

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

January 8, 2019

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

This representation letter is provided in connection with your audits of the financial statements of Rancho Murieta Community Services District, which comprise the respective financial position of the business-type activities and fiduciary fund as of June 30, 2018, and the respective changes in financial position and cash flows for the period then ended, and the related notes to the financial statements, and the financial information presented in the component unit financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 8, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 12, 2018.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) The effects of uncorrected misstatements, if any, are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Rancho Murieta Community Services District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) We have made available to you all financial records and related data.
- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us, if any.
- 22) We have a process to track the status of audit findings and recommendations, if any.
- 23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 25) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data

significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 29) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities.
- 34) Components of net assets (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Management Signature: _____

Governance Signature: _____

Title: _____

Title: _____

Date: _____

Date: _____

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Position.....	10
Statement of Revenues, Expenses and Changes in Net Position.....	12
Statement of Cash Flows.....	14
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	18
Notes to Basic Financial Statements.....	19
Supplementary Information	
Schedules of Operating Revenues Water Fund.....	36
Schedules of Operating Expenses Water Fund.....	37
Schedules of Operating Revenues Sewer Fund.....	39
Schedules of Operating Expenses Sewer Fund.....	40
Schedules of Operating Revenues Drainage Fund.....	42
Schedules of Operating Expenses Drainage Fund.....	43
Schedules of Operating Revenues Solid Waste Fund.....	44
Schedules of Operating Expenses Solid Waste Fund.....	45
Schedules of Operating Revenues Security Fund.....	46
Schedules of Operating Expenses Security Fund.....	47
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability.....	49
Schedule of the District Pension Contributions.....	50
Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the District's Net OPEB Liability and Related Ratios.....	51

LARRY BAIN, CPA

An Accounting Corporation

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

lpbain@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of each major fund, and the fiduciary fund of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal 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, as of June 30, 2018, 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 as Schedule of the District's Proportionate Share of the Net Pension Liability on page 49, the Schedule of the District Pension Contributions on page 50, and Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the District's Net OPEB Liability and Related Ratios on page 51 is 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As disclosed in Note 1 of the financial statements, The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

The Schedules of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, Solid Waste and Security Funds on pages 36-48, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Larry Bain, CPA,
An Accounting Corporation
October 24, 2018

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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 \$33,034,313 (net position). Of this amount, \$4,358,753 (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total net position decreased by \$1,635,228 during the 2017-2018 fiscal year; unrestricted net position decreased \$597,670.

Overview of the Basic Financial Statements

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

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

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

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

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2018

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 the fund's 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, managerial control, accountability, or other purposes. Revenues are fully accrued to include unbilled services at fiscal year-end. The District uses enterprise funds to account for the Water, Sewer, Drainage, Solid Waste and Security activities of the District.

2. FIDUCIARY FUND TYPE

Agency Funds

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

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 **19-35** of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$33,034,313 (net position) at the close of the most recent fiscal year.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2018

Condensed Financial Information
Rancho Murieta Community Services District Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Assets</u>		
Current and Other Assets	\$ 9,939,712	\$ 9,200,865
Capital Assets - net of accumulated depreciation	28,688,058	29,713,118
Total Assets	38,627,770	38,913,983
Deferred Outflow of Resources	1,169,057	691,332
<u>Liabilities</u>		
Current Liabilities	1,621,157	1,771,048
Long-term Liabilities	4,893,672	2,931,190
Total Liabilities	6,514,829	4,702,238
Deferred Inflow of Resources	247,685	233,536
<u>Net Position</u>		
Net Investment in Capital Assets	28,675,559	29,713,118
Unrestricted Net Position	4,358,753	4,956,423
Total Net Position	\$ 33,034,313	\$ 34,669,541

- The District's total net position decreased by \$1,635,228 during the current fiscal year. Unrestricted net position decreased \$597,670 while capital assets, net of accumulated depreciation, decreased \$1,037,559. The decrease in capital assets was primarily due to depreciation expense.
- Designated cash and investments, which are capital reserves designated for capital improvements and replacements, increased \$423,486. The District contributes to its capital reserve accounts on a monthly basis.
- The District's Net Pension Liability increased by \$534,485 year-over-year, primarily due to CalPERS lowering the discount rate on the Districts proportionate share of the total state-wide pension fund.
- The implementation of GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*) increased the District's Net OPEB Liability by \$1,438,496 year-over-year. This increase, along with the increase in the Net Pension Liability, caused the District's Total Liabilities to increase by \$1,812,591 during the current fiscal year.
- The District had three (3) inter-fund borrowings as of 6/30/2018. Each of these borrowings are being repaid through monthly installments and interest is calculated based on the earnings reported monthly by LAIF.
 - WTP#1 Borrowing from Sewer Capital Replacement Reserves - \$996,749
 - WTP#1 Borrowing from Water Augmentation Reserves - \$332,249
 - Security North Gate Borrowing from Drainage Capital Improvement Reserves - \$40,367
- By far the largest portion of the District's net position (86.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) (Net Capital Assets \$28,675,559 / Total Net Position \$33,034,313 = 86.8%). Some of these assets are from contributed capital. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2018

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

	June 30, 2018	June 30, 2017
Revenues		
Operating revenues	\$ 5,748,515	\$ 5,477,755
Nonoperating revenues	1,451,823	1,345,923
Special Item - CFD Reimbursements	-	26,976
Total Revenues	<u>7,200,338</u>	<u>6,850,654</u>
Operating Expenses		
Water	1,199,696	1,228,389
Sewer	776,311	692,530
Drainage	154,332	148,418
Security	1,056,448	1,024,460
Solid waste	601,420	594,996
General and administration	2,229,547	1,961,543
Depreciation	1,439,700	1,484,464
Special Item - Security Study	49,266	
Total Expenses	<u>7,506,720</u>	<u>7,134,801</u>
Change in Net Position	<u>(306,382)</u>	<u>(284,147)</u>
Net Position (restated), Beginning of Fiscal Year	33,340,695	34,953,688
Prior Period Adjustment (GASB No.75-OPEB)	-	(1,328,846)
Net Position, End of Fiscal Year	<u>\$ 33,034,313</u>	<u>\$ 33,340,695</u>

Key elements of the enterprise activities are as follows:

- Total operating revenues increased 4.9% year-over-year. Water operating revenues increased by \$182,400 or 9.2%, in spite of a (3.3%) decrease in Water service rates, due to new development and relaxed conservation efforts. Sewer operating revenues increased by \$2,643 or 0.2% but were budgeted for a decrease in rates of (0.4%) versus the prior year. Security operating revenues increased \$67,598 or 5.1% due primarily to a 4.0% increase in rates (2.0% FY17/18 + 2.0% catchup). Drainage operating revenues increased \$7,674 or 4.1% on a 4.1% rate change. Solid Waste rates were budgeted for a 1.1% increase year-over-year and operating revenues increased \$10,444 or 1.6%.
- Non-operating revenues increased \$105,900 or 7.9% due to a 1.4% increase in property tax revenues, a 15.2% increase in capital reserve contributions, and a 79.2% increase in investment interest income.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Water operating expenses (excluding depreciation) increased \$90,326 or 4.4% primarily due to employer expenses related to the evaluation of the District's pension and OPEB liabilities.
- The Sewer Department collects, treats, and disposes of Rancho Murieta community waste water. Wages and employer costs were \$140,466 or 21.4% higher than the prior year. Total Sewer operating expenses (excluding depreciation) increased \$146,645 or 11.1%.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2018

- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses increased \$28,646 or 12.9% due to increases in wages and employer costs.
- Solid Waste services are provided by contract through California Waste Recovery Services. Operating expenses for Solid Waste increased \$22,505 or 3.4%. This increase is the result of changes in billable services and increased administration expenses.
- The Security department provides gate and patrol services. Operating expenses for Gate services increased \$33,895 or 6.2%. This increase is primarily related to contract staffing during multiple position vacancies. Operating expenses for Patrol services decreased \$1,908 or (0.4%) with increases in employer costs and contract staffing being offset by a reduction in wages and salaries.
- The Administration department covers the staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. The Administration department is not a reporting entity for financial statement purposes and its activities, revenues, and costs are allocated to the Water, Sewer, Drainage, Solid Waste and Security funds on a prorated basis. Allocated, district-wide Administration costs are combined with individual department administration costs on the Statement of Revenues, Expenses, and Changes in Net Position and are shown as General and Administrative costs. District-wide General and Administrative costs increased \$268,004 or 13.7%. This increase is due to pension and OPEB liability expenses, overlapping wages and employer costs during the transition of the general manager position, recruitment expenses, and expenses related to the potential purchase of the Rancho Murieta Country Club and other open spaces within the District's boundaries.

