

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Rancho Murieta Community Services District, California, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the Rancho Murieta Community Services District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.

Other Information

We have also issued our report dated October 26, 2015 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

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

Larry Bain, CPA,
An Accounting Corporation
October 26, 2015

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$34,213,436 (net position). Of this amount, \$4,651,149 (unrestricted net position) may be used to meet the District's ongoing obligation to customers and creditors.
- The District's total net position increased by \$4,322,830 since the close of the prior fiscal year.

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 fiscal 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, 2015

Overview of the Basic Financial Statements (Continued)

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

1. PROPRIETARY FUND TYPE

Enterprise Funds

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

2. FIDUCIARY FUND TYPE

Agency Funds

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

The basic financial statements can be found on pages 10-18 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-33 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$34,213,436 (net position) at the close of the most recent fiscal year.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2015

Condensed Financial Information
Rancho Murieta Community Services District Net Position

	June 30, 2015	June 30, 2014
Assets		
Current and other assets	\$ 10,493,353	\$ 11,102,005
Capital Assets - net of accumulated depreciation	29,562,287	19,926,458
Total Assets	40,055,640	31,028,463
Deferred Outflow of Resources		
	205,863	-
Liabilities		
Other liabilities	3,200,365	1,033,661
Longterm liabilities	2,197,387	104,196
Total Liabilities	5,397,752	1,137,857
Deferred Inflow of Resources		
	650,315	-
Net Position		
Net investment in capital assets	29,562,287	19,926,458
Unrestricted Net Position	4,651,149	9,964,148
Total Net Position	\$ 34,213,436	\$ 29,890,606

- The District's total net position increased by \$4,322,830. Unrestricted net position decreased \$5,312,999 while capital assets, net of accumulated depreciation increased \$9,635,829. The large increase in capital assets is primarily due to the Water Treatment Plant #1 (WTP#1) Expansion and Upgrade project, which as of June 30, 2015 had a work-in-process balance of \$10,819,268. The CSD also completed its North Security Gate project in fiscal year 2014/2015, which added an additional \$239,484 in capital assets. Capital asset depreciation expense during the year was \$1,122,339.
- Designated cash and investments, which are designated for capital improvements and replacements, decreased \$4,333,690 due to the investment in capital projects.
- Other liabilities increased due to the inter-fund borrowings related to the WTP#1 Expansion and Upgrade and North Security Gate projects, which were \$1,418,143 and \$108,875, respectively, as of June 30, 2015.
- Long-term liabilities increased by \$2.1 million due to changes in pension accounting methods required by Governmental Accounting Standards Board (GASB) Statement #68. These changes are discussed further in the Notes to Basic Financial Statements section of this audit report.

By far the largest portion of the District's net position (86.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) (Net Capital Assets \$29,562,287 / Total Net Position \$34,213,436 = 86.4%). 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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2015

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

	June 30, 2015	June 30, 2014
Revenues		
Operating revenues	\$ 5,170,340	\$ 5,112,857
Nonoperating revenues	1,179,303	1,325,517
CFD #1 Reimbursements	6,765,103	279,978
Total Revenues	<u>13,114,746</u>	<u>6,718,352</u>
Operating Expenses		
Water	1,199,502	1,250,290
Sewer	610,134	704,670
Drainage	136,634	124,830
Security	941,573	928,016
Solid waste	587,796	580,068
Other	1,699,285	2,023,030
Depreciation	1,122,339	1,102,446
Total Operating Expenses	<u>6,297,263</u>	<u>6,713,350</u>
Change in Net Position	<u>6,817,483</u>	<u>5,002</u>
Net Position (restated), Beginning of Fiscal Year	27,422,921	29,885,604
Prior Period Adjustment	(26,968)	
Net Position, End of Fiscal Year	<u>\$ 34,213,436</u>	<u>\$ 29,890,606</u>

Key elements of the enterprise activities are as follows:

- Operating revenues increased slightly, 1.12%. Water operating revenues increased by \$2,967 or 0.16% due to increased project charges. Sewer operating revenues increased by \$43,879 or 3.5% due to the 3.79% rate increase adopted for fiscal year 2014/2015. Unadjusted security operating revenues decreased \$4,739 or (0.38%) due to a change in the accounting method for the reserve revenues and fewer late charges than in 2013/2014. Drainage operating revenues increased \$3,344 or 1.9% and Solid Waste operating revenues increased \$12,033 or 1.9%, both due to approved rate increases.
- Non-operating revenues had a net increase of \$6,338,991 or 394.8% due to the project reimbursement revenue related to the WTP#1 Expansion and Upgrade project.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Total Water operating expenses decreased \$182,564 or (7.0%). During the current fiscal year, \$70,661 of wages and employer burden were allocated to the WTP#1 Expansion and Upgrade project, thereby reducing the Water Department's personnel costs. While expenses associated with Source of Supply were higher than last year, savings were seen in Water Treatment, Transmission & Distribution, and General & Administrative expense categories. Department wide, large savings were seen in repairs & maintenance and conservation-related expenses.
- The Sewer Department collects, treats, and disposes of the Rancho Murieta community waste water. Sewer operating expenses decreased \$142,562 or (7.5%). This decrease is primarily due to the re-allocation of resources to the Water Department during the WTP#1 Expansion and Upgrade project. Wages and employer costs were down \$175,344 and repairs & maintenance costs were down \$21,485 versus the prior year's numbers.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2015

- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses decreased \$5,661 or (2.7%). This decrease is due to the decrease in allocated Administration expenses this year, versus the prior year.
- Solid Waste services are provided by contract with California Waste Recovery Services (CWRS). CWRS contract charges for the year increased 1.4% (compared with an increase in service revenues of 1.9%). Overall operating expenses for Solid Waste decreased \$3,614 or (0.6%). As with the Drainage Department, this decrease is attributable to the decrease in allocated Administrative expenses.
- The Security Department provides Gate and Patrol services. Operating expenses for Gate services decreased \$21,636 or (4.2%). This decrease was related to lower employer costs and equipment repairs. Operating expenses for Patrol services increased \$35,193 or 8.5%, which was due to increased wages and contract employee costs. General Security operating expenses decreased \$92,073 or (23.0%), which was attributable to lower employee costs in both the Security and Administration Departments, as described below.
- 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 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 \$189,942 or (14.9%). This decrease is predominately due to the vacancy in the Controller position for eight months of the year. Legal expenses were \$44,953 higher than in 2013/2014, but were offset by savings in consulting expenses of (\$40,426).

