

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**COMMUNITY FACILITIES DISTRICT NO. 1**

**COMPONENT UNIT FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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

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# LARRY BAIN, CPA

An Accounting Corporation

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

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

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

### **Auditors' Responsibility**

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

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

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

**Opinion**

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

**Other Matters***Required Supplementary Information*

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

**Other Information**

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

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

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

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

Current Assets	
Cash and investments	\$ 27,111
Total Assets	<u>\$ 27,111</u>
Current Liabilities	
Accounts payable	\$ 75
Total Liabilities	<u>75</u>
Net Position	
Restricted	<u>27,036</u>
Total Net Position	<u>\$ 27,036</u>

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

**STATEMENT OF ACTIVITIES  
JUNE 30, 2016**

	Expenses	Program Revenues Capital Grants and Contributions	Total
Governmental Activities:			
General government	\$ 309,768	\$ 306,688	\$ (3,080)
Total Governmental Activities	\$ 309,768	\$ 306,688	(3,080)
General Revenues:			
Investment income			-
Total general revenues			-
Change in net position			(3,080)
Net position - beginning			30,116
Net position - ending			\$ 27,036

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

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

Assets	
Cash and investments	\$ 27,111
Total Assets	<u>\$ 27,111</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 75
Total Liabilities	<u>75</u>
Fund Balance	
Fund balances	
Restricted for CFD #1	27,036
Total Fund Balance	<u>27,036</u>
Total Liabilities and Fund Balance	<u>\$ 27,111</u>

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

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

Fund Balances of Governmental Funds	\$ 27,036
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Amounts reported for governmental activities in the statement of net position are different because:

Some liabilities, including long-term debt and accrued interest are not due and payable in the current period and therefore are not reported in the funds.

	<u>-</u>
Net position of governmental activities	<u><u>\$ 27,036</u></u>



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

**GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR the FISCAL YEAR END JUNE 30, 2016**

Revenues	
Developer contributions	\$ 306,688
Investment income	-
Total Revenues	<u>306,688</u>
Expenditures	
Current:	
Administration	<u>3,080</u>
Total Expenditures	<u>3,080</u>
Excess (Deficit) of Revenues over expenditures	<u>303,608</u>
Other financing sources (uses)	
Transfer developer contributions to other government	<u>(306,688)</u>
Net Change in Fund Balance	<u>(3,080)</u>
Fund Balance, July 1, 2015	<u>30,116</u>
Fund Balance, June 30, 2016	<u><u>\$ 27,036</u></u>

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

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

Net Change in Fund Balances - Total Governmental Funds \$ (3,080)

Amounts reported for governmental activities in the Statement of Activities  
differs from the amounts reported in the Statement of Revenues, Expenditures  
and Changes in Fund Balances because:

Change in net position of governmental activities \$ (3,080)

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

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

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

The accounting policies of Rancho Murieta Community Services District, Community Services District No. 1 conform to accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CFD's accounting policies are described below.

**A. Reporting Entity**

The Rancho Murieta Community Services District, Community Facilities District No. 1 (CFD) was formed in March 1, 1991, by resolution of the Rancho Murieta Community Services District's Board of Directors for the sole purpose of acquiring and constructing water and sewer facilities that will benefit the inhabitants within the Rancho Murieta Community. In order to finance the expansion of water and sewer facilities, special tax bonds totalling \$12,925,000 were issued pursuant to the Mello-Roos Community Facilities Act of 1982. These tax bonds were paid off during the 2013-14 fiscal year.

As of June 30, 1997, all acquisitions and constructed facilities funded by the special tax bonds were completed and transferred to the Rancho Murieta Community Services District. Additional construction costs incurred by the CFD are funded by developers under shortfall agreements.

During the 2015-16 fiscal year the CFD #1 was used as a financing conduit for the construction of the new wastewater treatment plant under developer financing agreements.

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

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

**B. Basis of Presentation**

**Government-wide Statements:** The Statement of Net Position and the Statement of Activities include the financial activities of the overall CFD government. Eliminations are made to minimize the double accounting of internal activities.

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

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

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

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

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

**C. Major Funds:**

GASB Statement No.34 defines major funds and requires that the CFD's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund- type total and five percent of the total for all fund types. The CFD #1 has only one fund for financial reporting purposes.

**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.

Governmental Funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measureable and available*.

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

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

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

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

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

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

**F. Estimates**

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

**G. Net Position/Fund Equity**

**Government-wide Financial Statements**

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

Unrestricted Net Position- This amount is all net position that do not meet the definition of restricted net position.

**Fund Financial Statements**

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

**NOTE 2: CASH AND INVESTMENTS**

Deposits with financial institutions	\$ 18,777
Investments	<u>8,334</u>
Total cash and investments - restricted	<u><u>\$ 27,111</u></u>

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

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

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

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

The table below identifies the **investment types** that are authorized for the Rancho Murieta Community Services District Community Facilities District No 1. (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk, credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

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

**B. Disclosures Relating to Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
CAMP Investment Pool*	\$ 8,334	\$ 8,334	\$ -
Totals	<u>\$ 8,334</u>	<u>\$ 8,334</u>	<u>\$ -</u>

\*Not subject to categorization

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

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End Not Rated</u>
CAMP Investment Pool	\$ 8,334	N/A	\$ -	\$ 8,334
Total investments	<u>\$ 8,334</u>		<u>\$ -</u>	<u>\$ 8,334</u>

D. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than money market fund reserve) that represent 5% or more of total District investment.

F. Custodial Credit Risk

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

At June 30, 2016, \$0 of the District’s deposits with financial institutions were in excess of federal depository insurance limits required to be held in collateralized accounts.

# LARRY BAIN, CPA

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

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

We have audited the Financial Statements of the Rancho Murieta Community Services District CFD #1 (CFD) as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 3, 2016. In our audit report we issued an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

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

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Purpose of this Report**

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

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

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