Capital Assets

	July 1, 2017	Additions	Adjustments/ Deletions	June 30, 2018
Depreciable Capital Assets				
Water Transmission	\$ 7,333,004	\$ -	\$ -	\$ 7,333,004
Water Treatment	22,729,114	8,864	(6,750)	22,731,228
Studies	743,999	146,587	-	890,586
Collection Facilities	4,973,669	62,870	-	5,036,539
Drainage Facilities	-	62,301	-	62,301
Sewer treatment and disposal	16,048,109	-	(472)	16,047,637
Lake Chesbro Protection	270,020	-	-	270,020
Waste Discharge	549,152	-	-	549,152
Buildings and improvements	822,032	21,394	(41,066)	802,360
Vehicles & Equipment	1,772,713	218,237	(260,569)	1,730,381
Total Depreciable Capital Assets	55,241,811	520,253	(308,857)	55,453,205
Less - Accumulated Depreciation	(26,870,266)	(1,439,701)	308,857	(28,001,110)
Net Depreciable Capital Assets	28,371,545	(919,448)	-	27,452,095
Non-Depreciable Capital Assets				
Construction in Progress	749,885	20,511	(126,124)	644,272
Land	591,690	-	-	591,690
Total Non-Depreciable Capital Assets	1,341,575	20,511	(126,124)	1,235,962
Net Capital Assets	\$ 29,713,120	\$ (898,937)	\$ (126,124)	\$ 28,688,057

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2018

Capital Assets. The District's investment in capital assets as of June 30, 2018 amounted to \$28,688,057 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was (3.4%).

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

- Recycled Water Program Implementation Plan & Pre-Design (*in-progress*)
- Solar Power Project at the Water Treatment Plant
- Capital Improvement / Water Augmentation Fee Study
- Electronic Document Management System
- 2017 F-150 Vehicle for Water/Sewer/Drainage
- 2018 F-350 Vehicle for Water/Sewer/Drainage
- Michigan Bar Sub Drain Panel & Wiring
- Main Lift South (MLS) Stormwater Pumps
- Motorola Radios for Security
- South Gate Camera System Upgrade
- Security Assessment

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2018-2019 annual budget on May 16, 2018 which provides for the District's operating and capital costs for the 2018-2019 fiscal year.

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 2018-2019, the District increased rates by approximately 4.7% for Water services. Sewer service rates increased by 2.7% and Solid Waste rates went up 3.1%. Special tax rates for Security and Drainage each went up 2.0%. Overall, the average customer's monthly bill for 2018-2019 is projected to be \$5.57 higher than during the previous year.

New capital asset projects provided for in the fiscal year 2018-2019 budget include:

- Water Treatment Plant Culvert
- Waste Water Chlorine Gas to Bleach Conversion
- Waste Water Brush Aerator Replacement
- Drainage Trash Capture Systems
- Cantova Lift Station Repairs
- (1) One Water/Sewer/Drainage Vehicle Replacement

Development will continue to be a major focus for the District in the coming year(s). Rancho Murieta Properties, LLC originally submitted preliminary development plans to Sacramento County that included the proposed addition of eight residential villages and one commercial site. Within the eight residential villages, 827 single-family detached lots were planned on roughly 350 net developable acres. As of December 2018, the development (as shown on the Sacramento County planning website) included 795 single-family lots on roughly 338 acres and approximately 39 acres of general commercial property. These proposed development plans will continue to be revised and modified as the various projects move forward. Construction on The Murieta Inn & Spa was completed in fiscal year 2017-2018. Construction on the remainder of the Murieta Gardens and on the Retreats West, North, and East subdivisions continued throughout 2017-2018 and will continue into future fiscal years.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2018

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

Requests for Information

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Statement of Net Position - Proprietary Funds

June 30, 2018

(With Comparative Totals for June 30, 2017)

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 475,653	\$ 791,023	\$ -
Accounts receivable	525,442	209,782	32,988
Interest receivable	790	471	
Prepaid Expenses	68,148	8,917	1,207
Due from other funds		996,749	40,367
Due from developers	79,950	7,393	
Total Current Assets	1,149,983	2,014,335	74,562
Capital Assets - net of accumulated depreciation	18,850,954	9,310,011	60,912
Other Assets:			
Cash and investments -designated	2,400,691	2,872,345	390,381
Interest receivable - designated	10,076	11,258	1,804
Total Other Assets	2,410,767	2,883,603	392,185
Total Assets	22,411,704	14,207,949	527,659
<u>Deferred Outflows of Resources</u>			
Deferred outflows-OPEB	72,822	51,657	9,603
Deferred outflows-pensions	342,824	237,331	48,492
Total Deferred Outflows of Resources	415,646	288,988	58,095
Total Assets and Deferred Outflows of Resources	\$ 22,827,350	\$ 14,496,937	\$ 585,754
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 145,381	\$ 47,692	\$ 4,192
Accrued payroll	29,187	19,768	4,113
Deposits	149,671	45	9
Due to other funds	996,749		
Due to others	609		
Customer deposits	12,877	9,832	2,019
Capital lease			
Total Current Liabilities	1,334,474	77,337	10,333
Noncurrent Liabilities:			
Capital lease			
Net pension liability	1,133,599	815,863	159,046
Net OPEB liability	515,790	365,886	68,016
Compensated absences	29,465	20,453	4,795
Total Noncurrent Liabilities	1,678,854	1,202,202	231,857
Total Liabilities	3,013,328	1,279,539	242,190
<u>Deferred Inflows of Resources</u>			
Deferred inflows-OPEB	16,546	11,737	2,182
Deferred inflows-pensions	57,525	50,121	7,968
Total Deferred Inflows of Resources	74,071	61,858	10,150
<u>Net Position</u>			
Net investment in capital assets	18,850,954	9,310,011	60,912
Net Position:			
Unrestricted	888,997	3,845,529	272,501
Total Net Position	19,739,951	13,155,540	333,414
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 22,827,350	\$ 14,496,937	\$ 585,754

