

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2016

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of each major fund, and the fiduciary fund of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Rancho Murieta Community Services District, California, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

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

Other Information

We have also issued our report dated November 2, 2016 on our consideration of the District's internal control over financial reporting. That report should be read in conjunction with this report in considering our audit.

The Schedules of Operating Revenues and Operating Expenses for the Water, Sewer, Drainage, Solid Waste and Security Funds on pages 33-45, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Larry Bain, CPA,
An Accounting Corporation
November 2, 2016

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis
June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$34,953,688 (net position). Of this amount, \$4,075,150 (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total net position increased by \$740,252 during the 2015/2016 fiscal year.

Overview of the Basic Financial Statements

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

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

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

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

The *Statement of Revenues, Expenses and Changes in Net Position* reflects all of the current 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, 2016

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

1. PROPRIETARY FUND TYPE

Enterprise Funds

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

2. FIDUCIARY FUND TYPE

Agency Funds

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages **18-32** of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$34,953,688 (net position) at the close of the most recent fiscal year.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2016

Condensed Financial Information
Rancho Murieta Community Services District Net Position

	June 30, 2016	June 30, 2015
<u>Assets</u>		
Current and Other Assets	\$ 9,259,169	\$ 10,493,353
Capital Assets - net of accumulated depreciation	30,878,538	29,562,287
Total Assets	40,137,707	40,055,640
Deferred Outflow of Resources	266,017	205,863
<u>Liabilities</u>		
Current Liabilities	2,713,203	3,200,365
Long-term Liabilities	2,291,152	2,197,387
Total Liabilities	5,004,355	5,397,752
Deferred Inflow of Resources	445,681	650,315
<u>Net Position</u>		
Net Investment in Capital Assets	30,878,538	29,562,287
Unrestricted Net Position	4,075,150	4,651,149
Total Net Position	\$ 34,953,688	\$ 34,213,436

- The District's total net position increased by \$740,252 during the current fiscal year. Unrestricted net position decreased \$575,999 while capital assets, net of accumulated depreciation, increased \$1,316,251. The increase in capital assets is primarily due to the Water Treatment Plant #1 (WTP#1) Expansion & Upgrade project, which was placed in service April 11, 2016. Capital asset depreciation expense during the year was \$1,225,574.
- Designated cash and investments, which are capital reserves designated for capital improvements and replacements increased \$442,531. In addition to recurring monthly reserve contributions, on May 18, 2016 the District Board of Directors approved an additional \$200,000 of excess working capital to be transferred to capital reserves.
- Other liabilities decreased due to inter-fund borrowing repayments on (a) the WTP#1 Expansion & Upgrade project and (b) the North Security Gate project. During the year, \$195,005 and \$23,256 (including interest) had been repaid on these borrowings, respectively.
- By far the largest portion of the District's net position (88.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) (Net Capital Assets \$30,878,538 / Total Net Position \$34,953,688 = 88.3%). 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, 2016

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

	June 30, 2016	June 30, 2015
Revenues		
Operating revenues	\$ 5,393,741	\$ 5,170,340
Nonoperating revenues	1,302,001	1,179,303
CFD #1 Reimbursements	878,689	6,765,103
Total Revenues	<u>7,574,431</u>	<u>13,114,746</u>
Operating Expenses		
Water	1,459,825	1,199,502
Sewer	574,638	610,134
Drainage	145,616	136,634
Security	984,933	941,573
Solid waste	609,600	587,796
General and administration	1,628,535	1,699,285
Depreciation	1,225,574	1,122,339
Total Operating Expenses	<u>6,628,721</u>	<u>6,297,263</u>
Change in Net Position	<u>945,710</u>	<u>6,817,483</u>
Net Position (restated), Beginning of Fiscal Year	34,213,435	27,422,921
Prior Period Adjustment	<u>(205,457)</u>	<u>(26,968)</u>
Net Position, End of Fiscal Year	<u><u>\$ 34,953,688</u></u>	<u><u>\$ 34,213,436</u></u>

Key elements of the enterprise activities are as follows:

- Total operating revenues increased 4.3% year-over-year. Water operating revenues increased by \$90,514 or 5.0% due to a 5.9% increase in Water service rates from the 2014/2015 fiscal year. Sewer operating revenues increased by \$43,781 or 3.4% and had an average increase of 2.7% in rates versus the prior year; Security operating revenues increased \$82,279 or 6.7% due to the approved rate increase; Drainage operating revenues increased \$4,039 or 2.2% due to the approved rate increase, and Solid Waste operating revenues increased \$3,968 or 0.6% due to the approved rate increase.
- Nonoperating revenues increased \$122,698 or 10.4% due to (1) the increase in debt reserve fees collected for the WTP#1 Expansion and Upgrade Project, (2) additional capital reserve collection for Security and (3) a 2.8% increase in property tax revenues received through Sacramento County.
- The Water Department collects, treats, and distributes potable drinking water to the Rancho Murieta community. Water operating expenses (excluding depreciation) increased \$260,323 or 21.7%. This increase is related to increased wages and employer costs during the WTP#1 Expansion and Upgrade Project as well as the temporary filtration that was necessary while the plant was under construction.
- The Sewer Department collects, treats, and disposes of Rancho Murieta community waste water. Sewer operating expenses (excluding depreciation) decreased \$35,496 or (5.8%). The bulk of this decrease is due to reduced expenditures for the Treatment and Disposal of waste water, which is directly related to the reduction in Water consumption (i.e., less water used results in less waste water supplied to the waste water treatment plant), however the Sewer Department also saw savings in consulting and allocated clerical expenditures.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2016

