

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

# RANCHO MURIETA COMMUNITY SERVICES DISTRICT

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An Accounting Corporation

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of each major fund, and the fiduciary fund of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Rancho Murieta Community Services District, California, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

We have also issued our report dated February 18, 2015 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

The Schedules of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, Solid Waste and Security Funds, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Larry Bain, CPA,  
An Accounting Corporation  
February 18, 2015

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements which follow this section.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$29,890,606 (net position). Of this amount, \$9,964,148 (unrestricted net position) may be used to meet the District's ongoing obligation to customers and creditors.
- The District's total net position increased by \$5,002.

**Overview of the Basic Financial Statements**

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

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

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

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

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

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

**Overview of the Basic Financial Statements (Continued)**

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

1. PROPRIETARY FUND TYPE

*Enterprise Funds*

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

2. FIDUCIARY FUND TYPE

*Agency Funds*

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

The basic financial statements can be found on pages 9-17 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-30 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$29,890,606 (net position) at the close of the most recent fiscal year.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

**Condensed Financial Information**  
**Rancho Murieta Community Services District Net Position**

	June 30, 2014	June 30, 2013
<u>Assets</u>		
Current and other assets	\$ 11,102,005	\$ 10,792,791
Capital Assets - net of accumulated depreciation	19,926,458	19,757,798
Total Assets	31,028,463	30,550,589
<u>Liabilities</u>		
Other liabilities	1,033,661	558,664
Longterm liabilities	104,196	106,321
Total Liabilities	1,137,857	664,985
<u>Net Position</u>		
Net investment in capital assets	19,926,458	19,757,798
Unrestricted Net Position	9,964,148	10,127,806
Total Net Position	\$ 29,890,606	\$ 29,885,604

- The District's total net position increased by \$5,002. Unrestricted net position decreased \$163,658 while capital assets, net of accumulated depreciation increased \$168,660. The increase in capital assets is the net result of asset additions/deletions of \$1,271,105 and depreciation expense of \$1,102,445.
- Designated cash and investments, which are designated for capital improvement uses, decreased due to the investment in capital improvements in the Water and Sewer funds.
- Other liabilities increased due to an increase in the amount of deposits held related to the Water Treatment Plant #1 (WTP#1) Expansion and Upgrade Project.

By far the largest portion of the District's net position (66%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) (Net Capital Assets \$19,926,458/Total Net Position \$29,890,606 = .667%). Some of those assets are from contributed capital. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

**Enterprise-type activities – Water, Sewer, Drainage, Solid Waste and Security**  
**Rancho Murieta Community Services District's Changes in Net Position**

	June 30, 2014	June 30, 2013
<b>Revenues</b>		
Operating revenues	\$ 5,112,857	\$ 5,157,564
Nonoperating revenues	1,605,495	1,140,457
<b>Total Revenues</b>	6,718,352	6,298,021
<b>Operating Expenses</b>		
Water	1,250,290	1,113,969
Sewer	704,670	880,140
Drainage	124,830	122,880
Security	928,016	887,252
Solid waste	580,068	593,003
Other	2,023,030	1,887,139
Depreciation	1,102,446	1,115,662
<b>Total Operating Expenses</b>	6,713,350	6,600,045
<b>Change in Net Position</b>	5,002	(302,024)
Net Position, Beginning of Fiscal Year	29,885,604	30,209,377
Prior Period Adjustment	-	(21,749)
Net Position, End of Fiscal Year	\$ 29,890,606	\$ 29,885,604

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

Key elements of the enterprise activities are as follows:

- Operating revenues decreased slightly, 0.867%. Water operating revenues decreased by \$61,979 or (3.3%) due to the combination of the approved rate increase and reduced water consumption as a result of the implementation of water conservation measures. Sewer operating revenues decreased by \$7,047 or (0.56%) due to a slight decrease in the Sewer service charge rates and a decrease in late charges assessed, Security operating revenues increased \$15,115 or 1.2% due to the approved rate increase, Drainage operating revenues increased \$3,656 or 2.0% due to the approved rate increase, and Solid Waste operating revenues increased \$5,547 or 0.09% due to approved rate increase.
- Nonoperating revenues had a net increase of \$465,038 or 40.78% due primarily to the increase in debt reserve fees collected for Sewer, the increase in property tax revenues received and an increase in CFD #1 Project Reimbursement revenue related to the WTP#1 Expansion and Upgrade Project.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Water operating expenses increased \$136,321 or 12.2%. This increase is related to increased power costs for running larger horse power pumps for diverting raw water to the treatment plant, which was done as a measure to divert as much water supply as possible during the limited period of sufficient river flows, increased wages and employers costs for operating the treatment plant, and Transmission and Distribution maintenance projects.
- The Sewer Department collects, treats, and disposes the Rancho Murieta community waste water. Sewer operating expenses decreased \$175,470 or (19.94%). This decrease is primarily related to reduced expenditures for the Treatment and Disposal of waste water, which is directly correlated to the reduction in Water consumption (i.e., less water used results in less waste water supplied to the waste water treatment plant).
- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses increased \$1,950 or 1.6%. This increase is related to increased wages and employer costs.
- Solid Waste services are provided by contract with California Waste Recovery Services. Operating expenses for Solid Waste decreased \$12,935 or (2.2%). This decrease is related to the combination of the contract rate increase and the reduction in E-waste disposal cost.
- The Security department provides gate and patrol services. Operating expenses for Gate services increased \$27,946 or 5.75%. This increase is related to increased employers cost. Operating expenses for Patrol services increased \$12,818 or 3.19%. This increase is related to increased wages and vehicle maintenance.
- The Administration department covers the remaining staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. However, all general administration type costs relating to the Water, Sewer, Drainage, Solid Waste and Security departments are combined with the administration department on the Statement of Revenues, Expenses, and Changes in Net Position and are shown as General and Administrative costs. General and Administrative costs increased \$135,891 or 7.2%. This increase is predominately due to increased wages and employers cost, clerical services, insurance, and water conservation expenditures. These increases were partially offset by reductions in maintenance and repairs, consulting and legal services.