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

Solid Waste Fund	Security Fund	Totals	
		2018	2017
\$ 264,784	\$ -	\$ 1,531,460	\$ 1,536,943
65,020	568,519	1,401,751	987,856
783	587	2,631	1,937
989	9,899	89,160	119,996
		1,037,116	1,200,383
		87,343	-
<u>331,576</u>	<u>579,005</u>	<u>4,149,461</u>	<u>3,847,115</u>
	<u>466,181</u>	<u>28,688,058</u>	<u>29,713,118</u>
6,275	96,909	5,766,601	5,343,115
	512	23,650	10,635
<u>6,275</u>	<u>97,421</u>	<u>5,790,251</u>	<u>5,353,750</u>
<u>337,851</u>	<u>1,142,607</u>	<u>38,627,770</u>	<u>38,913,983</u>
2,696	73,811	210,589	-
21,972	307,849	958,468	691,332
<u>24,668</u>	<u>381,660</u>	<u>1,169,057</u>	<u>691,332</u>
<u>\$ 362,519</u>	<u>\$ 1,524,267</u>	<u>\$ 39,796,827</u>	<u>\$ 39,605,315</u>
\$ 104,011	\$ 12,769	\$ 314,045	\$ 333,291
1,108	28,200	82,376	45,129
8	30	149,763	154,695
	40,367	1,037,116	1,206,023
		609	-
1,655	6,720	33,103	27,999
	4,145	4,145	3,911
<u>106,782</u>	<u>92,231</u>	<u>1,621,157</u>	<u>1,771,048</u>
	8,354	8,354	12,499
60,483	1,141,798	3,310,789	2,776,304
19,092	522,801	1,491,585	53,089
1,212	27,019	82,944	89,298
<u>80,787</u>	<u>1,699,972</u>	<u>4,893,672</u>	<u>2,931,190</u>
<u>187,569</u>	<u>1,792,203</u>	<u>6,514,829</u>	<u>4,702,238</u>
612	16,771	47,848	-
975	83,248	199,837	233,536
<u>1,587</u>	<u>100,019</u>	<u>247,685</u>	<u>233,536</u>
	453,682	28,675,559	29,713,118
<u>173,363</u>	<u>(821,637)</u>	<u>4,358,753</u>	<u>4,956,423</u>
<u>173,363</u>	<u>(367,955)</u>	<u>33,034,313</u>	<u>34,669,541</u>
<u>\$ 362,519</u>	<u>\$ 1,524,267</u>	<u>\$ 39,796,827</u>	<u>\$ 39,605,315</u>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	Water Fund	Sewer Fund	Drainage Fund
Operating Revenues:			
Service charges	\$ 2,055,895	\$ 1,306,523	\$ -
Special taxes			195,583
Other charges	118,111	27,177	734
Total Operating Revenues	<u>2,174,006</u>	<u>1,333,700</u>	<u>196,317</u>
Operating Expenses:			
Source of supply	204,717		
Treatment	605,561		
Transmission and distribution	389,418		
Sewer collection		218,477	
Sewer treatment and disposal		557,834	
Drainage			154,332
Gate services			
Patrol services			
Solid waste			
General and administrative	925,354	687,063	96,693
Depreciation	822,408	567,301	3,175
Total Operating Expenses	<u>2,947,458</u>	<u>2,030,675</u>	<u>254,200</u>
Operating Income (Loss)	<u>(773,452)</u>	<u>(696,975)</u>	<u>(57,883)</u>
Non-operating Revenues (Expenses):			
Taxes	213,761	163,205	35,560
Capital reserve fees	258,954	225,378	31,540
Debt reserve fee	187,241		
Interest revenue	36,244	54,449	6,084
Rent			
Water augmentation	8,246		
Gain (Loss) on disposal of capital assets		250	
Refunds and reimbursements			
Interest expense	(14,518)		
Grant revenue			
Miscellaneous	20,935	7,592	1,348
Total Non-operating Revenues (Expenses)	<u>710,863</u>	<u>450,874</u>	<u>74,532</u>
Special Item			
Security Study			
CFD Project Reimbursement			
Change in Net Position	(62,589)	(246,101)	16,649
Net Position Restated, Beginning of Fiscal Year	<u>19,802,540</u>	<u>13,401,641</u>	<u>316,765</u>
Net Position, End of Fiscal Year	<u>\$ 19,739,951</u>	<u>\$ 13,155,540</u>	<u>\$ 333,414</u>

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

Solid Waste Fund	Security Fund	2018	2017
\$ 654,831	\$ -	\$ 4,017,249	\$ 3,897,779
	1,314,228	1,509,811	1,449,280
90	75,343	221,455	130,696
654,921	1,389,571	5,748,515	5,477,755
		204,717	144,630
		605,561	626,525
		389,418	457,235
		218,477	234,756
		557,834	457,774
		154,332	148,418
	577,856	577,856	543,961
	478,592	478,592	480,499
601,420		601,420	594,996
76,455	443,983	2,229,547	1,961,543
	46,816	1,439,700	1,484,464
677,875	1,547,246	7,457,455	7,134,801
(22,954)	(157,676)	(1,708,940)	(1,657,046)
27,476	130,911	570,913	562,920
	49,280	565,152	490,592
		187,241	187,373
2,282	3,602	102,661	57,304
		8,246	14,896
		250	
	(1,552)	(16,070)	(10,565)
	3,555	33,430	43,403
29,758	185,796	1,451,823	1,345,923
	(49,266)	(49,266)	
			26,976
6,804	(21,145)	(306,382)	(284,147)
166,559	(346,810)	33,340,695	34,953,688
\$ 173,363	\$ (367,955)	\$ 33,034,313	\$ 34,669,541

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 1,906,403	\$ 1,322,070	\$ 193,956
Payments to employees	(1,058,645)	(737,564)	(169,410)
Payments to suppliers	(964,220)	(680,064)	(62,052)
Net Cash Provided By (Used In) Operating Activities	(116,462)	(95,558)	(37,506)
Cash Flows from Non-capital Financing Activities:			
Taxes received	213,761	163,205	35,560
Debt reserve fee	187,241		
Miscellaneous	29,181	7,592	1,348
Net Cash Provided By (Used In) Non-capital Financing Activities	430,183	170,797	36,908
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(90,527)	(172,894)	(64,087)
Interfund lending	(143,503)	140,430	22,580
Cash received from sale of assets			
Security study			
CFD project reimbursement			
Debt activity	(14,518)		
Capital reserve fees	258,954	225,378	31,540
Net Cash Provided By (Used In) Capital and Related Financing Activities	10,406	192,914	(9,967)
Cash Flows from Investing Activities:			
Interest received	30,959	47,903	5,110
Net Cash Provided by Investing Activities	30,959	47,903	5,110
Net Increase (Decrease) in Cash and Cash Equivalents	355,086	316,056	(5,455)
Cash and Cash Equivalents, July 1	2,521,258	3,347,312	395,836
Cash and Cash Equivalents, June 30	<u>\$ 2,876,344</u>	<u>\$ 3,663,368</u>	<u>\$ 390,381</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and investments	\$ 475,653	\$ 791,023	\$ -
Restricted cash and investments	2,400,691	2,872,345	390,381
Total Cash and Cash Equivalents	<u>\$ 2,876,344</u>	<u>\$ 3,663,368</u>	<u>\$ 390,381</u>

