)	8,935,842
Collection Facilities	3,873,485			3,873,485
Sewer Treatment Facilities	15,201,518	7,526	(103,433)	15,105,611
Vehicles & Equipment	1,796,240	68,106	(233,197)	1,631,149
Total Depr Cap Assets	37,118,682	149,137	(861,921)	36,405,898
Less - Accum Depreciation	(12,930,708)	(987,010)	-	(13,917,718)
Net Depr Cap Assets	24,187,974	(837,873)	(861,921)	22,488,180
Nondepreciable Capital Assets				
CIP	-	209,774	861,921	1,071,695
Land	91,690	500,000		591,690
Total NonDepr Cap Assets	91,690	709,774	861,921	1,663,385
Net Capital Assets	\$ 24,279,664	\$ (128,099)	\$ -	\$ 24,151,565

Capital Assets. The District's investment in capital assets as of June 30, 2005, amounts to \$24,151,565 (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 .5 percent.

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

- The new James L. Noller Safety Center – 90% complete.
- Wastewater Reservoir repairs - completed.
- Miscellaneous street repairs due to utility line failures.
- The purchase of a new VIPs vehicles – Volunteers in partnership with the Sheriff.
- Continue evaluating solutions for the Rio Oso Tank Rehabilitation.

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.

BASIC FINANCIAL STATEMENTS

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Net Assets
June 30, 2005
(With Comparative Totals for June 30, 2004)**

	Business-type Activities	
<u>Assets</u>	2005	2004
Current Assets:		
Cash and investments	\$ 299,368	\$ 644,338
Accounts receivable	365,243	291,112
Interest receivable	1,444	1,521
Prepaid expense	78,442	104,189
Total Current Assets	744,497	1,041,160
Capital assets - net of accumulated depreciation	24,151,565	24,279,664
Other Assets:		
Cash and investments - restricted	9,015,951	8,900,853
Interest receivable - restricted	71,567	46,587
Total Other Assets	9,087,518	8,947,440
Total Assets	33,983,580	34,268,264
 Liabilities		
Current Liabilities:		
Accounts payable	74,226	94,188
Accrued expenses	19,368	59,491
Deposits	59,715	67,501
Total Current Liabilities	153,309	221,180
Noncurrent Liabilities		
Compensated absences	48,927	52,692
Total Liabilities	202,236	273,872
 Net Assets		
Invested in capital assets, net of related debt	24,151,565	24,279,664
Net Assets		
Restricted	9,087,518	8,947,440
Unrestricted	542,261	767,288
Total Net Assets	\$ 33,781,344	\$ 33,994,392

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Activities
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

		Program Revenues	
	Expenses	Charges for Services	Capital Contributions and Grants
Business-type activities:			
Water	\$ 1,670,295	\$ 1,099,383	\$ 769,860
Sewer	1,498,510	816,972	46,020
Drainage	243,805	143,089	
Security	1,032,649	916,617	
Total business-type activities	\$ 4,445,259	\$ 2,976,061	\$ 815,880
		General Revenues	
		Taxes:	
		Property taxes	
		Investment income	
		Gain on sale of capital assets	
		Other	
		Total general revenues	
		Change in net assets	
		Net assets at beginning of fiscal year	
		Net assets at end of fiscal year	

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

Net (Expense) Revenue
and Changes in
Net Assets

	2005		2004
\$	198,948	\$	(161,038)
	(635,518)		(552,041)
	(100,716)		(30,635)
	(116,032)		(157,657)
	(653,318)		(901,371)
	183,295		434,031
	206,084		100,738
	50,891		6,122
	50,891		42,975
	440,270		583,866
	(213,048)		(317,505)
	33,994,392		34,311,897
\$	33,781,344	\$	33,994,392

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Net Assets - Proprietary Funds
June 30, 2005
(With Comparative Totals for June 30, 2004)**

	Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Security Fund
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 279,433	\$ -	\$ 19,935	\$ -
Accounts receivable	139,917	87,826	19,705	117,795
Interest receivable	561	426	94	363
Prepaid expenses	30,656	22,869	5,039	19,878
Due from other funds	472,183			
Total Current Assets	922,750	111,121	44,773	138,036
Capital Assets - net of accumulated depreciation	9,892,213	13,863,375		395,977
Other Assets:				
Cash and investments -restricted	5,176,087	3,610,999		228,865
Interest receivable - restricted	37,931	32,205		1,431
Total Other Assets	5,214,018	3,643,204		230,296
Total Assets	16,028,981	17,617,700	44,773	764,309
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	35,028	21,480	4,097	13,621
Accrued expenses	7,534	5,714	1,259	4,861
Deposits	59,715			
Due to other funds		257,630		214,553
Total Current Liabilities	102,277	284,824	5,356	233,035
Noncurrent Liabilities:				
Compensated absences	15,261	11,538	1,062	21,066
Total Liabilities	117,538	296,362	6,418	254,101
<u>Net Assets</u>				
Invested in capital assets, net of related debt	9,892,213	13,863,375		395,977
Net Assets				
Restricted	5,214,018	3,643,204		230,296
Unrestricted	805,212	(185,241)	38,355	(116,065)
Total Net Assets	\$ 15,911,443	\$ 17,321,338	\$ 38,355	\$ 510,208

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

<u>Totals</u>	
<u>2005</u>	<u>2004</u>
\$ 299,368	\$ 644,338
365,243	291,112
1,444	1,521
78,442	104,189
472,183	
<u>1,216,680</u>	<u>1,041,160</u>
<u>24,151,565</u>	<u>24,279,664</u>
9,015,951	8,900,853
71,567	46,587
<u>9,087,518</u>	<u>8,947,440</u>
<u>34,455,763</u>	<u>34,268,264</u>
74,226	94,188
19,368	59,491
59,715	67,501
472,183	
<u>625,492</u>	<u>221,180</u>
<u>48,927</u>	<u>52,692</u>
<u>674,419</u>	<u>273,872</u>
24,151,565	24,279,664
9,087,518	8,947,440
542,261	767,288
<u>\$ 33,781,344</u>	<u>\$ 33,994,392</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds**