- The Drainage Department provides and maintains the drainage system for Rancho Murieta. Drainage operating expenses increased \$8,982 or 6.6%. This increase is related to increased wages and employer costs.
- Solid Waste services are provided by contract through California Waste Recovery Services. Operating expenses for Solid Waste increased \$21,804 or 3.7%. This increase is related to the combination of the contract rate increase and the Household Hazardous Waste event that was held in May 2016.
- The Security department provides gate and patrol services. Operating expenses for Gate services increased \$19,323 or 3.9%. This increase is primarily related to increased wages and employer costs. Operating expenses for Patrol services increased \$24,037 or 5.3%. This increase is also related to increased wages and employer costs and stems from Patrol services operating most of the 2014/2015 fiscal year without a patrol sergeant.
- The Administration department covers the remaining staff located in the District's administration building excluding the Director of Field Operations and the Security Chief. The Administration department is not a reporting entity for financial statement purposes and its activities, revenues, and costs are allocated to the Water, Sewer, Drainage, Solid Waste and Security departments on a prorated basis. Allocated, district-wide Administration costs are combined with individual department administration costs on the Statement of Revenues, Expenses, and Changes in Net Position and are shown as General and Administrative costs. District-wide General and Administrative costs increased \$86,190 or 7.9%. This increase is predominately due to increased wages and employer costs. During fiscal year 2014/2015 roughly \$71,000 of prior period payroll expenses were allocated to the WTP#1 Expansion and Upgrade Project. No such allocation was made during the current fiscal year. The increases in labor-related expenditures were partially offset by reductions in maintenance and repairs, legal services, and travel/meeting expenses.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2016

Capital Assets

	July 1, 2015	Additions	Adjustments/ Deletions	June 30, 2016
Depreciable Capital Assets				
Water Transmission	\$ 7,333,007	\$ -	\$ (3)	\$ 7,333,004
Water Treatment	9,086,032	13,593,559	(10,448)	22,669,143
Studies	695,885	48,114	-	743,999
Collection Facilities	4,962,622	11,571	(524)	4,973,669
Sewer treatment and disposal	16,048,111	-	(2)	16,048,109
Lake Chesbro Protection	270,020	-	-	270,020
Waste Discharge	549,152	-	-	549,152
Buildings and improvements	819,928	2,104	-	822,032
Vehicles & Equipment	1,824,348	144,654	(207,537)	1,761,465
Total Depreciable Capital Assets	41,589,105	13,800,002	(218,514)	55,170,593
Less - Accumulated Depreciation	(24,390,690)	(1,225,573)	217,481	(25,398,782)
Net Depreciable Capital Assets	17,198,415	12,574,429	(1,033)	29,771,811
Non-Depreciable Capital Assets				
Construction in Progress	11,772,182	43,435	(11,300,580)	515,037
Land	591,690	-	-	591,690
Total Non-Depreciable Capital Assets	12,363,872	43,435	(11,300,580)	1,106,727
Net Capital Assets	\$ 29,562,287	\$ 12,617,864	\$ (11,301,613)	\$ 30,878,538

Capital Assets. The District's investment in capital assets as of June 30, 2016 amounted to \$30,878,538 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 4.5%.

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

- Water Treatment Plant #1 Expansion and Upgrade Project Completed
- Recycled Water Program Implementation Plan & Pre-Design
- Dump Truck and Backhoe purchased for Water/Sewer/Drainage
- Solar Power Projects at WTP & WWTP (Construction-in-Progress)
- 2016 Jeep Patriot purchased for Security Patrol Vehicle

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2016

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2016/2017 annual budget on June 15, 2016 which provides for the District's operating and capital costs for the 2016/2017 fiscal year. On May 18, 2016 California state regulators lifted the statewide drought restrictions that were declared by Governor Jerry Brown on January 1, 2014. During the first four months of the 2016/2017 fiscal year, residential water consumption was up 11.6% versus the prior year.

Development will continue to be a major focus for the District in the coming year(s). Rancho Murieta Properties, LLC 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 are planned on roughly 350 net developable acres. These proposed development plans continue to be revised and modified. The developer estimates that final plans will be submitted to Sacramento County planning in the first half of 2017. Construction on the Retreats West, North, and East subdivisions and on the Murieta Inn began during the 2015/2016 fiscal year and will continue throughout 2016/2017 and into future fiscal years.

In September of 2016 the District officially closed out the Community Facilities District#1 (CFD) which was formed in March of 1991 for the purpose of acquiring and constructing Water and Sewer facilities within the Rancho Murieta Community. This closure resulted in an additional \$13,448 in funding for both Water and Sewer capital replacement reserves.

CFD 2014-1 was formed at the request of the developers of the Murieta Inn 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. CFD 2014-1 will assess Mello-Roos taxes on the subject properties beginning in 2017 for repayment to the bond investors.

The purchase of a new general-use Truck (quarter ton or smaller) for the Sewer department was the only new capital project/acquisition that was added to this year's budget. Projects carried forward from prior years include:

- 1) Augmentation Well Development
- 2) Wastewater Recovery Plant Filter PLC Replacement
- 3) Main Lift North Generator Replacement; and
- 4) Granlees Forebay Repairs

The District's rates for Water, Sewer, Drainage, Security and Solid Waste services are reviewed annually by staff and the Board of Directors. For fiscal year 2016/2017, the District increased rates by approximately 1.2% for Water services. Sewer service rates decreased by approximately 1.9% and there was no increase (or decrease) for Drainage, Security, or Solid Waste. Overall, the average customer's monthly bill is projected to be \$0.08 less under this year's rate structure.

