

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2013

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of each major fund, and the fiduciary fund of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Rancho Murieta Community Services District, California, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

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



Larry Bain, CPA,
An Accounting Corporation
September 23, 2013

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with the District's financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$29,885,604 (net position). Of this amount, \$10,127,806 (unrestricted net position) may be used to meet the District's ongoing obligation to customers and creditors.
- The District's total net position decreased by \$323,773.

Overview of the Basic Financial Statements

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

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

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

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

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013

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

1. PROPRIETARY FUND TYPE

Enterprise Funds

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

2. FIDUCIARY FUND TYPE

Agency Funds

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$29,885,604 (net position) at the close of the most recent fiscal year.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013

Condensed Financial Information
Rancho Murieta Community Services District Net Position

	June 30, 2013	June 30, 2012
<u>Assets</u>		
Current and other assets	\$ 10,792,791	\$ 10,196,936
Capital Assets - net of accumulated depreciation	19,757,798	20,585,575
Total Assets	30,550,589	30,782,511
<u>Liabilities</u>		
Other Liabilities	558,664	470,154
Longterm liabilities	106,321	102,980
Total Liabilities	664,985	573,134
<u>Net Assets</u>		
Invested in capital assets, net of related debt	19,757,798	20,585,575
Unrestricted Net Assets	10,127,806	9,623,802
Total Net Assets	\$ 29,885,604	\$ 30,209,377

- The District's total net position decreased by \$323,773. Unrestricted net position increased \$504,004 while capital assets, net of accumulated depreciation decreased \$827,777. The decrease in capital assets is the net result of asset additions/deletions of \$287,885 and depreciation expense of \$1,115,662.
- Designated cash and investments, which are designated for capital improvement uses, increased due to the collection of reserve funds built into the Water and Sewer rates.
- Long-term liabilities increased due to an increase in the compensated absences balance, which relates to leave balances earned but not yet paid.

By far the largest portion of the District's net position (66%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) (Net Capital Assets \$19,757,798/Total Net Position \$29,885,604 = .661%). Some of those assets are from contributed capital. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

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

	June 30, 2013	June 30, 2012
Revenues		
Operating revenues	\$ 5,157,564	\$ 4,659,785
Nonoperating revenues	1,140,457	1,221,310
Total Revenues	6,298,021	5,881,095
Operating Expenses		
Water	1,113,969	970,223
Sewer	880,140	749,901
Drainage	122,880	123,282
Security	887,252	882,173
Solid waste	593,003	541,572
Other	1,887,139	1,998,283
Depreciation	1,115,662	1,112,877
Total Operating Expenses	6,600,045	6,378,311
Change in Net Position	(302,024)	(497,216)
Net Position, Beginning of Fiscal Year	30,209,377	30,659,189
Prior Period Adjustment	(21,749)	47,404
Net Position, End of Fiscal Year	\$ 29,885,604	\$ 30,209,377

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013

Key elements of the enterprise activities are as follows:

- Operating revenues increased 7.1 percent. Water service charges increased by \$275,762 or 17.6 percent due to the approved rate increase and higher water consumption. Sewer service charges increased by \$97,127 due to the approved rate increase. Security operating revenues increased \$45,030 or 4.0 percent due to approved rate increases.
- Nonoperating revenues had a net decrease of \$80,853 or (6.6%) due primarily to the decrease in reserve fees collected for Sewer, the decrease in property tax revenues received and an increase related to grant revenue, which is related to the Title XVI Use of Reclaimed Water Feasibility Study.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Water operating expenses increased \$143,746 or 14.8%. The majority of this increase is related to Transmission and Distribution maintenance projects.
- The Sewer Department collects, treats, and disposes the Rancho Murieta community waste water. Sewer operating expenses increased \$130,239 or 17.4%. This increase is related primarily to Treatment and Disposal maintenance projects.
- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses remained relatively unchanged since 2011-2012.
- Solid Waste services are provided by contract with California Waste Recovery Services. Operating expenses for Solid Waste increased \$51,431 or 9.5%. Approximately half of this increase is related to the Household Hazardous Waste Collection Event sponsored by the District in September 2012.
- The Security department provides gate and patrol services. Operating expenses for Gate services increased \$11,127 or 2.3 percent. Operating expenses for Patrol services decreased \$6,048 or (1.5%).
- The Administration department covers the remaining staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. However, all general administration type costs relating to the Water, Sewer, Drainage, Solid Waste and Security departments are combined with the administration department on the Statement of Revenues, Expenses, and Changes in Net Position and are shown as General and Administrative costs. General and Administrative costs decreased \$111,144 or (5.6%). This decrease is predominately due to the reduction in Operational Reserve expenditures by the Water and Sewer departments.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013

