

ROLLING HILLS COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2013 and 2012

Rolling Hills Community Services District
For the Years Ended June 30, 2013 and 2012
Table of Contents

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Balance Sheet And Statement Of Net Assets.....	3
Adjustments - Total Government Fund Balance To Net Assets Of Governmental Activities.....	5
Statement Of Activities And Governmental Funds Revenues, Expenditures And Changes In Fund Balance.....	6
Adjustments - Total Government Fund Revenues, Expenditures And Changes In Fund Balance To Statement Of Activities.....	8
NOTES TO FINANCIAL STATEMENTS.....	9
REQUIRED SUPPLEMENTAL INFORMATION.....	13
SUPPLEMENTARY INFORMATION	
Agreed Upon Procedures Report For Appropriations Limit Calculation.....	17
Appropriations Limit Worksheet.....	18
Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	19

VAUGHN JOHNSON, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rolling Hills Community Services District
El Dorado County, California

I have audited the accompanying financial statements of the governmental activities, general fund, and the aggregate remaining fund information of Rolling Hills Community Services District as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Rolling Hills Community Services District, as of June 30, 2013 and 2012, 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.

VAUGHN JOHNSON, CPA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 14 through 16 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has not presented Management Discussion and Analysis that governmental 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. My opinion on the basic financial statements is not affected by this missing information.

Vaughn Johnson

Vaughn Johnson, CPA
August 31, 2014

Rolling Hills Community Services District
Balance Sheet and Statement of Net Assets
June 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash in county treasury	\$298,969	\$	\$298,969
Loan Receivable Prop 1A			-
Capital assets net of accumulated depreciation		28,245	28,245
Total Assets	<u>\$298,969</u>	<u>\$28,245</u>	<u>\$327,214</u>
LIABILITIES			
Accounts payable	\$ 19,971	\$	\$ 19,971
Deferred Revenue			-
Total Liabilities	<u>19,971</u>	<u>-</u>	<u>19,971</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Reserved	53,834	(53,834)	
Unreserved			
Designated			
Undesignated	<u>225,164</u>	<u>(225,164)</u>	
Total Fund Balance	<u>278,998</u>	<u>(278,998)</u>	
Total Liabilities and Fund Balances	<u>\$ 298,969</u>		
NET ASSETS			
Invested in capital assets net of related debt		28,245	28,245
Restricted			-
Unrestricted		<u>278,998</u>	<u>278,998</u>
TOTAL NET ASSETS		<u>\$ 307,243</u>	<u>\$ 307,243</u>

See notes to financial statements.

Rolling Hills Community Services District
Balance Sheet and Statement of Net Assets
June 30, 2012

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash in county treasury	\$305,290	\$	\$305,290
Loan Receivable Prop 1A	6,146		6,146
Prepaid expenses			-
Capital assets net of accumulated depreciation		32,606	32,606
Total Assets	<u>\$311,436</u>	<u>\$32,606</u>	<u>\$344,042</u>
LIABILITIES			
Accounts payable	\$ 23,838		\$ 23,838
Deferred Revenues	6,146	\$	6,146
Total Liabilities	<u>29,984</u>	<u>-</u>	<u>29,984</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Reserved	53,834	(53,834)	
Unreserved			
Designated			
Undesignated	<u>227,618</u>	<u>(227,618)</u>	
Total Fund Balance	<u>281,452</u>	<u>(281,452)</u>	
Total Liabilities and Fund Balances	<u>\$ 311,436</u>		
NET ASSETS			
Invested in capital assets net of related debt		32,606	32,606
Restricted			-
Unrestricted		<u>281,452</u>	<u>281,452</u>
TOTAL NET ASSETS		<u>\$ 314,058</u>	<u>\$ 314,058</u>

See notes to financial statements.