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

**Capital Assets**

	July 1, 2013	Additions	Adjustments /Deletions	June 30, 2014
<b>Depreciable Capital Assets</b>				
Water Transmission	\$ 7,311,340	\$ 14,757	\$ -	\$ 7,326,097
Water Treatment	9,587,515	14,239	-	9,601,754
Studies	687,530	8,355	-	695,885
Collection Facilities	4,236,287	-	-	4,236,287
Sewer treatment and disposal	16,040,329	-	-	16,040,329
Lake Chesbro Protection	270,020	-	-	270,020
Waste Discharge	549,152	-	-	549,152
Buildings and improvements	817,907	-	-	817,907
Vehicles & Equipment	1,712,525	14,137	-	1,726,662
<b>Total Depreciable Capital Assets</b>	<b>41,212,605</b>	<b>51,488</b>	<b>-</b>	<b>41,264,093</b>
Less - Accumulated Depreciation	(22,322,025)	(1,102,445)	-	(23,424,470)
<b>Net Depreciable Capital Assets</b>	<b>18,890,580</b>	<b>(1,050,957)</b>	<b>-</b>	<b>17,839,623</b>
<b>Non-Depreciable Capital Assets</b>				
Construction in Progress	275,528	1,219,617	-	1,495,145
Land	591,690	-	-	591,690
<b>Total Non-Depreciable Capital Assets</b>	<b>867,218</b>	<b>1,219,617</b>	<b>-</b>	<b>2,086,835</b>
<b>Net Capital Assets</b>	<b>\$ 19,757,798</b>	<b>\$ 168,660</b>	<b>\$ -</b>	<b>\$ 19,926,458</b>

The District's investment in capital assets as of June 30, 2014, amounts to \$19,926,458 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 0.85%.

Major capital asset events during the current fiscal year included the following; both of which are projects in process and therefore are reflected in Construction in Progress:

- Augmentation Well Project
- Water Treatment Plant #1 Expansion and Upgrade Project

**Economic Factors and Next Year's Budget and Rates**

The Board of Directors adopted the District's 2014/2015 annual budget on June 18, 2014 which provides for the District's operating and capital costs for the 2014/2015 fiscal year. The beginning of recovery in the housing market has slowed the reductions in property taxes associated with Prop 8 revaluations of assessed property values.

The District entered into a Financing and Services Agreement with area developers in May 2014. It is anticipated that some of those developers will begin new development within Rancho Murieta sometime in 2015. In preparation for future development, the District began work on the Water Treatment Plant #1 (WTP#1) Expansion and Upgrade Project, which increases the plant's potable water production from 1.5 million gallons per day (mgd) to a future capability of 6.0 mgd and upgrades the treatment process to submerged membrane technology. The cost of the WTP#1 Expansion and Upgrade Project is projected at \$12.8 million, which is shared between the District, previous developers of Murieta South via Letter of Credit Financing, and developers of Murieta Gardens and Rancho Murieta North properties (CRL/RMP). At the request of CRL/RMP the District formed a Community Facilities District, CFD 2014-1, to finance the CRL/RMP share of construction. These tax exempt bonds were sold on January 29, 2015 and provided \$4,358,245

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2014**

**Economic Factors and Next Year's Budget and Rates (Continued)**

of bond revenue for the WTP#1 Expansion and Upgrade Project construction. The CFD 2014-1 will assess Mello-Roos taxes on the subject properties beginning in 2017 for repayment to the bond investors. The District is financing its \$4.35 million share of the project by inter-fund borrowing of \$2.0 million and using the remainder from Water Capital Replacement Reserves. The inter-fund borrowing carries an annual interest rate of 2.0% and will be repaid through a monthly debt service charge of \$6.00 per account/water connection. It will be repaid in less than eleven years.

Capital projects that are included in this annual budget are:

- 1) Continuation of Hole 13 North Culvert Replacement
- 2) Water Treatment Plant #1 Expansion and Upgrade Project
- 3) Augmentation Well Development
- 4) Wastewater Recovery Plant Filter PLC Replacement
- 5) Main Lift North Generator Replacement; and
- 6) Granlees Forebay Repairs.

The District's rates for water, sewer, drainage, security and solid waste services are reviewed annually by staff and the Board of Directors. The District increased rates approximately 6.6% for Water services, which includes the addition of the \$6.00 debt service charge. The rates for Sewer service decreased (8.4%), which is related to the elimination of the prefunding debt service charge for the construction of the permanent irrigation fields at Van Vleck Ranch, which was reinstated for 2013/2014. The completion of the permanent irrigation fields is no longer required with the District's newly obtained Master Reclamation Permit in December 2014. Rates for Security services increased approximately 3.9%, 1.9% for Drainage, and 1.7% for Solid Waste.

**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, General Manager, P.O. Box 1050, Rancho Murieta, CA, 95683.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Statement of Net Position - Proprietary Funds  
June 30, 2014  
(With Comparative Totals for June 30, 2013)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 681,369	\$ 398,183	\$ 66,597
Accounts receivable	264,561	204,793	26,720
Grants receivable	52,085		
Interest receivable	107	201	216
Prepaid Expenses	51,708	12,711	2,228
Due from developers	47,519	7,393	
Total Current Assets	1,097,349	623,281	95,761
Capital Assets - net of accumulated depreciation	8,315,508	11,334,380	
Other Assets:			
Cash and investments -designated	5,184,766	2,754,963	389,633
Interest receivable - designated	1,898	468	
Total Other Assets	5,186,664	2,755,431	389,633
Total Assets	14,599,521	14,713,092	485,394
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	79,390	66,644	4,805
Accrued payroll	30,562	42,864	9,265
Post retirement medical liability	29,829	20,942	3,870
Deposits	540,912	88	18
Deferred revenue	7,382	5,636	1,158
Capital lease			
Total Current Liabilities	688,075	136,174	19,116
Noncurrent Liabilities:			
Capital lease			
Compensated absences	31,161	23,111	4,439
Total Liabilities	719,236	159,285	23,555
<u>Net Position</u>			
Net investment in capital assets	8,315,508	11,334,380	
Net Position:			
Unrestricted	5,564,777	3,219,427	461,839
Total Net Position	\$ 13,880,285	\$ 14,553,807	\$ 461,839

