

**KNIGHTSEN TOWN COMMUNITY
SERVICES DISTRICT**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2015



CROCE, SANGUINETTI, & VANDER VEEN

INC.

CERTIFIED PUBLIC ACCOUNTANTS

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CROCE, SANGUINETTI, & VANDER VEEN^{INC.}

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, 2015, 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, 2015, 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.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
November 9, 2015

KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2015

	<u>Governmental activities</u>
Assets	
Cash and cash equivalents	\$ 161,589
Prepaid insurance	<u>946</u>
Total assets	<u>162,535</u>
Deferred outflows of resources	<u>-</u>
Liabilities	<u>-</u>
Deferred inflows of resources	<u>-</u>
Net position	
Unrestricted	<u>162,535</u>
Total net position	<u>\$ 162,535</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, 2015

	<u>Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expenses) revenues and changes in net position</u>
Governmental activities			
Operations	\$ 8,749	\$ -	<u>\$(8,749)</u>
Net program (expenses) revenues			<u>(8,749)</u>
General revenues			
Assessments			27,250
Interest			<u>51</u>
Total general revenues			<u>27,301</u>
Change in net position			18,552
Net position, beginning of year			<u>143,983</u>
Net position, end of year			<u><u>\$ 162,535</u></u>

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

KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

Balance Sheet - Governmental Funds

June 30, 2015

	<u>General Fund</u>
Assets	
Assets	
Cash and cash equivalents	\$ 161,589
Prepaid insurance	<u>946</u>
Total assets	<u>\$ 162,535</u>
Liabilities and Fund Balance	
Liabilities	<u>\$ -</u>
Total liabilities	<u>-</u>
Fund balance	
Nonspendable:	
Prepaid insurance	946
Unassigned	<u>161,589</u>
Total fund balance	<u>162,535</u>
Total liabilities and fund balance	<u>\$ 162,535</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, 2015

	<u>General fund</u>
Revenues	
Assessments	\$ 27,250
Interest	<u>51</u>
Total revenues	<u>27,301</u>
Expenditures	
Professional fees	3,350
Insurance	1,867
Secretarial services	1,365
Dues and memberships	794
County charges	761
Rent	450
Miscellaneous	96
Office expense	<u>66</u>
Total expenditures	<u>8,749</u>
Net change in fund balance	18,552
Fund balance, beginning of year	<u>143,983</u>
Fund balance, end of year	<u><u>\$ 162,535</u></u>

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

KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2015

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, 2015

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 utilize formal budgetary procedures and is not required to adopt such procedures by law. Accordingly, budgetary comparison information is not required or presented.

Assessments

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

(Continued)

KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2015

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, 2015

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.

Note B - Cash and Cash Equivalents

Cash and cash equivalents of the District as of June 30, 2015, consist of the following:

	<u>Carrying amount</u>	<u>Bank balance</u>
<u>Deposits in commercial accounts</u>		
Commercial account	\$ <u>161,589</u>	\$ <u>161,589</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.

(Continued)

KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2015

Note B - Cash and Cash Equivalents (Continued)

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, 2015, the District's insurance coverage includes general liability insurance with liability limits of \$2,000,000 per occurrence and \$4,000,000 in the aggregate.

Note D - Governing Board

As of June 30, 2015, the five members of the District's Board of Directors were as follows:

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