Rolling Hills Community Services District
Adjustments-Total Government Fund Balance to
Net Assets of Governmental Activities
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Total Governmental Fund Balance	\$ 278,998	\$ 281,452
Amounts reported in governmental activities in the statement of net assets are different because;		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds, net of depreciation allocate	28,245	32,606
Long-term liabilities and compensated absences are not due and payable in the current period and therefore are not reported in the funds	<u>-</u>	<u>-</u>
Net Assets of Governmental Activities	<u>\$ 307,243</u>	<u>\$ 314,058</u>

See notes to financial statements

Rolling Hills Community Services District
Statement of Activities and Governmental Funds Revenues
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 146,716		\$ 146,716
Capital assets			-
Depreciation		4,361	4,361
	<u>146,716</u>	<u>4,361</u>	<u>151,077</u>
TOTAL PROGRAM EXPENSES			
PROGRAM REVENUES			
State homeowners property tax relief	756		756
Other program revenues	175		175
	<u>931</u>		<u>931</u>
TOTAL PROGRAM REVENUES			
NET PROGRAM REVENUES (DEFICIT)	<u>(145,785)</u>	<u>(4,361)</u>	<u>(150,146)</u>
GENERAL REVENUES			
Property taxes	72,677		72,677
Direct benefit assessments	69,696		69,696
Investment earnings	958		958
	<u>143,331</u>		<u>143,331</u>
TOTAL GENERAL REVENUES			
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	(2,454)		
INCREASE IN NET ASSETS		(4,361)	(6,815)
FUND BALANCE/NET ASSETS			
Beginning of the year	<u>281,452</u>		<u>314,058</u>
End of the year	<u>\$ 278,998</u>	<u>\$ (4,361)</u>	<u>\$ 307,243</u>

See notes to financial statements.

Rolling Hills Community Services District
Statement of Activities and Governmental Funds Revenues
For the Year Ended June 30, 2012

	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement</u> <u>of Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 132,054		\$ 132,054
Capital assets			-
Depreciation		4,361	4,361
	<u>132,054</u>	<u>4,361</u>	<u>136,415</u>
TOTAL PROGRAM EXPENSES			
PROGRAM REVENUES			
State homeowners property tax relief	772		772
Other program revenues	60		60
	<u>832</u>		<u>832</u>
TOTAL PROGRAM REVENUES			
NET PROGRAM REVENUES (DEFICIT)	<u>(131,222)</u>	<u>(4,361)</u>	<u>(135,583)</u>
GENERAL REVENUES			
Property taxes	67,377		67,377
Direct benefit assessments	70,696		70,696
Investment earnings	712		712
	<u>138,785</u>		<u>138,785</u>
TOTAL GENERAL REVENUES			
EXCESS (DEFIENCIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	7,563		
INCREASE IN NET ASSETS		(4,361)	3,202
FUND BALANCE/NET ASSETS			
Beginning of the year	<u>273,889</u>		<u>310,856</u>
End of the year	<u>\$ 281,452</u>	<u>\$ (4,361)</u>	<u>\$ 314,058</u>

See notes to financial statements.

Rolling Hills Community Services District
Adjustments-Total Government Fund Revenues, Expenditures and
Changes in Fund Balance to Statement of Activities
For the Year Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net Change in Governmental Fund Balance	\$ 278,998	\$ 281,452
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p> <p>Governmental funds reported capital outlays as expenditures, However, in the statement of activities, the cost of those assets are capitalized as capital assets</p>		
Expenditures for capital assets and related capital assets adjustments	-	-
Less current year depreciation	<u>(4,361)</u>	<u>(4,361)</u>
 Change in Net Assets of Governmental Activities	 <u>\$ 274,637</u>	 <u>\$ 277,091</u>

See notes to financial statements.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

The Rolling Hills Community Services District (District) is a legal subdivision of the State of California organized in 1978 for the purposes of road maintenance, bridges, parks and recreation, open-space, lighting, and culverts. The district does not have authority over CC&R enforcement.

The District was formed pursuant to Government Code Sections 61000-61936 to provide services to an approximate 250-acre area located on the south side of U.S. Highway 50 and on the north side of White Rock Road. There are no paid employees and maintenance activities are completed by both volunteers and licensed contractors.

Description of Availability Criterion

The District records revenues and expenditures based on the flow of current financial resources measurement focus and the modified accrual basis of accounting. In order for revenue to be reported it must be measurable and available. The measurable criterion requires that revenues be subject to reasonable estimation and the availability criterion refers to the District's ability to spend the resources related to recognition of revenue.

The availability criterion requires that resources can only be recorded as revenue, if those resources are expected to be collected or otherwise realized in time to pay liabilities reported by the District within 60 days of the end of the accounting period.

Budgeting

Pursuant to Section 53901 of the California Government Code, the District is required to file annual budgets with the El Dorado County Auditor-Controller's Office. The District complied with the requirement each fiscal year in the audit period.