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, 2016

(With Comparative Totals for June 30, 2015)

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 770,338	\$ 923,985	\$ 68,169
Accounts receivable	328,822	204,931	25,712
Grants receivable	-		
Interest receivable	1,210	476	48
Prepaid Expenses	49,539	7,836	804
Deposits	19,374	10,221	3,550
Due from other funds		1,277,709	86,039
Due from developers			
Total Current Assets	<u>1,169,283</u>	<u>2,425,157</u>	<u>184,322</u>
Capital Assets - net of accumulated depreciation	<u>20,181,013</u>	<u>10,251,595</u>	
Other Assets:			
Cash and investments -designated	2,134,437	1,970,737	322,063
Interest receivable - designated	2,915	1,952	411
Total Other Assets	<u>2,137,352</u>	<u>1,972,689</u>	<u>322,474</u>
Total Assets	<u>23,487,648</u>	<u>14,649,441</u>	<u>506,796</u>
<u>Deferred Outflows of Resources</u>			
Deferred outflows-pensions	86,987	64,110	11,971
Total Deferred Outflows of Resources	<u>86,987</u>	<u>64,110</u>	<u>11,971</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 23,574,635</u>	<u>\$ 14,713,551</u>	<u>\$ 518,767</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	\$ 654,081	\$ 101,238	\$ 8,682
Accrued payroll	46,868	24,103	8,453
Post retirement medical liability	36,918	26,195	4,869
Deposits	209,157	45	41
Due to other funds	1,277,709		
Due to others	1,438		
Capital lease			
Total Current Liabilities	<u>2,226,171</u>	<u>151,581</u>	<u>22,045</u>
Noncurrent Liabilities:			
Capital lease			
Net pension liability	714,727	526,756	98,357
Compensated absences	34,471	24,268	4,785
Total Noncurrent Liabilities	<u>749,198</u>	<u>551,024</u>	<u>103,142</u>
Total Liabilities	<u>2,975,369</u>	<u>702,605</u>	<u>125,187</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows-advances	8,677	6,625	1,361
Deferred inflows-pensions	138,444	102,033	19,052
Total Deferred Inflows of Resources	<u>147,121</u>	<u>108,658</u>	<u>20,413</u>
<u>Net Position</u>			
Net investment in capital assets	20,181,013	10,251,595	
Net Position:			
Unrestricted	271,132	3,650,693	373,167
Total Net Position	<u>20,452,145</u>	<u>13,902,288</u>	<u>373,167</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 23,574,635</u>	<u>\$ 14,713,551</u>	<u>\$ 518,767</u>

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

		Totals	
Solid Waste Fund	Security Fund	2016	2015
\$ 250,416	\$ 409,430	\$ 2,422,339	\$ 2,849,908
64,205	175,581	799,250	1,860,487
		-	-
207	413	2,354	1,213
659	5,773	64,611	63,975
682	20,078	53,905	53,000
		1,363,748	1,527,018
		-	29,809
316,169	611,276	4,706,207	6,385,410
	445,930	30,878,538	29,562,287
3,181	117,163	4,547,581	4,105,050
	103	5,381	2,893
3,181	117,266	4,552,962	4,107,943
319,350	1,174,472	40,137,707	40,055,640
3,192	99,757	266,017	205,863
3,192	99,757	266,017	205,863
\$ 322,542	\$ 1,274,229	\$ 40,403,724	\$ 40,261,503
\$ 119,658	\$ 22,853	\$ 906,512	\$ 1,280,558
1,499	41,867	122,790	106,602
1,361	37,427	106,770	74,690
148	213	209,604	209,438
	86,039	1,363,748	1,527,018
		1,438	-
	2,341	2,341	2,059
122,666	190,740	2,713,203	3,200,365
	7,908	7,908	-
26,228	819,641	2,185,709	2,114,104
1,486	32,525	97,535	83,283
27,714	860,074	2,291,152	2,197,387
150,380	1,050,814	5,004,355	5,397,752
1,115	4,528	22,306	232,160
5,081	158,765	423,375	418,155
6,196	163,293	445,681	650,315
	445,930	30,878,538	29,562,287
165,966	(385,808)	4,075,150	4,651,149
165,966	60,122	34,953,688	34,213,436
\$ 322,542	\$ 1,274,229	\$ 40,403,724	\$ 40,261,503

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, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Operating Revenues:			
Service charges	\$ 1,835,215	\$ 1,326,149	\$ -
Special taxes			187,495
Other charges	64,260	22,476	683
Total Operating Revenues	<u>1,899,475</u>	<u>1,348,625</u>	<u>188,178</u>
Operating Expenses:			
Source of supply	144,689		
Treatment	861,654		
Transmission and distribution	453,482		
Sewer collection		173,090	
Sewer treatment and disposal		401,547	
Drainage			145,616
Gate services			
Patrol services			
Solid waste			
General and administrative	690,001	500,877	63,693
Depreciation	572,957	611,008	
Total Operating Expenses	<u>2,722,783</u>	<u>1,686,522</u>	<u>209,309</u>
Operating Income (Loss)	<u>(823,307)</u>	<u>(337,897)</u>	<u>(21,131)</u>
Non-operating Revenues (Expenses):			
Taxes	201,094	153,535	31,534
Capital reserve fees	211,619	208,416	
Debt reserve fee	187,245		
Interest revenue	15,722	13,479	1,877
Rent			
Water augmentation	20,482		
Gain (Loss) on disposal of capital assets	(7)	2,898	
Refunds and reimbursements			
Interest expense	(5,820)		
Grant revenue			
Miscellaneous	34,552	6,955	1,479
Total Non-operating Revenues (Expenses)	<u>664,887</u>	<u>385,283</u>	<u>34,890</u>
Special Item			
CFD Project Reimbursement	<u>878,689</u>		
Change in Net Position	720,269	47,386	13,759
Net Position, Beginning of Fiscal Year	19,800,255	13,901,645	368,818
Prior Period Adjustments	<u>(68,379)</u>	<u>(46,743)</u>	<u>(9,410)</u>
Net Position, End of Fiscal Year	<u>\$ 20,452,145</u>	<u>\$ 13,902,288</u>	<u>\$ 373,167</u>

