

RANCHO MURIETA COMMUNITY FACILITIES
DISTRICT NO. 2014-1

(A Component Unit of the Rancho Murieta
Community Services District)

Audited Financial Statements

June 30, 2024

DRAFT - SUBJECT TO CHANGE

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rancho Murieta Community Facilities District No. 2014-1 (CFD 2014-1), a component unit of the Rancho Murieta Community Services District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the CFD 2014-1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the CFD 2014-1 as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

As discussed in Note A, the financial statements present only the CFD 2014-1 and are not intended to present fairly the financial position and results of operations of the Rancho Murieta Community Services District in conformity with accounting principles generally accepted in the United States of America.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

_____, 2026

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

As of June 30, 2024

	General Fund	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and investments	\$ 788,779		\$ 788,779
Assessments receivable	5,792		5,792
Restricted cash	399,681		399,681
TOTAL ASSETS	<u>\$ 1,194,252</u>	<u>-</u>	<u>1,194,252</u>
LIABILITIES			
Accounts payable	\$ 107,992		107,992
Bond interest payable		\$ 78,758	78,758
Bonds payable		5,130,000	5,130,000
TOTAL LIABILITIES	<u>107,992</u>	<u>5,208,758</u>	<u>5,316,750</u>
FUND BALANCES/NET POSITION			
Fund balances:			
Restricted	399,681		
Unassigned	686,579	(686,579)	
TOTAL FUND BALANCES	<u>1,086,260</u>	<u>(686,579)</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 1,194,252</u>		
Net Position			
Restricted			399,681
Unrestricted		(4,522,179)	(4,522,179)
TOTAL NET POSITION		<u>\$ (4,522,179)</u>	<u>\$ (4,122,498)</u>

The accompanying notes to component unit financial statements are an integral part of this statement.

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2024

	General Fund	Adjustments (Note H)	Statement of Activities
EXPENDITURES			
General government	\$ 61,895		\$ 61,895
Debt service:			
Principal payments	150,000	\$ (150,000)	
Interest expense	238,900	(1,750)	237,150
TOTAL EXPENDITURES	<u>450,795</u>	<u>(151,750)</u>	<u>299,045</u>
GENERAL REVENUES			
Property tax	453,765		453,765
Interest income	41,830		41,830
TOTAL GENERAL REVENUES	<u>495,595</u>		<u>495,595</u>
EXCESS OF REVENUES OVER EXPENDITURES	44,800	151,750	196,550
FUND BALANCE/NET ASSETS			
Net position, beginning of the year	<u>1,041,460</u>	<u>(5,360,508)</u>	<u>(4,319,048)</u>
	<u>\$ 1,086,260</u>	<u>\$ (5,208,758)</u>	<u>\$ (4,122,498)</u>

The accompanying notes to component unit financial statements are an integral part of this statement.

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the more significant accounting policies of the Rancho Murieta Community Facilities District No. 2014-1 (CFD 2014-1) is presented to assist the reader in interpreting the financial statements and other data in this report. The accounting policies of the CFD 2014-1 conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity: The Rancho Murieta Community Services District, CFD 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 totaling \$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.

Basis of Presentation—Government-wide Financial Statement: The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the CFD 2014-1. For the most part, the effect of interfund activity has been removed from these statements. The CFD 2014-1 has only governmental activities, which are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Tax increment revenue and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the CFD 2014-1's policy to use restricted resources first, then unrestricted resources, as they are needed.

Basis of Presentation – Fund Financial Statements: The accounts of the CFD 2014-1 are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds. The CFD 2014-1 has only a General Fund. The CFD 2014-1 does not prepare a budget, so no budgetary comparison is presented.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the CFD 2014-1 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property tax revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental funds are used to account for the CFD 2014-1's expendable financial resources and related liabilities. The CFD 2014-1 reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the CFD 2014-1. It is used to account for all financial resources except those required to be accounted for in another fund.

Restricted Assets: Cash held with fiscal agent, as well as certain resources set aside for special assessment debt repayment, are classified as restricted assets on the balance sheet because their use is limited by loan covenants.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB 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.