Capital Assets

	July 1, 2012	Additions	Adjustments /Deletions	June 30, 2013
Depreciable Capital Assets				
Water Transmission	\$ 7,311,340	\$ -	\$ -	\$ 7,311,340
Water Treatment	9,579,722	7,793	-	9,587,515
Studies	673,375	14,155	-	687,530
Collection Facilities	4,163,987	72,300	-	4,236,287
Sewer treatment and disposal	15,987,650	52,679	-	16,040,329
Lake Chesbro Protection	270,020	-	-	270,020
Waste Discharge	549,152	-	-	549,152
Buildings and improvements	817,907	-	-	817,907
Vehicles & Equipment	1,598,437	114,088	-	1,712,525
Total Depreciable Capital Assets	<u>40,951,590</u>	<u>261,015</u>	<u>-</u>	<u>41,212,605</u>
Less - Accumulated Depreciation	(21,209,963)	(1,115,662)	3,600	(22,322,025)
Net Depreciable Capital Assets	<u>19,741,627</u>	<u>(854,647)</u>	<u>3,600</u>	<u>18,890,580</u>
Non-Depreciable Capital Assets				
Construction in Progress	252,258	-42,332	(19,062)	275,528
Land	591,690	-	-	591,690
Total Non-Depreciable Capital Assets	<u>843,948</u>	<u>-42,332</u>	<u>(19,062)</u>	<u>867,218</u>
Net Capital Assets	<u>\$ 20,585,575</u>	<u>\$ (812,315)</u>	<u>\$ (15,462)</u>	<u>\$ 19,757,798</u>

Capital Assets. The District's investment in capital assets as of June 30, 2013, amounts to \$19,757,798 (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 4.0 percent.

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

- Main Lift North Wet Well Rehab
- Augmentation Well Project
- Purchase of Mechanic's Replacement Truck
- Lift 6B Replacement Generator

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2013/2014 annual budget on June 19, 2013 which provides for the District's operating and capital costs for the 2013/2014 fiscal year. The beginning of recovery in the housing market has slowed the reductions in property taxes associated with Prop 8 revaluations of assessed property values. In 2013/2014, the District expects to receive an increase of approximately 2% in property taxes related to Sacramento County's adjustment of property values.

The District expects to reach agreement on a Financing and Services Agreement with area developers in 2013. It is anticipated that some of those developers will begin new development within Rancho Murieta sometime in 2015.

Capital projects that are included in this annual budget are:

- 1) Continuation of the Main Lift North Wet Well Rehabilitation
- 2) Hole 13 North Culvert Replacement
- 3) Wastewater Recovery Plant Filter PLC Replacement
- 4) Electronic Document Management System; and
- 5) Email Exchange Server for in-house email provision and support.

The District's rates for water, sewer, drainage, security and solid waste services are reviewed annually by staff and the Board of Directors. The District increased rates approximately 4.9% for Water services. All of this increase is related to the debt service prefunding for the rehabilitation of Water Treatment 1. The rates for Sewer service increased 7.3%, which is related to the prefunding of debt service for the construction of the permanent irrigation fields at Van Vleck Ranch being reinstated for 2013/2014. Rates for Security services increased approximately 1.5%, 2.0% for Drainage, and 1.5% for Solid Waste.

Requests for Information

This financial report is designed to provide a general overview of the Rancho Murieta Community Services District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Rancho Murieta Community Services District, Director of Administration, P.O. Box 1050, Rancho Murieta, CA, 95683.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Net Position - Proprietary Funds
June 30, 2013
(With Comparative Totals for June 30, 2012)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 262,142	\$ 265,458	\$ 81,347
Accounts receivable	284,361	220,550	32,010
Grants receivable	52,085		
Interest receivable	55	47	238
Prepaid Expenses	45,185	9,465	1,873
Due from developers	136,954	7,393	
Total Current Assets	780,782	502,913	115,468
Capital Assets - net of accumulated depreciation	8,224,348	11,223,502	
Other Assets:			
Cash and investments -designated	5,071,577	3,064,594	355,324
Interest receivable - designated	2,035	690	
Total Other Assets	5,073,612	3,065,284	355,324
Total Assets	14,078,742	14,791,699	470,792
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	166,893	107,248	5,148
Accrued payroll	26,086	19,672	3,700
Post retirement medical liability	15,175	10,321	1,901
Deposits	34,354	88	18
Deferred revenue	7,196	5,494	1,128
Capital lease			
Total Current Liabilities	249,704	142,823	11,895
Noncurrent Liabilities:			
Capital lease			
Compensated absences	28,504	21,106	4,038
Total Liabilities	278,208	163,929	15,933
<u>Net Position</u>			
Invested in capital assets, net of related debt	8,224,348	11,223,502	
Net Assets:			
Unrestricted	5,576,186	3,404,268	454,859
Total Net Position	\$ 13,800,534	\$ 14,627,770	\$ 454,859