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

		Totals	
Solid Waste Fund	Security Fund	2014	2013
\$ 218,326	\$ 384,365	\$ 1,748,840	\$ 1,168,872
63,049	163,453	722,576	813,896
		52,085	52,085
83	105	712	582
1,345	13,723	81,715	69,261
		54,912	144,347
282,803	561,646	2,660,840	2,249,043
	276,570	19,926,458	19,757,798
1,921	107,457	8,438,740	8,540,993
	59	2,425	2,755
1,921	107,516	8,441,165	8,543,748
284,724	945,732	31,028,463	30,550,589
101,196	11,722	263,757	389,414
3,001	36,638	122,330	71,672
1,023	29,608	85,272	42,313
15	59	541,092	34,534
949	3,852	18,977	18,498
	2,233	2,233	2,233
106,184	84,112	1,033,661	558,664
	2,635	2,635	5,065
1,889	40,961	101,561	101,256
108,073	127,708	1,137,857	664,985
	276,570	19,926,458	19,757,798
176,651	541,454	9,964,148	10,127,806
<u>\$ 176,651</u>	<u>\$ 818,024</u>	<u>\$ 29,890,606</u>	<u>\$ 29,885,604</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**  
**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Operating Revenues:			
Service charges	\$ 1,779,863	\$ 1,238,471	\$ -
Special taxes			180,097
Other charges	27,311	22,494	698
Total Operating Revenues	<u>1,807,174</u>	<u>1,260,965</u>	<u>180,795</u>
Operating Expenses:			
Source of supply	181,790		
Treatment	516,405		
Transmission and distribution	552,095		
Sewer collection		219,090	
Sewer treatment and disposal		485,580	
Drainage			124,830
Gate services			
Patrol services			
Solid waste			
General and administrative	878,821	597,779	82,685
Depreciation	482,665	586,403	
Total Operating Expenses	<u>2,611,776</u>	<u>1,888,852</u>	<u>207,515</u>
Operating Income (Loss)	<u>(804,602)</u>	<u>(627,887)</u>	<u>(26,720)</u>
Non-operating Revenues (Expenses):			
Taxes	202,603	154,686	31,771
Capital reserve fees	183,059	271,281	
Debt reserve fee	177,700	120,313	
Interest revenue	9,843	4,366	963
Rent			
Water augmentation			
Gain (Loss) on disposal of capital assets			
Refunds and reimbursements			
Interest expense			
Grant revenue			
Miscellaneous	31,170	3,278	966
Total Non-operating Revenues (Expenses)	<u>604,375</u>	<u>553,924</u>	<u>33,700</u>
Special Item			
CFD #1 Project Reimbursement	279,978		
Change in Net Position	79,751	(73,963)	6,980
Net Position, Beginning of Fiscal Year	13,800,534	14,627,770	454,859
Prior Period Adjustments			
Net Position, End of Fiscal Year	<u>\$ 13,880,285</u>	<u>\$ 14,553,807</u>	<u>\$ 461,839</u>

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

		Totals	
Solid Waste Fund	Security Fund	2014	2013
\$ 622,521	\$ -	\$ 3,640,855	\$ 3,701,611
	1,186,112	1,366,209	1,343,985
	55,289	105,792	111,968
<u>622,521</u>	<u>1,241,401</u>	<u>5,112,857</u>	<u>5,157,564</u>
		181,790	143,990
		516,405	454,874
		552,095	515,105
		219,090	222,430
		485,580	657,710
		124,830	122,880
	513,651	513,651	485,705
	414,365	414,365	401,547
580,068		580,068	593,003
63,712	400,033	2,023,030	1,887,139
	33,378	1,102,446	1,115,662
<u>643,780</u>	<u>1,361,427</u>	<u>6,713,350</u>	<u>6,600,045</u>
<u>(21,258)</u>	<u>(120,026)</u>	<u>(1,600,493)</u>	<u>(1,442,481)</u>
26,041	105,728	520,829	491,660
		454,340	455,030
		298,013	78,544
376	756	16,304	26,091
			-
			4,521
			3,574
			12,225
	(387)	(387)	(534)
			52,085
	1,004	36,418	17,261
<u>26,417</u>	<u>107,101</u>	<u>1,325,517</u>	<u>1,140,457</u>
		279,978	-
5,159	(12,925)	5,002	(302,024)
171,492	830,949	29,885,604	30,209,377
			(21,749)
<u>\$ 176,651</u>	<u>\$ 818,024</u>	<u>\$ 29,890,606</u>	<u>\$ 29,885,604</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Statement of Cash Flows**

