

**KNIGHTSEN TOWN COMMUNITY  
SERVICES DISTRICT**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

**JUNE 30, 2016**



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**CROCE, SANGUINETTI, & VANDER VEEN**

INC.

**CERTIFIED PUBLIC ACCOUNTANTS**

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CROCE, SANGUINETTI, & VANDER VEEN<sup>INC.</sup>

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

To the Board of Directors  
**Knightsen Town Community Services District**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Knightsen Town Community Services District** (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Knightsen Town Community Services District** as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

The District has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the statement of revenues, expenditures and changes in fund balance - budget and actual - governmental funds on pages 13 through 14 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 supplemental 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.

*Croce, Sanguinetti, & Vander Veen, Inc.*

CROCE, SANGUINETTI, & VANDER VEEN, INC.  
Certified Public Accountants  
Stockton, California  
January 21, 2017

**KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

**Statement of Net Position**

June 30, 2016

	<u>Governmental activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 184,085
Prepaid insurance	<u>970</u>
Total assets	<u>185,055</u>
<b>Deferred outflows of resources</b>	<u>-</u>
<b>Liabilities</b>	<u>-</u>
<b>Deferred inflows of resources</b>	<u>-</u>
<b>Net position</b>	
Unrestricted	<u>185,055</u>
Total net position	<u>\$ 185,055</u>

The accompanying notes are an integral part of this financial statement.

**KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

**Statement of Activities**

For the year ended June 30, 2016

	<u>Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expenses) revenues and changes in net position</u>
<b>Governmental activities</b>			
Operations	\$ 4,838	\$ -	<u>\$ (4,838)</u>
Net program (expenses) revenues			<u>(4,838)</u>
General revenues			
Assessments			27,300
Interest			<u>58</u>
Total general revenues			<u>27,358</u>
<b>Change in net position</b>			22,520
<b>Net position, beginning of year</b>			<u>162,535</u>
<b>Net position, end of year</b>			<u><u>\$ 185,055</u></u>

The accompanying notes are an integral part of this financial statement.

**KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

**Balance Sheet - Governmental Funds**

June 30, 2016

	<u>General Fund</u>
<b>Assets</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ 184,085
Prepaid insurance	<u>970</u>
Total assets	<u>\$ 185,055</u>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	<u>\$ -</u>
Total liabilities	<u>-</u>
<b>Fund balance</b>	
Nonspendable:	
Prepaid insurance	970
Unassigned	<u>184,085</u>
Total fund balance	<u>185,055</u>
Total liabilities and fund balance	<u>\$ 185,055</u>

The accompanying notes are an integral part of this financial statement.

**KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance - Governmental Funds**

For the year ended June 30, 2016

	<u>General fund</u>
<b>Revenues</b>	
Assessments	\$ 27,300
Interest	<u>58</u>
Total revenues	<u>27,358</u>
<b>Expenditures</b>	
Insurance	1,916
Secretarial services	1,100
County charges	761
Professional fees	500
Rent	300
Dues and memberships	165
Miscellaneous	<u>96</u>
Total expenditures	<u>4,838</u>
<b>Net change in fund balance</b>	22,520
<b>Fund balance, beginning of year</b>	<u>162,535</u>
<b>Fund balance, end of year</b>	<u>\$ 185,055</u>

The accompanying notes are an integral part of this financial statement.



# KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of Knightsen Town Community Services District (the District) is presented to assist in understanding the District's financial statements.

#### Description of the reporting entity

The District was formed on July 1, 2005 and operates under Section 61000 et. seq. of the California State Government Code for the purpose of constructing, operating, maintaining and servicing flood control and water quality improvements within District boundaries, located in Contra Costa County, California and encompassing approximately 5,131 acres. The District is governed by a five-member board of directors, each elected by the registered voters within the District to a four-year term.

The District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

#### Government-wide financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activity of the primary government.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not classified as program revenues are presented as general revenues.

#### Fund financial statements

The fund financial statements provide information about the District's funds. The District has one type of fund (governmental), which is comprised of one major fund as follows:

General fund - This fund is established to account for resources devoted to financing the general services that the District performs. Assessments and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the District for which a separate fund has not been established.

(Continued)

# KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

#### Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent that they have matured.

