



## RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 Jackson Road, Rancho Murieta, CA 95683  
Office - 916-354-3700 \* Fax - 916-354-2082

### FINANCE COMMITTEE

Regular Meeting  
December 5, 2017 at 9:30 a.m.

All persons present at District meetings will place their cellular devices in silent and/or vibrate mode (no ringing of any kind). During meetings, these devices will be used only for emergency purposes and, if used, the party called/calling will exit the meeting room for conversation. Other electronic and internet enabled devices are to be used in the "silent" mode. Under no circumstances will recording devices or problems associated with them be permitted to interrupt or delay District meetings.

### AGENDA

1. **Call to Order**
2. **Comments from the Public**
3. **Review 2016-2017 Audit**
4. **Receive OPEB/GASB 45 Update**
5. **Directors & Staff Comments/Suggestions [no action]**
6. **Adjournment**

*In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the District offices during normal business hours. If, however, the document is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting.*

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is December 1, 2017. Posting locations are: 1) District Office; 2) Rancho Murieta Post Office; 3) Rancho Murieta Association; 4) Murieta Village Association.

## MEMORANDUM

Date: December 1, 2017  
To: Finance Committee  
From: Eric Thompson, Controller  
Subject: Receive and File the 2016-2017 Annual Rancho Murieta Community Services District Audit Report and the Community Facilities District #2014-1 Audit Report

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### RECOMMENDED ACTION

No action - receive and file.

### BACKGROUND

Electronic copies of the 2016-2017 CSD and CFD#2014-1 audits were distributed last week on November 27, 2017 and November 29, 2017, respectively. Bound, hard copies of the final audits will be available to attending staff and Directors at the December Finance Committee meeting. Mr. Larry Bain, head of Larry Bain, CPA – An Accounting Corporation (the District's auditors) will attend the December 20, 2017 Board meeting to present the final audit and to answer any questions from the Board of Directors.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

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# LARRY BAIN, CPA

## AN ACCOUNTING CORPORATION

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2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894  
[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

### **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, 2017, 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 controls 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 controls 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, 2017, 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 3–9 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.

The required supplementary information other than MD&A, as listed in the table of contents on pages 47 and 48, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### **Other Information**

We have also issued our report dated November 12, 2017 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 on pages 34-46, 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  
November 12, 2017

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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, 2017. 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 \$34,669,541 (net position). Of this amount, \$4,956,423 (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total net position decreased by \$284,147 during the 2016-2017 fiscal year; unrestricted net position increased \$881,273.

**Overview of the Basic Financial Statements**

This annual financial report consists of four parts: (1) Management's Discussion and Analysis; (2) the Basic Financial Statements; (3) Notes to Basic Financial Statements; and (4) 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, 2017**

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 units 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 **10-19** 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 **19-33** of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$34,660,541 (net position) at the close of the most recent fiscal year.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

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

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 9,200,865	\$ 9,259,169
Capital Assets - net of accumulated depreciation	29,713,118	30,878,538
<b>Total Assets</b>	<b>38,913,983</b>	<b>40,137,707</b>
Deferred Outflow of Resources	691,332	266,017
<b><u>Liabilities</u></b>		
Current Liabilities	1,796,138	2,713,203
Long-term Liabilities	2,878,101	2,291,152
<b>Total Liabilities</b>	<b>4,674,239</b>	<b>5,004,355</b>
Deferred Inflow of Resources	261,535	445,681
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	29,713,118	30,878,538
Unrestricted Net Position	4,956,423	4,075,150
<b>Total Net Position</b>	<b>\$ 34,669,541</b>	<b>\$ 34,953,688</b>

- The District's total net position decreased by \$284,147 during the current fiscal year. Unrestricted net position increased \$881,273 while capital assets, net of accumulated depreciation, decreased \$1,165,420. The decrease in capital assets is primarily due to increased depreciation expenses. The largest of these being for the Water Treatment Plant #1 (WTP#1) Expansion & Upgrade project, which was placed in service April 11, 2016. Capital asset depreciation expense during the year was \$1,484,464.
- Designated cash and investments, which are capital reserves designated for capital improvements and replacements increased \$800,788. In addition to recurring monthly reserve contributions, on April 19, 2017 the District Board of Directors approved an additional \$360,000 of excess working capital to be transferred to capital reserves.
- The District's Net Pension Liability increased by \$590,595 year-over-year, primarily due to the interest charged on the District's proportionate share of the total pension liability. Despite this large increase, Total Liabilities decreased by \$330,116 during the current fiscal year.
- The District had three (3) inter-fund borrowings as of 6/30/2017. Each of these borrowings are being repaid through monthly installments and interest is calculated based on the earnings reported monthly by LAIF.
  - WTP#1 Borrowing from Sewer Capital Replacement Reserves - \$1,137,180
  - WTP#1 Borrowing from Water Augmentation Reserves - \$379,060
  - Security North Gate Borrowing from Drainage Capital Improvement Reserves - \$63,203
- By far the largest portion of the District's net position (85.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) (Net Capital Assets \$29,713,118 / Total Net Position \$34,669,541 = 85.7%). Some of these 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.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

**Enterprise-Type Activities – Water, Sewer, Drainage, Solid Waste and Security**  
**Rancho Murieta Community Services District Changes in Net Position**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Revenues</b>		
Operating revenues	\$ 5,477,755	\$ 5,393,741
Nonoperating revenues	1,345,923	1,302,001
CFD Reimbursements	26,976	878,689
<b>Total Revenues</b>	<u>6,850,654</u>	<u>7,574,431</u>
<b>Operating Expenses</b>		
Water	1,228,389	1,459,825
Sewer	692,530	574,637
Drainage	148,418	145,616
Security	1,024,460	984,933
Solid waste	594,996	609,600
General and administration	1,961,543	1,628,536
Depreciation	1,484,464	1,225,574
<b>Total Operating Expenses</b>	<u>7,134,801</u>	<u>6,628,721</u>
<b>Change in Net Position</b>	<u>(284,147)</u>	<u>945,710</u>
Net Position (restated), Beginning of Fiscal Year	34,953,688	34,213,435
Prior Period Adjustment	-	(205,457)
<b>Net Position, End of Fiscal Year</b>	<u>\$ 34,669,541</u>	<u>\$ 34,953,688</u>

Key elements of the enterprise activities are as follows:

- Total operating revenues increased 1.6% year-over-year. Water operating revenues increased by \$92,130 or 4.9% due to a 1.2% increase in Water service rates, new development, and relaxed conservation efforts. Sewer operating revenues decreased by \$17,567 or (1.3%) and were budgeted for a decrease in rates of (1.9%) versus the prior year. Security operating revenues increased \$3,032 or 0.2% which was in line with the 0.0% change in budgeted rates. Drainage operating revenues increased \$464 or 0.2% on a 0.0% rate change. Solid Waste rates were also budgeted flat year-over-year and operating revenues increased \$5,955 or 0.9%.
- Non-operating revenues increased \$43,922 or 3.4% due primarily to a 5.0% increase in property tax revenues received through Sacramento County, and a 68.7% increase in investment interest income.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Water operating expenses (excluding depreciation) decreased \$231,436 or (15.9%). This decrease is related to increased wages, employer costs, and temporary filtration that were incurred during the prior fiscal year for the WTP#1 Expansion and Upgrade Project.
- The Sewer Department collects, treats, and disposes of Rancho Murieta community waste water. Rancho Murieta experienced excessive rains during the 2016-2017 fiscal year. Wages and employer costs were \$128,606 or 24.3% higher than the prior year. Total Sewer operating expenses (excluding depreciation) increased \$117,893 or 20.5%.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses increased \$2,802 or 1.9% with savings in wages and employer costs being offset by increased chemicals and maintenance costs.
- Solid Waste services are provided by contract through California Waste Recovery Services. Operating expenses for Solid Waste decreased \$14,604 or (2.4%). This decrease is related to the Household Hazardous Waste event that was held in fiscal year 2015-2016, but not in the current fiscal year.
- The Security department provides gate and patrol services. Operating expenses for Gate services increased \$32,623 or 6.4%. This increase is primarily related to contract staffing during multiple position vacancies. Operating expenses for Patrol services increased \$6,904 or 1.5% with increases in wages and salaries being offset by reductions in contract staffing.
- The Administration department covers the remaining staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. The Administration department is not a reporting entity for financial statement purposes and its activities, revenues, and costs are allocated to the Water, Sewer, Drainage, Solid Waste and Security departments on a prorated basis. Allocated, district-wide Administration costs are combined with individual department administration costs on the Statement of Revenues, Expenses, and Changes in Net Position and are shown as General and Administrative costs. District-wide General and Administrative costs increased \$36,099 or 3.1%. This increase is due to overlapping wages and employer costs during the transition of the general manager position, increased insurance costs, GM recruitment expenses, and significantly higher legal expenses. Legal expenses increased by \$27,445 or 41.3% year-over-year and included \$44,083 in fees related to the ongoing M&R litigation.

	<b>Capital Assets</b>			
	July 1, 2016	Additions	Adjustments/ Deletions	
<b>Depreciable Capital Assets</b>				
Water Transmission	\$ 7,333,004	\$ -	\$ -	\$ 7,333,004
Water Treatment	22,669,142	59,972	-	22,729,114
Studies	743,999	-	-	743,999
Collection Facilities	4,973,669	-	-	4,973,669
Sewer treatment and disposal	16,048,109	-	-	16,048,109
Lake Chesbro Protection	270,020	-	-	270,020
Waste Discharge	549,152	-	-	549,152
Buildings and improvements	822,032	-	-	822,032
Vehicles & Equipment	1,761,467	24,226	(12,980)	1,772,713
<b>Total Depreciable Capital Assets</b>	<b>55,170,593</b>	<b>84,198</b>	<b>(12,980)</b>	<b>55,241,809</b>
Less - Accumulated Depreciation	(25,398,782)	(1,484,464)	12,980	(26,870,266)
<b>Net Depreciable Capital Assets</b>	<b>29,771,811</b>	<b>(1,400,266)</b>	<b>-</b>	<b>28,371,543</b>
<b>Non-Depreciable Capital Assets</b>				
Construction in Progress	515,037	234,848	-	749,885
Land	591,690	-	-	591,690
<b>Total Non-Depreciable Capital Assets</b>	<b>1,106,727</b>	<b>234,848</b>	<b>-</b>	<b>1,341,575</b>
<b>Net Capital Assets</b>	<b>\$ 30,878,538</b>	<b>\$ (1,165,418)</b>	<b>\$ -</b>	<b>\$ 29,713,118</b>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

**Capital Assets.** The District's investment in capital assets as of June 30, 2017 amounted to \$29,713,118 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was (3.8%).

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

- Recycled Water Program Implementation Plan & Pre-Design (*in-progress*)
- Solar Power Project at the Sewer Waste Water Treatment Plant
- SCADA System Replacement at Sewer Waste Water Treatment Plant
- 2016 Jeep Patriot purchased (capital lease) for Security Patrol
- Capital Improvement / Water Augmentation Fee Study (*in-progress*)

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

The Board of Directors adopted the District's 2017/2018 annual budget on June 21, 2017 which provides for the District's operating and capital costs for the 2017/2018 fiscal year. On May 18, 2016 California state regulators lifted the statewide drought restrictions that were declared by Governor Jerry Brown on January 1, 2014. Since that time the District has seen water usage steadily increase. During the first four months of the 2017/2018 fiscal year, residential water consumption was up 15.1% versus the prior year.

Development will continue to be a major focus for the District in the coming year(s). Rancho Murieta Properties, LLC originally submitted preliminary development plans to Sacramento County that included the proposed addition of eight residential villages and one commercial site. Within the eight residential villages, 827 single-family detached lots were planned on roughly 350 net developable acres. As of November 21, 2017, the project (as shown on the Sacramento County planning website) included 795 single-family lots on roughly 338 acres. These proposed development plans will continue to be revised and modified as the project moves forward. Construction on The Murieta Inn & Spa and on the Retreats West, North, and East subdivisions continued throughout 2016-2017 and will continue into future fiscal years.

The District continues to manage and account for CFD 2014-1. This CFD (Community Facilities District) was formed at the request of the developers of the Murieta Inn & Spa and Rancho Murieta North Properties to finance their portion of the WTP#1 Expansion and Upgrade project. Under CFD 2014-1 tax exempt bonds were sold on January 29, 2015 and provided \$4,358,245 of bond revenue for the project. The CFD 2014-1 (through Sacramento County) performed its first Mello-Roos tax assessment on subject properties in August 2017. Bond maturities stretch from 2018 to 2044 and subsequent tax assessments will be levied annually for payment of interest and principle to bond investors.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2017**

The replacement of a Security Patrol Vehicle (\$26,000) and Two Way Radios (\$12,000) were the only new capital projects added to the 2017-2018 budget. Projects carried forward from prior years include:

- 1) Augmentation Well Development
- 2) Wastewater Recovery Plant Filter PLC Replacement
- 3) Main Lift North Generator Replacement
- 4) Granlees Forebay Repairs
- 5) Truck Replacement in the Water/Sewer Departments
- 6) Electronic Documents Management System

The District's rates for Water, Sewer, Drainage, Security and Solid Waste services are reviewed annually by staff and the Board of Directors. For fiscal year 2017-2018, the District increased rates by approximately 0.6% for Water services. Sewer service rates increased by 0.7% and Solid Waste rates went up 1.1%. Special tax rates for Security and Drainage went up 4.0% and 4.1%, respectively. Overall, the average customer's monthly bill for 2017-2018 is projected to be \$2.22 higher than during the previous year.