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

Solid Waste Fund	Security Fund	Totals	
		2018	2017
\$ 655,252	\$ 1,169,769	\$ 5,247,450	\$ 5,293,838
(42,855)	(1,140,280)	(3,148,754)	(3,248,036)
(622,410)	(316,602)	(2,645,347)	(3,196,482)
(10,013)	(287,113)	(546,652)	(1,150,680)
27,476	130,911	570,913	562,920
	3,555	187,241	187,373
		41,676	58,299
27,476	134,466	799,830	808,592
(210)	(88,131)	(415,639)	(319,047)
	(23,689)	(4,392)	5,640
	(49,266)	-	-
	(5,463)	(49,266)	-
	49,280	-	26,976
		(19,981)	(4,404)
		565,152	490,592
(210)	(117,268)	75,875	199,757
1,857	3,120	88,949	52,470
1,857	3,120	88,949	52,470
19,110	(266,795)	418,002	(89,861)
251,949	363,704	6,880,059	6,969,919
<u>\$ 271,059</u>	<u>\$ 96,909</u>	<u>\$ 7,298,061</u>	<u>\$ 6,880,058</u>
\$ 264,784	\$ -	\$ 1,531,460	\$ 1,536,944
6,275	96,909	5,766,601	5,343,114
<u>\$ 271,059</u>	<u>\$ 96,909</u>	<u>\$ 7,298,061</u>	<u>\$ 6,880,058</u>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (773,452)	\$ (696,975)	\$ (57,883)
Noncash items included in operating loss			
Depreciation	822,408	567,301	3,175
Changes in assets and liabilities			
Decrease (increase) in operating assets			
Accounts receivable	(184,402)	(5,902)	(2,702)
Prepaid expenses	2,614	15,938	2,420
Deposits			
Due from others	(79,950)	(7,393)	
GASB 68 adjustments	90,890	69,394	14,253
Increase (decrease) in operating liabilities			
Accounts payable	14,691	(30,435)	2,303
Accrued payroll	14,563	7,480	2,773
Post retirement medical liability	(18,371)	(13,395)	(2,382)
Deposit liability	(4,932)		
Due to others	609		
Compensated absences	(2,812)	(3,235)	195
Deferred revenue	1,682	1,664	341
	\$ (116,462)	\$ (95,558)	\$ (37,506)
Net Cash Provided By (Used In) Operating Activities	\$ (116,462)	\$ (95,558)	\$ (37,506)

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

Solid Waste Fund	Security Fund	Totals	
		2018	2017
\$ (22,954)	\$ (157,676)	\$ (1,708,940)	\$ (1,657,045)
	46,816	1,439,700	1,484,464
51	(220,940)	(413,895)	(188,605)
1,440	8,424	30,836	(55,384)
		-	53,905
		(87,343)	-
11,682	47,431	233,650	(24,558)
285	(6,088)	(19,244)	(573,221)
490	11,941	37,247	(77,661)
(678)	(18,263)	(53,089)	(53,681)
		(4,932)	(54,910)
		609	(1,438)
(606)	104	(6,354)	(8,239)
277	1,137	5,101	5,693
<u>\$ (10,013)</u>	<u>\$ (287,113)</u>	<u>\$ (546,653)</u>	<u>\$ (1,150,680)</u>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Statement of Fiduciary Net Position
June 30, 2018**

	<u>PARS OPEB</u>	<u>CFD</u>
	<u>Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and investments	\$ 1,702,941	\$ 837,637
Prepaid expense		1,604
Due from others		2,213
	<hr/>	<hr/>
Total Assets	\$ 1,702,941	\$ 841,454
	<hr/>	<hr/>
<u>Liabilities</u>		
Due to others	\$ -	\$ 841,454
	<hr/>	<hr/>
Total Liabilities		841,454
	<hr/>	<hr/>
<u>Net Position</u>		
Held in trust for OPEB benefits	1,702,941	
	<hr/>	
Total Liabilities and Net Position	\$ 1,702,941	\$ 841,454
	<hr/>	<hr/>

Changes in Fiduciary Net Position-PARS Trust Fund

Additions:	
Employer contributions	\$ 210,589
Total contributions	<hr/> 210,589
Investment income (loss):	
Net adjustment to fair value of investments	<hr/> 97,141
Total Additions (Deductions)	<hr/> 97,141
Change in plan net position	<hr/> 307,730
Net Position:	
Held in trust for OPEB benefits:	
Beginning of year	<hr/> 1,395,211
End of year	<hr/> \$ 1,702,941
	<hr/>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1: Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

Fund Financial Statements

The proprietary fund financial statements provide information about the District's funds. Separate statements for each fund category - *proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as 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, 2018

Note 1: Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

C. Major Funds

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

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

The District reports on the following major proprietary funds:

Water

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

Sewer

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

Drainage

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

Solid Waste

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

Security

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

The District reports the following additional fund types:

PARS Trust Fund

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

Agency Fund

The Agency fund accounts for assets held by the District as an agent for community facility district 2014-1.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1: Significant Accounting Policies (Continued)

D. Basis of Accounting

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

E. Budget and Budgeting

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

F. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and as such are legally or contractually restricted from an external source. When both restricted and unrestricted resources are available for use, the District uses restricted resources first, and then unrestricted resources as needed.

G. Comparative Data

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

H. Cash and Cash Equivalents

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

I. Property Taxes

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1: Significant Accounting Policies (Continued)

J. Capital Assets

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

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

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

K. Compensated Absences

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

L. Net Position

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

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

M. Pensions

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

N. Deferred Compensation Plan

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 1: Significant Accounting Policies (Continued)

O. Use of Estimates

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

Note 2: Cash and Investments

Classification

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

Cash and investments	\$	1,531,460
Designated cash and investments		5,766,601
Cash and investments, Statement of Net Position		7,298,061
Cash and investments, Statement of Fiduciary Net Assets		2,540,578
Total cash and investments	\$	9,838,639

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$	250
Deposits with financial institutions		710,222
Investments		9,128,167
Total cash and investments	\$	9,838,639

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, 2018

Note 2: Cash and Investments (Continued)

B. Investments Authorized by Debt Agreements

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

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

C. Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	Totals	<u>Remaining Maturity (in Months)</u>	
		12 Months or Less	13-48 Months
CAMP*	\$ 613,916	\$ 613,916	-
State Investment Pool*	5,973,673	5,973,673	
PARS Trust*	1,702,941	1,702,941	
Money Market*	837,637	837,637	
Totals	<u>\$ 9,128,167</u>	<u>\$ 9,128,167</u>	<u>\$ -</u>

*Not subject to categorization

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 2: Cash and Investments (Continued)

D. Disclosures Relating to Credit Risk:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>
				<u>Not Rated</u>
CAMP Investment Pool	\$ 613,916	N/A	\$ -	\$ 613,916
State Investment Pool	5,973,673	N/A	-	5,973,673
Pars Trust	1,702,941	N/A	-	1,702,941
Money Market	837,637	N/A	-	837,637
Total investments	<u>\$ 9,128,167</u>		<u>\$ -</u>	<u>\$ 9,128,167</u>

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

E. Concentration of Credit Risk

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

F. Custodial Credit Risk

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

As of June 30, 2018, \$666,816 of the District's deposits with financial institutions in excess of FDIC limits were held in public funds collateralized accounts. As of June 30, 2018, the District did not hold any investments in any broker-dealer (counterparty) that was used by the District to buy the securities.