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Security Fund
Operating Revenues:				
Service charges	\$ 1,028,339	\$ 786,539	\$ -	\$ -
Special taxes			140,886	861,529
Other charges	71,044	30,433	2,203	55,088
Total Operating Revenues	<u>1,099,383</u>	<u>816,972</u>	<u>143,089</u>	<u>916,617</u>
Operating Expenses:				
Source of supply	87,036			
Treatment	253,386			
Transmission and distribution	326,639			
Sewer collection		174,215		
Sewer treatment and disposal		371,022		
Drainage			188,254	
Gate services				374,697
Patrol services				329,659
General and administrative	579,702	425,764	55,551	292,324
Depreciation	423,532	527,509		35,969
Total Operating Expenses	<u>1,670,295</u>	<u>1,498,510</u>	<u>243,805</u>	<u>1,032,649</u>
Operating Income (Loss)	<u>(570,912)</u>	<u>(681,538)</u>	<u>(100,716)</u>	<u>(116,032)</u>
Non-operating Revenues (Expenses):				
Taxes	71,302	54,072	11,914	46,007
Capital reserve fees	46,610	46,020		
Interest revenue	121,797	78,060	493	5,734
Rent		500		
Water augmentation	217,886			
Gain on capital assets				
Miscellaneous	21,457	13,728	3,000	12,206
Total Non-operating Revenues (Expenses)	<u>479,052</u>	<u>192,380</u>	<u>15,407</u>	<u>63,947</u>
Income (Loss) Before Capital Contributions	(91,860)	(489,158)	(85,309)	(52,085)
Capital Contributions	505,364			
Change in Net Assets	413,504	(489,158)	(85,309)	(52,085)
Net Assets, Beginning of Fiscal Year	<u>15,497,939</u>	<u>17,810,496</u>	<u>123,664</u>	<u>562,293</u>
Net Assets, End of Fiscal Year	<u>\$ 15,911,443</u>	<u>\$ 17,321,338</u>	<u>\$ 38,355</u>	<u>\$ 510,208</u>

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

Totals	
2005	2004
\$ 1,814,878	\$ 1,390,012
1,002,415	906,257
158,768	165,253
<u>2,976,061</u>	<u>2,461,522</u>
87,036	164,818
253,386	199,127
326,639	203,541
174,215	140,063
371,022	320,834
188,254	119,866
374,697	336,953
329,659	309,936
1,353,341	1,394,047
987,010	963,978
<u>4,445,259</u>	<u>4,153,163</u>
<u>(1,469,198)</u>	<u>(1,691,641)</u>
183,295	434,031
92,630	472,208
206,084	100,738
500	3,000
217,886	295,773
	6,122
50,391	39,975
<u>750,786</u>	<u>1,351,847</u>
(718,412)	(339,794)
<u>505,364</u>	<u>22,289</u>
(213,048)	(317,505)
<u>33,994,392</u>	<u>34,311,897</u>
<u>\$ 33,781,344</u>	<u>\$ 33,994,392</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Security Fund
Cash Flows from Operating Activities:				
Receipts from customers	\$ 1,081,736	\$ 796,923	\$ 137,409	878,076
Payments to employees	(412,732)	(253,359)	(72,324)	(539,555)
Payments to suppliers	(1,322,204)	(474,659)	(172,148)	(249,371)
Net Cash Provided (Used) By Operating Activities	<u>(653,200)</u>	<u>68,905</u>	<u>(107,063)</u>	<u>89,150</u>
Cash Flows from Non-capital Financing Activities:				
Taxes received	71,302	54,072	11,914	46,007
Rent		500		
Miscellaneous	21,457	13,728	3,000	12,206
Net Cash Provided By Non-capital Financing Activities	<u>92,759</u>	<u>68,300</u>	<u>14,914</u>	<u>58,213</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(131,584)	(540,554)		(186,773)
Proceeds from sale of capital assets				
Developer contributions	505,364			
Capital reserve fees	46,610	46,020		
Water augmentation	217,886			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>638,276</u>	<u>(494,534)</u>		<u>(186,773)</u>
Cash Flows from Investing Activities:				
Interest received	108,587	66,842	498	5,254
Net Cash Provided (Used) by Investing Activities	<u>108,587</u>	<u>66,842</u>	<u>498</u>	<u>5,254</u>
Net Increase (Decrease) in Cash and Cash Equivalents	186,422	(290,487)	(91,651)	(34,156)
Cash and Cash Equivalents, July 1	5,269,098	3,901,486	111,586	263,021
Cash and Cash Equivalents, June 30	<u>\$ 5,455,520</u>	<u>\$3,610,999</u>	<u>\$ 19,935</u>	<u>\$ 228,865</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and investments	\$ 279,433	\$ -	\$ 19,935	\$ -
Restricted cash and investments	5,176,087	3,610,999		228,865
Total Cash and Cash Equivalents	<u>\$ 5,455,520</u>	<u>\$3,610,999</u>	<u>\$ 19,935</u>	<u>\$ 228,865</u>