**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 District's financial operations. 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, 2017**

**(With Comparative Totals for June 30, 2016)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 364,190	\$ 730,479	\$ 43,921
Accounts receivable	341,040	203,880	30,286
Grants receivable	-	-	-
Interest receivable	1,246	173	26
Prepaid Expenses	70,762	24,855	3,627
Deposits	-	-	-
Due from other funds		1,137,180	63,203
Due from developers			
Total Current Assets	<u>777,238</u>	<u>2,096,567</u>	<u>141,063</u>
Capital Assets - net of accumulated depreciation	<u>19,582,834</u>	<u>9,705,417</u>	
Other Assets:			
Cash and investments -designated	2,157,068	2,616,833	351,915
Interest receivable - designated	4,337	5,010	806
Total Other Assets	<u>2,161,405</u>	<u>2,621,843</u>	<u>352,721</u>
Total Assets	<u>22,521,477</u>	<u>14,423,827</u>	<u>493,784</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows-pensions	<u>238,908</u>	<u>157,992</u>	<u>32,197</u>
Total Deferred Outflows of Resources	<u>238,908</u>	<u>157,992</u>	<u>32,197</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 22,760,385</u>	<u>\$ 14,581,819</u>	<u>\$ 525,981</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 130,690	\$ 78,128	\$ 1,889
Accrued payroll	14,624	12,288	1,340
Post retirement medical liability	18,371	13,395	2,382
Deposits	154,603	45	9
Due to other funds	1,140,252	1,249	256
Due to others	-		
Capital lease			
Total Current Liabilities	<u>1,458,540</u>	<u>105,105</u>	<u>5,876</u>
Noncurrent Liabilities:			
Capital lease			
Net pension liability	925,684	657,121	126,443
Compensated absences	32,277	23,688	4,600
Total Noncurrent Liabilities	<u>957,961</u>	<u>680,809</u>	<u>131,043</u>
Total Liabilities	<u>2,416,501</u>	<u>785,914</u>	<u>136,919</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows-advances	11,195	8,168	1,678
Deferred inflows-pensions	70,634	60,129	10,024
Total Deferred Inflows of Resources	<u>81,829</u>	<u>68,297</u>	<u>11,702</u>
<u>Net Position</u>			
Net investment in capital assets	19,582,834	9,705,417	
Net Position:			
Unrestricted	679,221	4,022,190	377,360
Total Net Position	<u>20,262,055</u>	<u>13,727,607</u>	<u>377,360</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 22,760,385</u>	<u>\$ 14,581,819</u>	<u>\$ 525,981</u>

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

Solid Waste Fund	Security Fund	Totals	
		2017	2016
\$ 245,747	\$ 152,606	\$ 1,536,943	\$ 2,422,339
65,071	347,579	987,856	799,250
		-	-
358	134	1,937	2,354
2,429	18,323	119,996	64,611
-	-	-	53,905
		1,200,383	1,363,748
		-	-
<u>313,605</u>	<u>518,642</u>	<u>3,847,115</u>	<u>4,706,207</u>
	<u>424,867</u>	<u>29,713,118</u>	<u>30,878,538</u>
6,201	211,098	5,343,115	4,547,581
	482	10,635	5,381
<u>6,201</u>	<u>211,580</u>	<u>5,353,750</u>	<u>4,552,962</u>
<u>319,806</u>	<u>1,155,089</u>	<u>38,913,983</u>	<u>40,137,707</u>
8,615	253,620	691,332	266,017
<u>8,615</u>	<u>253,620</u>	<u>691,332</u>	<u>266,017</u>
<u>\$ 328,421</u>	<u>\$ 1,408,709</u>	<u>\$ 39,605,315</u>	<u>\$ 40,403,724</u>
\$ 103,727	\$ 18,857	\$ 333,291	\$ 906,512
618	16,259	45,129	122,790
678	18,263	53,089	106,770
8	30	154,695	209,604
210	64,056	1,206,023	1,363,748
		-	1,438
	3,911	3,911	2,341
<u>105,241</u>	<u>121,376</u>	<u>1,796,138</u>	<u>2,713,203</u>
	12,499	12,499	7,908
33,759	1,033,297	2,776,304	2,185,709
<u>1,818</u>	<u>26,915</u>	<u>89,298</u>	<u>97,535</u>
<u>35,577</u>	<u>1,072,711</u>	<u>2,878,101</u>	<u>2,291,152</u>
<u>140,819</u>	<u>1,194,086</u>	<u>4,674,239</u>	<u>5,004,355</u>
1,375	5,583	27,999	22,306
<u>2,660</u>	<u>90,089</u>	<u>233,536</u>	<u>423,375</u>
<u>4,035</u>	<u>95,672</u>	<u>261,535</u>	<u>445,681</u>
	424,867	29,713,118	30,878,538
<u>183,568</u>	<u>(305,916)</u>	<u>4,956,423</u>	<u>4,075,150</u>
<u>183,568</u>	<u>118,951</u>	<u>34,669,541</u>	<u>34,953,688</u>
<u>\$ 328,421</u>	<u>\$ 1,408,709</u>	<u>\$ 39,605,315</u>	<u>\$ 40,403,724</u>

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Operating Revenues:			
Service charges	\$ 1,946,496	\$ 1,306,806	\$ -
Special taxes			188,006
Other charges	45,109	24,252	636
Total Operating Revenues	<u>1,991,605</u>	<u>1,331,058</u>	<u>188,642</u>
Operating Expenses:			
Source of supply	144,630		
Treatment	626,525		
Transmission and distribution	457,235		
Sewer collection		234,756	
Sewer treatment and disposal		457,774	
Drainage			148,418
Gate services			
Patrol services			
Solid waste			
General and administrative	806,335	624,197	73,962
Depreciation	829,781	609,394	
Total Operating Expenses	<u>2,864,506</u>	<u>1,926,121</u>	<u>222,380</u>
Operating Income (Loss)	<u>(872,901)</u>	<u>(595,063)</u>	<u>(33,738)</u>
Non-operating Revenues (Expenses):			
Taxes	211,445	161,437	33,157
Capital reserve fees	213,265	209,747	
Debt reserve fee	187,373		
Interest revenue	21,577	28,811	3,336
Rent			
Water augmentation	14,896		
Gain (Loss) on disposal of capital assets			
Refunds and reimbursements			
Interest expense	(9,074)		
Grant revenue			
Miscellaneous	29,841	6,899	1,438
Total Non-operating Revenues (Expenses)	<u>669,323</u>	<u>406,894</u>	<u>37,931</u>
Special Item			
CFD Project Reimbursement	13,488	13,488	
Change in Net Position	(190,090)	(174,681)	4,193
Net Position, Beginning of Fiscal Year	20,452,145	13,902,288	373,167
Prior Period Adjustments	-	-	-
Net Position, End of Fiscal Year	<u>\$ 20,262,055</u>	<u>\$ 13,727,607</u>	<u>\$ 377,360</u>

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

		Totals	
Solid Waste Fund	Security Fund	2017	2016
\$ 644,477	\$ -	\$ 3,897,779	\$ 3,799,886
	1,261,274	1,449,280	1,445,640
	60,699	130,696	148,215
<u>644,477</u>	<u>1,321,973</u>	<u>5,477,755</u>	<u>5,393,741</u>
		144,630	144,689
		626,525	861,654
		457,235	453,482
		234,756	173,090
		457,774	401,547
		148,418	145,616
	543,961	543,961	511,338
	480,499	480,499	473,595
594,996		594,996	609,600
60,373	396,676	1,961,543	1,628,536
	45,289	1,484,464	1,225,574
<u>655,369</u>	<u>1,466,425</u>	<u>7,134,801</u>	<u>6,628,721</u>
<u>(10,892)</u>	<u>(144,452)</u>	<u>(1,657,046)</u>	<u>(1,234,980)</u>
27,178	129,703	562,920	536,308
	67,580	490,592	478,919
		187,373	187,245
1,316	2,264	57,304	33,973
		14,896	20,482
			2,891
	(1,491)	(10,565)	(6,294)
	5,225	43,403	48,477
<u>28,494</u>	<u>203,281</u>	<u>1,345,923</u>	<u>1,302,001</u>
		26,976	878,689
17,602	58,829	(284,147)	945,710
165,966	60,122	34,953,688	34,213,435
-	-		(205,457)
<u>\$ 183,568</u>	<u>\$ 118,951</u>	<u>\$ 34,669,541</u>	<u>\$ 34,953,688</u>