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

		Totals	
Solid Waste Fund	Security Fund	2013	2012
\$ 206,764	\$ 353,161	\$ 1,168,872	\$ 884,849
66,004	210,971	813,896	775,458
		52,085	
92	150	582	691
1,144	11,594	69,261	34,503
		144,347	155,939
<u>274,004</u>	<u>575,876</u>	<u>2,249,043</u>	<u>1,851,440</u>
	<u>309,948</u>	<u>19,757,798</u>	<u>20,585,575</u>
	49,498	8,540,993	8,341,644
	30	2,755	3,852
	<u>49,528</u>	<u>8,543,748</u>	<u>8,345,496</u>
<u>274,004</u>	<u>935,352</u>	<u>30,550,589</u>	<u>30,782,511</u>
98,270	11,855	389,414	280,770
1,218	20,996	71,672	74,603
464	14,452	42,313	54,472
15	59	34,534	41,584
925	3,755	18,498	16,442
	2,233	2,233	2,283
<u>100,892</u>	<u>53,350</u>	<u>558,664</u>	<u>470,154</u>
	5,065	5,065	7,298
1,620	45,988	101,256	95,682
<u>102,512</u>	<u>104,403</u>	<u>664,985</u>	<u>573,134</u>
	309,948	19,757,798	20,585,575
<u>171,492</u>	<u>521,001</u>	<u>10,127,806</u>	<u>9,623,802</u>
<u>\$ 171,492</u>	<u>\$ 830,949</u>	<u>\$ 29,885,604</u>	<u>\$ 30,209,377</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Operating Revenues:			
Service charges	\$ 1,840,546	\$ 1,244,091	\$ -
Special taxes			176,410
Other charges	28,607	23,921	729
Total Operating Revenues	<u>1,869,153</u>	<u>1,268,012</u>	<u>177,139</u>
Operating Expenses:			
Source of supply	143,990		
Treatment	454,874		
Transmission and distribution	515,105		
Sewer collection		222,430	
Sewer treatment and disposal		657,710	
Drainage			122,880
Gate services			
Patrol services			
Solid waste			
General and administrative	892,662	507,136	66,950
Depreciation	482,246	595,854	
Total Operating Expenses	<u>2,488,877</u>	<u>1,983,130</u>	<u>189,830</u>
Operating Income (Loss)	<u>(619,724)</u>	<u>(715,118)</u>	<u>(12,691)</u>
Non-operating Revenues (Expenses):			
Taxes	191,141	145,935	29,973
Capital reserve fees	182,932	272,098	
Debt reserve fee	78,544		
Interest revenue	14,712	7,728	1,420
Rent			
Water augmentation	4,521		
Gain (Loss) on disposal of capital assets	1,787	1,787	
Refunds and reimbursements	5,006	3,822	785
Interest expense			
Grant revenue	52,085		
Miscellaneous	13,203	3,564	(149)
Total Non-operating Revenues (Expenses)	<u>543,931</u>	<u>434,934</u>	<u>32,029</u>
Change in Net Position	(75,793)	(280,184)	19,338
Net Position, Beginning of Fiscal Year	13,890,764	14,915,266	435,521
Prior Period Adjustments	(14,437)	(7,312)	
Net Position, End of Fiscal Year	<u>\$ 13,800,534</u>	<u>\$ 14,627,770</u>	<u>\$ 454,859</u>

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

		Totals	
Solid Waste Fund	Security Fund	2013	2012
\$ 616,974	\$ -	\$ 3,701,611	\$ 3,280,557
	1,167,575	1,343,985	1,285,507
	58,711	111,968	93,721
<u>616,974</u>	<u>1,226,286</u>	<u>5,157,564</u>	<u>4,659,785</u>
		143,990	137,011
		454,874	451,725
		515,105	381,487
		222,430	165,590
		657,710	584,311
		122,880	123,282
	485,705	485,705	474,578
	401,547	401,547	407,595
593,003		593,003	541,572
56,197	364,194	1,887,139	1,998,283
	37,562	1,115,662	1,112,877
<u>649,200</u>	<u>1,289,008</u>	<u>6,600,045</u>	<u>6,378,311</u>
<u>(32,226)</u>	<u>(62,722)</u>	<u>(1,442,481)</u>	<u>(1,718,526)</u>
24,568	100,043	491,660	498,941
		455,030	488,096
		78,544	179,831
623	1,608	26,091	25,454
		4,521	
		3,574	4,625
	2,612	12,225	
	(534)	(534)	
		52,085	
<u>643</u>		<u>17,261</u>	<u>24,363</u>
<u>25,834</u>	<u>103,729</u>	<u>1,140,457</u>	<u>1,221,310</u>
(6,392)	41,007	(302,024)	(497,216)
177,884	789,942	30,209,377	30,659,189
		<u>(21,749)</u>	<u>\$ 47,404</u>
<u>\$ 171,492</u>	<u>\$ 830,949</u>	<u>\$ 29,885,604</u>	<u>\$ 30,209,377</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,848,214	\$ 1,267,195	\$ 175,427
Payments to employees	(914,733)	(665,658)	(117,787)
Payments to suppliers	(1,036,062)	(709,883)	(74,861)
Net Cash Provided By (Used In) Operating Activities	(102,581)	(108,346)	(17,221)
Cash Flows from Non-capital Financing Activities:			
Taxes received	191,141	145,935	29,973
Grants			
Debt reserve fee	78,544	-	
Miscellaneous	22,730	7,386	636
Net Cash Provided By (Used In) Non-capital Financing Activities	292,415	153,321	30,609
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(144,728)	(143,157)	
Cash received from sale of assets	1,787	1,787	
Proceeds of debt			
Reduction of debt			
Capital reserve fees	182,932	272,098	
Net Cash Provided By (Used In) Capital and Related Financing Activities	39,991	130,728	
Cash Flows from Investing Activities:			
Interest received	15,548	7,853	1,506
Net Cash Provided by Investing Activities	15,548	7,853	1,506
Net Increase (Decrease) in Cash and Cash Equivalents	245,373	183,556	14,894
Cash and Cash Equivalents, July 1	5,088,346	3,146,496	421,777
Cash and Cash Equivalents, June 30	\$ 5,333,719	\$ 3,330,052	\$ 436,671
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:			
Cash and investments	\$ 262,142	\$ 265,458	\$ 81,347
Restricted cash and investments	5,071,577	3,064,594	355,324
Total Cash and Cash Equivalents	\$ 5,333,719	\$ 3,330,052	\$ 436,671