Capital Assets

	July 1, 2014	Additions	Adjustments /Deletions	June 30, 2015
Depreciable Capital Assets				
Water Transmission	\$ 7,326,097	\$ 13,256	\$ (6,346)	\$ 7,333,007
Water Treatment	9,601,754	-	(515,722)	9,086,032
Studies	695,885	-	-	695,885
Collection Facilities	4,236,287	726,335	-	4,962,622
Sewer treatment and disposal	16,040,329	7,782	-	16,048,111
Lake Chesbro Protection	270,020	-	-	270,020
Waste Discharge	549,152	-	-	549,152
Buildings and improvements	817,907	12,349	(10,328)	819,928
Vehicles & Equipment	1,726,662	237,130	(139,444)	1,824,348
Total Depreciable Capital Assets	41,264,093	996,852	(671,840)	41,589,105
Less - Accumulated Depreciation	(23,424,470)	(1,122,338)	156,118	(24,390,690)
Net Depreciable Capital Assets	17,839,623	(125,486)	(515,722)	17,198,415
Non-Depreciable Capital Assets				
Construction in Progress	1,495,145	10,483,171	(206,134)	11,772,182
Land	591,690	-	-	591,690
Total Non-Depreciable Capital Assets	2,086,835	10,483,171	(206,134)	12,363,872
Net Capital Assets	\$ 19,926,458	\$ 10,357,685	\$ (721,856)	\$ 29,562,287

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2015

Capital Assets (Continued)

The District's investment in capital assets as of June 30, 2015, amounted to \$29,562,287 (net of accumulated depreciation). This investment in capital assets included land, buildings, improvements, vehicles, and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$9,635,829 or 48.4%.

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

- Sewer Main Lift Station North Wet Well Rehabilitation (completed)
- North Security Gate Project (completed)
- Water Treatment Plant #1 Expansion and Upgrade Project (Construction in Progress)

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2015/2016 annual budget on June 17, 2015 which provides for the District's operating and capital costs for the 2015/2016 fiscal year. Rancho Murieta, along with the rest of the State of California continues to be under a drought state of emergency, as declared by Governor Jerry Brown on January 1, 2014. While the Rancho Murieta CSD does not fall under the restrictions for an Urban Water District, our community is doing its part to conserve. Residential water conservation was at 20.2% (versus budget) for the fiscal year ended June 30, 2015 and landscape watering continued to be restricted to two days per week as of the start of the new fiscal year. Conservation incentives continue to be offered by the State and local agencies (including Rancho Murieta CSD) so continued conservation is expected to be seen throughout the 2015/2016 fiscal year.

Development will be a focal point for the District in the coming year(s). Rancho Murieta Properties, LLC has submitted development plans to Sacramento County that include the proposed addition of eight residential villages and one commercial site. Within the eight residential villages 827 single-family detached lots are being planned for on roughly 350 net developable acres. Construction on the Retreats West subdivision and on the Murieta Inn began in the 2015/2016 fiscal year. In preparation for the current and future development, the WTP#1 Expansion and Upgrade project is expected to be completed and producing effluent in November 2015. This project increases the plant's potable water production from 1.5 million gallons per day (mgd) to a future capability of 6.0 mgd and upgrades the treatment process to submerged membrane technology. The cost of the WTP#1 Expansion and Upgrade project is projected at \$12.8 million and as of June 30, 2015 a total of \$10,819,268 in expenditures had been recorded.. Funding for the project is split between the District, previous developers of Murieta South, and the developers of the Murieta Inn and Rancho Murieta North Properties (CRL/RMP). At the request of CRL/RMP, the District formed a Community Facilities District (CFD 2014-1) to finance the CRL/RMP share of the construction. Under CFD 2014-1 tax exempt bonds were sold on January 29, 2015 and provided \$4,358,245 of bond revenue for the WTP#1 Expansion and Upgrade project construction. The CFD 2014-1 will assess Mello-Roos taxes on the subject properties beginning in 2017 for repayment to the bond investors. The District is financing its \$4.35 million share of the project through inter-fund borrowings of \$1.5 million and \$500,000 in borrowings from Water Supply Augmentation, with the remainder coming from Water Capital Replacement Reserves. The inter-fund borrowing carries a variable interest rate tied to the California State Treasurer's Local Agency Investment Fund (LAIF), which is reported monthly. The principal balances of the internal borrowings are being repaid through a monthly debt service charge of \$6.00 per account/water connection and will be repaid in less than eleven years.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2015

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

No new capital projects were added to this year's budget. Projects carried forward from prior years include:

- 1) Completion of the Water Treatment Plant #1 Expansion and Upgrade
- 2) Augmentation Well Development
- 3) Acquisition of a Dump Truck for the Water and Sewer Departments
- 4) Wastewater Recovery Plant Filter PLC Replacement
- 5) Main Lift North Generator Replacement; and
- 6) Granlees Forebay Repairs

The District's rates for water, sewer, drainage, security and solid waste services are reviewed annually by staff and the Board of Directors. For fiscal year 2015/2016, the District increased rates by approximately 5.45% for Water services; 2.67% for Sewer services; 2.0% for both Drainage and Security services; and 0.7% for Solid Waste.