Net Position/Fund Equity: The government-wide financial statements utilize a net assets presentation. Net assets consist of the following:

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 does not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE B – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2024:

Deposits with financial institutions	\$ 100,123
Money market funds	<u>1,088,337</u>
Total Cash and Investments	<u><u>\$ 1,188,460</u></u>

Investments Authorized by the California Government Code and the CFD 2014-1's Investment Policy:
The table below identifies the investment types that are authorized for the CFD 2014-1 by the California Government Code (or the CFD 2014-1's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the CFD 2014-1'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 CFD 2014-1, rather than the general provisions of the California Government Code or the CFD 2014-1's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings 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

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 CFD 2014-1'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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE B – CASH AND INVESTMENTS (Continued)

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

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, 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 CFD 2014-1's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the CFD 2014-1's investments by maturity as of June 30, 2023:

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
Money market funds	\$ 1,088,337	\$ 1,088,337	
Totals	\$ 1,088,337	\$ 1,088,337	

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 CFD 2014-1's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End	
				AAA	Not Rated
Money market funds	\$ 1,088,337	N/A		\$ 1,088,337	
Totals	\$ 1,088,337			\$ 1,088,337	

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
(A Component Unit of the Rancho Murieta Community Services District)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the CFD 2014-1 limited the amount that can be invested in any one issuer to the amount stipulated by the California Government Code. As of June 30, 2024, there are five investment accounts in one issuer that represent 100% of total District investments.

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 CFD 2014-1'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 CFD 2014-1's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2024, there were no CFD 2014-1 deposits with financial institutions in excess of federal depository insurance limits required to be held in collateralized accounts.

Fair Value Measurement: The CFD 2014-1 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The CFD 2014-1's investment in the money market mutual fund is considered Level 2 because the value is calculated using amortized cost of the securities held in the fund, not the market value.

NOTE C – SPECIAL TAX

The CFD 2014-1 started levying the special tax against property owners during the 2016/17 fiscal year. The special taxes are collected through the secured property tax rolls of the County of Sacramento. The special tax represents the amount to be assessed to the property owners to pay bond principle and interest. 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. CFD 2014-1 will refer pending delinquency cases to the CFD 2014-1's legal counsel for collection.

NOTE D – SPECIAL ASSESSMENT DEBT

The Rancho Murieta Community Services District adopted a resolution for the formation of the CFD 2014-1. The 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

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
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NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE D – SPECIAL ASSESSMENT DEBT (Continued)

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.

The bonds are due in annual payments of \$154,029 to \$391,560 through September 1, 2044, with interest at 4.4% per annum and payable from revenues generated through an 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, 2024, was as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Special Assessment Debt Series 2014-1	\$ 5,280,000		\$ (150,000)	\$ 5,130,000	\$ 155,000
Total	<u>\$ 5,280,000</u>		<u>\$ (150,000)</u>	<u>\$ 5,130,000</u>	<u>\$ 155,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2025	\$ 155,000	\$ 233,563	\$ 388,563
2026	160,000	227,850	387,850
2027	165,000	221,550	386,550
2028	170,000	214,850	384,850
2029	180,000	207,850	387,850
2030-2034	1,020,000	904,638	1,924,638
2035-2039	1,285,000	631,869	1,916,869
2040-2044	1,625,000	287,969	1,912,969
2045	<u>370,000</u>	<u>8,788</u>	<u>378,788</u>
Totals	<u>\$ 5,130,000</u>	<u>\$ 2,938,927</u>	<u>\$ 8,068,927</u>

NOTE E – RESERVE FOR BOND SERVICE

By the terms of the bond indenture, \$392,831 of the proceeds from the bond issue were set aside for the purpose of paying any delinquent bond interest and principal payments. The balance held in reserve as of June 30, 2024 is \$399,681.

RANCHO MURIETA COMMUNITY FACILITIES DISTRICT NO. 2014-1
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NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2024

NOTE F – NET POSITION DEFICIT

CFD 2014-1 governmental activities had an unrestricted net position (deficit) of \$4,522,179 at June 30, 2024. This is due to reporting the special assessment debt with no offsetting long-term special tax receivable in the statement of net position, as required under GASB Statement No. 6. The net position (deficit) is expected to be offset with special tax revenue used to pay the special assessment debt in future years.

NOTE G – RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Amounts reported for governmental activities in the governmental fund balance sheet are being adjusted to arrive at the statement of net assets. The adjustments are as follows:

Total governmental fund balance	\$ 1,086,260
Special assessment debt and interest payable that is not due and payable in the fund balance sheet current period and, therefore is not reported in the governmental fund balance sheet	<u>(5,208,758)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (4,122,498)</u></u>

NOTE H – RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments are as follows:

Net change in fund balance	\$ 44,800
Long-term debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental fund, but in the Statement of Net Position the repayment reduces long term liabilities.	
Principal payments	150,000

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 fund	<u>1,750</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 196,550</u></u>
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