G. Investment in State Investment Pool

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 3: Capital Assets

Capital Assets at June 30, 2018, consist of the following:

	Balance July 1, 2017	Additions	Adjustments/ Deletions	Balance June 30, 2018
Water				
Depreciable assets:				
Water Transmission	\$ 7,333,004	\$ -	\$ -	\$ 7,333,004
Water Treatment	22,729,114	8,864	(6,750)	22,731,228
Studies	743,999	66,477		810,476
Vehicles and equipment	599,721	58,982	(82,273)	576,430
Subtotal	31,405,839	134,323	(89,023)	31,451,139
Less: Accumulated Depreciation	(12,296,180)	(822,408)	89,023	(13,029,564)
Net Capital Assets	19,109,658	(688,085)	-	18,421,573
Non-depreciable assets:				
Construction in progress	459,536	20,511	(64,306)	415,741
Land	13,640	-	-	13,640
Subtotal	473,176	20,511	(64,306)	429,381
Net Capital Assets	\$19,582,834	\$ (667,574)	\$ (64,306)	\$ 18,850,954
Sewer				
Depreciable assets:				
Collection Facilities	\$ 4,973,669	\$ 62,870	\$ -	\$ 5,036,539
Pumping facility	42,763			42,763
Treatment Plant/Facilities	16,005,346		(472)	16,004,874
Studies		71,208		71,208
Vehicles and equipment	611,398	97,115	(76,800)	631,713
Lake Chesbro Protection	270,020			270,020
Waste Discharge	549,152			549,152
Telemetry Building	512,452	2,520		514,972
Subtotal	22,964,800	233,713	(77,272)	23,121,241
Less: Accumulated Depreciation	(14,127,781)	(567,302)	77,272	(14,617,811)
Net Capital Assets	8,837,019	(333,589)	-	8,503,430
Non-depreciable assets:				
Construction in progress	290,349		(61,818)	228,531
Land	578,050			578,050
Subtotal	868,399	-	(61,818)	806,581
Net Capital Assets	\$ 9,705,418	\$ (333,589)	\$ (61,818)	\$ 9,310,011
Drainage				
Depreciable assets:				
Vehicle and equipment	\$ -	\$ 62,301	\$ -	\$ 62,301
Studies		1,786		1,786
Subtotal		64,087		64,087
Less: Accumulated Depreciation		(3,175)		(3,175)
Net Capital Assets	\$ -	\$ 60,912	\$ -	\$ 60,912
Security				
Depreciable assets:				
Vehicle and equipment	\$ 561,593	\$ 62,140	\$ (101,496)	\$ 522,237
Studies		7,116		7,116
Buildings and improvements	309,580	18,874	(41,066)	287,388
Subtotal	871,173	88,130	(142,562)	816,741
Less: Accumulated Depreciation	(446,306)	(46,816)	142,562	(350,560)
Net Capital Assets	\$ 424,867	\$ 41,314	\$ -	\$ 466,182

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 4: Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Additions	Retirements	Balance 6/30/2018	Amount Due in One Year
Compensated absences	\$ 89,297	\$ 101,745	\$ (108,097)	\$ 82,945	\$ 76,593
Capital lease	16,410		(3,911)	12,499	4,145
Net OPEB liability (note 7)		1,491,585		1,491,585	
Net pension liability (note 6)	2,776,304	534,485		3,310,789	
Total	<u>\$ 2,882,011</u>	<u>\$ 2,127,815</u>	<u>\$ (112,008)</u>	<u>\$ 4,897,818</u>	<u>\$ 80,738</u>

Capital Leases

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

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

Note 5: Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

Note 6: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

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

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.00% @ 55	2.00% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of compensation	1.50% to 2.00%	1.00% to 2.00%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.92%	6.53%

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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	282,801
Contributions-employee (paid by employer)	\$	11,713

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Plan	\$ 3,310,789

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, 2017 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, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

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

The District's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.07992%
Proportion - June 30, 2017	0.08399%
Change - Increase (Decrease)	0.000041

For the year ended June 30, 2018, the District recognized pension expense of \$516,467. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (60,290)
Changes of assumptions	518,512	
Net difference between projected and actual earnings on pension plan investments	126,946	
Changes in proportion	30,193	
Differences between district contributions and Proportionate share of contributions		(139,548)
District contributions subsequent to the measurement date	282,817	-
Total	<u>\$ 958,468</u>	<u>\$ (199,838)</u>

The \$282,817 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

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

<u>Measurement Period Ended June 30:</u>	
2019	\$ (62,164)
2020	(311,698)
2021	(177,322)
2022	75,371
2023	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.15%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% 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.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.4%	-0.90%

(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% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Misc Plan	\$ 5,161,034	\$ 3,310,789	\$ 1,778,382

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 7: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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).

Benefits Provided

For an employee hired prior to January 1, 2016 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 hired prior to January 1, 2016 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. Employees hired on or after January 1, 2016 must have 10 or more years of PERS service. After 10 years of PERS service the employee is eligible for 50% of employer contributions towards the other post-employment benefit (OPEB) increasing 5% per year until reaching 100% after 20 years. 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. The minimum age for receiving benefits is 50 and older who qualify for a CalPERS pension. The plan also provides coverage for eligible spouses and surviving spouses. For employees who are eligible to participate in the plan the District will contribute the health benefit cost for the retiree and eligible spouse up to the lesser of the premium rate for their chosen plan or the District’s monthly premium of the lowest cost HMO for Unrepresented employees and 80% of the monthly premium of the lowest cost HMO for Represented employees. A retiree with less than the required years of service with the District will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law.

Employees Covered By Benefit Terms

At the OPEB liability measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	15
Active employees	24
Total	39

Contributions

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC 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, 2018

Note 7: Other Postemployment Benefits (OPEB) (Continued)

The contribution requirement of plan members is established by the District's Board of Directors. The 2017-18 fiscal year contribution was based on the actuarially determined contribution using entry age normal cost with calculated as a level percentage of payroll, as required by GASB 75. For the June 30, 2017 measurement period, the District contributed \$189,009 towards the unfunded actuarial liability (UAL). The District chose the Public Agency Retirement Services (PARS) as the trustee for the plan. The District also paid the retiree premiums for the measurement period ending June 30, 2017 directly to health insurance providers totalling \$101,226. Plan members receiving benefits contributed \$0 of the total premiums.

Net OPEB Liability: At June 30, 2018 the District reported a net OPEB liability of \$1,491,586. The net OPEB liability was measured from July 1, 2016 to June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2016.

Actuarial Assumptions

The net OPEB liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	7.00%
Healthcare trend rates	5% to 8%
Salary increase	3.25%
Inflation	2%
Investment Rate of Return	7.00%

OPEB Assets

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.

Discount Rate

<u>Asset Class</u>	<u>Long-term Expected</u>	
	<u>Asset Allocation (1)</u>	<u>Real Rate of Return (2)</u>
Equity	48.25%	5.65%
Fixed income	45.00%	1.39%
REIT's	1.75%	5.06%
Cash	5.00%	0.00%
Total	100.00%	

(1) The table shows the target asset allocation in the PARS Moderate investment policy.

(2) JP Morgan arithmetic Long Term Capital Market Assumptions and expected inflation of 2.26%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 7: Other Postemployment Benefits (OPEB) (Continued)

The OPEB assets are held by US Bank, the trustee for the Public Agency Retirement Services (PARS). The OPEB assets are not FDIC insured there is no bank guarantee and the assets may lose value. The investment objective is for the Balanced Index PLUS. The dual goals of the Balanced Strategy are growth of principal and income. It is expected that while dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return. The portfolio will be allocated between equity and fixed income investments.

The discount rate used to measure the total OPEB liability was 7 percent. The projection of cash flows used to determine the discount rate assumed the District's contributions will continue based upon the current OPEB funding policy. Based on those assumptions, the OPEB plans fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments determine the total OPEB liability.

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2017.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary	
		Net Position	Net OPEB Liability
	(a)	(b)	(a-c)
Balances at 6/30/2017	\$ 2,687,749	\$ 1,082,649	\$ 1,605,100
Changes for the year:			
Service cost	120,587		120,587
Interest	193,101		193,101
Difference between expected and actual experience	(13,414)		-
Contribution-employer		189,009	(189,009)
Net investment income		127,890	(127,890)
Benefit payments	(101,226)		(101,226)
Administrative expense		(4,337)	4,337
Net changes	199,048	312,562	(113,514)
Balances at 6/30/18	\$ 2,886,797	\$ 1,395,211	\$ 1,491,586

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
	6%	7%	8%
Net OPEB liability (asset)	\$ 1,838,001	\$ 1,491,586	\$ 1,160,934

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 7: Other Postemployment Benefits (OPEB) (Continued)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$224,570. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or methods. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 11,250
Changes in assumptions		
Net difference between projected and actual earnings on retirement plan investments		36,599
District contributions subsequent to measurement date	210,589	
Totals	\$ 210,589	\$ 47,849

\$210,589 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year Ended June 30,	
2019	\$ (11,314)
2020	(11,314)
2021	(11,314)
2022	(11,313)
2023	(2,164)
Thereafter	(430)
Total	\$ (47,849)

Note 8: Restated Beginning Net Position

Beginning net position decreased \$1,328,846 as a result of implementing the Governmental Accounting Standards Board Statements 74/75 for Other Postemployment Benefits (OPEB).