Requests for Information

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Net Position - Proprietary Funds

June 30, 2015

(With Comparative Totals for June 30, 2014)

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 1,467,826	\$ 649,809	\$ 83,087
Accounts receivable	1,422,568	195,539	25,477
Grants receivable	-		
Interest receivable	806	34	6
Prepaid Expenses	40,785	9,462	561
Deposits	20,617	15,741	3,233
Due from other funds		1,418,143	108,875
Due from developers	22,416	7,393	
Total Current Assets	2,975,018	2,296,121	221,239
Capital Assets - net of accumulated depreciation	18,331,882	10,766,626	
Other Assets:			
Cash and investments -designated	2,285,245	1,521,297	270,254
Interest receivable - designated	1,859	790	256
Total Other Assets	2,287,104	1,522,087	270,510
Total Assets	23,594,004	14,584,834	491,749
<u>Deferred Outflows of Resources</u>			
Deferred outflows-pensions	67,317	49,613	9,264
Total Deferred Outflows of Resources	67,317	49,613	9,264
Total Assets and Deferred Outflows of Resources	\$ 23,661,321	\$ 14,634,447	\$ 501,013
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 1,095,070	\$ 53,855	\$ 4,578
Accrued payroll	38,510	23,267	5,071
Post retirement medical liability	26,246	18,332	3,404
Deposits	209,346	45	9
Due to others	1,418,143		
Capital lease			
Total Current Liabilities	2,787,315	95,500	13,062
Noncurrent Liabilities:			
Capital lease			
Net pension liability	691,312	509,499	95,135
Compensated absences	27,552	20,218	3,782
Total Noncurrent Liabilities	718,864	529,717	98,917
Total Liabilities	3,506,178	625,216	111,979
<u>Deferred Inflows of Resources</u>			
Deferred inflows-advances	218,150	6,810	1,399
Deferred inflows-pensions	136,737	100,775	18,817
Total Deferred Inflows of Resources	354,887	107,585	20,216
<u>Net Position</u>			
Net investment in capital assets	18,331,882	10,766,626	
Net Position:			
Unrestricted	1,468,373	3,135,019	368,818
Total Net Position	19,800,255	13,901,645	368,818
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 23,661,321	\$ 14,634,447	\$ 501,013

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

		Totals	
Solid Waste Fund	Security Fund	2015	2014
\$ 239,383	\$ 409,803	\$ 2,849,908	\$ 1,748,840
58,307	158,596	1,860,487	722,576
		-	52,085
111	256	1,213	712
422	12,745	63,975	81,715
2,650	10,759	53,000	
		1,527,018	
		29,809	54,912
<u>300,873</u>	<u>592,159</u>	<u>6,385,410</u>	<u>2,660,840</u>
	<u>463,779</u>	<u>29,562,287</u>	<u>19,926,458</u>
1,924	26,330	4,105,050	8,438,740
	(12)	2,893	2,425
<u>1,924</u>	<u>26,318</u>	<u>4,107,943</u>	<u>8,441,165</u>
<u>302,797</u>	<u>1,082,256</u>	<u>40,055,640</u>	<u>31,028,463</u>
2,470	77,199	205,863	-
<u>2,470</u>	<u>77,199</u>	<u>205,863</u>	<u>-</u>
<u>\$ 305,267</u>	<u>\$ 1,159,455</u>	<u>\$ 40,261,503</u>	<u>\$ 31,028,463</u>
\$ 101,651	\$ 25,405	\$ 1,280,558	\$ 263,757
1,272	38,481	106,602	122,330
376	26,332	74,690	85,272
8	30	209,438	541,092
	108,875	1,527,018	
	2,059	2,059	2,233
<u>103,307</u>	<u>201,182</u>	<u>3,200,365</u>	<u>1,014,684</u>
	-	-	2,635
25,369	792,789	2,114,104	-
<u>996</u>	<u>30,735</u>	<u>83,283</u>	<u>101,561</u>
<u>26,365</u>	<u>823,524</u>	<u>2,197,387</u>	<u>104,196</u>
<u>129,672</u>	<u>1,024,706</u>	<u>5,397,752</u>	<u>1,118,880</u>
1,146	4,655	232,160	18,977
5,018	156,808	418,155	-
<u>6,164</u>	<u>161,463</u>	<u>650,315</u>	<u>18,977</u>
	463,779	29,562,287	19,926,458
<u>169,431</u>	<u>(490,493)</u>	<u>4,651,149</u>	<u>9,964,148</u>
<u>169,431</u>	<u>(26,714)</u>	<u>34,213,436</u>	<u>29,890,606</u>
<u>\$ 305,267</u>	<u>\$ 1,159,455</u>	<u>\$ 40,261,503</u>	<u>\$ 31,028,463</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Operating Revenues:			
Service charges	\$ 1,768,841	\$ 1,286,477	\$ -
Special taxes			183,566
Other charges	41,300	18,367	573
Total Operating Revenues	1,810,141	1,304,844	184,139
Operating Expenses:			
Source of supply	205,776		
Treatment	468,027		
Transmission and distribution	525,699		
Sewer collection		177,915	
Sewer treatment and disposal		432,219	
Drainage			136,634
Gate services			
Patrol services			
Solid waste			
General and administrative	745,769	527,965	65,221
Depreciation	483,941	608,191	
Total Operating Expenses	2,429,212	1,746,290	201,854
Operating Income (Loss)	(619,071)	(441,446)	(17,716)
Non-operating Revenues (Expenses):			
Taxes	220,291	168,192	34,544
Capital reserve fees	211,306	208,106	
Debt reserve fee	109,143		
Interest revenue	9,736	6,945	986
Rent			
Water augmentation	21,500		
Gain (Loss) on disposal of capital assets			
Refunds and reimbursements			
Interest expense	(3,944)		
Grant revenue			
Miscellaneous	16,341	5,706	974
Total Non-operating Revenues (Expenses)	584,373	388,949	36,504
Special Item			
CFD #1 Project Reimbursement	6,765,103		
Change in Net Position	6,730,405	(52,498)	18,788
Net Position Restated, Beginning of Fiscal Year	13,073,352	13,959,095	350,793
Prior Period Adjustments	(3,502)	(4,952)	(763)
Net Position, End of Fiscal Year	\$ 19,800,255	\$ 13,901,645	\$ 368,818