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,946,725	\$ 1,343,872	\$ 187,903
Payments to employees	(1,118,058)	(687,958)	(153,694)
Payments to suppliers	(1,524,477)	(699,512)	(89,256)
Net Cash Provided By (Used In) Operating Activities	(695,810)	(43,598)	(55,047)
Cash Flows from Non-capital Financing Activities:			
Taxes received	211,445	161,437	33,157
Grants			
Debt reserve fee	187,373		
Miscellaneous	44,737	6,899	1,438
Net Cash Provided By (Used In) Non-capital Financing Activities	443,555	168,336	34,595
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(231,602)	(63,217)	
Interfund lending	(137,457)	141,778	23,092
Cash received from sale of assets			
CFD project reimbursement	13,488	13,488	
Debt activity	(9,074)		
Capital reserve fees	213,265	209,747	
Net Cash Provided By (Used In) Capital and Related Financing Activities	(151,380)	301,796	23,092
Cash Flows from Investing Activities:			
Interest received	20,118	26,056	2,964
Net Cash Provided by Investing Activities	20,118	26,056	2,964
Net Increase (Decrease) in Cash and Cash Equivalents	(383,517)	452,590	5,604
Cash and Cash Equivalents, July 1	2,904,775	2,894,722	390,232
Cash and Cash Equivalents, June 30	<u>\$ 2,521,258</u>	<u>\$ 3,347,312</u>	<u>\$ 395,836</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and investments	\$ 364,190	\$ 730,479	\$ 43,921
Restricted cash and investments	2,157,068	2,616,833	351,915
Total Cash and Cash Equivalents	<u>\$ 2,521,258</u>	<u>\$ 3,347,312</u>	<u>\$ 395,836</u>

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

Solid Waste Fund	Security Fund	Totals	
		2017	2016
\$ 644,412	\$ 1,170,926	\$ 5,293,838	\$ 6,328,099
(40,093)	(1,248,233)	(3,248,036)	(3,048,204)
(634,520)	(248,717)	(3,196,482)	(2,912,012)
(30,201)	(326,024)	(1,150,680)	367,883
27,178	129,703	562,920	536,308
		-	-
		187,373	187,245
	5,225	58,299	72,612
27,178	134,928	808,592	796,165
210	(24,228)	(319,047)	(2,541,834)
	(21,983)	5,640	-
		-	2,898
		26,976	878,689
	4,670	(4,404)	1,896
	67,580	490,592	478,919
210	26,039	199,757	(1,179,432)
1,165	2,168	52,471	30,346
1,165	2,168	52,471	30,346
(1,648)	(162,889)	(89,860)	14,962
253,597	526,593	6,969,919	6,954,958
<u>\$ 251,949</u>	<u>\$ 363,704</u>	<u>\$ 6,880,059</u>	<u>\$ 6,969,919</u>
\$ 245,747	\$ 152,606	\$ 1,536,944	\$ 2,422,339
6,201	211,098	5,343,114	4,547,581
<u>\$ 251,949</u>	<u>\$ 363,704</u>	<u>\$ 6,880,059</u>	<u>\$ 6,969,919</u>

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (872,901)	\$ (595,063)	\$ (33,738)
Noncash items included in operating loss			
Depreciation	829,781	609,394	
Changes in assets and liabilities			
Decrease (increase) in operating assets			
Accounts receivable	(12,218)	1,051	(4,574)
Prepaid expenses	(21,223)	(17,019)	(2,823)
Deposits	19,374	10,221	3,550
Due from others			
GASB 68 adjustments	(8,772)	(5,421)	(1,168)
Increase (decrease) in operating liabilities			
Accounts payable	(523,392)	(23,109)	(6,794)
Accrued payroll	(32,244)	(11,815)	(7,113)
Post retirement medical liability	(18,547)	(12,800)	(2,487)
Deposit liability	(54,554)		(32)
Due to others	(1,438)		
Compensated absences	(2,194)	(580)	(185)
Deferred revenue	2,518	1,543	317
Net Cash Provided By (Used In) Operating Activities	\$ (695,810)	\$ (43,598)	\$ (55,047)

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

Solid Waste Fund	Security Fund	Totals	
		2017	2016
\$ (10,892)	\$ (144,452)	\$ (1,657,045)	\$ (1,234,980)
	45,289	1,484,464	1,225,574
(866)	(171,998)	(188,605)	1,061,236
(1,770)	(12,550)	(55,384)	(636)
682	20,078	53,905	(905)
		-	29,809
(313)	(8,884)	(24,558)	(192,439)
(15,929)	(3,997)	(573,221)	(374,047)
(881)	(25,608)	(77,661)	16,189
(683)	(19,164)	(53,681)	32,080
(141)	(183)	(54,910)	166
		(1,438)	1,438
332	(5,610)	(8,239)	14,252
260	1,055	5,693	(209,854)
<u>\$ (30,201)</u>	<u>\$ (326,024)</u>	<u>\$ (1,150,680)</u>	<u>\$ 367,883</u>

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Statement of Fiduciary Net Position  
June 30, 2017**

	<u>PARS OPEB</u>	<u>CFD</u>
	<u>Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and investments	\$ 1,395,211	\$ 996,939
Prepaid expense		1,550
Due from others		5,642
	<hr/>	<hr/>
Total Assets	<u>\$ 1,395,211</u>	<u>\$ 1,004,131</u>
 <u>Liabilities</u>		
Due to others	<u>\$ -</u>	<u>\$ 1,004,131</u>
	<hr/>	<hr/>
Total Liabilities		1,004,131
 <u>Net Position</u>		
Held in trust for OPEB benefits	<u>1,395,211</u>	
	<hr/>	
Total Liabilities and Net Position	<u><u>\$ 1,395,211</u></u>	<u><u>\$ 1,004,131</u></u>

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

Additions:	
Employer contributions	<u>\$ 189,009</u>
Total contributions	<u>189,009</u>
 Investment income (loss):	
Net adjustment to fair value of investments	<u>123,553</u>
Total Additions (Deductions)	<u>123,553</u>
	<hr/>
Change in plan net position	<u>312,562</u>
 Net Position:	
Held in trust for OPEB benefits:	
Beginning of year	<u>1,082,649</u>
End of year	<u><u>\$ 1,395,211</u></u>

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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 services throughout the Rancho Murieta Community. The District's financial and administrative functions are governed by a five member Board of Directors elected by the voting population within the District.

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

A. Reporting Entity

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

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

Special Assessment Districts – The special assessment districts are the Community Facilities District No. 1 and the Community Facilities District No. 2014-1. These Special Assessment Districts were 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 Districts but functions as an agent for the property owners by collecting assessments, forwarding collections to special assessment debt holders, and, if appropriate, initiating foreclosures on delinquent property owners. Because of the special financing relationships, the Community Facilities District No. 1 and 2014-1 have been included in the financial statements as fiduciary fund types.

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 non-major 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, 2017**

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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating 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 non-major 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 reports on 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, 2017**

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 with the 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. When both restricted and unrestricted resources are available for use, the District uses restricted resources first, and then unrestricted resources as needed.