**Proprietary Funds**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,423,153	\$ 1,276,864	\$ 186,115
Payments to employees	(1,000,909)	(614,144)	(117,269)
Payments to suppliers	(1,200,441)	(696,337)	(83,009)
Net Cash Provided By (Used In) Operating Activities	221,803	(33,617)	(14,163)
Cash Flows from Non-capital Financing Activities:			
Taxes received	202,603	154,686	31,771
Grants			
Debt reserve fee	177,700	120,313	
Miscellaneous	31,170	3,278	966
Net Cash Provided By (Used In) Non-capital Financing Activities	411,473	278,277	32,737
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(573,825)	(697,280)	
Cash received from sale of assets	-	-	
CFD #1 project reimbursement	279,978		
Reduction of debt			
Capital reserve fees	183,059	271,281	
Net Cash Provided By (Used In) Capital and Related Financing Activities	(110,788)	(425,999)	
Cash Flows from Investing Activities:			
Interest received	9,928	4,433	985
Net Cash Provided by Investing Activities	9,928	4,433	985
Net Increase (Decrease) in Cash and Cash Equivalents	532,416	(176,906)	19,559
Cash and Cash Equivalents, July 1	5,333,719	3,330,052	436,671
Cash and Cash Equivalents, June 30	<u>\$ 5,866,135</u>	<u>\$ 3,153,146</u>	<u>\$ 456,230</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and investments	\$ 681,369	\$ 398,183	\$ 66,597
Restricted cash and investments	5,184,766	2,754,963	389,633
Total Cash and Cash Equivalents	<u>\$ 5,866,135</u>	<u>\$ 3,153,146</u>	<u>\$ 456,230</u>

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

Solid Waste Fund	Security Fund	Totals	
		2014	2013
\$ 625,500	\$ 1,289,016	\$ 5,800,649	\$ 5,125,724
(38,945)	(1,109,231)	(2,880,498)	(2,820,375)
(599,499)	(195,309)	(2,774,595)	(2,621,387)
(12,943)	(15,524)	145,556	(316,038)
26,041	105,728	520,829	491,660
		-	-
		298,013	78,544
-	1,004	36,418	34,007
26,041	106,732	855,260	604,211
		(1,271,105)	(287,885)
		-	3,574
		279,978	-
	(2,817)	(2,817)	(2,817)
		454,340	455,030
	(2,817)	(539,604)	167,902
385	772	16,503	27,298
385	772	16,503	27,298
13,483	89,163	477,715	483,373
206,764	402,659	9,709,865	9,226,492
<u>\$ 220,247</u>	<u>\$ 491,822</u>	<u>\$ 10,187,580</u>	<u>\$ 9,709,865</u>
\$ 218,326	\$ 384,365	\$ 1,748,840	\$ 1,168,872
1,921	107,457	8,438,740	8,540,993
<u>\$ 220,247</u>	<u>\$ 491,822</u>	<u>\$ 10,187,580</u>	<u>\$ 9,709,865</u>



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Statement of Cash Flows  
Proprietary Funds (Continued)  
For the Fiscal Year Ended June 30, 2014  
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (804,602)	\$ (627,887)	\$ (26,720)
Noncash items included in operating loss			
Depreciation	482,665	586,403	
Changes in assets and liabilities			
Decrease (increase) in operating assets			
Accounts receivable	19,800	15,757	5,290
Prepaid expenses	(6,523)	(3,246)	(355)
Due from others	89,435	-	
Increase (decrease) in operating liabilities			
Accounts payable	(87,503)	(40,604)	(343)
Accrued payroll	4,476	23,192	5,565
Post retirement medical liability	14,654	10,621	1,969
Customer deposits	506,558	-	-
Compensated absences	2,657	2,005	401
Deferred revenue	186	142	30
Net Cash Provided By (Used In) Operating Activities	<u>\$ 221,803</u>	<u>\$ (33,617)</u>	<u>\$ (14,163)</u>

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

Solid Waste Fund	Security Fund	Totals	
		2014	2013
\$ (21,258)	\$ (120,026)	\$ (1,600,493)	\$ (1,442,481)
	33,378	1,102,446	1,115,662
2,955	47,518	91,320	(38,438)
(201)	(2,129)	(12,454)	(34,758)
		89,435	11,592
2,926	(133)	(125,657)	86,895
1,783	15,642	50,658	(2,931)
559	15,156	42,959	(12,159)
-	-	506,558	(7,050)
269	(5,027)	305	5,574
24	97	479	2,056
<u>\$ (12,943)</u>	<u>\$ (15,524)</u>	<u>\$ 145,556</u>	<u>\$ (316,038)</u>

**Statement of Fiduciary Net Position**  
**June 30, 2014**

	PARS	
	Trust Fund	Agency Fund
<u>Assets</u>		
Cash and investments	\$ 677,511	\$ 34,871
Total Assets	\$ 677,511	\$ 34,871
<u>Liabilities</u>		
Due to others	\$ -	\$ 34,871
Total Liabilities		34,871
<u>Net Position</u>		
Held in trust for OPEB benefits	677,511	
Total Liabilities and Net Position	\$ 677,511	\$ 34,871

**Changes in Fiduciary Net Position-PARS Retirement Fund**

Additions:	
Employer contributions	\$ 153,000
Total contributions	153,000
Investment income (loss):	
Net adjustment to fair value of investments	32,972
Total Additions (Deductions)	32,972
Change in plan net position	185,972
Net Position:	
Held in trust for OPEB benefits:	
Beginning of year	491,539
End of year	\$ 677,511

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 1: Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Special Assessment District – The special assessment district is the Community Facilities District No. 1. This Special Assessment District was created for the purpose of acquiring, constructing and maintaining water and sewer facilities within the Rancho Murieta boundaries. The District is not obligated to repay debt of the Special Assessment District but functions as an agent for the property owners by collecting assessments, forwarding collections to special assessment debt holders, and, if appropriate, begin foreclosures on delinquent property owners. Because of the special financing relationships, the Community Facilities District No. 1 has been included in the financial statements as a 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.

Fund Financial Statements

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, 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 Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 1: Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. 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 of its proprietary funds as major funds.

The District reported the following major proprietary funds:

Water

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

Sewer

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

Drainage

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

Solid Waste

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

Security

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

The District reports the following additional fund types:

PARS Trust Fund

Accounts for activities associated with the District’s other post-employment benefits (OPEB) trust fund used for administration of health insurance for retirees.