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

		Totals	
Solid Waste Fund	Security Fund	2015	2014
\$ 634,554	\$ -	\$ 3,689,872	\$ 3,640,855
	1,183,942	1,367,508	1,366,209
	52,720	112,960	105,792
<u>634,554</u>	<u>1,236,662</u>	<u>5,170,340</u>	<u>5,112,857</u>
		205,776	181,790
		468,027	516,405
		525,699	552,095
		177,915	219,090
		432,219	485,580
		136,634	124,830
	492,015	492,015	513,651
	449,558	449,558	414,365
587,796		587,796	580,068
52,370	307,960	1,699,284	2,023,030
	30,207	1,122,339	1,102,446
<u>640,166</u>	<u>1,279,740</u>	<u>6,297,262</u>	<u>6,713,350</u>
<u>(5,612)</u>	<u>(43,077)</u>	<u>(1,126,922)</u>	<u>(1,600,493)</u>
28,315	114,959	566,301	520,829
	47,820	467,232	454,340
		109,143	298,013
400	813	18,880	16,304
		21,500	
	(24,576)	(24,576)	
	(243)	(4,187)	(387)
	1,988	25,010	36,418
<u>28,715</u>	<u>140,761</u>	<u>1,179,303</u>	<u>1,325,517</u>
		6,765,103	279,978
23,103	97,684	6,817,483	5,002
147,039	(107,358)	27,422,921	29,885,604
(711)	(17,040)	(26,968)	-
<u>\$ 169,431</u>	<u>\$ (26,714)</u>	<u>\$ 34,213,436</u>	<u>\$ 29,890,606</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 556,439	\$ 1,315,229	\$ 185,614
Payments to employees	(949,411)	(549,900)	(143,364)
Payments to suppliers	(35,321)	(672,631)	(71,959)
Net Cash Provided By (Used In) Operating Activities	<u>(428,293)</u>	<u>92,698</u>	<u>(29,709)</u>
Cash Flows from Non-capital Financing Activities:			
Taxes received	220,291	168,192	34,544
Grants	52,085		
Debt reserve fee	109,143	-	
Miscellaneous	34,339	754	211
Net Cash Provided By (Used In) Non-capital Financing Activities	<u>415,858</u>	<u>168,946</u>	<u>34,755</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(10,500,315)	(40,437)	
Interfund lending	1,418,143	(1,418,143)	(108,875)
Cash received from sale of assets	-	-	
CFD #1 project reimbursement	6,765,103		
Reduction of debt	(3,944)		
Capital reserve fees	211,306	208,106	
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(2,109,707)</u>	<u>(1,250,474)</u>	<u>(108,875)</u>
Cash Flows from Investing Activities:			
Interest received	9,078	6,790	940
Net Cash Provided by Investing Activities	<u>9,078</u>	<u>6,790</u>	<u>940</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,113,064)	(982,040)	(102,889)
Cash and Cash Equivalents, July 1	5,866,135	3,153,146	456,230
Cash and Cash Equivalents, June 30	<u>\$ 3,753,071</u>	<u>\$ 2,171,106</u>	<u>\$ 353,341</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and investments	\$ 1,467,826	\$ 649,809	\$ 83,087
Restricted cash and investments	2,285,245	1,521,297	270,254
Total Cash and Cash Equivalents	<u>\$ 3,753,071</u>	<u>\$ 2,171,106</u>	<u>\$ 353,341</u>

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

		Totals	
Solid Waste Fund	Security Fund	2015	2014
\$ 639,486	\$ 1,351,168	\$ 4,047,936	\$ 5,800,649
(33,352)	(1,081,772)	(2,757,800)	(2,880,498)
(613,049)	(228,501)	(1,621,461)	(2,774,595)
(6,916)	40,895	(331,325)	145,556
28,315	114,959	566,301	520,829
		52,085	-
		109,143	298,013
(711)	(15,052)	19,542	36,418
27,604	99,907	747,071	855,260
	(241,993)	(10,782,745)	(1,271,105)
		(108,875)	-
		-	-
		6,765,103	279,978
	(3,052)	(6,996)	(2,817)
	47820	467,232	454,340
	(197,225)	(3,666,281)	(539,604)
372	734	17,914	16,503
372	734	17,914	16,503
21,060	(55,689)	(3,232,622)	477,715
220,247	491,822	10,187,580	9,709,865
<u>\$ 241,307</u>	<u>\$ 436,133</u>	<u>\$ 6,954,958</u>	<u>\$ 10,187,580</u>
\$ 239,383	\$ 409,803	\$ 2,849,908	\$ 1,748,840
1,924	26,330	4,105,050	8,438,740
<u>\$ 241,307</u>	<u>\$ 436,133</u>	<u>\$ 6,954,958</u>	<u>\$ 10,187,580</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (619,071)	\$ (441,446)	\$ (17,716)
Noncash items included in operating loss			
Depreciation	483,941	608,191	
Changes in assets and liabilities			
Decrease (increase) in operating assets			
Accounts receivable	(1,158,007)	9,254	1,243
Prepaid expenses	10,923	3,249	1,667
Deposits	(20,617)	(15,741)	(3,233)
Due from others	25,103		
GASB 68 adjustments	(46,202)	(34,051)	(6,358)
Increase (decrease) in operating liabilities			
Accounts payable	1,015,680	(12,789)	(227)
Accrued payroll	7,948	(19,597)	(4,194)
Post retirement medical liability	(3,583)	(2,610)	(466)
Deposit liability	(331,566)	(43)	(9)
Due to others			
Compensated absences	(3,609)	(2,893)	(657)
Deferred revenue	210,768	1,174	241
Net Cash Provided By (Used In) Operating Activities	\$ (428,293)	\$ 92,698	\$ (29,709)

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

		Totals	
Solid Waste Fund	Security Fund	2015	2014
\$ (5,612)	\$ (43,077)	\$ (1,126,922)	\$ (1,600,493)
	30,207	1,122,339	1,102,446
4,742	4,857	(1,137,911)	91,320
923	978	17,739	(12,454)
(2,650)	(10,759)	(53,000)	-
		25,103	89,435
(1,695)	(52,984)	(141,290)	-
455	13,683	1,016,801	(125,657)
(1,729)	1,843	(15,728)	50,658
(647)	(3,276)	(10,582)	42,959
(7)	(29)	(331,654)	506,558
	108,875	108,875	-
(893)	(10,226)	(18,278)	305
197	803	213,183	479
<u>\$ (6,916)</u>	<u>\$ 40,895</u>	<u>\$ (331,325)</u>	<u>\$ 145,556</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Fiduciary Net Position
June 30, 2015**