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

Totals

2005	2004
\$ 2,894,144	\$ 2,436,292
(1,277,970)	(1,655,368)
<u>(2,218,382)</u>	<u>(1,693,591)</u>
<u>(602,208)</u>	<u>(912,667)</u>
183,295	434,031
500	3,000
50,391	39,975
<u>234,186</u>	<u>477,006</u>
(858,911)	(502,409)
505,364	10,855
92,630	22,289
217,886	472,208
<u>217,886</u>	<u>295,773</u>
<u>(43,031)</u>	<u>298,716</u>
181,181	93,216
<u>181,181</u>	<u>93,216</u>
(229,872)	(43,729)
<u>9,545,191</u>	<u>9,588,920</u>
<u>\$ 9,315,319</u>	<u>\$ 9,545,191</u>
\$ 299,368	\$ 644,338
<u>9,015,951</u>	<u>8,900,853</u>
<u>\$ 9,315,319</u>	<u>\$ 9,545,191</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

	Enterprise Funds			
	Water Fund	Sewer Fund	Drainage Fund	Security Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities				
Operating loss	\$ (570,912)	\$ (681,538)	\$(100,716)	\$ (116,032)
Noncash items included in operating loss				
Depreciation	423,532	527,509		35,969
Changes in assets and liabilities				
Decrease (increase) in operating assets				
Accounts receivable	(9,859)	(20,049)	(5,680)	(38,541)
Prepaid expenses	10,016	7,595	1,673	6,463
Due from other funds	(472,183)			
Increase (decrease) in operating liabilities				
Accounts payable	(11,547)	(11,261)	728	2,117
Accrued payroll	(15,608)	(11,836)	(2,608)	(10,071)
Customer deposits	(7,786)			
Compensated absences	1,147	855	(460)	(5,308)
Due to other funds		257,630		214,553
Net Cash Provided (Used) By Operating Activities	<u>\$ (653,200)</u>	<u>\$ 68,905</u>	<u>\$(107,063)</u>	<u>\$ 89,150</u>

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

Totals

<u>2005</u>	<u>2004</u>
\$(1,469,198)	\$(1,691,641)
987,010	963,978
(74,129)	(25,230)
25,747	(102,875)
(472,183)	
(19,963)	(47,794)
(40,123)	14,569
(7,786)	(24,811)
(3,766)	1,137
472,183	
<u>\$ (602,208)</u>	<u>\$ (912,667)</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Fiduciary Net Assets

June 30, 2005

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and investments	\$ 1,897,251
Accounts receivable	<u>18,500</u>
Total Current Assets	1,915,751
Assessment receivable	<u>90,635</u>
Total Assets	<u>2,006,386</u>
 <u>Liabilities</u>	
Current Liabilities	
Accounts payable	7,681
Due to others	<u>1,998,705</u>
Total Current Liabilities	<u>2,006,386</u>
Net Assets	<u><u>\$ -</u></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, 2005

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, 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 and constructing water and sewer facilities within the Rancho Murieta boundaries. The District is not obligated to repay debt of these two Special Assessment Districts but functions as an agent for the property owners by collecting assessments, forwarding collections to special 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 fiduciary fund type.

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.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, charges for services, and other non-exchange transactions.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 1: Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Government-wide Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's business-type activities. Direct expenses are those that are specifically 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, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary fund. 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.

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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 1: Significant Accounting Policies (Continued)

C. Major Funds (Continued)

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 wastewater of the residents of the District.

Drainage

This fund accounts for the activities of providing drainage to 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

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.

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.

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 April 1. The budgets are used as a management tool and are 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.

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 have been reclassified in order to be consistent with the current fiscal year.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 1: Significant Accounting Policies (Continued)

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 receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible. 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 \$1,000.

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 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 1: Significant Accounting Policies (Continued)

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.

O. New Accounting Pronouncements

The District has implemented the requirements of *GASB Statement No. 40* during the final fiscal year ended June 30, 2005. This statement provides for additional disclosure related to investments and their related risks.

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	\$ 299,368
Restricted cash and investments	<u>9,015,951</u>
Cash and investments, Statement of Net Assets	9,315,319
Cash and investments, Statement of Fiduciary Net Assets	<u>1,897,251</u>
Total cash and investments	<u>\$11,212,570</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 2: Cash and Investments (Continued)

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$	250
Deposits with financial institutions		115,747
Investments		11,096,573
Total cash and investments	\$	11,212,570

A. Investments Authorized by the California Government Code and the Entity'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 the 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, 2005

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			
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

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>	
Federal Agency							
Notes	\$ 4,007,289	\$ 2,898,489	\$ 1,108,800	\$ -	\$ -	\$ -	\$ -
CAMP Investment							
Pool	1,006,273	1,006,273					
State Investment							
Pool	5,200,473	5,200,473					
Held by trustees:							
Money Market Funds	882,538	882,538					
	<u>\$ 11,096,573</u>	<u>\$ 9,987,773</u>	<u>\$ 1,108,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

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.

<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>AA</u>	<u>A</u>	<u>Not Rated</u>
Federal Agency Notes	\$4,007,289	N/A	\$ -	\$4,007,289	\$ -	\$ -	\$ -
CAMP Investment Pool Held by trustees:	1,006,273	N/A					1,006,273
Money Market Funds	<u>4,320,925</u>	N/A					<u>4,320,925</u>
Total	<u><u>\$9,334,487</u></u>		<u><u>\$ -</u></u>	<u><u>\$4,007,289</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$5,327,198</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 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, 2005, \$111,812 of the District's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts. As of June 30, 2005, District investment in the following investment type was held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Agency Notes	\$ 4,007,289

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 2: Cash and Investments (Continued)

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.