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, 2017**

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 is classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net position that is invested in capital assets, net of related debt, consists 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 it 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. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. 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.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 1: Significant Accounting Policies (Continued)

O. 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.

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	\$ 1,536,943
Designated cash and investments	5,343,115
Cash and investments, Statement of Net Position	6,880,058
Cash and investments, Statement of Fiduciary Net Assets	2,392,150
Total cash and investments	\$ 9,272,208

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	815,583
Investments	8,456,375
Total cash and investments	\$ 9,272,208

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

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

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 2: Cash and Investments (Continued)

B. Investments Authorized by Debt Agreements

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

<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>	Totals	<u>Remaining Maturity (in Months)</u>	
		12 Months or Less	13-48 Months
CAMP*	\$ 605,067	\$ 605,067	\$ -
State Investment Pool*	5,459,158	5,459,158	
PARS Trust*	1,395,211	1,395,211	
Money Market*	996,939	996,939	
Totals	<u>\$ 8,456,375</u>	<u>\$ 8,456,375</u>	<u>\$ -</u>

*\*Not subject to categorization*

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 2: Cash and Investments (Continued)

D. Disclosures Relating to Credit Risk:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of</u> <u>Fiscal Year End</u>
				<u>Not Rated</u>
CAMP Investment Pool	\$ 605,067	N/A	\$ -	\$ 605,067
State Investment Pool	5,459,158	N/A	-	5,459,158
Pars Trust	1,395,211	N/A	-	1,395,211
Money Market	996,939	N/A	-	996,939
Total investments	<u>\$ 8,456,375</u>		<u>\$ -</u>	<u>\$ 8,456,375</u>

Generally, credit risk is the risk that the 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 (where applicable) by 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.

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, 2017, \$724,362 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, 2017, the District did not hold any investments in any 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, 2017**

Note 3: Capital Assets

Capital Assets at June 30, 2017, consist of the following:

	Balance July 1, 2016	Additions	Adjustments/ Deletions	Balance June 30, 2017
<b>Water</b>				
Depreciable assets:				
Water Transmission	\$ 7,333,004	\$ -	\$ -	\$ 7,333,004
Water Treatment	22,669,142	59,972		22,729,114
Studies	743,999			743,999
Vehicles and equipment	599,721			599,721
Subtotal	31,345,867	59,972	-	31,405,839
Less: Accumulated Depreciation	(11,466,399)	(829,781)		(12,296,180)
Net Capital Assets	19,879,468	(769,809)	-	19,109,658
Non-depreciable assets:				
Construction in progress	287,905	171,631		459,536
Land	13,640	-	-	13,640
Subtotal	301,545	171,631	-	473,176
Net Capital Assets	\$20,181,013	\$ (598,178)	\$ -	\$ 19,582,834
<b>Sewer</b>				
Depreciable assets:				
Collection Facilities	\$ 4,973,669	\$ -	\$ -	\$ 4,973,669
Pumping facility	42,763			42,763
Treatment Plant/Facilities	16,005,346			16,005,346
Vehicles and equipment	611,398			611,398
Lake Chesbro Protection	270,020			270,020
Waste Discharge	549,152			549,152
Telemetry Building	512,452			512,452
Subtotal	22,964,800	-	-	22,964,800
Less: Accumulated Depreciation	(13,518,386)	(609,395)		(14,127,781)
Net Capital Assets	9,446,414	(609,395)	-	8,837,018
Non-depreciable assets:				
Construction in progress	227,132	63,217		290,349
Land	578,050			578,050
Subtotal	805,182	63,217	-	868,399
Net Capital Assets	\$10,251,596	\$ (546,178)	\$ -	\$ 9,705,417
<b>Security</b>				
Depreciable assets:				
Vehicle and equipment	\$ 550,347	\$ 24,226	\$ (12,980)	\$ 561,593
Buildings and improvements	309,580			309,580
Subtotal	859,927	24,226	(12,980)	871,173
Less: Accumulated Depreciation	(413,997)	(45,289)	12,980	(446,306)
Net Capital Assets	\$ 445,930	\$ (21,063)	\$ -	\$ 424,867

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 4: Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017
Compensated absences	\$ 97,536	\$ 99,858	\$ (108,097)	\$ 89,297
Capital lease	10,249	9,521	(3,360)	16,410
Net pension liability (note 6)	2,185,709	590,595		2,776,304
Total	<u>\$ 2,293,494</u>	<u>\$ 699,974</u>	<u>\$ (111,457)</u>	<u>\$ 2,882,011</u>

Capital Leases

On June 7, 2016, the District Board of Directors authorized the financing and purchase of a security vehicle. The cost of the vehicle was \$20,095 and the District took out a \$10,249 lease to finance a portion of the purchase. The District will make monthly payments of \$240 for four years with the interest rate set at 5.85%.

On August 26, 2016, the District Board of Directors authorized the financing and purchase of a security vehicle. The cost of the vehicle was \$22,521 and the District took out a \$9,521 lease to finance a portion of the purchase. The District will make monthly payments of \$156.80 for four years with the interest rate set at 5.70%.

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 or fiduciary fund level, 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 Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, which is a cost-sharing, multiple employer, defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include full descriptions of the pension plans, benefit provisions, assumptions and membership information and can be found on the CalPERS website.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous</b>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52 - 67
Monthly benefits , as a % of compensation	1.5% to 2%	1.0% to 2%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.89%	6.56%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	269,924
Contributions-employee (paid by employer)	\$	12,746

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<b>Proportionate share of Net pension liability</b>	
	\$	
Miscellaneous Plan	\$	2,776,304

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016 and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The District's proportionate share of the net pension liability as of June 30, 2015 and 2016 was as follows:

Proportion - June 30, 2015	0.07967%
Proportion - June 30, 2016	0.07992%
Change - Increase (Decrease)	0.000002

For the year ended June 30, 2017, the District recognized pension expense of \$245,366. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (37,802)
Changes of assumptions		(90,746)
Net difference between projected and actual earnings on pension plan investments	421,407	
Changes in proportion and differences between District contributions and proportionate share of contributions		(104,989)
District contributions subsequent to the measurement date	269,924	-
Total	<u>\$ 691,331</u>	<u>\$ (233,537)</u>

The \$269,924 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30:</u>	
2018	\$ (70,294)
2019	(47,178)
2020	195,703
2021	109,639
2022	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2%
Investment Rate of Return	7.50%

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The underlying mortality assumptions and all other actuarial assumptions used to set the actuarially determined contributions for fiscal year 2014-15 were based on the results of a June 30, 2012 funding valuation report. There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012 funding valuation report.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculations until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years). Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43
Inflation Sensitive	6%	0.45%	3.36
Private Equity	10%	6.83%	6.95
Real Estate	10%	4.50%	5.13
Infrastructure and Forestland	2%	4.50%	5.09
Liquidity	2%	-0.55%	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period



**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

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

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:

Payment of Unfunded Actuarial Accrued Liability	\$ (189,009)
Unreimbursed retiree premiums paid to plan providers	(101,226)
Increase (decrease) in net OPEB obligation	(290,235)
Net OPEB obligation - beginning of year	106,771
Annual Required Contribution (ARC).	236,550
Net OPEB obligation - end of year	\$ 53,086

A 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:

Fiscal Year End	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB (Obligation) Asset
June 30, 2015	254,870	104%	(74,691)
June 30, 2016	265,138	88%	(106,771)
June 30, 2017	236,872	123%	(53,086)

Funded Status and Funding Progress

As of June 30, 2017, the actuarial accrued liability (AAL) was \$2,687,749 and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,605,100. 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 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 July 1, 2016 actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions included a 7% 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 0.3% per year until reaching an ultimate rate of 5.5%. It was assumed salary increases will be 3.25% per annum.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2017**

Note 8: Special Assessment District

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

The amount of special assessment debt at June 30, 2017, is:

Community Facilities District No. 2014-1	<u>\$ 5,960,000</u>
--	---------------------

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, increased, or extended taxes and assessments subject to the provisions of Proposition 218 requires voter approval before it can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in future years by the voters.