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2018

Note 9: Special Assessment District

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

The amount of special assessment debt at June 30, 2018, is:

Community Facilities District No. 2014-1	\$ 5,960,000
--	--------------

Note 10: Special Item

A special item was recorded for \$49,266 to account for the cost of the security study.

Note 11: Revenue Limitation Imposed by California Proposition 218

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

Note 12: 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, 2018.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Water Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Service Charges:		
Water sales - residential	\$ 1,842,339	\$ 1,757,711
Water sales - commercial	204,085	178,409
Water availability charges	300	310
Water sales - others	<u>9,171</u>	<u>10,067</u>
Total Service Charges	<u>2,055,895</u>	<u>1,946,496</u>
Other Charges:		
Water telephone line contracts	8,372	5,798
Ditch service charge	700	-
District project charges	83,512	16,031
Late charges	20,913	17,831
Water inspection fees	633	1,391
Transfer fees	<u>3,981</u>	<u>4,059</u>
Total Other Charges	<u>118,111</u>	<u>45,109</u>
Total Operating Revenues	<u><u>\$ 2,174,006</u></u>	<u><u>\$ 1,991,606</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Source of Supply:		
Wages and salaries	\$ 41,846	\$ 21,211
Employer costs	19,167	9,098
Maintenance and repairs	30,323	11,366
Purchased power	62,517	51,202
Dam inspection costs	39,207	37,402
Chemical	9,494	14,350
Equipment rental	2,164	-
	<hr/>	<hr/>
Total Source of Supply	204,717	144,630
	<hr/>	<hr/>
Treatment:		
Wages and salaries	192,027	243,711
Employer costs	96,838	102,679
Purchased power	99,906	91,759
Chemicals	80,924	67,361
Maintenance and repairs	114,403	95,957
Supplies	8,950	10,561
Equipment rental	-	614
Lab tests	12,514	13,823
Miscellaneous	-	59
	<hr/>	<hr/>
Total Treatment	605,561	626,525
	<hr/>	<hr/>
Transmission and Distribution:		
Wages and salaries	176,980	194,654
Employer costs	87,389	84,049
Water meters	13,509	39,315
Maintenance and repairs	42,257	67,610
Purchased power	43,006	46,449
Equipment rentals	1,477	-
Road paving	24,700	24,886
Supplies	100	272
Miscellaneous	-	-
	<hr/>	<hr/>
Total Transmission and Distribution	389,418	457,235
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	288,917	277,294
Employer costs	239,751	123,419
	<hr/>	<hr/>
Subtotal General and Administrative	528,668	400,712
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Water Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Subtotal General and Administrative:	\$ 528,668	\$ 400,712
Clerical and temp services	21,967	35,351
Recruitment	1,467	2,297
Contingency expenditure	5,128	-
Communications	18,137	12,892
Maintenance and repairs	67,537	70,808
Insurance	46,787	46,395
Permits	28,510	44,021
Supplies	11,055	11,270
Directors' meeting and expenses	5,756	6,768
Elections	-	2,121
Legal and audit	30,100	42,825
Training and safety	10,236	6,561
Vehicle expenses	32,614	22,645
Tools	5,116	5,753
Sacramento Water Authority	21,188	19,032
Miscellaneous	13,472	12,745
Postage	7,334	7,480
Travel and meetings	3,154	5,440
Tuition reimbursement	-	185
Consulting services	34,788	19,377
Dues and memberships	8,215	3,722
Uniforms	4,850	4,419
Purchased power	934	3,172
Equipment lease	1,265	899
Bad debts	79	-
Water conservation	12,118	17,731
Janitorial and pest control	2,113	1,714
CIA ditch operations	<u>2,766</u>	<u>-</u>
Total General and Administrative	<u>925,354</u>	<u>806,335</u>
Depreciation	<u>822,408</u>	<u>829,781</u>
Total Operating Expenses	<u>\$ 2,947,458</u>	<u>\$ 2,864,506</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Sewer Fund

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Service Charges:		
Sewer service - residential	\$ 1,182,886	\$ 1,185,170
Sewer service - commercial	123,278	121,256
Sewer availability charges	<u>359</u>	<u>380</u>
Total Service Charges	<u>1,306,523</u>	<u>1,306,806</u>
Other Charges:		
Sewer inspection fees	506	1,138
District project charges	2,184	2,184
Ditch charge	535	-
Late charges	20,913	17,831
Transfer fees	<u>3,039</u>	<u>3,099</u>
Total Other Charges	<u>27,177</u>	<u>24,252</u>
Total Operating Revenues	<u>\$ 1,333,700</u>	<u>\$ 1,331,058</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Sewer Fund**

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Collections:		
Wages and salaries	\$ 103,213	\$ 104,419
Employer costs	53,058	44,992
Maintenance and repairs	41,005	62,733
Purchased power	17,554	16,231
Equipment rental	3,374	1,438
Supplies	273	4,944
Miscellaneous	-	-
	<hr/>	<hr/>
Total Collections	218,477	234,757
	<hr/>	<hr/>
Treatment and Disposal:		
Wages and salaries	165,184	141,484
Employer costs	81,948	62,657
Purchased power	100,772	112,859
Chemicals	34,652	29,083
Lab tests	13,489	14,182
Maintenance and repairs	150,988	90,156
Supplies	10,524	6,034
Equipment rental	-	1,319
Miscellaneous	278	-
	<hr/>	<hr/>
Total Treatment and Disposal	557,834	457,774
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	215,970	211,782
Employer costs	178,436	92,008
Recruitment	1,467	2,297
Contingency expenditure	3,916	-
Communications	14,454	11,203
Maintenance and repairs	61,377	80,629
Insurance	27,323	27,024
Vehicle expenses	29,910	27,866
Supplies	9,215	9,611
Directors' meetings and expenses	4,395	6,787
Legal and audit	24,237	32,145
Training and safety	11,793	9,695
Permits	40,165	34,143
Miscellaneous	5,173	8,335
Postage	5,599	5,711
Tools	11,333	3,212
	<hr/>	<hr/>
Subtotal General and Administrative	644,763	562,448
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Sewer Fund