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

Solid Waste Fund	Security Fund	Totals	
		2013	2012
\$ 614,579	\$ 1,220,309	\$ 5,125,724	\$ 4,598,267
(38,875)	(1,083,322)	(2,820,375)	(2,670,464)
(605,817)	(194,764)	(2,621,387)	(2,484,057)
(30,113)	(57,777)	(316,038)	(556,254)
24,568	100,043	491,660	498,941
		-	-
		78,544	179,831
643	2,612	34,007	24,363
25,211	102,655	604,211	703,135
		(287,885)	(196,881)
		3,574	13,600
		-	10,000
	(2,817)	(2,817)	(419)
		455,030	488,096
	(2,817)	167,902	314,396
665	1,726	27,298	26,207
665	1,726	27,298	26,207
(4,237)	43,787	483,373	487,484
211,001	358,872	9,226,492	8,739,008
\$ 206,764	\$ 402,659	\$ 9,709,865	\$ 9,226,492
\$ 206,764	\$ 353,161	\$ 1,168,872	\$ 884,848
	49,498	8,540,993	8,341,644
\$ 206,764	\$ 402,659	\$ 9,709,865	\$ 9,226,492

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (619,724)	\$ (715,118)	\$ (12,691)
Noncash items included in operating loss			
Depreciation	482,246	595,854	
Changes in assets and liabilities			
Decrease (increase) in operating assets			
Accounts receivable	(26,311)	(1,414)	(1,834)
Prepaid expenses	(12,241)	(8,830)	(1,743)
Due from others	11,592	-	
Increase (decrease) in operating liabilities			
Accounts payable	64,023	22,957	1,501
Accrued payroll	6,555	(666)	(2,295)
Post retirement medical liability	(3,883)	(2,814)	(521)
Customer deposits	(7,020)	(14)	(3)
Compensated absences	1,382	1,088	240
Deferred revenue	800	611	125
Net Cash Provided By (Used In) Operating Activities	<u>\$ (102,581)</u>	<u>\$ (108,346)</u>	<u>\$ (17,221)</u>

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

Solid Waste Fund	Security Fund	Totals	
		2013	2012
\$ (32,226)	\$ (62,722)	\$ (1,442,481)	\$ (1,718,526)
	37,562	1,115,662	1,112,877
(2,496)	(6,383)	(38,438)	(183,679)
(1,037)	(10,907)	(34,758)	74,635
		11,592	126,177
5,239	(6,825)	86,895	(3,641)
171	(6,696)	(2,931)	13,983
(148)	(4,793)	(12,159)	19,476
(2)	(11)	(7,050)	(5,951)
283	2,581	5,574	6,460
103	417	2,056	1,935
<u>\$ (30,113)</u>	<u>\$ (57,777)</u>	<u>\$ (316,038)</u>	<u>\$ (556,254)</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Fiduciary Net Position
June 30, 2013**

	PARS	
	Trust Fund	Agency Fund
<u>Assets</u>		
Cash and investments	\$ 491,539	\$ 2,637,021
Assessments receivable		5,564
	\$ 491,539	\$ 2,642,585
Total Assets		
<u>Liabilities</u>		
Due to others	\$ -	\$ 2,642,585
		2,642,585
Total Liabilities		
<u>Net Position</u>		
Held in trust for OPEB benefits	491,539	
	\$ 491,539	\$ 2,642,585
Total Liabilities and Net Position		

Changes in Fiduciary Net Position-PARS Retirement Fund

<u>Additions:</u>	
Employer contributions	\$ 153,000
Total contributions	153,000
<u>Investment income (loss):</u>	
Net adjustment to fair value of investments	32,972
Total Additions (Deductions)	32,972
Change in plan net assets	185,972
<u>Net Position:</u>	
Held in trust for OPEB benefits:	
Beginning of year	305,567
End of year	\$ 491,539

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 1: Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Fund Financial Statements

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

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 1: Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary funds use the "economic resources" measurement focus and the accrual basis of accounting.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total or five percent of all fund-type totals. The District may also select other funds it believes should be presented as major funds. The District reports all of its proprietary funds as major funds.

The District reported the following major proprietary funds:

Water

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

Sewer

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

Drainage

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

Solid Waste

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

Security

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

The District reports the following additional fund types:

PARS Trust Fund

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

Agency Fund

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 1: Significant Accounting Policies (Continued)

D. Basis of Accounting

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

E. Budget and Budgeting

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

F. Restricted Assets

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

G. Comparative Data

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

H. Cash and Cash Equivalents

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

I. Property Taxes

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 1: Significant Accounting Policies (Continued)

J. Capital Assets

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

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

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

K. Compensated Absences

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

L. Net Position

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

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

M. Deferred Compensation Plan

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

N. Use of Estimates

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

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	\$ 1,168,872
Designated cash and investments	8,540,993
Cash and investments, Statement of Net Assets	9,709,865
Cash and investments, Statement of Fiduciary Net Assets	3,128,560
Total cash and investments	\$ 12,838,425