Note 3: Capital Assets

Capital Assets at June 30, 2005, consists of the following:

	Balance July 1, 2004	Additions	Deletions	Transfers	Balance June 30, 2005
Water					
Depreciable assets:					
Water Transmission	\$ 5,896,336	\$ 6,056	\$ -	\$ (22,722)	\$ 5,879,670
Water Treatment	9,438,411			(502,569)	8,935,842
Studies	415,835	67,449			483,284
Vehicles and equipment	421,515	17,330			438,845
Subtotal	<u>16,172,097</u>	<u>90,835</u>		<u>(525,291)</u>	<u>15,737,641</u>
Less: Accumulated Depreciation	(6,001,576)	(423,532)			(6,425,108)
Net Capital Assets	<u>10,170,521</u>	<u>(332,697)</u>		<u>(525,291)</u>	<u>9,312,533</u>
Non-depreciable assets:					
Construction in Progress		40,749		525,291	566,040
Land	13,640				13,640
Subtotal	<u>13,640</u>	<u>40,749</u>		<u>525,291</u>	<u>579,680</u>
Net Capital Assets	<u>\$ 10,184,161</u>	<u>\$ (291,948)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,892,213</u>
Sewer					
Depreciable assets:					
Collection Facilities	\$ 3,873,485	\$ -	\$ -	\$ -	\$ 3,873,485
Treatment Plant/Facilities	15,201,518	7,526		(103,433)	15,105,611
Vehicles and equipment	548,498	33,028			581,526
Lake Chesbro Protection	212,233				212,233
Waste Discharge	208,621			(208,621)	
Telemetry Building	496,857				496,857
Subtotal	<u>20,541,212</u>	<u>40,554</u>	<u>-</u>	<u>(312,054)</u>	<u>20,269,712</u>
Less: Accumulated Depreciation	(6,768,932)	(527,509)			(7,296,441)
Net Capital Assets	<u>13,772,280</u>	<u>(486,955)</u>		<u>(312,054)</u>	<u>12,973,271</u>
Non-depreciable assets:					
Construction in progress				312,054	312,054
Land	78,050	500,000			578,050
Subtotal	<u>78,050</u>	<u>500,000</u>		<u>312,054</u>	<u>890,104</u>
Net Capital Assets	<u>\$ 13,850,330</u>	<u>\$ 13,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,863,375</u>
Security					
Depreciable assets:					
Vehicle and equipment	\$ 370,470	\$ 17,748	\$ -	\$ -	\$ 388,218
Buildings and improvements	34,903			(24,576)	10,327
Subtotal	<u>405,373</u>	<u>17,748</u>		<u>(24,576)</u>	<u>398,545</u>
Less: Accumulated Depreciation	(160,200)	(35,969)			(196,169)
Net Capital Assets	<u>245,173</u>	<u>(18,221)</u>		<u>(24,576)</u>	<u>202,376</u>
Non-depreciable assets:					
Construction in progress		169,025		24,576	193,601
Subtotal		<u>169,025</u>		<u>24,576</u>	<u>193,601</u>
Net Capital Assets	<u>\$ 245,173</u>	<u>\$ 150,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,977</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 4: Long-Term Debt

Long-term liabilities activity for the fiscal year ended June 30, 2005, was as follows:

Business-type activities:	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Compensated absences	\$ 52,692	\$ -	\$ (3,766)	\$ 48,926	\$ -
Business-type activity					
Long-term liabilities	<u>\$ 52,692</u>	<u>\$ -</u>	<u>\$ (3,766)</u>	<u>\$ 48,926</u>	<u>\$ -</u>

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 government-wide level, 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2005

Note 6: Defined Benefit Pension Plan (Continued)

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 2004/2005 was 7.08%. 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 2004/2005, the District's annual required employer pension cost was \$80,646 and the District actually contributed \$80,646. The required contribution for fiscal year 2004/2005 was determined as part of the June 30, 2003, 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, 2003, was 17 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>
06/30/03	\$74,263	100%	-
06/30/04	73,920	100%	-
06/30/05	80,646	100%	-

Required Supplementary Information
Funded Status of Miscellaneous Plan

Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
06/30/00	\$2,002,107	\$2,859,920	\$(859,813)	142.8%	\$941,143	(91.1)%
06/30/01	2,437,076	2,984,566	(547,490)	122.5%	961,957	(56.9)%
06/30/02	2,764,056	2,858,219	(94,163)	103.4%	988,364	(9.5)%
06/30/03	3,357,979	2,953,734	404,245	88.0%	1,120,366	36.1%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

June 30, 2005

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 2005 fiscal year, \$70,696 of expenses were recognized for post-employment retirement benefits. There are 14 participants currently eligible.

Note 8: Special Assessments Districts

The Rancho Murieta Community Services District's Board and management are responsible for the administration of the Improvement District (Improvement District No. 1) formed under the "Municipal Improvement Act of 1915" and 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 of either of these special assessment debt holders.

The amount of special assessment debt at June 30, 2005, is:

Community Facilities District No. 1	<u>\$ 7,730,000</u>
-------------------------------------	---------------------

Separate audited financial statements have been issued for these assessment districts.

Note 9: Contingent Liabilities

Various claims have been filed against the District. In the opinion of the District's management and legal counsel, the claims will not have a material impact on the basic financial statements.

Note 10: 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.

Note 11: Settlement

During the fiscal year a settlement agreement was entered into which involved the District receiving real property valued at approximately \$500,000. This is shown as a capital contribution in the Water fund on the Statement of Revenues, Expenses, and Changes in Net Assets.

Note 12: 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, 2005.