Agency Fund

The Agency fund accounts for assets held by the District as an agent for other entities.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 1: Significant Accounting Policies (Continued)

D. Basis of Accounting

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

E. Budget and Budgeting

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

F. Restricted Assets

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

G. Comparative Data

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

H. Cash and Cash Equivalents

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

I. Property Taxes

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

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 1: Significant Accounting Policies (Continued)

J. Capital Assets

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

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the costs of the capital asset is divided by its expected useful life in years and the result is charged to expense each year until the capital asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

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

K. Compensated Absences

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

L. Net Position

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

Net position 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 position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of invested in capital assets, net of related debt, or restricted net position.

M. Deferred Compensation Plan

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

N. Use of Estimates

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

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	\$ 1,748,840
Designated cash and investments	8,438,740
Cash and investments, Statement of Net Assets	10,187,580
Cash and investments, Statement of Fiduciary Net Assets	712,382
Total cash and investments	\$ 10,899,962

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	706,565
Investments	10,193,147
Total cash and investments	\$ 10,899,962

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

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

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



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 2: Cash and Investments (Continued)

B. Investments Authorized by Debt Agreements (Continued)

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

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

C. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
CAMP*	\$ 3,605,566	\$ 3,605,566	\$ -	\$ -	\$ -
State Investment Pool*	5,910,070	5,910,070			
PARS Trust*	677,511	677,511			
Money Market*	-	-			
Totals	<u>\$10,193,147</u>	<u>\$ 10,193,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\*Not subject to categorization

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 2: Cash and Investments (Continued)

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfil its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
CAMP Investment Pool	\$ 3,605,566	N/A	\$ -	\$ -	\$ -	\$ -	\$ 3,605,566
State Investment Pool	5,910,070	N/A	-	-	-	-	5,910,070
Pars Trust	677,511	N/A	-	-	-	-	677,511
Money Market	-	N/A	-	-	-	-	-
Total investments	<u>\$10,193,147</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,193,147</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, 2014, \$395,219 of the District's deposits with financial institutions in excess of federal depository insurance limits was held in public funds collateralized accounts. As of June 30, 2014, the District did not hold investments in investments held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

G. Investment in State Investment Pool

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 3: Capital Assets

Capital Assets at June 30, 2014, consist of the following:

	Balance July 1, 2013	Additions	Adjustments/ Deletions	Balance June 30, 2014
<b>Water</b>				
Depreciable assets:				
Water Transmission	\$ 7,311,340	\$ 14,757	\$ -	\$ 7,326,097
Water Treatment	9,587,515	14,239		9,601,754
Studies	687,530	8,355	-	695,885
Vehicles and equipment	628,122	14,137		642,259
Subtotal	18,214,507	51,488	-	18,265,995
Less: Accumulated Depreciation	(10,046,131)	(482,665)		(10,528,796)
Net Capital Assets	8,168,376	(431,177)	-	7,737,199
Non-depreciable assets:				
Construction in progress	42,332	522,337		564,669
Land	13,640	-	-	13,640
Subtotal	55,972	522,337	-	578,309
Net Capital Assets	\$ 8,224,348	\$ 91,160	\$ -	\$ 8,315,508
<b>Sewer</b>				
Depreciable assets:				
Collection Facilities	\$ 4,236,287	\$ -	\$ -	\$ 4,236,287
Pumping facility	42,763			42,763
Treatment Plant/Facilities	15,997,566			15,997,566
Vehicles and equipment	672,220			672,220
Lake Chesbro Protection	270,020			270,020
Waste Discharge	549,152			549,152
Telemetry Building	512,452			512,452
Subtotal	22,280,460	-	-	22,280,460
Less: Accumulated Depreciation	(11,843,628)	(586,402)		(12,430,030)
Net Capital Assets	10,436,832	(586,402)	-	9,850,430
Non-depreciable assets:				
Construction in progress	208,620	697,280		905,900
Land	578,050	-	-	578,050
Subtotal	786,670	697,280	-	1,483,950
Net Capital Assets	\$ 11,223,502	\$ 110,878	\$ -	\$ 11,334,380
<b>Security</b>				
Depreciable assets:				
Vehicle and equipment	\$ 412,183	\$ -	\$ -	\$ 412,183
Buildings and improvements	305,455			305,455
Subtotal	717,638	-	-	717,638
Less: Accumulated Depreciation	(432,266)	(33,378)		(465,644)
Net Capital Assets	285,372	(33,378)	-	251,994
Non-depreciable assets:				
Construction in progress	24,576			24,576
Subtotal	24,576	-		24,576
Net Capital Assets	\$ 309,948	\$ (33,378)	\$ -	\$ 276,570

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 4: Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Compensated absences	\$ 101,256	\$ 97,193	\$ 96,888	\$ 101,561
Total	<u>\$ 101,256</u>	<u>\$ 97,193</u>	<u>\$ 96,888</u>	<u>\$ 101,561</u>

Note 5: Net Position

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

Net Investment in Capital Assets

Net investment in capital assets describes the portion of net position 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 Position

Restricted net position consists of constraints placed on net position 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 Position

Unrestricted net position describes the portion of net position 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, 2014**

Note 6: Defined Benefit Pension Plan (Continued)

B. Funding Policy

Active tier 1 plan members in the District's defined pension plan are required to contribute 7% of their annual covered salary and active tier 2 members are required to contribute 6.25% 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 benefit pension plan. As a benefit to tier 1 plan member the District contributes 4% of the members required contribution. The District is prohibited from contributing any portion of the tier 2 member contribution. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 12.608% for tier 1 and 6.25% for tier 2. 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 2013-14, the District's annual required employer pension cost was \$215,975 and the District actually contributed \$215,975. The District also contributes 4% of the employees' 7% portion of their annual covered salary as a benefit to the employee for tier 1 members and 0% for tier 2 members. The employer's required contribution for fiscal year 2013-14 was determined as part of the June 30, 2011 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 smooths 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 July 1, 2011, was 17 years.