Accounting Records

Accounting records for the District are maintained by the El Dorado County Auditor-Controller's Office. Controls are in place to ensure that all transactions are initiated, approved, and coded by the District's management prior to implementation by El Dorado County Auditor-Controller staff.

General Fixed Assets

Fixed assets owned by the District were a few parcels of land they received through donation. However, the District did not maintain a detail listing of the parcels or their fair market value at the time received. After June 30, 2004 fixed assets were recorded. Land improvements are depreciated with the straight-line method with a life of 15 years.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
JUNE 30, 2012

Financial Statement Presentation

Government-wide financial statement. The statement of net assets and the statement of activities were prepared in accordance with accounting principles generally accepted in the United States of America for the governmental entities (GAAP). The government-wide financial statement uses a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to business in the private sector and, thus these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Fund financial statement. Governmental fund financial statements use a current financial resources measurement focus, and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

2. TAXES

The District's principal source of revenue is the District's share of local property taxes (ad valorem on real property) and special assessments. Special assessments are assessed and collected by El Dorado County at the same time and on the same rolls as local property taxes. Taxes are levied on July 1 each year on taxable real and personal property which is situated in the District as of the preceding January 1 (lien date). A supplemental tax may be levied when property changes hands or new construction is completed.

Property taxes are payable in two installments due November 1 and February 1, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due January 1 of each year based on the preceding fiscal year's secured tax rate and become delinquent on August 31.

Local property taxes are allocated on the Teeter Plan which results in the District receiving the cash equivalent of the taxes for that year regardless of their collection status. In addition to local property taxes, the District receives a direct assessment tax (special tax) of \$200 per parcel. The District receives these taxes as they are collected. Accounts received are considered collectible.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
JUNE 30, 2012

3. CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING THE DISTRICT

Article XIII B of the California State Constitution requires that the District's Board pass, by resolution, their annual appropriation spending limit. Article XIII B, as subsequently amended by Proposition 111, limits the annual appropriations (spending ability) of the District to the level of appropriations for the prior fiscal year adjusted for changes in the cost of living and in population (economic factors). The District may also establish or change the appropriations limit beyond these economic factors by election, subject to, and in conformity with constitutional and statutory voting requirements. The duration of any such change is determined by the said electors, but in no event can it exceed four years. The appropriations of the District, subject to Article XIII B limitations, are the proceeds of taxes including, but not limited to, property taxes, special taxes for general governmental purposes or maintenance, and interest earned from the fore mentioned proceeds of taxes.

On November 5, 1996, the voters of the State of California Approved Proposition 218, properly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D, which contain a number of provisions that affect that ability of local agencies, including the District, to levy and collect both existing and future taxes, assessments, fees and charges. Article XIII C stipulates that the District must obtain voter approval of any increase in taxes and Article XIII D establishes the specific procedures and requirements that must be followed to obtain voter approval for any special taxes.

The combined effect of the above mentioned Articles of the State Constitution legally set limits on the District's ability to increase and spend tax revenues. Specifically, the District does not have the legal power to raise taxes without voter approval. In addition, the District is limited in its ability to legally encumber and spend the tax revenues by means of the appropriations spending limit. Such limit is automatically increased annually by economic factors independent of the District Management's control. In addition, the District may increase its spending limit by obtaining voter approval and any such voter approved spending limit or increase has a statute of limitations of not more than four years.

4. DEBT AND LEASE OBLIGATIONS

During the audit period the District did not have any debt or lease obligations.

5. PREVAILING WAGE RATES

The provisions of Labor Code 1770-1771 related to contracts entered into by governmental agencies impose a liability to pay prevailing wage rates to workers employed on public works projects. California Labor Code requires that workers employed on public works be paid not less than "the prevailing rate of per diem wages for work of a similar character in the locality." A public works contractor who pays less than the prevailing wage rates will be liable to the worker for the difference. The State of California may sue for the amounts due.

The District's Board members are aware of this Labor Code and understand their responsibilities to call this requirement to the attention of contractors employed by the District. Further, the District's Board members understand that the notification of potential contractors of the applicability of the Labor Codes, limits the liability of the District for a contractor's failure to comply with the law.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
JUNE 30, 2012

6. INSURANCE COVERAGE

As of June 30, 2013, the District participated in the Risk Management Program of the Special District Risk Management Authority.