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Water	<u>\$ 472,183</u>	Sewer	\$ 257,630
		Security	<u>214,553</u>
Total	<u>\$ 472,183</u>	Total	<u>\$ 472,183</u>

SUPPLEMENTAL SECTION

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Water Fund

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>Service Charges:</u>		
Water sales - residential	\$ 922,145	\$ 727,787
Water sales - commercial	97,025	98,787
Water availability charges	1,230	1,870
Water sales - others	<u>7,939</u>	<u>9,392</u>
Total Service Charges	<u>1,028,339</u>	<u>837,836</u>
<u>Other Charges:</u>		
Water telephone line contracts	5,213	3,834
Meter installation fees	31,600	39,200
District project charges	2,555	12,694
Late charges	8,496	6,961
Water inspection fees	9,993	12,270
Transfer fees	<u>13,187</u>	<u>10,308</u>
Total Other Charges	<u>71,044</u>	<u>85,267</u>
Total Operating Revenues	<u><u>\$ 1,099,383</u></u>	<u><u>\$ 923,103</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	<u>2005</u>	<u>2004</u>
Source of Supply		
Wages and salaries	\$ 2,774	\$ 18,899
Employer costs	1,103	
Maintenance and repairs	13,471	17,421
Purchased power	35,050	39,343
Dam inspection costs	31,017	56,589
Supplies	971	338
Equipment rental	2,650	32,228
	<hr/>	<hr/>
Total Source of Supply	87,036	164,818
	<hr/>	<hr/>
Treatment		
Wages and salaries	65,220	58,205
Employer costs	31,403	
Purchased power	61,549	64,797
Chemicals	39,347	44,780
Maintenance and repairs	52,713	27,268
Supplies	450	1,443
Equipment rental	1,305	2,509
Miscellaneous	1,399	125
	<hr/>	<hr/>
Total Treatment	253,386	199,127
	<hr/>	<hr/>
Transmission and Distribution		
Wages and salaries	117,332	103,155
Employer costs	56,375	
Water meters	45,059	38,376
Maintenance and repairs	55,074	14,110
Purchased power	23,093	16,560
Lab tests	14,307	13,229
Equipment rentals	12,723	14,955
Supplies	2,466	3,156
Miscellaneous	210	
	<hr/>	<hr/>
Total Transmission and Distribution	326,639	203,541
	<hr/>	<hr/>
General and Administrative		
Wages and salaries	212,946	181,948
Employer costs	89,525	170,558
	<hr/>	<hr/>
Subtotal General and Administrative	302,471	352,506
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Water Fund

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	<u>2005</u>	<u>2004</u>
Subtotal General and Administrative	\$ 302,471	\$ 352,506
Communications	36,615	34,782
Maintenance and repairs	12,429	10,739
Insurance	22,835	22,670
Permits	12,721	19,525
Supplies	15,978	15,632
Directors' meeting and expenses	12,008	14,144
Legal and audit	63,394	53,770
Clerical services	1,714	
Training and safety	15,467	25,506
Vehicle expenses	11,583	17,918
Tools	4,244	4,754
Sacramento Water Authority	4,300	11,559
Miscellaneous	17,379	10,349
Postage	6,089	5,340
Travel and meetings	4,602	4,344
Consulting services	1,461	5,000
Dues and memberships	2,762	2,358
Uniforms	3,848	3,557
Purchased power	2,156	2,371
Contingency	15,693	17,917
Equipment lease	1,094	1,887
Bad debts	10	52
Janitorial and pest control	7,084	7,252
CIA ditch operations	1,765	8,949
	<u>579,702</u>	<u>652,881</u>
Depreciation	<u>423,532</u>	<u>409,701</u>
Total Operating Expenses	<u>\$ 1,670,295</u>	<u>\$ 1,630,068</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Sewer Fund**

**For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

	<u>2005</u>	<u>2004</u>
Service Charges		
Sewer service - residential	\$ 745,826	\$ 537,049
Sewer service - commercial	39,463	13,087
Sewer availability charges	1,250	2,040
	<u>786,539</u>	<u>552,176</u>
Total Service Charges		
Other Charges		
Sewer inspection fees	9,867	12,397
District project charges	2,069	5,967
Late charges	8,496	6,961
Transfer fees	10,001	7,817
	<u>30,433</u>	<u>33,142</u>
Total Other Charges		
Total Operating Revenues	<u>\$ 816,972</u>	<u>\$ 585,318</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Sewer Fund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

	<u>2005</u>	<u>2004</u>
Collections		
Wages and salaries	\$ 75,691	\$ 38,487
Employer costs	36,516	16,870
Maintenance and repairs	43,751	57,396
Purchased power	14,918	12,651
Equipment rental	392	10,506
Supplies	251	3,375
Miscellaneous	<u>2,696</u>	<u>778</u>
Total Collections	<u>174,215</u>	<u>140,063</u>
Treatment and Disposal		
Purchased power	95,395	84,663
Chemicals	35,761	50,758
Wages and salaries	52,471	69,625
Employer costs	23,666	30,189
Lab tests	45,167	36,742
Maintenance and repairs	114,442	44,749
Supplies	2,470	3,343
Equipment rental	1,260	740
Miscellaneous	<u>390</u>	<u>25</u>
Total Treatment and Disposal	<u>371,022</u>	<u>320,834</u>
General and Administrative		
Wages and salaries	114,216	98,962
Employer costs	45,028	41,731
Communications	28,116	26,703
Maintenance and repairs	16,739	17,886
Insurance	17,317	17,192
Vehicle expenses	7,248	14,684
Supplies	13,232	13,216
Directors' meetings and expenses	9,106	10,727
Legal and audit	91,233	48,393
Training and safety	10,461	17,719
Clerical services	1,300	
Permits	21,965	37,766
Miscellaenous	11,642	9,897
Postage	4,618	4,050
Tools	<u>2,651</u>	<u>6,678</u>
Subtotal General and Administrative	<u>394,872</u>	<u>365,604</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Sewer Fund

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	<u>2005</u>	<u>2004</u>
Subtotal General and Administrative	\$ 394,872	\$ 365,604
Travel and meetings	3,909	3,798
Consulting	1,108	3,792
Uniforms	3,272	3,291
Dues and memberships	2,095	1,788
Purchased Powers	1,635	1,798
Bad debts	10	52
Janitorial and pest control	5,637	5,763
Contingency	11,901	13,587
Equipment lease	1,325	1,431
	<u>425,764</u>	<u>400,904</u>
Total General and Administrative		
Depreciation	<u>527,509</u>	<u>519,901</u>
Total Operating Expenses	<u><u>\$ 1,498,510</u></u>	<u><u>\$ 1,381,702</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Drainage Fund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