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	2,188,337
Investments	10,649,838
Total cash and investments	\$ 12,838,425

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, 2013

Note 2: Cash and Investments (Continued)

B. Investments Authorized by Debt Agreements (Continued)

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

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

C. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
CAMP*	\$ 3,603,142	\$ 3,603,142	\$ -	\$ -	\$ -
State Investment Pool*	5,679,157	5,679,157			
PARS Trust*	491,539	491,539			
Money Market*	876,000	876,000			
Totals	<u>\$ 10,649,838</u>	<u>\$ 10,649,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Not subject to categorization

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 2: Cash and Investments (Continued)

D. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
CAMP Investment Pool	\$ 3,603,142	N/A	\$ -	\$ -	\$ -	\$ -	\$ 3,603,142
State Investment Pool	5,679,157	N/A	-	-	-	-	5,679,157
Pars Trust	491,539	N/A	-	-	-	-	491,539
Money Market	876,000	N/A	-	-	-	-	876,000
Total investments	<u>\$10,649,838</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,649,838</u>

E.

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer that represent 5% or more of **total District investments**.

F. Custodial Credit Risk

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

As of June 30, 2013, \$1,832,281 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, 2013, the District did not hold investments in investments held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

G. Investment in State Investment Pool

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 3: Capital Assets

Capital Assets at June 30, 2013, consist of the following:

	Balance July 1, 2012	Additions	Adjustments/ Deletions	Balance June 30, 2013
Water				
Depreciable assets:				
Water Transmission	\$ 7,311,340	\$ -	\$ -	\$ 7,311,340
Water Treatment	9,579,722	7,793		9,587,515
Studies	673,375	14,155	-	687,530
Vehicles and equipment	530,412	97,710		628,122
Subtotal	18,094,849	119,658	-	18,214,507
Less: Accumulated Depreciation	(9,565,685)	(482,246)	1,800	(10,046,131)
Net Capital Assets	8,529,164	(362,588)	1,800	8,168,376
Non-depreciable assets:				
Construction in progress	19,062	42,332	(19,062)	42,332
Land	13,640	-	-	13,640
Subtotal	32,702	42,332	(19,062)	55,972
Net Capital Assets	\$ 8,561,866	\$ (320,256)	\$ (17,262)	\$ 8,224,348
Sewer				
Depreciable assets:				
Collection Facilities	\$ 4,163,987	\$ 72,300	\$ -	\$ 4,236,287
Pumping facility	42,763			42,763
Treatment Plant/Facilities	15,944,887	52,679		15,997,566
Vehicles and equipment	655,842	16,378		672,220
Lake Chesbro Protection	270,020			270,020
Waste Discharge	549,152			549,152
Telemetry Building	512,452			512,452
Subtotal	22,139,103	141,357	-	22,280,460
Less: Accumulated Depreciation	(11,249,574)	(595,854)	1,800	(11,843,628)
Net Capital Assets	10,889,529	(454,497)	1,800	10,436,832
Non-depreciable assets:				
Construction in progress	208,620	-		208,620
Land	578,050	-	-	578,050
Subtotal	786,670	-	-	786,670
Net Capital Assets	\$11,676,199	\$ (454,497)	\$ 1,800	\$ 11,223,502
Security				
Depreciable assets:				
Vehicle and equipment	\$ 412,183	\$ -	\$ -	\$ 412,183
Buildings and improvements	305,455			305,455
Subtotal	717,638	-	-	717,638
Less: Accumulated Depreciation	(394,704)	(37,562)		(432,266)
Net Capital Assets	322,934	(37,562)	-	285,372
Non-depreciable assets:				
Construction in progress	24,576			24,576
Subtotal	24,576	-		24,576
Net Capital Assets	\$ 347,510	\$ (37,562)	\$ -	\$ 309,948

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 4: Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Compensated absences	\$ 95,682	\$ 111,469	\$ 105,895	\$ 101,256
Total	<u>\$ 95,682</u>	<u>\$ 111,469</u>	<u>\$ 105,895</u>	<u>\$ 101,256</u>

Note 5: Net Position

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

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted Net Position

Restricted net position consists of constraints placed on net position use through external creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation which the District cannot unilaterally alter. These principally include connection fees received for use on capital projects and debt service requirements.

Unrestricted Net Position

Unrestricted net position describes the portion of net position which is not restricted as to use.

Note 6: Defined Benefit Pension Plan

A. Plan Description

The District's defined benefit pension plan with the California Public Employees' Retirement System (CalPERS) provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. This CalPERS is part of the Public Agency portion of the CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions and other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 6: Defined Benefit Pension Plan (Continued)

B. Funding Policy

Active tier 1 plan members in the District's defined pension plan are required to contribute 7% of their annual covered salary and active tier 2 members are required to contribute 6.25% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members as required by the defined pension plan. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.938% for tier 1 and 6.25% for tier 2. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established, and may be amended, by CalPERS annually.

C. Annual Pension Cost

For fiscal year 2012-13, the District's annual required employer pension cost was \$205,926 and the District actually contributed \$205,926. The District also contributes 4% of the employees' 7% portion of their annual covered salary as a benefit to the employee for tier 1 members and 0% for tier 2 members. The employer's required contribution for fiscal year 2012-13 was determined as part of the June 30, 2010 actuarial valuation using entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members; and (c) 3.25% overall payroll growth including 3.0% for inflation.