7. CAPITAL ASSETS

Capital assets are recorded at cost. Costs of maintenance and repairs that do not add to the value of assets or extend their useful lives are not capitalized. Capital assets at June 30, 2013 are as follows:

Land improvements	\$61,340
Accumulated depreciation	<u>(33,095)</u>
	<u>\$28,245</u>

8. CASH AND CASH EQUIVALENTS

Cash balances are in El Dorado County pooled cash. The pooled cash does not have a credit rating.

9. FUND BALANCES AND NETS ASSETS

Fund balances are unrestricted and undesignated at June 30, 2013. Net assets are unrestricted.

10. EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2014, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The *general fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds.

Rolling Hills Community Services District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances and reserves July 1, 2012	\$ 44,450	\$ 44,450	\$ 44,450	\$ -
Resources (inflows)				
Property taxes	64,000	64,000	72,677	8,677
Direct special assessments	69,000	69,000	69,696	696
State homeowner's property tax exemption			756	756
Use of money-interest	1,000	1,000	958	(42)
Miscellaneous revenue	2,000	2,000	175	(1,825)
	<u>180,450</u>	<u>180,450</u>	<u>188,712</u>	<u>8,262</u>
Amounts Available for Appropriation				
Charges to appropriations (outflows)				
Salaries	250	250		250
Telephone	200	1,200	198	1,002
Insurance	2,800	2,800	3,295	(495)
Maintenance: buildings & improvement	3,500	3,500	4,140	(640)
Maintenance: grounds	1,500	1,500	936	564
Maintenance: park	48,000	43,000	39,663	3,337
Maintenance: water system		5,000	4,456	544
Maintenance: drainage	2,000	2,000	350	1,650
Maintenance: roads	32,000	32,000	20,728	11,272
Maintenance: lighting	800	800	178	622
Maintenance: supplies	500	500		500
Memberships	450	450	422	28
Miscellaneous	500	500	173	327
Office expense	1,800	800	871	(71)
Professional & specialized services	23,000	22,000	23,244	(1,244)
Agency administrative fee	200	200	99	101
Legal services	3,600	3,600	8,598	(4,998)
Special district director services	4,500	4,500	4,950	(450)
Publication & legal notices	500	500	185	315
Rent & lease: equipment	250	250	825	(575)
Rent & lease: building & improvements	1,000	2,000	2,794	(794)
Special Projects	17,000	17,000	3,096	13,904
Education training: Board of Directors			225	(225)
Transportation and travel	700	700	18	682
Mileage: employee	400	400	333	67
Utilities	35,000	35,000	26,939	8,061
	<u>180,450</u>	<u>180,450</u>	<u>146,716</u>	<u>33,734</u>
Fixed Asset: building improvements				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total charges to appropriations	<u>180,450</u>	<u>180,450</u>	<u>146,716</u>	<u>33,734</u>
Budgetary Balances June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,996</u>	<u>\$ 41,996</u>

Rolling Hills Community Services District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances and reserves July 1, 2011	\$ 15,400	\$ 15,400	\$ 15,400	\$ -
Resources (inflows)				
Property taxes	65,000	65,000	67,377	2,377
Direct special assessments	65,000	65,000	70,696	5,696
State homeowner's property tax exemption			772	772
Use of Money-interest	1,650	1,650	712	(938)
Miscellaneous revenue	2,000	2,000	60	(1,940)
Amounts Available for Appropriation	<u>149,050</u>	<u>149,050</u>	<u>155,017</u>	<u>5,967</u>
Charges to appropriations (outflows)				
Salaries	300	300	117	183
Telephone	250	250	280	(30)
Insurance	3,500	3,500	3,034	466
Maintenance: building & improvements	5,000	5,000	5,090	(90)
Maintenance: grounds	5,000	5,000	1,513	3,487
Maintenance: park	50,000	50,000	46,378	3,622
Maintenance: drainage	3,000	3,000		3,000
Maintenance: roads	5,000	5,000	1,008	3,992
Maintenance: lighting	500	500	665	(165)
Maintenance: supplies	500	500		500
Memberships	650	650	393	257
Misc. expense	250	250	637	(387)
Office expense	1,800	1,800	2,094	(294)
Professional & specialized services	23,000	23,000	22,324	676
Agency administrative fee	150	150	94	56
Audit	7,500	7,500	7,500	-
Legal services	5,000	5,000	3,380	1,620
Special district director services	4,500	4,500	3,825	675
Publication & legal notices	350	350	580	(230)
Rent & lease: equipment	100	100	604	(504)
Rent & lease: building & improvements	1,500	1,500	700	800
SB924: transportation & travel	500	500	225	275
Transportation & travel	200	200	-	200
Mileage: employee	300	300	397	(97)
Utilities	30,200	30,200	31,215	(1,015)
Total charges to appropriations	<u>149,050</u>	<u>149,050</u>	<u>132,053</u>	<u>16,997</u>
Budgetary Balances June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,964</u>	<u>\$ 22,964</u>