	PARS	
	<u>Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and investments	\$ 917,550	\$ 932,736
Due from others		<u>1,194,767</u>
Total Assets	<u>\$ 917,550</u>	<u>\$ 2,127,503</u>
<u>Liabilities</u>		
Due to others	<u>\$ -</u>	<u>\$ 2,127,503</u>
Total Liabilities		<u>2,127,503</u>
<u>Net Position</u>		
Held in trust for OPEB benefits	<u>917,550</u>	
Total Liabilities and Net Position	<u>\$ 917,550</u>	<u>\$ 2,127,503</u>

Changes in Fiduciary Net Position-PARS Retirement Fund

Additions:	
Employer contributions	<u>\$ 189,012</u>
Total contributions	<u>189,012</u>
Investment income (loss):	
Net adjustment to fair value of investments	<u>15,740</u>
Total Additions (Deductions)	<u>15,740</u>
Change in plan net position	<u>204,752</u>
Net Position:	
Held in trust for OPEB benefits:	
Beginning of year	<u>712,798</u>
End of year	<u>\$ 917,550</u>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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 Districts – The special assessment districts are the Community Facilities District No. 1. and the Community Facilities District No. 2014-1 These Special Assessment Districts were created for the purpose of acquiring, constructing and maintaining water and sewer facilities within the Rancho Murieta boundaries. The District is not obligated to repay debt of the Special Assessment Districts but functions as an agent for the property owners by collecting assessments, forwarding collections to special assessment debt holders, and, if appropriate, begin foreclosures on delinquent property owners. Because of the special financing relationships, the Community Facilities District No. 1 and 2014-1 have been included in the financial statements as fiduciary fund types.

B. Basis of Presentation

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

Fund Financial Statements

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

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 1: Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

C. Major Funds

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

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

The District 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, 2015

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, 2015

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. Pensions

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

N. Deferred Compensation Plan

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 1: Significant Accounting Policies (Continued)

O. Use of Estimates

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

Note 2: Cash and Investments

Classification

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements:

Cash and investments	\$ 2,849,908
Designated cash and investments	<u>4,105,050</u>
Cash and investments, Statement of Net Assets	6,954,958
Cash and investments, Statement of Fiduciary Net Assets	<u>1,850,286</u>
Total cash and investments	<u><u>\$ 8,805,244</u></u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	724,244
Investments	<u>8,080,750</u>
Total cash and investments	<u><u>\$ 8,805,244</u></u>

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

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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>13-48 Months</u>
CAMP*	\$ 606,834	\$ 606,834	\$ -
State Investment Pool*	5,653,847	5,653,847	
PARS Trust*	917,550	917,550	
Money Market*	902,519	902,519	
Totals	<u>\$ 8,080,750</u>	<u>\$ 8,080,750</u>	<u>\$ -</u>

*Not subject to categorization

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>
				<u>Not Rated</u>
CAMP Investment Pool	\$ 606,834	N/A	\$ -	\$ 606,834
State Investment Pool	5,653,847	N/A	-	5,653,847
Pars Trust	917,550	N/A	-	917,550
Money Market	902,519	N/A	-	902,519
Total investments	<u>\$ 8,080,750</u>		<u>\$ -</u>	<u>\$ 8,080,750</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, 2015, \$347,091 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, 2015, 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, 2015

Note 3: Capital Assets

Capital Assets at June 30, 2015, consist of the following:

	Balance July 1, 2014	Additions	Adjustments/ Deletions	Balance June 30, 2015
Water				
Depreciable assets:				
Water Transmission	\$ 7,326,097	\$ 13,256	\$ (6,346)	\$ 7,333,007
Water Treatment	9,601,754		(515,722)	9,086,032
Studies	695,885		-	695,885
Vehicles and equipment	642,259	3,888	(37,464)	608,683
Subtotal	18,265,995	17,144	(559,532)	17,723,607
Less: Accumulated Depreciation	(10,528,796)	(483,941)	43,811	(10,968,926)
Net Capital Assets	7,737,199	(466,797)	(515,721)	6,754,681
Non-depreciable assets:				
Construction in progress	564,669	10,483,171	515,721	11,563,561
Land	13,640	-	-	13,640
Subtotal	578,309	10,483,171	515,721	11,577,201
Net Capital Assets	\$ 8,315,508	\$ 10,016,374	\$ -	\$ 18,331,882
Sewer				
Depreciable assets:				
Collection Facilities	\$ 4,236,287	\$ 726,335	\$ -	\$ 4,962,622
Pumping facility	42,763			42,763
Treatment Plant/Facilities	15,997,566	7,782		16,005,348
Vehicles and equipment	672,220	3,598	(25,550)	650,268
Lake Chesbro Protection	270,020			270,020
Waste Discharge	549,152			549,152
Telemetry Building	512,452			512,452
Subtotal	22,280,460	737,715	(25,550)	22,992,625
Less: Accumulated Depreciation	(12,430,030)	(608,190)	25,550	(13,012,670)
Net Capital Assets	9,850,430	129,525	-	9,979,955
Non-depreciable assets:				
Construction in progress	905,900		(697,279)	208,621
Land	578,050	-	-	578,050
Subtotal	1,483,950	-	(697,279)	786,671
Net Capital Assets	\$ 11,334,380	\$ 129,525	\$ (697,279)	\$ 10,766,626
Security				
Depreciable assets:				
Vehicle and equipment	\$ 412,183	\$ 229,644	\$ (76,430)	\$ 565,397
Buildings and improvements	305,455	12,349	(10,328)	307,476
Subtotal	717,638	241,993	(86,758)	872,873
Less: Accumulated Depreciation	(465,644)	(30,207)	86,757	(409,094)
Net Capital Assets	251,994	211,786	(1)	463,779
Non-depreciable assets:				
Construction in progress	24,576		(24,576)	-
Subtotal	24,576	-	(24,576)	-
Net Capital Assets	\$ 276,570	\$ 211,786	\$ (24,577)	\$ 463,779

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 4: Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 7/1/2014	Additions	Retirements	Balance 6/30/2015
Compensated absences	\$ 101,561	\$ 91,990	\$ 110,268	\$ 83,283
Net pension liability (note 6)		2,114,104		2,114,104
Total	<u>\$ 101,561</u>	<u>\$ 2,206,094</u>	<u>\$ 110,268</u>	<u>\$ 2,197,387</u>