The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2010, was 18 years.

Trend Information for the District

Fiscal Year <u>Ended</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC Contributed	Net Pension Obligation
06/30/11	\$ 187,469	100%	\$ -
06/30/12	199,260	100%	-
06/30/13	205,926	100%	-

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 7: Post Retirement Health Care Benefits

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

Funding Policy. The contribution requirement of plan members is established by the District's Board of Directors. The 2012-2013 fiscal year annual required contribution is calculated using entry age normal cost (same as CalPERS). For the fiscal year ending June 30, 2013 the District contributed \$153,000 towards the unfunded actuarial accrued liability (UAAL). The District made the net contribution for fiscal year end June 30, 2013 directly to health insurance providers totaling \$58,628.

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

Net OPEB obligation-beginning of year	\$	54,472
Annual OPEB cost current fiscal year		199,470
Less: Employer contribution made to trust		(153,000)
Less: Unreimbursed retiree premium payments made to plan provider		(58,629)
Net employer contribution		(211,629)
Net OPEB obligation-end of year	\$	42,313

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

Trend Information for the District OPEB

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
06/30/11	\$ 188,914	100%	\$ 34,996
06/30/12	191,639	100.00%	54,472
06/30/13	199,470	100.06%	42,313

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 7: Post Retirement Health Care Benefits (Continued)

Funded Status and Funding Progress. As of June 30, 2013, the actuarial accrued liability (AAL) was \$1,843,167 and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,351,627. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will be presented in the future when multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2010, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions included a 7.75% discount rate and the normal cost component of the ARC increases 5.5% per year throughout the five year projection. The valuation assumes that 100% of eligible retirees will actually participate in the retiree medical benefit. The annual healthcare cost trend rate for represented employees had an assumed cap of 3% per year and the unrepresented had an assumed premium rate increase of 7.9% beginning January 1, 2013, decreasing approximately .3% per year until reaching an ultimate rate of 5.5 percent. It was assumed salary increases will be 3.25% per annum.

Note 8: Special Assessment District

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

The amount of special assessment debt at June 30, 2013, is:

Community Facilities District No. 1	<u>\$ 2,530,000</u>
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Separate audited financial statements have been issued for the assessment district.

Note 9: Revenue Limitation Imposed by California Proposition 218

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2013

Note 10: Prior Period Adjustments

C. Restatement of Net Position and Fund Balance

Adjustments resulting from errors or a change to comply with provisions of previously issued or retroactively applied accounting standards are treated as prior period adjustments. Accordingly the District reports these changes as a restatement to beginning net position in the proprietary fund statement of revenue, expenses and changes in net position.

The impact of the restatements to the previously reported net position is presented below:

	Water Fund	Sewer Fund
Fund Balances, June 30, 2012	\$ 13,890,764	\$ 14,915,266
Adjustments for:		
Prior year receivables and payables (net)	(14,437)	(7,312)
Total adjustment	(14,437)	(7,312)
Fund Balances, July 1, 2012 as restated	\$ 13,876,327	\$ 14,907,954

Note 11: Subsequent Event

Subsequent to fiscal year end the Community Facilities District accumulated sufficient cash to prepay the \$2,530,000 outstanding special assessment debt with no governmental commitment. The Community Facilities District also terminated assessing properties, used to pay for the special assessment debt, starting with the 2013/14 fiscal year tax roll.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Water Fund

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	2013	2012
Service Charges:		
Water sales - residential	\$ 1,643,609	\$ 1,405,770
Water sales - commercial	183,167	150,197
Water availability charges	340	350
Water sales - others	13,430	8,467
Total Service Charges	1,840,546	1,564,784
Other Charges:		
Water telephone line contracts	5,370	5,225
Ditch service charge	-	700
District project charges	400	400
Late charges	18,061	14,749
Water inspection fees	127	127
Transfer fees	4,649	2,529
Total Other Charges	28,607	23,730
Total Operating Revenues	\$ 1,869,153	\$ 1,588,514

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	2013	2012
	<u> </u>	<u> </u>
Source of Supply:		
Wages and salaries	\$ 14,197	\$ 12,582
Employer costs	7,939	5,888
Maintenance and repairs	13,642	23,864
Purchased power	55,494	46,067
Dam inspection costs	35,856	36,306
Supplies		
Chemical	10,251	8,477
Equipment rental	6,611	3,827
	<u> </u>	<u> </u>
Total Source of Supply	143,990	137,011
	<u> </u>	<u> </u>
Treatment:		
Wages and salaries	113,794	113,427
Employer costs	52,255	38,938
Purchased power	82,592	82,413
Chemicals	101,163	106,561
Maintenance and repairs	82,594	60,635
Supplies	592	210
Equipment rental	3,905	11,152
Lab tests	12,629	33,741
Miscellaneous	5,350	4,648
	<u> </u>	<u> </u>
Total Treatment	454,874	451,725
	<u> </u>	<u> </u>
Transmission and Distribution:		
Wages and salaries	193,393	179,742
Employer costs	87,944	61,752
Water meters	35,867	26,021
Maintenance and repairs	91,883	14,076
Purchased power	41,629	38,995
Lab tests		
Equipment rentals	20,363	18,983
Road paving	30,637	28,535
Supplies	6,229	7,088
Miscellaneous	7,160	6,295
	<u> </u>	<u> </u>
Total Transmission and Distribution	515,105	381,487
	<u> </u>	<u> </u>
General and Administrative:		
Wages and salaries	303,835	275,346
Employer costs	144,091	170,896
	<u> </u>	<u> </u>
Subtotal General and Administrative	447,926	446,242
	<u> </u>	<u> </u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Water Fund