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, 2017.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues**

**Water Fund**

**For the Fiscal Year Ended June 30, 2017**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Service Charges:		
Water sales - residential	\$ 1,757,711	\$ 1,653,031
Water sales - commercial	178,409	168,513
Water availability charges	310	500
Water sales - others	<u>10,067</u>	<u>13,172</u>
Total Service Charges	<u>1,946,496</u>	<u>1,835,215</u>
Other Charges:		
Water telephone line contracts	5,798	5,756
Ditch service charge	-	700
District project charges	16,031	36,889
Late charges	17,831	14,787
Water inspection fees	1,391	1,771
Transfer fees	<u>4,059</u>	<u>4,357</u>
Total Other Charges	<u>45,109</u>	<u>64,260</u>
Total Operating Revenues	<u>\$ 1,991,606</u>	<u>\$ 1,899,475</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses**

**Water Fund**

**For the Fiscal Year Ended June 30, 2017**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Source of Supply:		
Wages and salaries	\$ 21,211	\$ 11,122
Employer costs	9,098	5,791
Maintenance and repairs	11,366	6,787
Purchased power	51,202	68,614
Dam inspection costs	37,402	34,924
Chemical	14,350	17,450
Equipment rental	-	-
	<hr/>	<hr/>
Total Source of Supply	144,630	144,689
	<hr/>	<hr/>
Treatment:		
Wages and salaries	243,711	244,726
Employer costs	102,679	143,826
Purchased power	91,759	84,608
Chemicals	67,361	56,428
Maintenance and repairs	95,957	57,553
Supplies	10,561	2,193
Equipment rental	614	256,055
Lab tests	13,823	16,265
Miscellaneous	59	-
	<hr/>	<hr/>
Total Treatment	626,525	861,654
	<hr/>	<hr/>
Transmission and Distribution:		
Wages and salaries	194,654	200,102
Employer costs	84,049	89,228
Water meters	39,315	29,561
Maintenance and repairs	67,610	32,300
Purchased power	46,449	49,017
Equipment rentals	-	10,335
Road paving	24,886	41,898
Supplies	272	480
Miscellaneous	-	561
	<hr/>	<hr/>
Total Transmission and Distribution	457,235	453,482
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	277,294	268,712
Employer costs	123,419	73,898
	<hr/>	<hr/>
Subtotal General and Administrative	400,712	342,611
	<hr/>	<hr/>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses**

**Water Fund**

**For the Fiscal Year Ended June 30, 2017**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Subtotal General and Administrative:	\$ 400,712	\$ 342,611
Communications	12,892	16,340
Maintenance and repairs	70,808	89,825
Insurance	46,395	37,436
Permits	44,021	41,910
Supplies	11,270	12,281
Directors' meeting and expenses	6,768	5,257
Elections	2,121	-
Legal and audit	42,825	41,433
Training and safety	6,561	5,259
Vehicle expenses	22,645	18,038
Tools	5,753	9,004
Sacramento Water Authority	19,032	13,738
Miscellaneous	50,393	7,078
Postage	7,480	7,799
Travel and meetings	5,440	3,556
Tuition reimbursement	185	105
Consulting services	19,377	1,520
Dues and memberships	3,722	6,006
Uniforms	4,419	4,099
Purchased power	3,172	3,144
Equipment lease	899	1,008
Bad debts	-	-
Water conservation	17,731	19,890
Janitorial and pest control	1,714	1,726
CIA ditch operations	-	938
	<u>806,335</u>	<u>690,001</u>
 Depreciation	 <u>829,781</u>	 <u>572,957</u>
 Total Operating Expenses	 <u>\$ 2,864,506</u>	 <u>\$ 2,722,783</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues**

**Sewer Fund**

**For the Fiscal Year Ended June 30, 2017**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Service Charges:		
Sewer service - residential	\$ 1,185,170	\$ 1,202,062
Sewer service - commercial	121,256	123,526
Sewer availability charges	<u>380</u>	<u>560</u>
Total Service Charges	<u>1,306,806</u>	<u>1,326,149</u>
Other Charges:		
Sewer inspection fees	1,138	1,645
District project charges	2,184	2,719
Late charges	17,831	14,787
Transfer fees	<u>3,099</u>	<u>3,326</u>
Total Other Charges	<u>24,252</u>	<u>22,476</u>
Total Operating Revenues	<u>\$ 1,331,058</u>	<u>\$ 1,348,625</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses**

**Sewer Fund**

**For the Fiscal Year Ended June 30, 2017**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Collections:		
Wages and salaries	\$ 104,419	\$ 80,982
Employer costs	44,992	42,543
Maintenance and repairs	62,733	35,453
Purchased power	16,231	14,586
Equipment rental	1,438	-
Supplies	4,944	(473)
Miscellaneous	-	-
	<hr/>	<hr/>
Total Collections	234,756	173,090
	<hr/>	<hr/>
Treatment and Disposal:		
Purchased power	112,859	103,775
Chemicals	29,083	24,980
Wages and salaries	141,484	107,793
Employer costs	62,657	58,269
Lab tests	14,182	14,983
Maintenance and repairs	90,156	81,268
Supplies	6,034	-
Equipment rental	1,319	8,359
Miscellaneous	-	2,120
	<hr/>	<hr/>
Total Treatment and Disposal	457,774	401,547
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	211,782	189,997
Employer costs	92,008	49,152
Communications	11,203	12,255
Maintenance and repairs	80,629	89,356
Insurance	27,024	23,136
Vehicle expenses	27,866	16,182
Supplies	9,611	10,138
Directors' meetings and expenses	6,787	4,014
Legal and audit	32,145	24,752
Training and safety	9,695	8,162
Permits	34,143	29,245
Miscellaneous	45,983	5,822
Postage	5,711	5,954
Tools	3,212	13,084
	<hr/>	<hr/>
Subtotal General and Administrative	597,798	481,249
	<hr/>	<hr/>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses**