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

		Totals	
Solid Waste Fund	Security Fund	2016	2015
\$ 638,522	\$ -	\$ 3,799,886	\$ 3,689,872
	1,258,145	1,445,640	1,367,508
	60,796	148,215	112,960
<u>638,522</u>	<u>1,318,941</u>	<u>5,393,741</u>	<u>5,170,340</u>
		144,689	205,776
		861,654	468,027
		453,482	525,699
		173,090	177,915
		401,547	432,219
		145,616	136,634
	511,338	511,338	492,015
	473,595	473,595	449,558
609,600		609,600	587,796
56,492	317,473	1,628,536	1,699,284
	41,609	1,225,574	1,122,339
<u>666,092</u>	<u>1,344,015</u>	<u>6,628,721</u>	<u>6,297,262</u>
<u>(27,571)</u>	<u>(25,074)</u>	<u>(1,234,980)</u>	<u>(1,126,922)</u>
25,848	124,297	536,308	566,301
	58,884	478,919	467,232
		187,245	109,143
767	2,128	33,973	18,880
		20,482	21,500
		2,891	(24,576)
	(474)	(6,294)	(4,187)
	5,491	48,477	25,010
<u>26,615</u>	<u>190,326</u>	<u>1,302,001</u>	<u>1,179,303</u>
		878,689	6,765,103
(956)	165,252	945,710	6,817,483
169,431	(26,714)	34,213,435	27,422,921
<u>(2,509)</u>	<u>(78,416)</u>	<u>(205,457)</u>	<u>(26,968)</u>
<u>\$ 165,966</u>	<u>\$ 60,122</u>	<u>\$ 34,953,688</u>	<u>\$ 34,213,436</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, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 2,826,593	\$ 1,362,182	\$ 191,170
Payments to employees	(1,093,862)	(572,586)	(160,094)
Payments to suppliers	(1,560,621)	(497,770)	(51,715)
Net Cash Provided By (Used In) Operating Activities	172,110	291,826	(20,639)
Cash Flows from Non-capital Financing Activities:			
Taxes received	201,094	153,535	31,534
Grants			
Debt reserve fee	187,245	-	
Miscellaneous	55,034	10,608	1,479
Net Cash Provided By (Used In) Non-capital Financing Activities	443,373	164,143	33,013
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(2,422,093)	(95,979)	
Interfund lending	(140,434)	140,434	22,836
Cash received from sale of assets		2,898	
CFD project reimbursement	878,689		
Debt activity	(5,820)		
Capital reserve fees	211,619	208,416	
Net Cash Provided By (Used In) Capital and Related Financing Activities	(1,478,039)	255,769	22,836
Cash Flows from Investing Activities:			
Interest received	14,260	11,879	1,681
Net Cash Provided by Investing Activities	14,260	11,879	1,681
Net Increase (Decrease) in Cash and Cash Equivalents	(848,296)	723,617	36,891
Cash and Cash Equivalents, July 1	3,753,071	2,171,106	353,341
Cash and Cash Equivalents, June 30	\$ 2,904,775	\$ 2,894,722	\$ 390,232
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:			
Cash and investments	\$ 770,338	\$ 923,985	\$ 68,169
Restricted cash and investments	2,134,437	1,970,737	322,063
Total Cash and Cash Equivalents	\$ 2,904,775	\$ 2,894,722	\$ 390,232

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

Solid Waste Fund	Security Fund	Totals	
		2016	2015
\$ 635,382	\$ 1,312,772	\$ 6,328,099	\$ 4,047,936
(38,672)	(1,182,989)	(3,048,204)	(2,757,800)
(610,939)	(190,968)	(2,912,012)	(1,621,461)
(14,229)	(61,185)	367,883	(331,325)
25,848	124,297	536,308	566,301
		-	52,085
		187,245	109,143
	5,491	72,612	19,542
25,848	129,788	796,165	747,071
	(23,762)	(2,541,834)	(10,782,745)
	(22,836)	-	(108,875)
		2,898	-
		878,689	6,765,103
	7,716	1,896	(6,996)
	58,884	478,919	467,232
	20,002	(1,179,432)	(3,666,281)
671	1,855	30,346	17,914
671	1,855	30,346	17,914
12,290	90,460	14,962	(3,232,622)
241,307	436,133	6,954,958	10,187,580
<u>\$ 253,597</u>	<u>\$ 526,593</u>	<u>\$ 6,969,919</u>	<u>\$ 6,954,958</u>
\$ 250,416	\$ 409,430	\$ 2,422,339	\$ 2,849,908
3,181	117,163	4,547,581	4,105,050
<u>\$ 253,597</u>	<u>\$ 526,593</u>	<u>\$ 6,969,919</u>	<u>\$ 6,954,958</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, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Drainage Fund
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (823,307)	\$ (337,897)	\$ (21,131)
Noncash items included in operating loss			
Depreciation	572,957	611,008	
Changes in assets and liabilities			
Decrease (increase) in operating assets			
Accounts receivable	1,093,746	(9,392)	(235)
Prepaid expenses	(8,754)	1,626	(243)
Deposits	1,243	5,520	(317)
Due from others	22,416	7,393	
GASB 68 adjustments	(62,927)	(46,378)	(8,660)
Increase (decrease) in operating liabilities			
Accounts payable	(440,989)	47,382	4,103
Accrued payroll	8,358	836	3,382
Post retirement medical liability	10,672	7,863	1,465
Deposit liability	(189)	(0)	32
Due to others	1,438		
Compensated absences	6,919	4,050	1,003
Deferred revenue	(209,473)	(185)	(38)
Net Cash Provided By (Used In) Operating Activities	\$ 172,110	\$ 291,826	\$ (20,639)

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

Solid Waste Fund	Security Fund	Totals	
		2016	2015
\$ (27,571)	\$ (25,074)	\$ (1,234,980)	\$ (1,126,922)
	41,609	1,225,574	1,122,339
(5,898)	(16,985)	1,061,236	(1,137,911)
(237)	6,972	(636)	17,739
1,968	(9,319)	(905)	(53,000)
		29,809	25,103
(2,309)	(72,165)	(192,439)	(141,290)
18,007	(2,550)	(374,047)	1,016,801
227	3,386	16,189	(15,728)
985	11,095	32,080	(10,582)
140	183	166	(331,654)
		1,438	108,875
490	1,790	14,252	(18,278)
(31)	(127)	(209,854)	213,183
<u>\$ (14,229)</u>	<u>\$ (61,185)</u>	<u>\$ 367,883</u>	<u>\$ (331,325)</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, 2016**