Rolling Hills Community Services
Budgetary Comparison Schedule
General Fund
For the Years Ended June 30, 2013 and 2012

An explanation of the differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

<u>Sources/Inflows of Resources</u>	<u>2013</u>	<u>2012</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparisons schedule	\$188,712	\$155,017
Difference budget to GAAP The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes	<u>(44,450)</u>	<u>(15,400)</u>
Total Revenues as reported on the statement of revenues, expenditures and changes in the fund balance governmental funds	<u>\$144,262</u>	<u>\$139,617</u>
 <u>Uses/Outflow resources</u>		
Actual amounts (budgetary) "total charges to appropriations" from budgetary comparison schedule	\$146,716	\$132,053
Difference budget to GAAP Residual equity transfers out are a budgetary use of funds, but are not expenditures for financial reporting purposes-reserves Other GAAP adjustments-appropriation for contingencies	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$146,716</u>	<u>\$132,053</u>

SUPPLEMENTARY INFORMATION

VAUGHN JOHNSON, CPA

AGREED UPON PROCEDURES REPORT FOR
APPROPRIATIONS LIMIT CALCULATION

To: The Board of Directors
Rolling Hills Community Services District

I have applied the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the Rolling Hills Community Services District, for the years ended June 30, 2013 and 2012. These procedures, which were agreed to by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 Article XIII B of the California Constitution. This report is intended for the information of the management and the Board of Directors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures performed and my findings were as follows:

1. I obtained the completed Worksheet supporting the computation of the limit and determined that the limit and annual adjustment factors were adopted by resolution of the Board of Directors
2. For the accompanying Appropriations Limit Worksheets, I added last year's limit to the annual adjustment, and agreed the resulting amount to this year's limit.
3. I agreed the current year information presented in the accompanying Appropriations Limit Worksheet to the appropriate supporting worksheets described in Number 1 above.
4. I agreed the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet to the prior year appropriations limit adopted by the Board of Directors.

These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the accompanying Appropriations Limit Worksheet. Accordingly, I do not express such an opinion.

Based upon the application of the procedures referred to above, nothing came to my attention that caused me to believe that the accompanying Appropriations Limit Worksheet was not computed in accordance Article XIII B of the California Constitution. Had I performed additional procedures or had I made an audit of the accompanying Appropriations Limit Worksheet, matters might have come to my attention that would have been reported to you.

Vaughn Johnson
Vaughn Johnson, CPA
August 31, 2014

Rolling Hills Community Services District
Appropriations Limit Worksheet
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Appropriations limit beginning fiscal year	<u>\$74,627</u>	<u>\$72,054</u>
Adjustment factors		
Population growth		
Per capita Personal Income (inflation)	<u> </u>	<u> </u>
Total Adjustment	<u>1.0387</u>	<u>1.0357</u>
Annual adjustment in dollars	<u>\$2,888</u>	<u>\$2,572</u>
Appropriations limit end fiscal year	<u><u>\$77,515</u></u>	<u><u>\$74,627</u></u>

VAUGHN JOHNSON, CPA

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED AN AUDIT
OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Rolling Hills Community Services District

I have audited the financial statements, in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and aggregate remaining fund information of Rolling Hills Community Services District, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Rolling Hills Community Services District's basic financial statements, and have issued my report thereon dated August 31, 2014

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Rolling Hills Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rolling Hills Community Services District's internal control. Accordingly, I do not express an opinion on the effectiveness of Rolling Hills Community Services District's internal control.

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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rolling Hills Community Services District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

VAUGHN JOHNSON, CPA

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vaughn Johnson
Vaughn Johnson, CPA
August 31, 2014