For the Fiscal Year Ended June 30, 2018

(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Subtotal General and Administrative:	\$ 644,763	\$ 562,448
Travel and meetings	2,670	4,543
Tuition reimbursement	-	-
Clerical and temp services	21,461	35,351
Consulting	5,034	5,059
Uniforms	4,850	4,588
Dues and memberships	4,494	6,684
Purchased power	713	2,422
Janitorial and pest control	2,113	2,416
Equipment lease	966	687
	<u>687,063</u>	<u>624,198</u>
Total General and Administrative		
	<u>687,063</u>	<u>624,198</u>
Depreciation	<u>567,301</u>	<u>609,394</u>
Total Operating Expenses	<u>\$ 2,030,675</u>	<u>\$ 1,926,123</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenue
Drainage Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Special Taxes:		
Drainage service - residential	\$ 164,007	\$ 157,629
Drainage service - commercial	<u>31,576</u>	<u>30,377</u>
Total Special Taxes	<u>195,583</u>	<u>188,006</u>
Other Charges:		
Ditch charge	110	-
Transfer fees	<u>624</u>	<u>636</u>
Total Operating Revenues	<u>\$ 196,317</u>	<u>\$ 188,642</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Drainage Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Drainage:		
Wages and salaries	\$ 80,752	\$ 65,924
Maintenance and repairs	4,227	20,775
Purchased power	8,202	9,692
Employer costs	34,978	29,786
Equipment rental	2,953	1,319
Legal and audit	310	153
Chemicals	13,199	11,953
Improvements	86	1,209
Permits	6,552	6,513
Miscellaneous	<u>3,074</u>	<u>1,093</u>
Total Drainage	<u>154,332</u>	<u>148,418</u>
General and Administrative:		
Wages and salaries	33,897	32,596
Employer costs	34,623	14,434
Clerical and temp services	336	-
Contingency expenditure	804	-
Communications	857	591
Insurance	5,612	5,550
Maintenance and repairs	8,589	7,257
Directors' meeting and expenses	903	1,394
Office supplies	1,218	1,256
Legal and audit	4,115	6,571
Postage	1,150	1,173
Miscellaneous	2,614	1,076
Travel and meeting	321	595
Tuition reimbursement	-	-
Memberships	537	373
Training and safety	774	457
Purchased power	146	497
Equipment lease	<u>198</u>	<u>141</u>
Total General and Administrative	<u>96,693</u>	<u>73,962</u>
Depreciation	<u>3,175</u>	<u>-</u>
Total Operating Expenses	<u>\$ 254,200</u>	<u>\$ 222,379</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Solid Waste Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Service Charges:		
Solid Waste - residential	<u>\$ 654,831</u>	<u>\$ 644,477</u>
Total Service Charges	<u>654,831</u>	<u>644,477</u>
Other Charges:		
Ditch charge	<u>90</u>	<u>-</u>
Total Operating Revenues	<u><u>\$ 654,921</u></u>	<u><u>\$ 644,477</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Solid Waste Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Solid Waste:		
Contract charges	\$ 565,974	\$ 559,864
E-Waste disposal cost	-	-
Miscellaneous	<u>35,446</u>	<u>35,132</u>
Total Solid Waste	<u>601,420</u>	<u>594,996</u>
General and Administrative:		
Wages and salaries	27,784	26,718
Employer costs	25,960	11,831
Clerical and temp services	275	-
Contingency expenditure	659	-
Travel-Meetings	263	488
Office supplies	999	1,029
Mail machine lease	163	116
Insurance	4,600	4,549
Postage	943	961
Professional services	8,630	9,372
Utilities	516	705
Maintenance and repairs	2,631	1,962
Miscellaneous	2,294	1,770
Directors' meeting and expenses	<u>739</u>	<u>870</u>
Total General and Administrative	<u>76,455</u>	<u>60,373</u>
Total Operating Expenses	<u>\$ 677,875</u>	<u>\$ 655,370</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Security Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Special Taxes:		
Security service - residential	\$ 1,125,438	\$ 1,082,218
Security service - commercial	<u>188,790</u>	<u>179,055</u>
Total Special Taxes	<u>1,314,228</u>	<u>1,261,274</u>
Other Charges:		
Late charges	41,827	35,662
Transfer fees	7,194	7,335
Fines and permits	11,930	11,140
Other	<u>14,392</u>	<u>6,562</u>
Total Other Charges	<u>75,343</u>	<u>60,699</u>
Total Operating Revenues	<u>\$ 1,389,571</u>	<u>\$ 1,321,973</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Gate Services:		
Wages and salaries	\$ 266,251	\$ 283,797
Employer costs	189,698	181,327
Temp staffing	62,686	36,168
Recruitment	1,455	3,683
Miscellaneous	5,134	1,691
Equipment repairs and maintenance	20,564	13,582
Supplies	9,589	4,986
Communications	5,842	4,279
Janitor and pest controls	5,843	3,437
Purchased power	7,732	7,731
Training and safety	127	240
Uniforms	2,935	3,040
	<hr/>	<hr/>
Total Gate Services	577,856	543,961
Patrol Services:		
Wages and salaries	235,882	285,952
Employer costs	188,393	155,381
Temp staffing	9,645	2,790
Recruitment	2,606	697
Vehicle fuel	14,113	13,572
Off-duty sheriff patrol	6,895	4,431
Vehicle maintenance	5,317	2,725
Uniforms	4,335	2,496
Miscellaneous	1,321	518
Cellular phone	5,408	4,291
Equipment repairs and maintenance	141	510
Janitor and pest control	3,632	5,128
Supplies	-	-
Travel/meetings	39	534
Training and safety	865	1,475
	<hr/>	<hr/>
Total Patrol Services	478,592	480,500
General and Administrative:		
Wages and salaries	161,642	184,074
Employer costs	139,627	98,437
Clerical and temp services	1,117	-
Recruitment	3,715	392
Contingency and reserve expenditures	2,676	-
Insurance	18,675	18,471
Legal and audit	44,976	28,642
Supplies	10,812	10,680
Directors' meetings and expenses	3,004	4,639
Training and safety	5,471	2,983
Purchased power	487	1,655
	<hr/>	<hr/>
Subtotal General and Administrative	392,202	349,973

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Subtotal General and Administrative:	\$ 392,202	\$ 349,973
Communications	4,060	3,004
Equipment repairs and maintenance	28,796	25,419
Postage	3,827	3,903
Travel and meetings	1,067	1,980
Miscellaneous	10,489	10,042
Memberships	1,788	1,240
Equipment lease	660	469
Uniform	<u>1,093</u>	<u>646</u>
Total General and Administrative	<u>443,983</u>	<u>396,676</u>
Depreciation	<u>46,816</u>	<u>45,289</u>
Total Operating Expenses	<u><u>\$ 1,547,246</u></u>	<u><u>\$ 1,466,427</u></u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018**

<u>Actuarial Valuation Date</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net positio as a percentage of the total pension liability</u>
Miscellaneous					
6/30/2014	0.08554%	\$2,114,104	\$1,777,986	118.90%	79.18%
6/30/2015	0.07967%	\$2,185,709	\$1,854,042	117.89%	81.69%
6/30/2016	0.07992%	\$2,776,304	\$1,844,259	150.54%	78.44%
6/30/2017	0.08399%	\$3,310,789	\$1,700,521	194.69%	73.42%

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018**

<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employees payroll</u>	<u>Contribution as a percentage of covere employee payroll</u>
6/30/2014	\$222,235	(\$222,235)	\$0	\$1,777,986	12.50%
6/30/2015	\$250,997	(\$250,997)	\$0	\$1,854,042	13.54%
6/30/2016	\$269,924	(\$269,924)	\$0	\$1,844,259	14.64%
6/30/2017	\$282,817	(\$282,817)	\$0	\$1,700,521	16.63%

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

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN SCHEDULE OF
CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

Total OPEB liability	
Service cost	\$ 120,587
Interest	193,101
Changes in benefit terms	-
Differences between expected and actual experience	(13,414)
Changes of assumptions	-
Benefit payments	(101,226)
Net change in total OPEB liability	199,048
Total OPEB liability-beginning	2,687,749
Total OPEB liability-ending (a)	<u>\$ 2,886,797</u>

Plan fiduciary net position	
Contributions-employer	\$ 189,009
Net investment income	127,890
Benefit payments from trust	-
Administrative expenses	(4,337)
Net change in plan fiduciary net position	312,562
Plan fiduciary net position-beginning	1,082,649
Plan fiduciary net position-ending (b)	<u>\$ 1,395,211</u>
District's net OPEB liability (a-b)	<u>\$ 1,491,586</u>