	<u>PARS OPEB</u>	<u>CFD</u>
	<u>Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and investments	\$ 1,082,649	\$ 1,226,132
Prepaid expense		1,496
Due from others		1,467
	<hr/>	<hr/>
Total Assets	<u>\$ 1,082,649</u>	<u>\$ 1,229,095</u>
 <u>Liabilities</u>		
Due to others	<u>\$ -</u>	<u>\$ 1,229,095</u>
	<hr/>	<hr/>
Total Liabilities		1,229,095
 <u>Net Position</u>		
Held in trust for OPEB benefits	<u>1,082,649</u>	
	<hr/>	
Total Liabilities and Net Position	<u>\$ 1,082,649</u>	<u>\$ 1,229,095</u>

Changes in Fiduciary Net Position-PARS Trust Fund

Additions:	
Employer contributions	<u>\$ 141,750</u>
Total contributions	<u>141,750</u>
 Investment income (loss):	
Net adjustment to fair value of investments	<u>23,349</u>
Total Additions (Deductions)	<u>23,349</u>
 Change in plan net position	<u>165,099</u>
 Net Position:	
Held in trust for OPEB benefits:	
Beginning of year	<u>917,550</u>
End of year	<u>\$ 1,082,649</u>

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

Fund Financial Statements

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

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

C. Major Funds

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

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

The District reports on the following major proprietary funds:

Water

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

Sewer

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

Drainage

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

Solid Waste

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

Security

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

The District reports the following additional fund types:

PARS Trust Fund

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

Agency Fund

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: Significant Accounting Policies (Continued)

D. Basis of Accounting

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

E. Budget and Budgeting

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

F. Restricted Assets

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

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, and 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, 2016

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 cost 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, 2016

Note 1: Significant Accounting Policies (Continued)

O. Use of Estimates

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

Note 2: Cash and Investments

Classification

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

Cash and investments	\$ 2,422,339
Designated cash and investments	<u>4,547,581</u>
Cash and investments, Statement of Net Position	6,969,920
Cash and investments, Statement of Fiduciary Net Assets	<u>2,308,781</u>
Total cash and investments	<u><u>\$ 9,278,701</u></u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	964,263
Investments	<u>8,314,188</u>
Total cash and investments	<u><u>\$ 9,278,701</u></u>

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

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

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*	\$ 608,680	\$ 608,680	\$ -
State Investment Pool*	5,423,837	5,423,837	
PARS Trust*	1,082,649	1,082,649	
Money Market*	1,199,021	1,199,021	
Totals	<u>\$ 8,314,188</u>	<u>\$ 8,314,188</u>	<u>\$ -</u>

*Not subject to categorization

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 2: Cash and Investments (Continued)

D. Disclosures Relating to Credit Risk

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.

<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	\$ 608,680	N/A	\$ -	\$ 608,680
State Investment Pool	5,423,837	N/A	-	5,423,837
Pars Trust	1,082,649	N/A	-	1,082,649
Money Market	1,199,021	N/A	-	1,199,021
Total investments	<u>\$ 8,314,188</u>		<u>\$ -</u>	<u>\$ 8,314,188</u>

E. Concentration of Credit Risk

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

F. Custodial Credit Risk

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

As of June 30, 2016, \$622,268 of the District's deposits with financial institutions in excess of federal depository insurance limits was held in public funds collateralized accounts. As of June 30, 2016, 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, 2016

Note 3: Capital Assets

Capital Assets at June 30, 2016, consist of the following:

	Balance July 1, 2015	Additions	Adjustments/ Deletions	Balance June 30, 2016
Water				
Depreciable assets:				
Water Transmission	\$ 7,333,007	\$ -	\$ (3)	\$ 7,333,004
Water Treatment	9,086,032	13,593,559	(10,448)	22,669,142
Studies	695,885	48,114	-	743,999
Vehicles and equipment	608,683	58,661	(67,623)	599,721
Subtotal	17,723,607	13,700,334	(78,074)	31,345,867
Less: Accumulated Depreciation	(10,968,926)	(572,957)	75,484	(11,466,399)
Net Capital Assets	6,754,681	13,127,377	(2,590)	19,879,468
Non-depreciable assets:				
Construction in progress	11,563,561	24,924	(11,300,580)	287,905
Land	13,640	-	-	13,640
Subtotal	11,577,201	24,924	(11,300,580)	301,545
Net Capital Assets	\$18,331,882	\$ 13,152,301	\$ (11,303,170)	\$ 20,181,013
Sewer				
Depreciable assets:				
Collection Facilities	\$ 4,962,622	\$ 11,571	\$ (524)	\$ 4,973,669
Pumping facility	42,763			42,763
Treatment Plant/Facilities	16,005,348		(2)	16,005,346
Vehicles and equipment	650,268	65,897	(104,767)	611,398
Lake Chesbro Protection	270,020			270,020
Waste Discharge	549,152			549,152
Telemetry Building	512,452			512,452
Subtotal	22,992,625	77,468	(105,293)	22,964,800
Less: Accumulated Depreciation	(13,012,670)	(611,007)	105,291	(13,518,386)
Net Capital Assets	9,979,955	(533,539)	(2)	9,446,414
Non-depreciable assets:				
Construction in progress	208,621	18,511		227,132
Land	578,050	-	-	578,050
Subtotal	786,671	18,511	-	805,182
Net Capital Assets	\$10,766,626	\$ (515,028)	\$ (2)	\$ 10,251,596
Security				
Depreciable assets:				
Vehicle and equipment	\$ 565,397	\$ 20,096	\$ (35,146)	\$ 550,347
Buildings and improvements	307,476	2,104		309,580
Subtotal	872,873	22,200	(35,146)	859,927
Less: Accumulated Depreciation	(409,094)	(41,609)	36,706	(413,997)
Net Capital Assets	463,779	(19,409)	1,560	445,930

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 4: Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 7/1/2015	Additions	Retirements	Balance 6/30/2016
Compensated absences	\$ 83,283	\$ 110,057	\$ (95,804)	\$ 97,536
Capital lease	2,059	10,249	(2,059)	10,249
Net pension liability (note 6)	2,114,104	71,605		2,185,709
Total	<u>\$ 2,199,446</u>	<u>\$ 191,911</u>	<u>\$ (97,863)</u>	<u>\$ 2,293,494</u>

Capital Lease

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%.