**Sewer Fund**

**For the Fiscal Year Ended June 30, 2017**

**(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Subtotal General and Administrative:	\$ 597,798	\$ 481,249
Travel and meetings	4,543	3,131
Tuition reimbursement	-	-
Clerical Services	-	-
Consulting	5,059	-
Uniforms	4,588	4,282
Dues and memberships	6,684	7,319
Purchased power	2,422	2,400
Janitorial and pest control	2,416	1,726
Equipment lease	687	770
	<u>624,197</u>	<u>500,877</u>
Total General and Administrative	<u>624,197</u>	<u>500,877</u>
Depreciation	<u>609,394</u>	<u>611,008</u>
Total Operating Expenses	<u>\$ 1,926,120</u>	<u>\$ 1,686,522</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenue  
Drainage Fund  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Special Taxes:		
Drainage service - residential	\$ 157,629	\$ 157,116
Drainage service - commercial	<u>30,377</u>	<u>30,379</u>
Total Special Taxes	<u>188,006</u>	<u>187,495</u>
Other Charges:		
Transfer fees	<u>636</u>	<u>683</u>
Total Operating Revenues	<u><u>\$ 188,642</u></u>	<u><u>\$ 188,178</u></u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Drainage Fund  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Drainage:		
Wages and salaries	\$ 65,924	\$ 79,232
Maintenance and repairs	20,775	7,495
Purchased power	9,692	9,609
Employer costs	29,786	34,738
Equipment rental	1,319	-
Legal and audit	153	-
Chemicals	11,953	5,984
Improvements	1,209	380
Permits	6,513	5,223
Miscellaneous	1,093	2,956
	<u>148,418</u>	<u>145,616</u>
Total Drainage		
General and Administrative:		
Wages and salaries	32,596	32,018
Employer costs	14,434	7,746
Communications	591	631
Insurance	5,550	4,752
Maintenance and repairs	7,257	7,569
Directors' meeting and expenses	1,394	824
Office supplies	1,256	1,288
Legal and audit	6,571	4,872
Postage	1,173	1,223
Miscellaneous	1,076	484
Travel and meeting	595	278
Memberships	373	623
Training and safety	457	734
Purchased power	497	493
Equipment lease	141	158
	<u>73,962</u>	<u>63,693</u>
Total General and Administrative		
Total Operating Expenses	<u>\$ 222,379</u>	<u>\$ 209,309</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues  
Solid Waste Fund  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Service Charges:		
Solid Waste - residential	<u>\$ 644,477</u>	<u>\$ 638,522</u>
Total Service Charges	<u>644,477</u>	<u>638,522</u>
Total Operating Revenues	<u><u>\$ 644,477</u></u>	<u><u>\$ 638,522</u></u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Solid Waste Fund  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Solid Waste:		
Contract charges	\$ 559,864	\$ 557,728
E-Waste disposal cost	-	17,140
Miscellaneous	<u>35,132</u>	<u>34,732</u>
Total Solid Waste	<u>594,996</u>	<u>609,600</u>
General and Administrative:		
Wages and salaries	26,718	26,244
Employer costs	11,831	11,139
Travel-Meetings	488	228
Office supplies	1,029	1,056
Mail machine lease	116	130
Insurance	4,549	3,895
Postage	961	1,002
Professional services	9,372	8,158
Utilities	705	743
Maintenance and repairs	1,962	2,040
Miscellaneous	1,770	1,181
Directors' meeting and expenses	<u>870</u>	<u>676</u>
Total General and Administrative	<u>60,373</u>	<u>56,492</u>
Total Operating Expenses	<u>\$ 655,370</u>	<u>\$ 666,092</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Revenues  
Security Fund  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Special Taxes:		
Security service - residential	\$ 1,082,218	\$ 1,079,076
Security service - commercial	<u>179,055</u>	<u>179,069</u>
Total Special Taxes	<u>1,261,274</u>	<u>1,258,145</u>
Other Charges:		
Late charges	35,662	29,574
Transfer fees	7,335	7,874
Fines and permits	11,140	14,210
Other	<u>6,562</u>	<u>9,139</u>
Total Other Charges	<u>60,699</u>	<u>60,796</u>
Total Operating Revenues	<u>\$ 1,321,973</u>	<u>\$ 1,318,941</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Security Fund  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Gate Services:		
Wages and salaries	\$ 283,797	\$ 293,441
Employer costs	181,327	174,920
Miscellaneous	41,542	3,640
Equipment repairs and maintenance	13,582	11,163
Supplies	4,986	9,863
Communications	4,279	4,586
Janitor and pest controls	3,437	3,477
Purchased power	7,731	8,800
Training and safety	240	-
Uniforms	3,040	1,447
	<u>543,961</u>	<u>511,338</u>
 Patrol Services:		
Wages and salaries	285,952	260,993
Employer costs	155,381	157,239
Vehicle fuel	13,572	12,127
Off-duty sheriff patrol	4,431	6,286
Vehicle maintenance	2,725	9,586
Uniforms	2,496	2,186
Miscellaneous	4,005	15,600
Cellular phone	4,291	3,920
Equipment repairs and maintenance	510	1,692
Janitor and pest control	5,128	1,841
Supplies	-	260
Travel/meetings	534	163
Training and safety	1,475	1,702
	<u>480,499</u>	<u>473,595</u>
 General and Administrative:		
Wages and salaries	184,074	202,724
Employer costs	98,437	17,700
Insurance	18,471	15,814
Legal and audit	28,641	20,384
Supplies	10,680	12,229
Directors' meetings and expenses	4,639	2,744
Training and safety	2,983	1,695
Purchased power	1,655	1,641
	<u>349,579</u>	<u>274,930</u>
 Subtotal General and Administrative		
	<u>349,579</u>	<u>274,930</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**

**Schedule of Operating Expenses  
Security Fund  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)**

	<u>2017</u>	<u>2016</u>
Subtotal General and Administrative:	\$ 349,579	\$ 274,930
Communications	3,004	3,140
Equipment repairs and maintenance	25,419	25,422
Postage	3,903	4,070
Travel and meetings	1,980	924
Miscellaneous	10,434	6,238
Memberships	1,240	2,072
Equipment lease	469	526
Uniform	646	152
	<u>396,676</u>	<u>317,473</u>
Total General and Administrative		
Depreciation	<u>45,289</u>	<u>41,609</u>
Total Operating Expenses	<u>\$ 1,466,427</u>	<u>\$ 1,344,015</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2017**

<u>Actuarial Valuation Date</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
Miscellaneous					
6/30/2014	0.08554%	\$2,114,104	\$1,777,986	118.90%	79.18%
6/30/2015	0.07967%	\$2,185,709	\$1,854,042	117.89%	81.69%
6/30/2016	0.07967%	\$2,776,304	\$1,844,259	150.54%	78.44%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 JUNE 30, 2017**

Actuarial Valuation Date	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered employees payroll	Contribution as a percentage of covered employee payroll
6/30/2014	\$222,235	(\$222,235)	\$0	\$1,777,986	12.50%
6/30/2015	\$250,997	(\$250,997)	\$0	\$1,854,042	13.54%
6/30/2016	\$269,924	(\$269,924)	\$0	\$1,844,259	14.64%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

# LARRY BAIN, CPA

## AN ACCOUNTING CORPORATION

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2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894  
[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

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

Board of Directors  
Rancho Murieta Community Services District  
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, 2017 and have issued our report thereon dated November 12, 2017. 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 the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Rancho Murieta Community Services District's Response to Findings**

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

**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*  
November 12, 2017

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT**  
**COMMUNITY FACILITIES DISTRICT NO. 2014-1**  
**COMPONENT UNIT FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 2014-1  
JUNE 30, 2017**

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# LARRY BAIN, CPA

## AN ACCOUNTING CORPORATION

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2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894  
[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

### **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Rancho Murieta Community Services District, Community Facilities District No. 2014-1 (CFD 2014-1), a component unit of the Rancho Murieta Community Services District, as of and for the fiscal year ended June 30, 2017, which collectively comprise the CFD 2014-1's basic financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

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

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

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

#### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Rancho Murieta Community Services District, Community Facilities District No. 2014-1 as of June 30, 2017, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with the accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