Trend Information for the District

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
06/30/12	\$ 199,260	100%	\$ -
06/30/13	205,926	100%	-
06/30/14	215,975	100%	-

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 7: Post-Retirement Health Care Benefits

*Plan Description.* Rancho Murieta Community Services District's Post-Retirement Healthcare Plan is a single employer defined benefit healthcare plan administered by Public Employees' Retirement System (PERS). PERS provides medical benefits to eligible retirees and their eligible dependents. Medical benefits are also paid to the surviving spouse of an eligible retiree. The District approved post-retirement health insurance benefits for all of its employees under the Public Employees' Medical and Hospital Care Act (PEMHCA). For an employee retiring from the District with 5 or more years of service with a CalPERS agency, the District will contribute the health benefit cost for the retiree and family members up to 100% of the lowest health benefit plan offered by PERS for unrepresented employees and up to 80% of the lowest health plan offered by PERS for represented employees. A retiree with less than 5 complete years of service with a CalPERS agency who retires at the District receives no benefit. The PERS minimum is set by law. The retiree is on the same medical plan as the District's active employees, however monthly rates for coverage of covered active and retired employees are computed separately.

*Funding Policy.* The contribution requirement of plan members is established by the District's Board of Directors. The 2013-2014 fiscal year annual required contribution is calculated using entry age normal cost (same as CalPERS). For the fiscal year ending June 30, 2014 the District contributed \$153,000 towards the unfunded actuarial accrued liability (UAAL). The District made the net contribution for fiscal year end June 30, 2014 directly to health insurance providers totalling \$55,849.

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District chose a 30 year period to amortize the unfunded actuarial liability. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the District's Healthcare Plan:

Net OPEB obligation-beginning of year	\$	42,313
Annual OPEB cost current fiscal year		251,808
Less: Employer contribution made to trust		(153,000)
Less: Unreimbursed retiree premium payments made to plan provider		(55,849)
Net employer contribution		(208,849)
Net OPEB obligation-end of year	\$	85,272

Three year disclosure of the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented as follows:

Trend Information for the District OPEB

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost (AOC)</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
06/30/12	\$ 191,639	100.00%	\$ 54,472
06/30/13	199,470	100.06%	42,313
06/30/14	251,808	82.93%	85,272

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 7: Post-Retirement Health Care Benefits (Continued)

*Funded Status and Funding Progress.* As of June 30, 2014, the actuarial accrued liability (AAL) was \$2,235,060 and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,522,262. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will be presented in the future when multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2014, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions included a 7.00% discount rate and the normal cost component of the ARC increases 5.5% per year throughout the five year projection. The valuation assumes that 100% of eligible retirees will actually participate in the retiree medical benefit. The annual healthcare cost trend rate for represented employees had an assumed cap of 3% per year and the unrepresented had an assumed premium rate increase of 7.9% beginning January 1, 2013, decreasing approximately .3% per year until reaching an ultimate rate of 5.5 percent. It was assumed salary increases will be 3.25% per annum.

Note 8: Special Assessment District

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

The remaining special assessment debt of \$2,530,000 was paid off during the 2013/14 fiscal year. Separate audited financial statements have been issued for the assessment district.

Note 9: Revenue Limitation Imposed by California Proposition 218

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

Note 10: Commitments and Contingencies

Grants

Amounts received or receivable from grant and lending agencies are subject to audit and adjustment by grantor and lending agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor or lender cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Commitments

The District had open engineering, construction and professional service contracts as of June 30, 2014, including over \$11,000,000 related to the construction of the new Water Treatment Plant.

Note 11: Subsequent Event

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



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues  
Water Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Service Charges:		
Water sales - residential	\$ 1,602,298	\$ 1,643,609
Water sales - commercial	168,521	183,167
Water availability charges	340	340
Water sales - others	<u>8,704</u>	<u>13,430</u>
Total Service Charges	<u>1,779,863</u>	<u>1,840,546</u>
Other Charges:		
Water telephone line contracts	5,493	5,370
Ditch service charge	-	-
District project charges	1,924	400
Late charges	15,440	18,061
Water inspection fees	-	127
Transfer fees	<u>4,454</u>	<u>4,649</u>
Total Other Charges	<u>27,311</u>	<u>28,607</u>
Total Operating Revenues	<u>\$ 1,807,174</u>	<u>\$ 1,869,153</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Water Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Source of Supply:		
Wages and salaries	\$ 18,602	\$ 14,197
Employer costs	11,081	7,939
Maintenance and repairs	4,530	13,642
Purchased power	105,969	55,494
Dam inspection costs	35,328	35,856
Chemical	5,045	10,251
Equipment rental	<u>1,235</u>	<u>6,611</u>
Total Source of Supply	<u>181,790</u>	<u>143,990</u>
Treatment:		
Wages and salaries	167,413	113,794
Employer costs	75,093	52,255
Purchased power	80,288	82,592
Chemicals	89,735	101,163
Maintenance and repairs	72,663	82,594
Supplies	16	592
Equipment rental	8,870	3,905
Lab tests	20,372	12,629
Miscellaneous	<u>1,955</u>	<u>5,350</u>
Total Treatment	<u>516,405</u>	<u>454,874</u>
Transmission and Distribution:		
Wages and salaries	187,230	193,393
Employer costs	89,839	87,944
Water meters	44,930	35,867
Maintenance and repairs	112,697	91,883
Purchased power	42,064	41,629
Equipment rentals	28,484	20,363
Road paving	39,610	30,637
Supplies	3,416	6,229
Miscellaneous	<u>3,825</u>	<u>7,160</u>
Total Transmission and Distribution	<u>552,095</u>	<u>515,105</u>
General and Administrative:		
Wages and salaries	311,883	303,835
Employer costs	<u>160,867</u>	<u>144,091</u>
Subtotal General and Administrative	<u>472,750</u>	<u>447,926</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses (Continued)**