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, 2016

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, 2016, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52 - 67
Monthly benefits, as a % of compensation	1.5% to 2%	1.0% to 2%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	13.32%	6.25%

Contributions

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	250,997
Contributions-employee (paid by employer)	\$	21,369

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

As of June 30, 2016, 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	\$ 2,185,709

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2016

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

The District's proportionate share of the net pension liability as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.08554%
Proportion - June 30, 2015	0.07967%
Change - Increase (Decrease)	(0.00587)%

For the year ended June 30, 2016, the District recognized pension expense of \$72,960. At June 30, 2016, 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	\$ 15,020	\$ -
Changes of assumptions		(142,102)
Net difference between projected and actual earnings on pension plan investments	-	(71,238)
Changes in proportion and differences between District contributions and proportionate share of contributions		(210,035)
District contributions subsequent to the measurement date	250,997	-
Total	<u>\$ 266,017</u>	<u>\$ (423,375)</u>

The \$250,997 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, 2017.

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>	
2017	\$ (175,152)
2018	(173,690)
2019	(150,574)
2020	91,061
2021	-
Thereafter	-

C. Actuarial Assumptions

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

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2%
Investment Rate of Return	7.50%

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

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

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

Discount Rate

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

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

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

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

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

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

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

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:

	Discount Rate -1%	Current Discount	Discount Rate +1%
	(6.65%)	Rate (7.65%)	(8.65%)
Miscellaneous	\$ 3,665,587	\$ 2,185,709	\$ 963,898

Note 7: Post-Retirement Health Care Benefits

Plan Description

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

Funding Policy

The contribution requirement of plan members is established by the District's Board of Directors. The 2015-2016 fiscal year annual required contribution is calculated using entry age normal cost (same as CalPERS). For the fiscal year ending June 30, 2016 the District contributed \$141,750 towards the unfunded actuarial accrued liability (UAAL). The District made the net contribution for fiscal year end June 30, 2016 directly to health insurance providers totalling \$91,308.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District chose a 30-year period to amortize the unfunded actuarial liability.

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

Net OPEB obligation-beginning of year	\$	74,691
Annual OPEB cost current fiscal year		265,138
Less: Employer contribution made to trust		<u>(141,750)</u>
Less: Unreimbursed retiree premium payments made to plan provider		<u>(91,308)</u>
Net employer contribution		<u>(233,058)</u>
Net OPEB obligation-end of year	\$	<u><u>106,771</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

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

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

Trend Information for the District OPEB

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost (AOC)</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
06/30/14	\$ 251,808	82.93%	\$ 85,272
06/30/15	254,870	104.15%	74,691
06/30/16	265,138	87.90%	106,771

Funded Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability (AAL) was \$2,733,628 and the unfunded actuarial accrued liability (UAAL) for benefits was \$1,650,979. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will be presented in the future when multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2014 actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions included a 7% discount rate and the normal cost component of the ARC increases 5.5% per year throughout the five year projection. The valuation assumes that 100% of eligible retirees will actually participate in the retiree medical benefit. The annual healthcare cost trend rate for represented employees had an assumed cap of 3% per year and the unrepresented had an assumed premium rate increase of 7.9% beginning January 1, 2013, decreasing approximately 0.3% per year until reaching an ultimate rate of 5.5%. It was assumed salary increases will be 3.25% per annum.

Note 8: Special Assessment District

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

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 8: Special Assessment District (Continued)

The amount of special assessment debt at June 30, 2016, is:

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

Beginning net position was restated because of prior year effects from Governmental Accounting Standards Board Statement 68 for defined benefit pension plans. The beginning balance adjustment between the projected and actual investment income resulted in a \$209,110 increase of the prior year deferred inflows of resources and a \$209,110 reduction to beginning net position.

Note 10: Revenue Limitation Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996 will regulate the District's ability to impose, increase, and extend taxes and assessments. Any new, 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 11: Commitments and Contingencies

Grants

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

Commitments

The District had open engineering, construction and professional service contracts as of June 30, 2016.

Note 12: Subsequent Events

Subsequent to fiscal year end the District purchased a security vehicle for \$22,279 and financed \$9,521 of the purchase with a capital lease.

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Water Fund

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Service Charges:		
Water sales - residential	\$ 1,653,031	\$ 1,598,773
Water sales - commercial	168,513	162,069
Water availability charges	500	320
Water sales - others	<u>13,172</u>	<u>7,679</u>
Total Service Charges	<u>1,835,215</u>	<u>1,768,841</u>
Other Charges:		
Water telephone line contracts	5,756	5,636
Ditch service charge	700	700
District project charges	36,889	18,198
Late charges	14,787	12,476
Water inspection fees	1,771	633
Transfer fees	<u>4,357</u>	<u>3,657</u>
Total Other Charges	<u>64,260</u>	<u>41,300</u>
Total Operating Revenues	<u><u>\$ 1,899,475</u></u>	<u><u>\$ 1,810,141</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Source of Supply:		
Wages and salaries	\$ 11,122	\$ 21,367
Employer costs	5,791	11,496
Maintenance and repairs	6,787	7,767
Purchased power	68,614	111,346
Dam inspection costs	34,924	39,198
Chemical	17,450	12,998
Equipment rental	-	1,604
	<hr/>	<hr/>
Total Source of Supply	144,689	205,776
	<hr/>	<hr/>
Treatment:		
Wages and salaries	244,726	151,262
Employer costs	143,826	90,725
Purchased power	84,608	73,023
Chemicals	56,428	63,119
Maintenance and repairs	57,553	38,289
Supplies	2,193	5
Equipment rental	256,055	41,013
Lab tests	16,265	10,591
Miscellaneous	-	-
	<hr/>	<hr/>
Total Treatment	861,654	468,027
	<hr/>	<hr/>
Transmission and Distribution:		
Wages and salaries	200,102	215,850
Employer costs	89,228	96,724
Water meters	29,561	26,286
Maintenance and repairs	32,300	61,721
Purchased power	49,017	45,884
Equipment rentals	10,335	25,936
Road paving	41,898	52,754
Supplies	480	544
Miscellaneous	561	-
	<hr/>	<hr/>
Total Transmission and Distribution	453,482	525,699
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	268,712	209,873
Employer costs	73,898	85,455
	<hr/>	<hr/>
Subtotal General and Administrative	342,611	295,328
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Water Fund