Assessments, interest, and other sources of revenue within the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues provided they were collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

#### Cash and cash equivalents

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

#### Budgetary accounting

The District does not adopt an appropriated budget and is not required to adopt such a budget by law. However, the District does adopt a non-appropriated budget annually, which is approved by the Board of Directors.

#### Assessments

Assessments are levied at the discretion of the Board of Directors.

(Continued)

# KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

#### Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.
- c. Unrestricted - Amounts not required to be reported in the other components of net position.

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

#### Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned - Amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors, District manager or their designee.

(Continued)

# KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

Unassigned - Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

#### Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### New accounting pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District implemented the provisions of this Statement for the year ended June 30, 2016. There was no impact to beginning net position as part of implementation of this accounting standard.

In December 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The District implemented the provisions of this Statement for the year ended June 30, 2016. There was no impact on beginning net position as part of implementation of this accounting standard.

# KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2016

### Note B - Cash and Cash Equivalents

Cash and cash equivalents of the District as of June 30, 2016, consist of the following:

	<u>Carrying amount</u>	<u>Bank balance</u>
<u>Deposits in commercial accounts</u>		
Commercial account	\$ <u>184,085</u>	\$ <u>182,758</u>

Cash on deposit in commercial accounts is insured by the Federal Deposit Insurance Corporation. 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 market 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Cash held by the Contra Costa County Treasurer is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.co.contra-costa.ca.us/>). However, the District receives no investment income. The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals. The District's investment in the Pool is unrated, stated at cost, available upon demand and considered cash equivalents.

The District does not maintain a formal investment policy.

### Note C - Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to insure for risks of loss, the District purchases insurance through commercial insurance carriers. As of June 30, 2016, the District's insurance coverage includes general liability insurance with liability limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

**KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

**Notes to Financial Statements**

June 30, 2016

**Note D - Governing Board**

As of June 30, 2016, the five members of the District's Board of Directors were as follows:

<u>Director</u>	<u>Term expires</u>
Steven Ohmstede, President	November 2018
Alvin J. Simas, Jr., Vice President	November 2018
Kim Carone	November 2018
Gregory Williams	November 2016
Linda Weekes	November 2016

**REQUIRED SUPPLEMENTAL INFORMATION**

**KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance -  
Budget and Actual - Governmental Funds**

For the year ended June 30, 2016

	General fund		
	Budgeted amounts <u>original/final</u>	Actual amounts <u>                  </u>	Variance with final budget positive <u>(negative)</u>
<b>Revenues</b>			
Assessments	\$ 27,300	\$ 27,300	\$ -
Interest	<u>                  -</u>	<u>                  58</u>	<u>                  58</u>
Total revenues	<u>          27,300</u>	<u>          27,358</u>	<u>                  58</u>
<b>Expenditures</b>			
Insurance	2,000	1,916	84
Secretarial services	1,300	1,100	200
County charges	800	761	39
Professional fees	3,216	500	2,716
Rent	600	300	300
Dues and memberships	135	165	(30)
Miscellaneous	165	96	69
Office expenses	<u>          500</u>	<u>                  -</u>	<u>                  500</u>
Total expenditures	<u>          8,716</u>	<u>          4,838</u>	<u>          3,878</u>
<b>Net change in fund balance</b>	18,584	22,520	3,936
<b>Fund balance, beginning of year</b>	<u>         162,535</u>	<u>         162,535</u>	<u>                  -</u>
<b>Fund balance, end of year</b>	<u><u>         181,119</u></u>	<u><u>         185,055</u></u>	<u><u>          3,936</u></u>



## **KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

### **Notes to Required Supplemental Information**

June 30, 2016

The District prepares a budget annually which is approved by the Board of Directors setting forth the contemplated fiscal requirements. The District's budget is maintained on the modified accrual basis of accounting. The results of operations are presented in the budget to actual schedule in accordance with the budgetary basis.

Reported budget amounts reflect the annual budget as originally adopted and the final adopted amounts. There were no amendments to the budget during the year ended June 30, 2016. The budget amounts are based on estimates of the District's expenditures and the proposed means of financing them. Actual expenditures for certain line items may vary significantly from the budget due to timing of such expenditures.