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	2013	2012
Subtotal General and Administrative:	\$ 447,926	\$ 446,242
Communications	11,210	13,785
Maintenance and repairs	121,788	213,677
Insurance	17,471	21,093
Permits	16,395	19,413
Supplies	13,800	15,083
Directors' meeting and expenses	7,876	7,741
Elections	1,683	-
Legal and audit	56,699	24,616
Training and safety	12,524	11,650
Vehicle expenses	38,543	46,899
Tools	9,146	5,171
Sacramento Water Authority	10,606	21,656
Miscellaneous	18,710	16,945
Postage	7,706	7,508
Travel and meetings	4,965	3,599
Tuition reimbursement	1,339	244
Clerical services	2,886	
Consulting services	52,493	45,483
Dues and memberships	5,827	6,543
Uniforms	3,115	2,770
Purchased power	3,010	3,276
Equipment lease	1,088	1,082
Bad debts	-	(313)
Water conservation	23,966	15,588
Janitorial and pest control	1,625	1,614
CIA ditch operations	265	77
	892,662	951,444
Total General and Administrative		
Depreciation	482,246	476,294
Total Operating Expenses	\$ 2,488,877	\$ 2,397,961

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues
Sewer Fund
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Service Charges:		
Sewer service - residential	\$ 1,126,635	\$ 1,018,722
Sewer service - commercial	117,046	107,832
Sewer availability charges	<u>410</u>	<u>410</u>
Total Service Charges	<u>1,244,091</u>	<u>1,126,964</u>
Other Charges:		
Sewer inspection fees	127	127
District project charges	2,184	2,184
Ditch service charge	-	535
Late charges	18,061	14,749
Transfer fees	<u>3,549</u>	<u>1,931</u>
Total Other Charges	<u>23,921</u>	<u>19,526</u>
Total Operating Revenues	<u>\$ 1,268,012</u>	<u>\$ 1,146,490</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Sewer Fund
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)**

	2013	2012
Collections:		
Wages and salaries	\$ 85,610	\$ 67,567
Employer costs	41,364	25,861
Maintenance and repairs	58,625	46,080
Purchased power	14,207	15,032
Equipment rental	15,608	5,061
Supplies	4,811	5,989
Miscellaneous	2,205	-
	222,430	165,590
Treatment and Disposal:		
Purchased power	140,385	124,862
Chemicals	52,541	68,957
Wages and salaries	165,679	150,602
Employer costs	75,598	55,379
Lab tests	39,038	37,789
Maintenance and repairs	162,907	125,339
Supplies	903	769
Equipment rental	16,185	20,516
Miscellaneous	4,474	98
	657,710	584,311
General and Administrative:		
Wages and salaries	199,248	205,337
Employer costs	95,540	126,547
Communications	10,049	11,688
Maintenance and repairs	54,326	48,289
Insurance	13,339	16,104
Vehicle expenses	12,855	16,165
Supplies	12,061	11,657
Directors' meetings and expenses	7,299	5,910
Legal and audit	10,600	9,915
Training and safety	14,860	20,591
Permits	28,098	25,690
Miscellaneous	8,353	12,354
Postage	5,883	5,732
Tools	65	7,282
	472,576	523,261
Subtotal General and Administrative	472,576	523,261

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses (Continued)

Sewer Fund

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	2013	2012
Subtotal General and Administrative:	\$ 472,576	\$ 523,261
Travel and meetings	4,254	3,069
Tuition reimbursement	227	226
Clerical Services	2,203	
Consulting	16,393	26,922
Uniforms	3,115	3,037
Dues and memberships	3,614	3,677
Purchased power	2,298	2,501
Bad debts	-	(320)
Janitorial and pest control	1,625	1,614
Equipment lease	831	826
Total General and Administrative	507,136	564,813
Depreciation	595,854	597,607
Total Operating Expenses	\$ 1,983,130	\$ 1,912,321

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues
Drainage Fund
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Special Taxes:		
Drainage service - residential	\$ 147,780	\$ 136,514
Drainage service - commercial	<u>28,630</u>	<u>26,448</u>
Total Special Taxes	<u>176,410</u>	<u>162,962</u>
Other Charges:		
Ditch service charge	-	110
Transfer fees	<u>729</u>	<u>397</u>
Total Operating Revenues	<u>\$ 177,139</u>	<u>\$ 163,468</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Drainage Fund
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)**