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Subtotal General and Administrative:	\$ 342,611	\$ 295,328
Communications	16,340	13,748
Maintenance and repairs	89,825	91,274
Insurance	37,436	31,747
Permits	41,910	26,016
Supplies	12,281	12,899
Directors' meeting and expenses	5,257	7,019
Elections	-	707
Legal and audit	41,433	53,373
Training and safety	5,259	5,935
Vehicle expenses	18,038	27,975
Tools	9,004	14,735
Sacramento Water Authority	13,738	6,000
Miscellaneous	7,078	24,781
Postage	7,799	8,251
Travel and meetings	3,556	6,019
Tuition reimbursement	105	596
Clerical services	-	39,875
Consulting services	1,520	31,221
Dues and memberships	6,006	14,698
Uniforms	4,099	3,551
Purchased power	3,144	3,314
Equipment lease	1,008	1,083
Bad debts	-	-
Water conservation	19,890	18,557
Janitorial and pest control	1,726	1,664
CIA ditch operations	938	5,403
	<u>690,001</u>	<u>745,769</u>
Total General and Administrative		
Depreciation	<u>572,957</u>	<u>483,941</u>
Total Operating Expenses	<u>\$ 2,722,783</u>	<u>\$ 2,429,212</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Revenues

Sewer Fund

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Service Charges:		
Sewer service - residential	\$ 1,202,062	\$ 1,164,771
Sewer service - commercial	123,526	121,316
Sewer availability charges	<u>560</u>	<u>390</u>
Total Service Charges	<u>1,326,149</u>	<u>1,286,477</u>
Other Charges:		
Sewer inspection fees	1,645	380
District project charges	2,719	2,719
Late charges	14,787	12,476
Transfer fees	<u>3,326</u>	<u>2,792</u>
Total Other Charges	<u>22,476</u>	<u>18,367</u>
Total Operating Revenues	<u>\$ 1,348,625</u>	<u>\$ 1,304,844</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

Schedule of Operating Expenses

Sewer Fund

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for the Fiscal Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Collections:		
Wages and salaries	\$ 80,982	\$ 85,887
Employer costs	42,543	42,841
Maintenance and repairs	35,453	27,748
Purchased power	14,586	13,252
Equipment rental	-	6,517
Supplies	(473)	1,670
Miscellaneous	-	-
	<hr/>	<hr/>
Total Collections	173,090	177,915
	<hr/>	<hr/>
Treatment and Disposal:		
Purchased power	103,775	104,005
Chemicals	24,980	41,053
Wages and salaries	107,793	108,315
Employer costs	58,269	55,789
Lab tests	14,983	56,986
Maintenance and repairs	81,268	51,640
Supplies	-	1,086
Equipment rental	8,359	11,890
Miscellaneous	2,120	1,455
	<hr/>	<hr/>
Total Treatment and Disposal	401,547	432,219
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	189,997	137,892
Employer costs	49,152	43,776
Communications	12,255	11,737
Maintenance and repairs	89,356	103,846
Insurance	23,136	24,239
Vehicle expenses	16,182	22,784
Supplies	10,138	9,446
Directors' meetings and expenses	4,014	5,899
Legal and audit	24,752	29,418
Training and safety	8,162	12,270
Permits	29,245	36,270
Miscellaneous	5,822	7,654
Postage	5,954	6,300
Tools	13,084	17,417
	<hr/>	<hr/>
Subtotal General and Administrative	481,249	468,948
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Sewer Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Subtotal General and Administrative:	\$ 481,249	\$ 468,948
Travel and meetings	3,131	5,099
Tuition reimbursement	-	508
Clerical Services	-	30,444
Consulting	-	9,526
Uniforms	4,282	3,836
Dues and memberships	7,319	4,583
Purchased power	2,400	2,530
Janitorial and pest control	1,726	1,664
Equipment lease	770	827
	<u>500,877</u>	<u>527,965</u>
Total General and Administrative		
	<u>611,008</u>	<u>608,191</u>
Depreciation		
	<u>\$ 1,686,522</u>	<u>\$ 1,746,290</u>
Total Operating Expenses		