	<u>2005</u>	<u>2004</u>
Special Taxes		
Drainage service - residential	\$ 119,008	\$ 122,874
Drainage service - commercial	<u>21,878</u>	<u>19,176</u>
Total Special Taxes	<u>140,886</u>	<u>142,050</u>
Other Charges		
Transfer fees	<u>2,203</u>	<u>1,722</u>
Total Operating Revenues	<u><u>\$ 143,089</u></u>	<u><u>\$ 143,772</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Drainage Fund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

	<u>2005</u>	<u>2004</u>
Drainage		
Wages and salaries	\$ 45,065	\$ 40,884
Maintenance and repairs	27,771	21,434
Purchased power	12,305	15,003
Employer costs	21,626	18,916
Equipment rental	548	12,074
Chemicals	19,267	10,524
Miscellaenous	61,672	1,031
	<hr/>	<hr/>
Total Drainage	188,254	119,866
	<hr/>	<hr/>
General and Administrative		
Wages and salaries	24,191	21,419
Employer costs	9,431	8,735
Communications	4,842	5,019
Insurance	3,816	3,788
Maintenance and repairs	1,239	1,082
Vehicle Expenses	176	226
Directors' meeting and expenses	2,006	2,363
Clerical services	287	
Office supplies	1,306	1,302
Legal and audit	1,875	2,924
Bad debts	41	121
Postage	1,017	892
Consulting services	244	836
Miscellaenous	581	687
Travel and meeting	478	377
Memberships	461	394
Training and safety	395	671
Purchased power	360	396
Contingency	2,622	2,994
Equipment lease	183	315
	<hr/>	<hr/>
Total General and Adminsitrative	55,551	54,541
	<hr/>	<hr/>
Total Operating Expenses	<u>\$ 243,805</u>	<u>\$ 174,407</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Security Fund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

	<u>2005</u>	<u>2004</u>
Special Taxes		
Security service - residential	\$ 760,171	\$ 673,787
Security service - commercial	<u>101,358</u>	<u>90,420</u>
Total Special Taxes	<u>861,529</u>	<u>764,207</u>
Other Charges		
Late charges	16,991	13,907
Transfer fees	25,459	19,901
Fines and permits	3,272	3,200
Special events	2,042	2,194
Other	<u>7,324</u>	<u>5,920</u>
Total Other Charges	<u>55,088</u>	<u>45,122</u>
Total Operating Revenues	<u><u>\$ 916,617</u></u>	<u><u>\$ 809,329</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

	<u>2005</u>	<u>2004</u>
Gate Services		
Wages and salaries	\$ 207,874	\$ 199,439
Employer costs	134,747	116,603
Miscellaneous	1,630	2,352
Equipment repairs and maintenance	3,803	4,948
Supplies	3,973	535
Communications	15,388	6,771
Janitor and pest controls	2,195	2,314
Purchased power	2,163	2,196
Uniforms	<u>2,924</u>	<u>1,795</u>
Total Gate Services	<u>374,697</u>	<u>336,953</u>
Patrol Services		
Wages and salaries	190,629	183,987
Employer costs	109,686	92,572
Vehicle fuel	7,518	9,637
Off-duty sheriff patrol	911	3,333
Vehicle maintenance	5,806	7,303
Uniforms	1,796	1,701
Miscellaeneous	6,324	8,177
Cellular phone	1,961	1,147
Equipment repairs and maintenance	229	1,291
Janitor and pest control	1,428	788
Supplies	671	
Training and safety	<u>2,700</u>	
Total Patrol Services	<u>329,659</u>	<u>309,936</u>
General and Administrative		
Wages and salaries	125,673	115,256
Employer costs	50,183	44,634
Insurance	19,634	19,528
Legal and audit	8,857	31,152
Supplies	6,050	7,895
Directors' meetings and expenses	7,748	9,127
Training and safety	2,283	3,442
Consulting	943	3,226
Purchased power	<u>1,391</u>	<u>1,530</u>
Subtotal General and Administrative	<u>222,762</u>	<u>235,790</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expense (Continued)
Security Fund**

For the Fiscal Year Ended June 30, 2005

(With Comparative Totals for the Fiscal Year Ended June 30, 2004)

	<u>2005</u>	<u>2004</u>
Subtotal General and Administrative	\$ 222,762	\$ 235,790
Communications	20,933	20,572
Equipment repairs and maintenance	4,930	4,584
Clerical services	1,106	
Postage	3,929	3,446
Bad debts	150	355
Travel and meetings	1,847	1,431
Miscellaeneous	23,377	4,371
Memberships	1,782	1,522
Contingency	10,126	11,561
Equipment lease	706	1,218
Vehicle expenses	536	871
Uniform	140	
	<u>292,324</u>	<u>285,721</u>
Total General and Adminstrative		
Depreciation	<u>35,969</u>	<u>34,376</u>
	<u>\$ 1,032,649</u>	<u>\$ 966,986</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Changes in Restricted Net Assets
For the Fiscal Year Ended June 30, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Security Fund</u>	<u>Totals</u>
Balances, July 1, 2004	\$ 5,041,987	\$ 3,653,560	\$ 251,893	\$ 8,947,440
Additions:				
Capital improvement fees	46,610	46,020		92,630
Water augmentation fees	217,886			217,886
Allocation of interest earned on reserved funds	119,329	74,605	5,099	199,033
Deletions:				
Expenditures for major repairs, improvements, and capital replacements	<u>(211,794)</u>	<u>(130,981)</u>	<u>(26,696)</u>	<u>(369,471)</u>
Balance, June 30, 2005	<u>\$ 5,214,018</u>	<u>\$ 3,643,204</u>	<u>\$ 230,296</u>	<u>\$ 9,087,518</u>