**Water Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Subtotal General and Administrative:	\$ 472,750	\$ 447,926
Communications	13,072	11,210
Maintenance and repairs	78,070	121,788
Insurance	21,350	17,471
Permits	18,081	16,395
Supplies	15,922	13,800
Directors' meeting and expenses	8,447	7,876
Elections	-	1,683
Legal and audit	37,620	56,699
Training and safety	12,607	12,524
Vehicle expenses	22,620	38,543
Tools	9,743	9,146
Sacramento Water Authority	10,836	10,606
Miscellaneous	21,511	18,710
Postage	8,418	7,706
Travel and meetings	5,806	4,965
Tuition reimbursement	688	1,339
Clerical services	14,074	2,886
Consulting services	34,553	52,493
Dues and memberships	6,954	5,827
Uniforms	4,762	3,115
Purchased power	3,242	3,010
Equipment lease	905	1,088
Bad debts	-	-
Water conservation	48,702	23,966
Janitorial and pest control	8,088	1,625
CIA ditch operations	-	265
	<u>878,821</u>	<u>892,662</u>
 Depreciation	 <u>482,665</u>	 <u>482,246</u>
 Total Operating Expenses	 <u>\$ 2,611,776</u>	 <u>\$ 2,488,877</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues**

**Sewer Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2012</u>
Service Charges:		
Sewer service - residential	\$ 1,123,144	\$ 1,126,635
Sewer service - commercial	114,927	117,046
Sewer availability charges	<u>400</u>	<u>410</u>
Total Service Charges	<u>1,238,471</u>	<u>1,244,091</u>
Other Charges:		
Sewer inspection fees	-	127
District project charges	3,653	2,184
Late charges	15,440	18,061
Transfer fees	<u>3,401</u>	<u>3,549</u>
Total Other Charges	<u>22,494</u>	<u>23,921</u>
Total Operating Revenues	<u>\$ 1,260,965</u>	<u>\$ 1,268,012</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Sewer Fund  
For the Fiscal Year Ended June 30, 2014  
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Collections:		
Wages and salaries	\$ 103,084	\$ 85,610
Employer costs	47,425	41,364
Maintenance and repairs	51,687	58,625
Purchased power	12,822	14,207
Equipment rental	1,588	15,608
Supplies	2,484	4,811
Miscellaneous	-	2,205
	<hr/>	<hr/>
Total Collections	219,090	222,430
	<hr/>	<hr/>
Treatment and Disposal:		
Purchased power	125,400	140,385
Chemicals	45,811	52,541
Wages and salaries	122,693	165,679
Employer costs	60,220	75,598
Lab tests	35,414	39,038
Maintenance and repairs	84,031	162,907
Supplies	-	903
Equipment rental	12,011	16,185
Miscellaneous	-	4,474
	<hr/>	<hr/>
Total Treatment and Disposal	485,580	657,710
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	207,932	199,248
Employer costs	108,490	95,540
Communications	11,014	10,049
Maintenance and repairs	69,001	54,326
Insurance	16,301	13,339
Vehicle expenses	22,376	12,855
Supplies	12,760	12,061
Directors' meetings and expenses	6,449	7,299
Legal and audit	16,374	10,600
Training and safety	14,331	14,860
Permits	30,061	28,098
Miscellaneous	12,843	8,353
Postage	6,427	5,883
Tools	9,842	65
	<hr/>	<hr/>
Subtotal General and Administrative	544,201	472,576
	<hr/>	<hr/>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses (Continued)**

**Sewer Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Subtotal General and Administrative:	\$ 544,201	\$ 472,576
Travel and meetings	4,682	4,254
Tuition reimbursement	118	227
Clerical Services	10,745	2,203
Consulting	18,920	16,393
Uniforms	5,271	3,115
Dues and memberships	4,131	3,614
Purchased power	2,475	2,298
Janitorial and pest control	6,545	1,625
Equipment lease	691	831
	<u>597,779</u>	<u>507,136</u>
Total General and Administrative		
Depreciation	<u>586,403</u>	<u>595,854</u>
	<u>\$ 1,888,852</u>	<u>\$ 1,983,130</u>
Total Operating Expenses		

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues  
Drainage Fund  
For the Fiscal Year Ended June 30, 2014  
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Special Taxes:		
Drainage service - residential	\$ 150,894	\$ 147,780
Drainage service - commercial	<u>29,203</u>	<u>28,630</u>
Total Special Taxes	<u>180,097</u>	<u>176,410</u>
Other Charges:		
Transfer fees	<u>698</u>	<u>729</u>
Total Operating Revenues	<u>\$ 180,795</u>	<u>\$ 177,139</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Drainage Fund  
For the Fiscal Year Ended June 30, 2014  
(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Drainage:		
Wages and salaries	\$ 49,914	\$ 46,034
Maintenance and repairs	24,618	26,965
Purchased power	9,840	14,990
Employer costs	24,592	21,375
Equipment rental	1,411	3,267
Legal and audit	-	1,256
Chemicals	2,599	1,838
Supplies	1,744	
Improvements	-	-
Permits	4,852	4,852
Uniforms	733	
Miscellaneous	<u>4,527</u>	<u>2,303</u>
Total Drainage	<u>124,830</u>	<u>122,880</u>
General and Administrative:		
Wages and salaries	33,999	31,533
Employer costs	16,675	16,222
Clerical expense	2,207	453
Communications	909	468
Insurance	3,348	2,740
Maintenance and repairs	7,417	6,570
Vehicle Expenses	8	204
Directors' meeting and expenses	1,325	1,499
Uniforms		
Office supplies	-	1,462
Legal and audit	3,258	921
Postage	1,320	1,208
Consulting services	9,192	64
Miscellaneous	750	1,262
Travel and meeting	639	582
Tuition reimbursement	24	47
Memberships	732	539
Training and safety	232	533
Purchased power	508	472
Equipment lease	<u>142</u>	<u>171</u>
Total General and Administrative	<u>82,685</u>	<u>66,950</u>
Total Operating Expenses	<u>\$ 207,515</u>	<u>\$ 189,830</u>