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenue
Drainage Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Special Taxes:		
Drainage service - residential	\$ 157,116	\$ 153,783
Drainage service - commercial	<u>30,379</u>	<u>29,783</u>
Total Special Taxes	<u>187,495</u>	<u>183,566</u>
Other Charges:		
Transfer fees	<u>683</u>	<u>573</u>
Total Operating Revenues	<u><u>\$ 188,178</u></u>	<u><u>\$ 184,139</u></u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Drainage Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Drainage:		
Wages and salaries	\$ 79,232	\$ 66,379
Maintenance and repairs	7,495	19,451
Purchased power	9,609	6,724
Employer costs	34,738	29,970
Equipment rental	-	1,844
Legal and audit	-	-
Chemicals	5,984	4,344
Supplies	-	1,192
Improvements	380	119
Permits	5,223	5,826
Uniforms	-	-
Miscellaneous	2,956	785
	<hr/>	<hr/>
Total Drainage	145,616	136,634
	<hr/>	<hr/>
General and Administrative:		
Wages and salaries	32,018	25,036
Employer costs	7,746	7,037
Clerical expense	-	6,253
Communications	631	591
Insurance	4,752	4,978
Maintenance and repairs	7,569	7,729
Vehicle Expenses	-	8
Directors' meeting and expenses	824	1,212
Uniforms		
Office supplies	1,288	-
Legal and audit	4,872	5,952
Postage	1,223	1,294
Consulting services	-	1,865
Miscellaneous	484	1,063
Travel and meeting	278	600
Tuition reimbursement	-	35
Memberships	623	647
Training and safety	734	231
Purchased power	493	520
Equipment lease	158	170
	<hr/>	<hr/>
Total General and Administrative	63,693	65,221
	<hr/>	<hr/>
Total Operating Expenses	\$ 209,309	\$ 201,854
	<hr/>	<hr/>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Solid Waste Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Service Charges:		
Solid Waste - residential	\$ 638,522	\$ 634,554
	<u>638,522</u>	<u>634,554</u>
Total Service Charges		
	<u>638,522</u>	<u>634,554</u>
Total Operating Revenues	<u>\$ 638,522</u>	<u>\$ 634,554</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Solid Waste Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Solid Waste:		
Contract charges	\$ 557,728	\$ 552,778
E-Waste disposal cost	17,140	-
Miscellaneous	34,732	35,018
	<u>609,600</u>	<u>587,796</u>
Total Solid Waste		
	<u>609,600</u>	<u>587,796</u>
General and Administrative:		
Wages and salaries	26,244	16,946
Employer costs	11,139	8,765
Travel-Meetings	228	492
Tuition reimbursement	-	-
Clerical reimbursement	-	5,125
Office supplies	1,056	977
Mail machine lease	130	139
Insurance	3,895	4,081
Postage	1,002	1,061
Professional services	8,158	9,029
Utilities	743	746
Maintenance and repairs	2,040	2,382
Consulting	-	40
Miscellaneous	1,181	1,685
Directors' meeting and expenses	676	902
	<u>56,492</u>	<u>52,370</u>
Total General and Administrative		
	<u>56,492</u>	<u>52,370</u>
Total Operating Expenses	<u>\$ 666,092</u>	<u>\$ 640,166</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Revenues
Security Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Special Taxes:		
Security service - residential	\$ 1,079,076	\$ 1,030,651
Security service - commercial	<u>179,069</u>	<u>153,291</u>
Total Special Taxes	<u>1,258,145</u>	<u>1,183,942</u>
Other Charges:		
Late charges	29,574	24,953
Transfer fees	7,874	6,808
Fines and permits	14,210	13,160
Other	<u>9,139</u>	<u>7,799</u>
Total Other Charges	<u>60,796</u>	<u>52,720</u>
Total Operating Revenues	<u>\$ 1,318,941</u>	<u>\$ 1,236,662</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Gate Services:		
Wages and salaries	\$ 293,441	\$ 281,131
Employer costs	174,920	172,089
Miscellaneous	3,640	5,959
Equipment repairs and maintenance	11,163	7,423
Supplies	9,863	8,719
Communications	4,586	4,364
Janitor and pest controls	3,477	3,296
Purchased power	8,800	7,414
Training and safety	-	85
Uniforms	1,447	1,535
	<u>511,338</u>	<u>492,015</u>
Patrol Services:		
Wages and salaries	260,993	245,858
Employer costs	157,239	130,736
Vehicle fuel	12,127	17,460
Off-duty sheriff patrol	6,286	6,262
Vehicle maintenance	9,586	12,895
Uniforms	2,186	1,069
Miscellaneous	15,600	20,216
Cellular phone	3,920	3,879
Equipment repairs and maintenance	1,692	4,623
Janitor and pest control	1,841	2,645
Supplies	260	
Travel/meetings	163	2,349
Tuition reimbursement	-	115
Training and safety	1,702	1,451
	<u>473,595</u>	<u>449,558</u>
General and Administrative:		
Wages and salaries	202,724	154,454
Employer costs	17,700	21,988
Clerical services	-	20,809
Insurance	15,814	16,567
Legal and audit	20,384	31,285
Supplies	12,229	10,647
Directors' meetings and expenses	2,744	4,032
Training and safety	1,695	1,661
Consulting	-	3,886
Uniforms		
Purchased power	1,641	1,729
	<u>274,930</u>	<u>267,058</u>
Subtotal General and Administrative	<u>274,930</u>	<u>267,058</u>

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

**Schedule of Operating Expenses
Security Fund
For the Fiscal Year Ended June 30, 2016
(With Comparative Totals for the Fiscal Year Ended June 30, 2015)**

	<u>2016</u>	<u>2015</u>
Subtotal General and Administrative:	\$ 274,930	\$ 267,058
Communications	3,140	2,972
Equipment repairs and maintenance	25,422	26,043
Postage	4,070	4,336
Bad debts	-	-
Travel and meetings	924	-
Miscellaneous	6,238	4,831
Memberships	2,072	2,155
Equipment lease	526	565
Vehicle expenses	-	-
Uniform	<u>152</u>	<u> </u>
Total General and Administrative	<u>317,473</u>	<u>307,960</u>
Depreciation	<u>41,609</u>	<u>30,207</u>
Total Operating Expenses	<u>\$ 1,344,015</u>	<u>\$ 1,279,740</u>

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2016**

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

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, 2016**

<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 covered employee payroll</u>
Miscellaneous 1st tier					
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%

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

LARRY BAIN, CPA

AN ACCOUNTING CORPORATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited the Financial Statements of the Rancho Murieta Community Services District (District) as of and for the fiscal year ended June 30, 2016 and have issued our report thereon dated November 2, 2016. In our audit report we issued an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Rancho Murieta Community Services District's Response to Findings

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

Purpose of this Report

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

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

Larry Bain, CPA,
An Accounting Corporation
November 2, 2016