STATISTICAL SECTION

Rates and Special Taxes

Rancho Murieta Community Services District

WATER	Adopted Monthly Fiscal Year 2004-05
Base Charge	18.00
Usage Charge per cubic feet	0.0078

SEWER	Adopted Monthly Fiscal Year 2004-05
Regular Residential Unit	26.50
Murieta Village Residential Unit	20.06
Airport	51.23
Burger King/Car Wash	140.00
Business Park	58.08
Catholic Church	26.50
Community Church	26.50
1 Country Store/Gas Station	300.31
2 Equine Complex	455.31
Mini-Storage	26.50
2 Murieta Plaza	831.86
Murieta Village Homeowners Assoc	51.23
Post Office	26.50
RMA Homeowners Association	136.58
RMA Maintenance Area	N/A
2 RMCC	542.48
2 RMTTC Training Center	740.92
RV Lot	26.50
Sac Metro Fire Dept	26.50
The Villas Homeowners Assoc	58.08

1 shows adopted rate increase for 2 yrs in a row to get rate up to new rate required by rate study

2 shows adopted rate increase for 3 yrs in a row to get rate up to new rate required by rate study

SECURITY

		Adopted Monthly Special Tax Rates FY 2004-05	Adopted Monthly Special Tax Rates Maximum rates FY 2004-05
LAND USE			
DEVELOPED PROPERTY			
Residential			
Inside Gates			
- Metered	Per Lot	\$20.00	\$22.09
- Unmetered	Per Lot	\$14.00	\$17.68
Outside Gates (Murieta Village)	Per Lot	\$4.42	\$5.32
Non-Residential			
1 - Highway Retail	Per Bldg Sq.Ft.	\$0.156	\$0.199
2 - Other Retail/Commercial	"	\$0.019	\$0.021
3 - Industrial/Warehouse/Lt Industrial	"	\$0.036	\$0.047
4 - Office	"	\$0.010	\$0.011
5 - Institutional	"	\$0.010	\$0.011
6 - Public Utility	"	\$0.027	\$0.036
7 - Equine Complex	"	\$0.003	\$0.003
8 - RMCC	"	\$0.044	\$0.056
9 - Airport	"	\$0.012	\$0.014
UNDEVELOPED PROPERTY			
Inside Gates	Per Acre	\$14.773	\$18.69
Outside Gates	Per Acre	\$2.206	\$2.78