Note 5: Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52 - 67
Monthly benefits, as a % of eligible	1.5% to 2%	1.0% to 2%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	13.322%	6.25%

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	202,354
Contributions-employee (paid by employer)	\$	27,623

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plan	\$ 2,114,104

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.08208%
Proportion - June 30, 2014	0.08554%
Change - Increase (Decrease)	0.00346%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

For the year ended June 30, 2015, the District recognized pension expense of \$88,688. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	-	(414,301)
Changes in proportion and differences between District contributions and proportionate share of contributions	3,510	(3,854)
District contributions subsequent to the measurement date	202,353	-
Total	\$ 205,863	\$ (418,155)

\$202,353 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Measurement Period

Ended June 30:

2016	\$	(138,987)
2017		(138,561)
2018		(137,098)
2019		-
2020		-
Thereafter		-

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

		Miscellaneous
Valuation Date		June 30, 2013
Measurement Date		June 30, 2014
Actuarial Cost Method		Entry-Age Normal
Actuarial Assumptions:		
Discount Rate		7.50%
Inflation		2.75%
Pavroll Growth		3.00%
Projected Salary Increase		3.3% - 14.2% (1)
Investment Rate of Return		7.5% (2)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.5	5.13
Infrastructure and Forestland	3.0	4.5	5.09
Liquidity	2.0	(0.55)	(1.05)

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate -1% (6.5%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate +1% (8.50%)</u>
Misc Tier I	\$ 3,460,866	\$ 2,113,774	\$ 995,816
PEPRA	588	330	116

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 2014-2015 fiscal year annual required contribution is calculated using entry age normal cost (same as CalPERS). For the fiscal year ending June 30, 2015 the District contributed \$189,012 towards the unfunded actuarial accrued liability (UAAL). The District made the net contribution for fiscal year end June 30, 2015 directly to health insurance providers totalling \$76,440.

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.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

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

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the District's Healthcare Plan:

Net OPEB obligation-beginning of year	\$	85,272
Annual OPEB cost current fiscal year		254,870
Less: Employer contribution made to trust		(189,012)
Less: Unreimbursed retiree premium payments made to plan provider		(76,440)
Net employer contribution		(265,452)
Net OPEB obligation-end of year	\$	74,690

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

Trend Information for the District OPEB

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost (AOC)</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
06/30/13	\$ 199,470	100.06%	\$ 42,313
06/30/14	251,808	82.93%	85,272
06/30/15	254,870	104.15%	74,690

Funded Status and Funding Progress. As of June 30, 2015, the actuarial accrued liability (AAL) was \$2,477,787 and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,560,237. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will be presented in the future when multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2015

Note 8: Special Assessment District

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

The amount of special assessment debt at June 30, 2015, is:

Community Facilities District No. 2014-1	<u>\$ 5,960,000</u>
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Note 9: Restatement of Net Position

Beginning net position was restated because of the implementation of Governmental Accounting Standards Board Statement 68 for defined benefit pension plans. The increase of the prior year net pension liability, deferred inflows and deferred outflows of resources resulted in a \$2,467,685 reduction to beginning net position.

Note 10: 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.

Note 11: Commitments and Contingencies

Grants

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

Commitments

The District had open engineering, construction and professional service contracts as of June 30, 2015, including \$1,816,355 for the construction of the new Water Treatment Plant.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Water Fund

For the Fiscal Year Ended June 30, 2015

(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Service Charges:		
Water sales - residential	\$ 1,598,773	\$ 1,602,298
Water sales - commercial	162,069	168,521
Water availability charges	320	340
Water sales - others	<u>7,679</u>	<u>8,704</u>
Total Service Charges	<u>1,768,841</u>	<u>1,779,863</u>
Other Charges:		
Water telephone line contracts	5,636	5,493
Ditch service charge	700	-
District project charges	18,198	1,924
Late charges	12,476	15,440
Water inspection fees	633	-
Transfer fees	<u>3,657</u>	<u>4,454</u>
Total Other Charges	<u>41,300</u>	<u>27,311</u>
Total Operating Revenues	<u><u>\$ 1,810,141</u></u>	<u><u>\$ 1,807,174</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2015

(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Source of Supply:		
Wages and salaries	\$ 21,367	\$ 18,602
Employer costs	11,496	11,081
Maintenance and repairs	7,767	4,530
Purchased power	111,346	105,969
Dam inspection costs	39,198	35,328
Chemical	12,998	5,045
Equipment rental	1,604	1,235
	<hr/>	<hr/>
Total Source of Supply	205,776	181,790
	<hr/>	<hr/>
Treatment:		
Wages and salaries	151,262	167,413
Employer costs	90,725	75,093
Purchased power	73,023	80,288
Chemicals	63,119	89,735
Maintenance and repairs	38,289	72,663
Supplies	5	16
Equipment rental	41,013	8,870
Lab tests	10,591	20,372
Miscellaneous	-	1,955
	<hr/>	<hr/>
Total Treatment	468,027	516,405
	<hr/>	<hr/>
Transmission and Distribution:		
Wages and salaries	215,850	187,230
Employer costs	96,724	89,839
Water meters	26,286	44,930
Maintenance and repairs	61,721	112,697
Purchased power	45,884	42,064
Equipment rentals	25,936	28,484
Road paving	52,754	39,610
Supplies	544	3,416
Miscellaneous	-	3,825
	<hr/>	<hr/>
Total Transmission and Distribution	525,699	552,095
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	209,873	311,883
Employer costs	85,455	160,867
	<hr/>	<hr/>
Subtotal General and Administrative	295,328	472,750
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2015