## **Other Information**

We have also issued our report dated November 22, 2017 on our consideration of the CFD 2014-1's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

*Larry Bain, CPA,*  
*An Accounting Corporation*  
November 22, 2017

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

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

Current Assets		
Cash and investments	\$	509,388
Assessments receivable		40,480
Interest receivable		217
Prepaid expense		1,550
Due from other government		5,642
Noncurrent assets		
Restricted cash and investments		487,551
Special assessment receivables		5,568,409
Total Assets	\$	<u>6,613,237</u>
Liabilities		
Current		
Accounts payable	\$	9,542
Accrued interest payable		87,187
Total Current Liabilities		<u>96,729</u>
Noncurrent		
Special assessment debt		<u>5,960,000</u>
Total Liabilities		<u>6,056,729</u>
Net Position		
Restricted		<u>556,508</u>
Total Net Position	\$	<u>556,508</u>

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

**STATEMENT OF ACTIVITIES  
JUNE 30, 2017**

	Expenses	Program Revenues Capital Grants and Contributions	Total
Governmental Activities:			
Community facilities district	\$ 26,239	\$ 81,172	\$ 54,933
Interest expense	261,560		(261,560)
Total Governmental Activities	\$ 287,799	\$ 81,172	(206,627)

General Revenues:

Other revenue	24,732
Investment income	1,115
Total general revenues	25,847
Change in net position	(180,780)
Net position - beginning	737,288
Net position - ending	\$ 556,508

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

**Assets**

Current

Cash and investments	\$ 509,388
Assessments receivable	40,480
Interest receivable	217
Prepaid expense	1,550
Due from other governments	5,642

Non-Current

Restricted cash and investments	487,551
Accounts receivable:	
Special assessments	<u>5,568,409</u>
Total Assets	<u><u>\$ 6,613,237</u></u>

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

**Liabilities**

Accounts payable	<u>\$ 9,542</u>
Total Liabilities	<u>9,542</u>

Deferred inflows of resources:

Unavailable revenues-special assessments	<u>5,568,409</u>
Total Deferred Inflows of Resources	<u>5,568,409</u>

Fund Balance

Fund balances	
Restricted for CFD # 2014-1	<u>1,035,286</u>
Total Fund Balance	<u>1,035,286</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u><u>\$ 6,613,237</u></u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
JUNE 30, 2017**

Fund Balances of Governmental Funds	\$ 1,035,286
Amounts reported for governmental activities in the statement of net position are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are not reported in the funds.	5,568,409
Certain liabilities, including long-term debt and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,047,187)</u>
Net position of governmental activities	<u><u>\$ 556,508</u></u>

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

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues		
Tax and assessments	\$	81,172
Other revenue		24,732
Investment income		1,115
Total Revenues		<u>107,019</u>
Expenditures		
Current:		
Administration		26,239
Debt Service		
Principal		-
Interest		261,560
Total Expenditures		<u>287,799</u>
Net Change in Fund Balance		<u>(180,780)</u>
Fund Balance, July 1, 2016-Restated		<u>1,216,066</u>
Fund Balance, June 30, 2017		<u><u>\$ 1,035,286</u></u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$ (180,780)
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	-
The change in accrued interest is recorded as a current liability in the statement of activity, however interest expense is recorded when paid in the governmental funds.	-
Change in net position of governmental activities	<u>\$ (180,780)</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

The accounting policies of Rancho Murieta Community Services District, Community Services District No. 2014-1 conform to accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CFD 2014-1's accounting policies are described below.

**A. Financial Reporting Entity**

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

During the 2016/17 fiscal year, the new water facility was paid for with CFD 2014-1 bond proceeds and transferred to the Rancho Murieta Community Services District. Additional construction costs were funded by developers under financing agreements and by the Rancho Murieta Community Services District.

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

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

**B. Basis of Presentation**

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

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

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

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

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

**D. Budget and Budgetary Accounting**

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

**E. Restricted Assets**

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

**F. Deferred Inflows of Resources**

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

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Estimates

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

H. Net Position/Fund Equity

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

NOTE 2: CASH AND INVESTMENTS

Deposits with financial institutions	\$ 509,388
Investments	487,551
	<hr/>
Total cash and investments	\$ 996,939
	<hr/> <hr/>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

The table below identifies the **investment types** that are authorized for the Rancho Murieta Community Services District Community Facilities District No. 2014-1. (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

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

**B. Investments Authorized by Debt Agreements**

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

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

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
Treasury funds	\$ 487,551	\$ 487,551	\$ -
Totals	<u>\$ 487,551</u>	<u>\$ 487,551</u>	<u>\$ -</u>

\*Not subject to categorization

**D. Disclosures Relating to Credit Risk**

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
Treasury funds	\$ 487,551	N/A	\$ -	\$ 487,551	\$ -
Total investments	<u>\$ 487,551</u>		<u>\$ -</u>	<u>\$ 487,551</u>	<u>\$ -</u>

**E. Concentration of Credit Risk**

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

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**F. Custodial Credit Risk**

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

At June 30, 2017, \$260,937 of the District's deposits with financial institutions were in excess of federal depository insurance limits required to be held in collateralized accounts.

**NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE**

The CFD 2014-1 will start levying Assessments against property owners during the 2016/17 fiscal year. The assessments will be collected through the secured property tax rolls of the County of Sacramento. Assessments receivable represent the amounts to be assessed to the property owners to pay bond principle. In the event property owners are delinquent in their payments, the CFD 2014-1 is required to initiate foreclosure proceedings within 150 days following the date of delinquency. There were no delinquent assessment receivables at June 30, 2017. The CFD 2014-1 will refer pending delinquency cases to the CFD 2014-1's legal counsel for collection.

At June 30, 2017 the CFD 2014-1 held \$53,936 remaining in a special tax fund for the payment of accrued interest on the special assessment bonds. These funds were collected and deposited as part of the debt issuance.

**NOTE 4: SPECIAL ASSESSMENT DEBT**

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

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

Long-term liabilities activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within One Year
Special Assessment Debt Series 2014-1	\$ 5,960,000	\$ -	\$ -	\$ 5,960,000	\$ -
Total	<u>\$ 5,960,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,960,000</u>	<u>\$ -</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$ -	\$ 261,560	\$ 261,560
2019	130,000	261,560	391,560
2020	130,000	258,310	388,310
2021	135,000	254,735	389,735
2022	140,000	250,685	390,685
2023-2027	775,000	1,179,810	1,954,810
2028-2032	935,000	1,015,613	1,950,613
2033-2037	1,170,000	776,389	1,946,389
2038-2042	1,480,000	470,488	1,950,488
2043-2045	1,065,000	102,597	1,167,597
Totals	<u>\$ 5,960,000</u>	<u>\$ 4,831,747</u>	<u>\$ 10,791,747</u>

**NOTE 5: RESERVE FOR BOND SERVICE**

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

# LARRY BAIN, CPA

## AN ACCOUNTING CORPORATION

2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

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

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

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

We have audited the Financial Statements of the Rancho Murieta Community Services District CFD No. 2014-1) as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 22, 2017. In our audit report we issued an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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

In planning and performing our audit, we considered CFD 2014-1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CFD 2014-1's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the CFD 2014-1's internal control over financial reporting.

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

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

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

#### **Purpose of this Report**

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

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

*Larry Bain, CPA,*  
*An Accounting Corporation*  
November 22, 2017