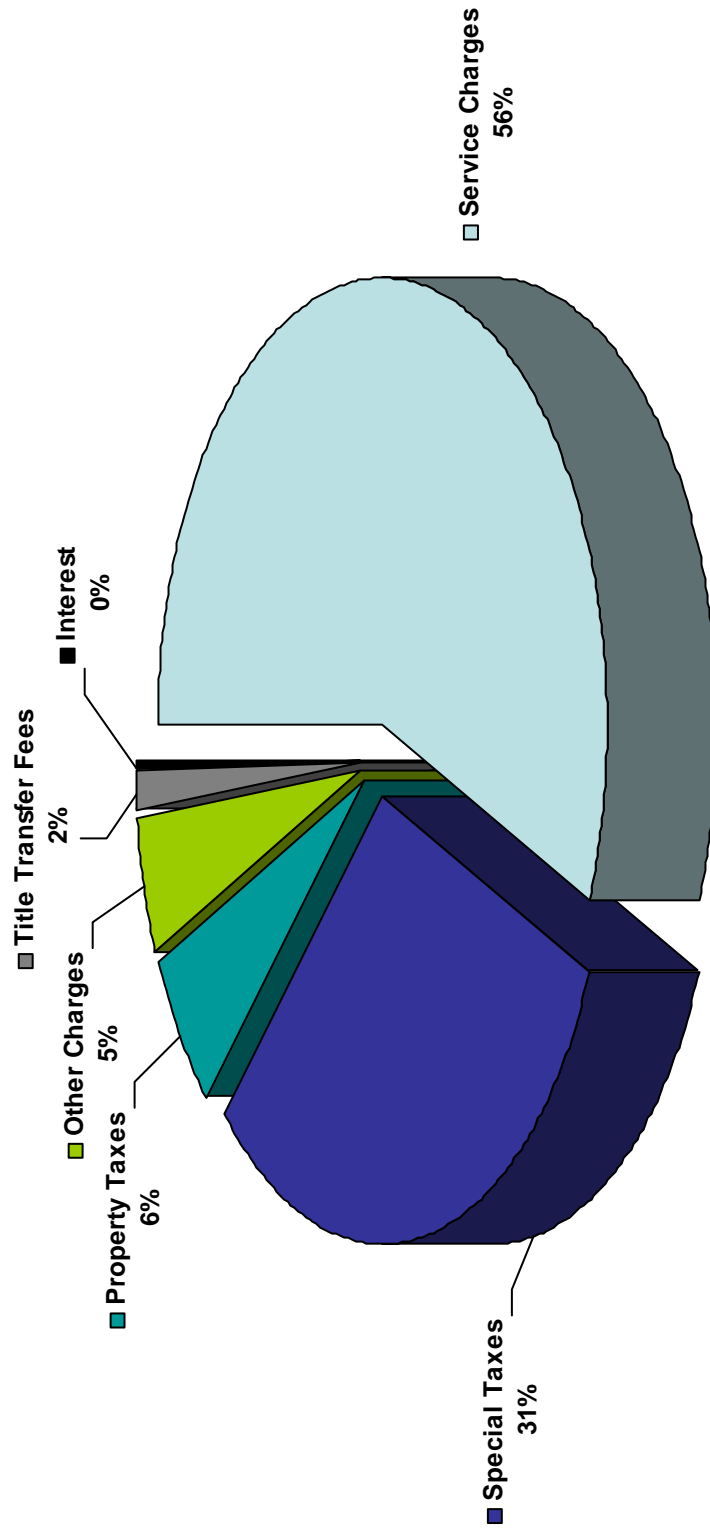
Maximum ceiling rates increased 2%

DRAINAGE

LAND USE		Adopted Monthly Special Tax Rates	Adopted Monthly Special Tax Rates
		FY 2004-05	Maximum rates FY 2004-05
DEVELOPED PROPERTY			
Residential			
<i>Metered Developed</i>	Per Lot	\$3.66	\$3.88
<i>Unmetered Developed</i>	Per Lot	\$3.66	\$3.88
<i>The Villas</i>	Per Lot	\$2.44	\$2.60
<i>Murieta Village</i>	Per Lot	\$2.44	\$2.60
Non Residential			
1 <i>Retail</i>	Per Acre	\$18.317	\$19.462
2 <i>Industrial/Warehouse</i>	"	\$19.462	\$20.676
3 <i>Light Industrial</i>	"	\$14.882	\$15.811
4 <i>Office</i>	"	\$17.172	\$18.244
5 <i>Landscaped Areas (golf course & park site)</i>	"	\$3.434	\$3.649
6 <i>Equine Complex</i>	"	\$1.325	\$1.409
7 <i>RMCC (Club house and parking)</i>	"	\$0.000	\$0.000
8 <i>Airport</i>	"	\$1.526	\$1.622
9 <i>Geyer Property</i>	"	\$11.448	\$12.162
UNDEVELOPED PROPERTY			
- Uses Drainage System			
Residential & Non-Residential	Per Acre	\$2.29	\$2.292

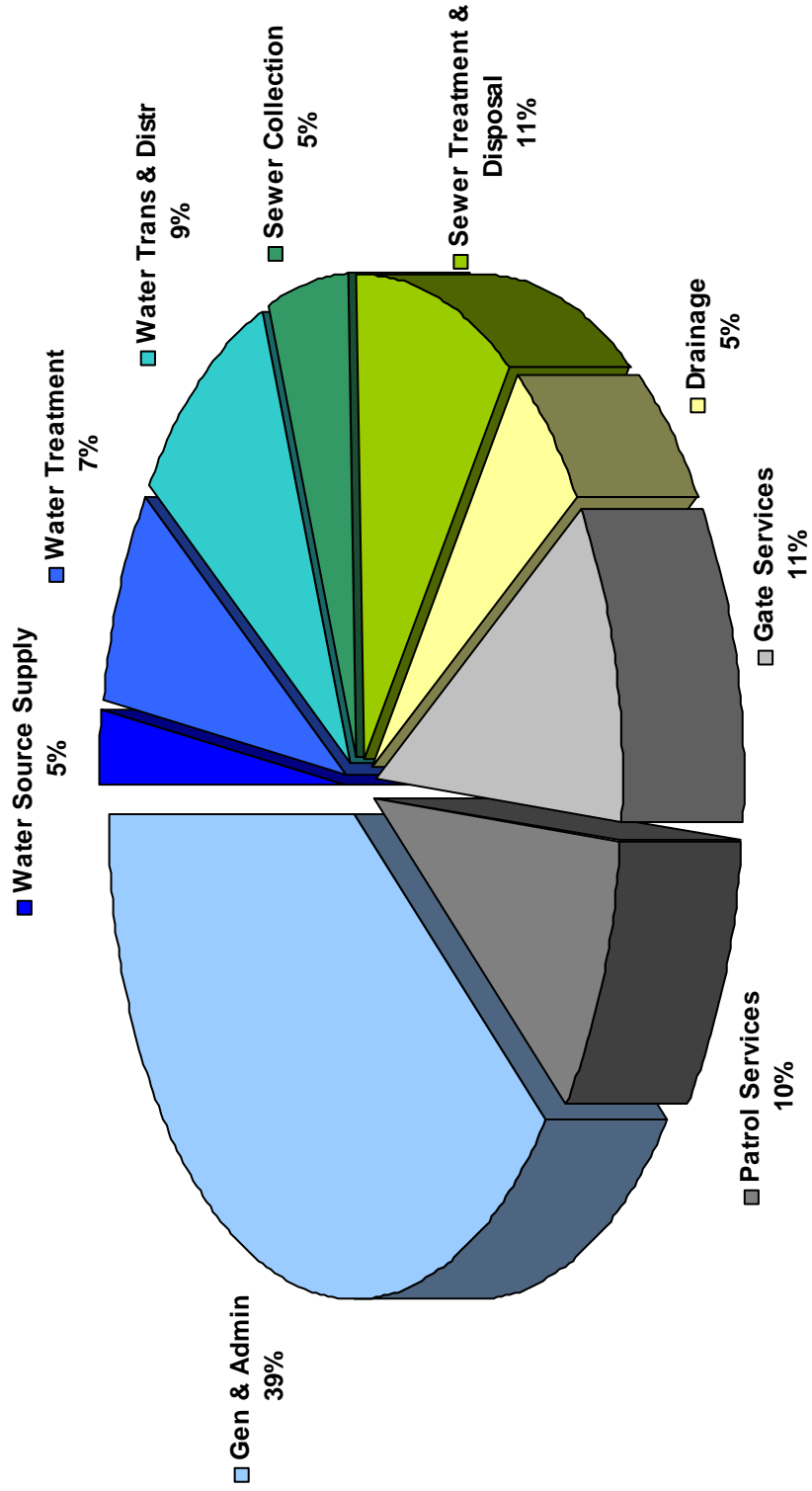
Revenue by Source

2004-05



Expenses by Type

2004-05



December 16, 2005

District Wages and Employer Costs 2004-05