(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Subtotal General and Administrative:	\$ 295,328	\$ 472,750
Communications	13,748	13,072
Maintenance and repairs	91,274	78,070
Insurance	31,747	21,350
Permits	26,016	18,081
Supplies	12,899	15,922
Directors' meeting and expenses	7,019	8,447
Elections	707	-
Legal and audit	53,373	37,620
Training and safety	5,935	12,607
Vehicle expenses	27,975	22,620
Tools	14,735	9,743
Sacramento Water Authority	6,000	10,836
Miscellaneous	24,781	21,511
Postage	8,251	8,418
Travel and meetings	6,019	5,806
Tuition reimbursement	596	688
Clerical services	39,875	14,074
Consulting services	31,221	34,553
Dues and memberships	14,698	6,954
Uniforms	3,551	4,762
Purchased power	3,314	3,242
Equipment lease	1,083	905
Bad debts	-	-
Water conservation	18,557	48,702
Janitorial and pest control	1,664	8,088
CIA ditch operations	5,403	-
	<u>745,769</u>	<u>878,821</u>
Total General and Administrative		
Depreciation	<u>483,941</u>	<u>482,665</u>
Total Operating Expenses	<u>\$ 2,429,212</u>	<u>\$ 2,611,776</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Sewer Fund

For the Fiscal Year Ended June 30, 2015

(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Service Charges:		
Sewer service - residential	\$ 1,164,771	\$ 1,123,144
Sewer service - commercial	121,316	114,927
Sewer availability charges	<u>390</u>	<u>400</u>
Total Service Charges	<u>1,286,477</u>	<u>1,238,471</u>
Other Charges:		
Sewer inspection fees	380	-
District project charges	2,719	3,653
Late charges	12,476	15,440
Transfer fees	<u>2,792</u>	<u>3,401</u>
Total Other Charges	<u>18,367</u>	<u>22,494</u>
Total Operating Revenues	<u>\$ 1,304,844</u>	<u>\$ 1,260,965</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Sewer Fund

For the Fiscal Year Ended June 30, 2015

(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Collections:		
Wages and salaries	\$ 85,887	\$ 103,084
Employer costs	42,841	47,425
Maintenance and repairs	27,748	51,687
Purchased power	13,252	12,822
Equipment rental	6,517	1,588
Supplies	1,670	2,484
Miscellaneous	-	-
	<hr/>	<hr/>
Total Collections	177,915	219,090
	<hr/>	<hr/>
Treatment and Disposal:		
Purchased power	104,005	125,400
Chemicals	41,053	45,811
Wages and salaries	108,315	122,693
Employer costs	55,789	60,220
Lab tests	56,986	35,414
Maintenance and repairs	51,640	84,031
Supplies	1,086	-
Equipment rental	11,890	12,011
Miscellaneous	1,455	-
	<hr/>	<hr/>
Total Treatment and Disposal	432,219	485,580
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	137,892	207,932
Employer costs	43,776	108,490
Communications	11,737	11,014
Maintenance and repairs	103,846	69,001
Insurance	24,239	16,301
Vehicle expenses	22,784	22,376
Supplies	9,446	12,760
Directors' meetings and expenses	5,899	6,449
Legal and audit	29,418	16,374
Training and safety	12,270	14,331
Permits	36,270	30,061
Miscellaneous	7,654	12,843
Postage	6,300	6,427
Tools	17,417	9,842
	<hr/>	<hr/>
Subtotal General and Administrative	468,948	544,201
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Sewer Fund