Plan fiduciary net position as a percentage of the total OPEB liability 48%

Covered-employee payroll \$ 1,700,521

District's net OPEB liability as a percentage of covered-employee payroll 88%

Measurement date 6/30/2017

* Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 2014-1

COMPONENT UNIT FINANCIAL STATEMENTS

JUNE 30, 2018

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2014-1
JUNE 30, 2018**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Government Fund:	
Balance Sheet	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balance	7
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	8
Notes to Basic Financial Statements	9

LARRY BAIN, CPA

An Accounting Corporation

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

lpbain@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Rancho Murieta Community Services District, Community Facilities District No. 2014-1 (CFD 2014-1), a component unit of the Rancho Murieta Community Services District, as of and for the fiscal year ended June 30, 2018, which collectively comprise the CFD 2014-1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Rancho Murieta Community Services District, Community Facilities District No. 2014-1 as of June 30, 2018, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with the accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

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

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

**STATEMENT OF NET POSITION
JUNE 30, 2018**

Current Assets		
Restricted cash and investments	\$	440,949
Assessments receivable		1,438
Interest receivable		481
Prepaid expense		1,604
Due from other government		295
Noncurrent assets		
Restricted cash and investments		396,689
Special assessment receivables		5,568,409
Total Assets	\$	<u>6,409,865</u>
Liabilities		
Current		
Accounts payable	\$	205
Accrued interest payable		87,187
Total Current Liabilities		<u>87,392</u>
Noncurrent		
Special assessment debt		5,960,000
Total Liabilities		<u>6,047,392</u>
Net Position		
Restricted		<u>362,473</u>
Total Net Position	\$	<u>362,473</u>

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

**STATEMENT OF ACTIVITIES
JUNE 30, 2018**

	Expenses	Program Revenues Capital Grants and Contributions	Total
Governmental Activities:			
Community facilities district	\$ 19,618	\$ 122,184	\$ 102,566
Interest expense	261,560		(261,560)
Total Governmental Activities	\$ 281,178	\$ 122,184	(158,994)
General Revenues:			
Other revenue			131
Investment income			4,000
Total general revenues			4,131
Change in net position			(154,863)
Net position - beginning			556,508
Prior period adjustment			(39,172)
Net position - ending			\$ 362,473

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

Assets

Current

Restricted cash and investments	\$ 440,949
Assessments receivable	1,438
Interest receivable	481
Prepaid expense	1,604
Due from other governments	295

Non-Current

Restricted cash and investments	396,689
Special assessments	5,568,409

Total Assets	\$ 6,409,865
--------------	--------------

Liabilities, Deferred Inflows of Resources and Fund Balances

Liabilities

Due to other governments	\$ 205
--------------------------	--------

Total Liabilities	205
-------------------	-----

Deferred inflows of resources:

Unavailable revenues-special assessments	5,568,409
--	-----------

Total Deferred Inflows of Resources	5,568,409
-------------------------------------	-----------

Fund Balance

Fund balances

Restricted for CFD # 2014-1	841,251
-----------------------------	---------

Total Fund Balance	841,251
--------------------	---------

Total Liabilities Deferred Inflows of Resources and Fund Balance	\$ 6,409,865
--	--------------

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
JUNE 30, 2018**

Fund Balances of Governmental Funds	\$ 841,251
Amounts reported for governmental activities in the statement of net position are different because:	
Certain revenues are not available to pay for current period expenditures and therefore are not reported in the funds.	5,568,409
Certain liabilities, including long-term debt and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,047,187)</u>
Net position of governmental activities	<u><u>\$ 362,473</u></u>

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

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Revenues		
Tax and assessments	\$	122,184
Other revenue		131
Investment income		4,000
Total Revenues		<u>126,315</u>
Expenditures		
Current:		
Administration		19,618
Debt Service		
Principal		-
Interest		261,560
Total Expenditures		<u>281,178</u>
Net Change in Fund Balance		<u>(154,863)</u>
Fund Balance, July 1, 2017		<u>1,035,286</u>
Prior Period Adjustment		<u>(39,172)</u>
Fund Balance, June 30, 2018	\$	<u><u>841,251</u></u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ (154,863)
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	-
The change in accrued interest is recorded as a current liability in the statement of activity, however interest expense is recorded when paid in the governmental funds.	-
Change in net position of governmental activities	<u>\$ (154,863)</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting:

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

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

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

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

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

D. Budget and Budgetary Accounting

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

E. Restricted Assets

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

F. Deferred Inflows of Resources

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Estimates

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

H. Net Position/Fund Equity

Government-wide Financial Statements

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

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

Fund Financial Statements

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

NOTE 2: CASH AND INVESTMENTS

Deposits with financial institutions	\$ 440,949
Investments	396,689
	<hr/>
Total cash and investments	\$ 837,638
	<hr/> <hr/>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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

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

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

B. Investments Authorized by Debt Agreements

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Totals	<u>Remaining Maturity (in Months)</u>	
		12 Months or Less	13-48 Months
Treasury funds	\$ 396,689	\$ 396,689	\$ -
Totals	<u>\$ 396,689</u>	<u>\$ 396,689</u>	<u>\$ -</u>

*Not subject to categorization

D. Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	<u>Rating as of Fiscal Year End</u>	
				AAA	Not Rated
Treasury funds	\$ 396,689	N/A	\$ -	\$ 396,689	\$ -
Total investments	<u>\$ 396,689</u>		<u>\$ -</u>	<u>\$ 396,689</u>	<u>\$ -</u>

E. Concentration of Credit Risk

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

F. Custodial Credit Risk

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

At June 30, 2018, \$192,754 of the District's deposits with financial institutions were in excess of federal depository insurance limits required to be held in collateralized accounts.

NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE

The CFD 2014-1 started levying Assessments against property owners during the 2016/17 fiscal year. The assessments are collected through the secured property tax rolls of the County of Sacramento. Assessments receivable represent the amounts to be assessed to the property owners to pay bond principle. In the event property owners are delinquent in their payments, the CFD 2014-1 is required to initiate foreclosure proceedings within 150 days following the date of delinquency. The CFD 2014-1 will refer pending delinquency cases to the CFD 2014-1's legal counsel for collection.

NOTE 4: SPECIAL ASSESSMENT DEBT

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: SPECIAL ASSESSMENT DEBT (Continued)

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

Long-term liabilities activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within One Year
Special Assessment Debt Series 2014-1	\$ 5,960,000	\$ -	\$ -	\$ 5,960,000	\$ -
Total	<u>\$ 5,960,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,960,000</u>	<u>\$ -</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 130,000	\$ 261,560	\$ 391,560
2020	130,000	258,310	388,310
2021	135,000	254,735	389,735
2022	140,000	250,685	390,685
2023	145,000	246,310	391,310
2024-2028	800,000	1,151,750	1,951,750
2029-2033	975,000	973,826	1,948,826
2034-2038	1,230,000	720,813	1,950,813
2039-2043	1,550,000	400,189	1,950,189
2044-2045	725,000	52,009	777,009
Totals	<u>\$ 5,960,000</u>	<u>\$ 4,570,187</u>	<u>\$ 10,530,187</u>

NOTE 5: RESERVE FOR BOND SERVICE

By the terms of the bond indenture, \$392,831 of the proceeds from the bond issue have been set aside for the purpose of paying any delinquent bond interest and principle payments. An additional \$283,399 was set aside as a source of funds to pay interest expense on the loan, prior to the CFD receiving assessment income.