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues**

**Solid Waste Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Service Charges:		
Solid Waste - residential	\$ 622,521	\$ 616,974
Total Service Charges	<u>622,521</u>	<u>616,974</u>
Total Operating Revenues	<u>\$ 622,521</u>	<u>\$ 616,974</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses**

**Solid Waste Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Solid Waste:		
Contract charges	\$ 545,023	\$ 535,189
E-Waste disposal cost	-	\$ 23,568
Miscellaneous	<u>35,045</u>	<u>34,246</u>
Total Solid Waste	<u>580,068</u>	<u>593,003</u>
General and Administrative:		
Wages and salaries	27,868	25,847
Employer costs	13,668	13,296
Travel-Meetings	524	477
Tuition reimbursement	20	38
Clerical reimbursement	1,809	371
Office supplies	1,430	1,199
Mail machine lease	116	140
Insurance	2,744	2,246
Postage	1,082	990
Professional services	6,963	5,685
Utilities	658	634
Maintenance and repairs	1,964	3,031
Consulting	2,061	
Miscellaneous	1,719	1,231
Directors' meeting and expenses	<u>1,086</u>	<u>1,012</u>
Total General and Administrative	<u>63,712</u>	<u>56,197</u>
Total Operating Expenses	<u>\$ 643,780</u>	<u>\$ 649,200</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues**

**Security Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Special Taxes:		
Security service - residential	\$ 1,017,538	\$ 1,001,675
Security service - commercial	<u>168,574</u>	<u>165,900</u>
Total Special Taxes	<u>1,186,112</u>	<u>1,167,575</u>
Other Charges:		
Late charges	30,880	36,121
Transfer fees	8,024	8,626
Fines and permits	9,977	9,980
Other	<u>6,408</u>	<u>3,984</u>
Total Other Charges	<u>55,289</u>	<u>58,711</u>
Total Operating Revenues	<u>\$ 1,241,401</u>	<u>\$ 1,226,286</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Security Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Gate Services:		
Wages and salaries	\$ 277,671	\$ 277,630
Employer costs	192,769	163,998
Miscellaneous	2,527	4,972
Equipment repairs and maintenance	19,608	20,193
Supplies	4,471	5,872
Communications	3,667	5,680
Janitor and pest controls	6,541	3,157
Purchased power	2,323	2,408
Training and safety	1,695	-
Uniforms	2,379	1,795
	<u>513,651</u>	<u>485,705</u>
Patrol Services:		
Wages and salaries	241,924	229,563
Employer costs	122,024	123,134
Vehicle fuel	19,366	18,259
Off-duty sheriff patrol	3,762	8,689
Vehicle maintenance	11,198	9,450
Uniforms	1,206	1,054
Miscellaneous	253	1,268
Cellular phone	3,049	3,461
Equipment repairs and maintenance	4,611	278
Janitor and pest control	1,948	2,133
Supplies		
Travel/meetings	4,171	2,212
Tuition reimbursement	81	155
Training and safety	772	1,891
	<u>414,365</u>	<u>401,547</u>
General and Administrative:		
Wages and salaries	210,005	191,876
Employer costs	90,528	88,058
Clerical services	7,345	1,506
Insurance	11,142	9,117
Legal and audit	12,108	13,886
Supplies	11,594	12,220
Directors' meetings and expenses	4,408	4,988
Training and safety	1,145	4,081
Consulting	8,368	213
Uniforms		
Purchased power	1,692	1,571
	<u>358,335</u>	<u>327,516</u>
Subtotal General and Administrative	<u>358,335</u>	<u>327,516</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expense (Continued)**

**Security Fund**

**For the Fiscal Year Ended June 30, 2014**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
Subtotal General and Administrative:	\$ 358,335	\$ 327,516
Communications	3,489	2,002
Equipment repairs and maintenance	24,475	21,897
Postage	4,393	4,021
Bad debts	-	-
Travel and meetings	-	-
Miscellaneous	6,431	6,398
Memberships	2,437	1,792
Equipment lease	473	568
Vehicle expenses	-	-
Uniform	-	-
	<u>400,033</u>	<u>364,194</u>
Total General and Administrative		
Depreciation	<u>33,378</u>	<u>37,562</u>
Total Operating Expenses	<u>\$ 1,361,427</u>	<u>\$ 1,289,008</u>

# LARRY BAIN, CPA

An Accounting Corporation

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

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

We have audited the Financial Statements of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated February 18, 2015. In our audit report we issued an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 14-1, and 14-2 in the following schedule of findings to be significant deficiencies in the District's internal control:

**Purpose of this Report**

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

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

*Larry Bain, CPA,*  
*An Accounting Corporation*  
February 18, 2015

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Findings and Recommendations**  
**June 30, 2014**

**Finding 14-1:** During our testing of accounts receivable we noted several Developers had not been billed \$22,782 which they owed as of June 30, 2014 for reimbursement of costs related to the new water treatment plant. This amount had not been billed as of our fieldwork date and it was not included as an accounts receivable in the general ledger.

**Recommendation:** We recommend the District maintain controls over reimbursable developer costs and bill on a regular basis and within a reasonable amount of time. The amounts owed should be tracked in the general ledger.

**District Response:** The District concurs with the recommendation and has established sub-ledger accounts to track reimbursable developer costs.

**Finding 14-2:** During our testing of accounts payable we noted the following items were not accrued by the District at year-end: \$5,774.27 payable to U.S. Bank Corp Payment, \$4,018.98 payable to California Laboratory Services and \$4,010.77 payable to AECOM Technical Services, Inc.

**Recommendation:** We recommend the District reconcile the accounts payable at year-end and have year-end procedures in place to verify that all appropriate items have been accrued.

**District Response:** The District concurs with the recommendation and will ensure that in the future all appropriate items are accrued at year-end.