	2013	2012
Drainage:		
Wages and salaries	\$ 46,034	\$ 52,716
Maintenance and repairs	26,965	6,774
Purchased power	14,990	16,251
Employer costs	21,375	24,467
Equipment rental	3,267	4,311
Legal and audit	1,256	1,754
Chemicals	1,838	1,520
Improvements	-	8,011
Permits	4,852	4,852
Miscellaneous	2,303	2,626
	<u>122,880</u>	<u>123,282</u>
General and Administrative:		
Wages and salaries	31,533	29,405
Employer costs	16,222	15,501
Clerical expense	453	
Communications	468	1,007
Insurance	2,740	3,308
Maintenance and repairs	6,570	4,633
Vehicle Expenses	204	440
Directors' meeting and expenses	1,499	1,214
Uniforms		
Office supplies	1,462	1,407
Legal and audit	921	2,036
Postage	1,208	1,177
Consulting services	64	1,160
Miscellaneous	1,262	1,820
Travel and meeting	582	349
Tuition reimbursement	47	40
Memberships	539	574
Training and safety	533	442
Purchased power	472	514
Equipment lease	171	170
	<u>66,950</u>	<u>65,197</u>
Total Operating Expenses	<u>\$ 189,830</u>	<u>\$ 188,479</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues
Solid Waste Fund
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Service Charges:		
Solid Waste - residential	\$ 616,974	\$ 588,809
Total Service Charges	<u>616,974</u>	<u>588,809</u>
Total Operating Revenues	<u>\$ 616,974</u>	<u>\$ 588,809</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Solid Waste Fund**

**For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)**

	2013	2012
Solid Waste:		
Contract charges	\$ 535,189	\$ 508,738
E-Waste disposal cost	23,568	
Miscellaneous	34,246	32,834
Total Solid Waste	593,003	541,572
General and Administrative:		
Wages and salaries	25,847	24,102
Employer costs	13,296	13,038
Travel-Meetings	477	286
Tuition reimbursement	38	20
Clerical reimbursement	371	
Office supplies	1,199	1,153
Mail machine lease	140	139
Insurance	2,246	2,711
Postage	990	965
Professional services	5,685	4,444
Utilities	634	645
Maintenance and repairs	3,031	1,903
Miscellaneous	1,231	2,882
Directors' meeting and expenses	1,012	995
Total General and Administrative	56,197	53,284
Total Operating Expenses	\$ 649,200	\$ 594,856

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Security Fund

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	2013	2012
Special Taxes:		
Security service - residential	\$ 1,001,675	\$ 963,000
Security service - commercial	165,900	159,545
Total Special Taxes	1,167,575	1,122,545
Other Charges:		
Late charges	36,121	29,499
Transfer fees	8,626	5,020
Fines and permits	9,980	9,460
Other	3,984	5,979
Total Other Charges	58,711	49,958
Total Operating Revenues	\$ 1,226,286	\$ 1,172,503

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2013
(With Comparative Totals for the Fiscal Year Ended June 30, 2012)**

	2013	2012
Gate Services:		
Wages and salaries	\$ 277,630	\$ 276,568
Employer costs	163,998	150,117
Miscellaneous	4,972	2,198
Equipment repairs and maintenance	20,193	28,057
Supplies	5,872	6,363
Communications	5,680	5,303
Janitor and pest controls	3,157	3,583
Purchased power	2,408	2,172
Training and safety	-	-
Uniforms	1,795	217
Total Gate Services	485,705	474,578
Patrol Services:		
Wages and salaries	229,563	234,663
Employer costs	123,134	127,131
Vehicle fuel	18,259	22,667
Off-duty sheriff patrol	8,689	2,761
Vehicle maintenance	9,450	9,068
Uniforms	1,054	991
Miscellaneous	1,268	718
Cellular phone	3,461	3,280
Equipment repairs and maintenance	278	433
Janitor and pest control	2,133	2,638
Supplies		
Travel/meetings	2,212	128
Tuition reimbursement	155	1,583
Training and safety	1,891	1,534
Total Patrol Services	401,547	407,595
General and Administrative:		
Wages and salaries	191,876	178,932
Employer costs	88,058	91,766
Clerical services	1,506	
Insurance	9,117	15,507
Legal and audit	13,886	17,854
Supplies	12,220	10,514
Directors' meetings and expenses	4,988	4,039
Training and safety	4,081	2,717
Consulting	213	2,635
Uniforms		
Purchased power	1,571	1,709
Subtotal General and Administrative	327,516	325,675

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expense (Continued)

Security Fund

For the Fiscal Year Ended June 30, 2013

(With Comparative Totals for the Fiscal Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Subtotal General and Administrative:	\$ 327,516	\$ 325,675
Communications	2,002	3,748
Equipment repairs and maintenance	21,897	16,212
Postage	4,021	3,918
Bad debts	-	(613)
Travel and meetings	-	1,161
Miscellaneous	6,398	10,297
Memberships	1,792	1,912
Equipment lease	568	565
Vehicle expenses	-	671
Uniform	-	-
	<u>364,194</u>	<u>363,546</u>
Total General and Administrative		
Depreciation	<u>37,562</u>	<u>38,976</u>
Total Operating Expenses	<u>\$ 1,289,008</u>	<u>\$ 1,284,695</u>

Larry Bain, CPA,
An Accounting Corporation
2148 Frascati Drive
El Dorado Hills, CA 95762

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, 2013, and have issued our report thereon dated September 23, 2013. In our audit report we issued an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

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

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
September 23, 2013