For the Fiscal Year Ended June 30, 2015

(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Subtotal General and Administrative:	\$ 468,948	\$ 544,201
Travel and meetings	5,099	4,682
Tuition reimbursement	508	118
Clerical Services	30,444	10,745
Consulting	9,526	18,920
Uniforms	3,836	5,271
Dues and memberships	4,583	4,131
Purchased power	2,530	2,475
Janitorial and pest control	1,664	6,545
Equipment lease	827	691
	<u>527,965</u>	<u>597,779</u>
Total General and Administrative	<u>527,965</u>	<u>597,779</u>
Depreciation	<u>608,191</u>	<u>586,403</u>
Total Operating Expenses	<u>\$ 1,746,290</u>	<u>\$ 1,888,852</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenue
Drainage Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	<u>2015</u>	<u>2014</u>
Special Taxes:		
Drainage service - residential	\$ 153,783	\$ 150,894
Drainage service - commercial	<u>29,783</u>	<u>29,203</u>
Total Special Taxes	<u>183,566</u>	<u>180,097</u>
Other Charges:		
Transfer fees	<u>573</u>	<u>698</u>
Total Operating Revenues	<u><u>\$ 184,139</u></u>	<u><u>\$ 180,795</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Drainage Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	<u>2015</u>	<u>2014</u>
Drainage:		
Wages and salaries	\$ 66,379	\$ 49,914
Maintenance and repairs	19,451	24,618
Purchased power	6,724	9,840
Employer costs	29,970	24,592
Equipment rental	1,844	1,411
Legal and audit	-	-
Chemicals	4,344	2,599
Supplies	1,192	1,744
Improvements	119	-
Permits	5,826	4,852
Uniforms	-	733
Miscellaneous	785	4,527
	<u>136,634</u>	<u>124,830</u>
 General and Administrative:		
Wages and salaries	25,036	33,999
Employer costs	7,037	16,675
Clerical expense	6,253	2,207
Communications	591	909
Insurance	4,978	3,348
Maintenance and repairs	7,729	7,417
Vehicle Expenses	8	8
Directors' meeting and expenses	1,212	1,325
Uniforms		
Office supplies	-	-
Legal and audit	5,952	3,258
Postage	1,294	1,320
Consulting services	1,865	9,192
Miscellaneous	1,063	750
Travel and meeting	600	639
Tuition reimbursement	35	24
Memberships	647	732
Training and safety	231	232
Purchased power	520	508
Equipment lease	170	142
	<u>65,221</u>	<u>82,685</u>
 Total General and Administrative		
	<u>\$ 201,854</u>	<u>\$ 207,515</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Solid Waste Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	<u>2015</u>	<u>2014</u>
Service Charges:		
Solid Waste - residential	\$ 634,554	\$ 622,521
	<u>634,554</u>	<u>622,521</u>
Total Service Charges		
	<u>634,554</u>	<u>622,521</u>
Total Operating Revenues	<u>\$ 634,554</u>	<u>\$ 622,521</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Solid Waste Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	<u>2015</u>	<u>2014</u>
Solid Waste:		
Contract charges	\$ 552,778	\$ 545,023
E-Waste disposal cost	-	-
Miscellaneous	<u>35,018</u>	<u>35,045</u>
Total Solid Waste	<u>587,796</u>	<u>580,068</u>
General and Administrative:		
Wages and salaries	16,946	27,868
Employer costs	8,765	13,668
Travel-Meetings	492	524
Tuition reimbursement	-	20
Clerical reimbursement	5,125	1,809
Office supplies	977	1,430
Mail machine lease	139	116
Insurance	4,081	2,744
Postage	1,061	1,082
Professional services	9,029	6,963
Utilities	746	658
Maintenance and repairs	2,382	1,964
Consulting	40	2,061
Miscellaneous	1,685	1,719
Directors' meeting and expenses	<u>902</u>	<u>1,086</u>
Total General and Administrative	<u>52,370</u>	<u>63,712</u>
Total Operating Expenses	<u>\$ 640,166</u>	<u>\$ 643,780</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Security Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	<u>2015</u>	<u>2014</u>
Special Taxes:		
Security service - residential	\$ 1,030,651	\$ 1,017,538
Security service - commercial	<u>153,291</u>	<u>168,574</u>
Total Special Taxes	<u>1,183,942</u>	<u>1,186,112</u>
Other Charges:		
Late charges	24,953	30,880
Transfer fees	6,808	8,024
Fines and permits	13,160	9,977
Other	<u>7,799</u>	<u>6,408</u>
Total Other Charges	<u>52,720</u>	<u>55,289</u>
Total Operating Revenues	<u>\$ 1,236,662</u>	<u>\$ 1,241,401</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	<u>2015</u>	<u>2014</u>
Gate Services:		
Wages and salaries	\$ 281,131	\$ 277,671
Employer costs	172,089	192,769
Miscellaneous	5,959	2,527
Equipment repairs and maintenance	7,423	19,608
Supplies	8,719	4,471
Communications	4,364	3,667
Janitor and pest controls	3,296	6,541
Purchased power	7,414	2,323
Training and safety	85	1,695
Uniforms	1,535	2,379
	<hr/>	<hr/>
Total Gate Services	492,015	513,651
Patrol Services:		
Wages and salaries	245,858	241,924
Employer costs	130,736	122,024
Vehicle fuel	17,460	19,366
Off-duty sheriff patrol	6,262	3,762
Vehicle maintenance	12,895	11,198
Uniforms	1,069	1,206
Miscellaneous	20,216	253
Cellular phone	3,879	3,049
Equipment repairs and maintenance	4,623	4,611
Janitor and pest control	2,645	1,948
Supplies		
Travel/meetings	2,349	4,171
Tuition reimbursement	115	81
Training and safety	1,451	772
	<hr/>	<hr/>
Total Patrol Services	449,558	414,365
General and Administrative:		
Wages and salaries	154,454	210,005
Employer costs	21,988	90,528
Clerical services	20,809	7,345
Insurance	16,567	11,142
Legal and audit	31,285	12,108
Supplies	10,647	11,594
Directors' meetings and expenses	4,032	4,408
Training and safety	1,661	1,145
Consulting	3,886	8,368
Uniforms		
Purchased power	1,729	1,692
	<hr/>	<hr/>
Subtotal General and Administrative	267,058	358,335

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2015
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)**

	<u>2015</u>	<u>2014</u>
Subtotal General and Administrative:	\$ 267,058	\$ 358,335
Communications	2,972	3,489
Equipment repairs and maintenance	26,043	24,475
Postage	4,336	4,393
Bad debts	-	-
Travel and meetings	-	-
Miscellaneous	4,831	6,431
Memberships	2,155	2,437
Equipment lease	565	473
Vehicle expenses	-	-
Uniform	-	-
	<hr/>	<hr/>
Total General and Administrative	<u>307,960</u>	<u>400,033</u>
Depreciation	<u>30,207</u>	<u>33,378</u>
	<hr/>	<hr/>
Total Operating Expenses	<u>\$ 1,279,740</u>	<u>\$ 1,361,427</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2015**

<u>Actuarial Valuation Date</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>the net pension liability (asset) (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
Miscellaneous 1st tier					
6/30/2014	0.03397%	\$2,113,774	\$1,745,278	121.11%	79.18%
PEPRA					
6/30/2014	0.00001%	\$330	\$32,708	1.01%	83.02%

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employees payroll</u>	<u>percentage of covered employee payroll</u>
Miscellaneous 1st tier					
6/30/2014	\$215,170	(\$215,170)	\$0	\$1,745,278	12.33%
PEPRA					
6/30/2014	\$7,065	(\$7,065)	\$0	\$32,708	21.60%

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

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited the Financial Statements of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated October 26, 2015. In our audit report we issued an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 15-1 in the following schedule of findings to be a significant deficiency in the District's internal control.

Rancho Murieta Community Services District's Response to Findings

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

Purpose of this Report

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

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

Larry Bain, CPA,
An Accounting Corporation
October 26, 2015

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Findings and Recommendations
June 30, 2015

Deemed to be Significant Deficiencies and Not Material Weaknesses

Finding 15-1: During our audit we noted the tax revenue for the District was posted to the Community Facility District No. 1 fund and then transferred to the District. There was no reason during the 2014-15 fiscal year to run the activity through the Community Facility District. We also noted the District was using the Community Facility District No. 1 (CFD No.1) bank account to record developer activity related to the new wastewater treatment plant. The CFD No. 1 account had a residual balance of \$21,906.72 at June 30, 2015 that was remaining from the CFD No. 1 project, furthermore the remaining letter of credit from the CFD No. 1 project from a Developer was being used for the new water treatment plant and these developer deposits were being deposited into the CFD No. 1 bank account and then immediately transferred to a CSD bank account.

Recommendation: We recommend the tax revenue for the District be posted directly to the District tax revenue accounts. If there are any balances that belong to the Community Facility District (CFD) then those amounts should be recorded to the CFD fund. We also recommend the District determine where to apply the remaining \$21,906.72 cash balance from the CFD No. 1 bank account and close that account. The District should also determine if it is necessary to deposit developer funds for the new water treatment plant into the CFD No. 1 bank account and then immediately transfer them to the District. The District could open a new bank account for the water treatment plant.