

Board of Directors Meeting - AGENDA
ROLLING HILLS COMMUNITY SERVICES DISTRICT

Tuesday, August 15, 2017 - 7:00 p.m.

Holiday Inn Express Meeting Room
4360 Town Center Drive, El Dorado Hills, CA

1. Call to Order/Announcements

Pledge of Allegiance; Roll Call

2. Public Comment - Items Not on Agenda

At this time, members of the public may address the Board of Directors regarding any item within the subject matter jurisdiction of the Board, not set forth as an agenda item. No action may be taken on items raised during Public Comment as they are not on the agenda. Issues presented in Public comments may be referred to staff or scheduled on a future board agenda. Please limit your comments to three minutes or less. The public comment portion of the meeting will not exceed 15 minutes.

In addition, members of the public may address the Board of Directors regarding an agenda item after that item has been called but before the Board entertains its discussion of the item. Please limit your comments to three minutes or less.

3. Monthly Reports

- a. General Manager Report
- b. Master Plan Committee Report

4. Consent Items

- a. Approval of draft Minutes of July 18, 2017 special meeting and July 18, 2017 regular meeting of the Board of Directors
- b. Correspondence receive/file:
 - Bank Statements for period ended July 14, 2017
 - Auditor Controller's Office Federal and State Quarterly Reports, Quarter 2, 2017

Consent Items Pulled for Discussion: _____

5. Old Business

- a. **Folsom Heights Development Project** – Staff to provide update regarding project (Informational/Discussion Item)

6. New Business

- a. **Prima Drive Tree Removal** – Staff to present information regarding additional dead tree at Prima; seeking authorization for expenditure of funds from approved budget in an amount not-to-exceed \$2,500 for removal (Discussion/Possible Action Item)

- b. **Rolling Hills CSD Audit for Fiscal Years Ended June 30, 2014, 2015, and 2016 -** Receive and file audit report with Auditor Controller's Office. (Discussion/Possible Action Item)
- c. **District's General Counsel** – Update regarding General Counsel Nicholas Norvell; Discussion of options moving forward. (Discussion/Possible Action Item)
- d. **New Prevailing Wage Requirements** – Update regarding new requirements which recently went into effect (Informational Item)

7. Adjournment

The Board may take action on any of the items listed on this Agenda regardless of whether the matter appears on the Consent Calendar or is described as an action item, a report, or an information item.

NOTICE TO THE DISABLED AND VISUALLY OR HEARING IMPAIRED: In compliance with the Americans with Disabilities Act, Rolling Hills CSD will provide special assistance for disabled citizens. A request for disability related modification or accommodation, including auxiliary aids or services, made be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting by contacting the General Manager at (916) 235-8671 or GenMgr@RollingHillsCSD.org . Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

CONSENT ITEMS

**ROLLING HILLS COMMUNITY SERVICES DISTRICT
MINUTES OF JULY 18, 2017 SPECIAL MEETING OF THE BOARD OF DIRECTORS**

1. Call to Order/Roll Call.

The special meeting of the Rolling Hills CSD held on July 18, 2017, was called to order at 6:35 p.m. by President Matt Sites in the meeting room at Holiday Inn Express, 4360 Town Center Drive, El Dorado Hills, California. In addition to President Sites, Directors Tim Halverson, Mark Magee, and Brenda Collette, General Manager Chaney Hicks, Board Secretary Linda Stone, and General Counsel Nick Norvell were present at roll call. Director Gordon Fawkes was absent.

2. Public Comment. None.

3. Closed Session.

At 6:38 the Board convened to closed session pursuant to Paragraph (4) of Subdivision (d) of Government Code section 54956.9. The Board came out of closed session at 7:10 p.m. There was no reportable action taken during the closed session.

4. Adjournment. The meeting was adjourned at 7:11 p.m. upon a motion by Director Tim Halverson, second by President Matt Sites; motion carried.

Submitted by:

Linda Stone, Board Secretary

Approved by Board:

ROLLING HILLS COMMUNITY SERVICES DISTRICT
MINUTES OF JULY 18, 2017 MEETING OF THE BOARD OF DIRECTORS

1. Call to Order/Roll Call.

The meeting of the Rolling Hills CSD held on July 18, 2017, was called to order at 7:14 p.m. by President Matt Sites in the meeting room at Holiday Inn Express, 4360 Town Center Drive, El Dorado Hills, California. In addition to President Sites, Directors Tim Halverson, Brenda Collette, and Mark Magee, General Manager Chaney Hicks, and Board Secretary Linda Stone were present at roll call. Director Gordon Fawkes was absent. There were approximately 35 members of the public present.

Items taken out of Order.

5.a. Folsom Heights Development Project. President Matt Sites gave a brief synopsis of the events which have taken place including derailment of the recommendation given by the Folsom Planning Commission for utilization of the district's roadways for emergency vehicle access (EVA) only. Instead, the Folsom City Council reverted back to approval of a two lane road. President Sites spoke at the Folsom Council meeting outlining the huge impacts that would be suffered by the District on its roads and parks should the Council approve a roadway. The Council, however, voted 4-1 in favor of the project with access through the district. The district had been working to mitigate negative impacts through a Memorandum of Understanding (MOU) and it is the Board's hope to resume MOU negotiations in conjunction with the impending approval by the Folsom City Council. Since the Development Agreement for the project must be adopted by Ordinance with two readings, the District will resume its contact with Folsom since only one reading has taken place to date. Given Steve Miklos' strong feelings that access to the Folsom Heights project should come from the El Dorado Hills side and go straight through unimpeded, the District will reach out to staff and the developer representative to again attempt to mitigate the impacts. It is also exploring all of its available options.

Public Comment on this item: Resident Stephanie Haley raised issues that the Folsom Council meeting documents had strike-outs and other revisions to the packet materials just hours before the meeting. She said she spoke with one Folsom Council member who said the packet materials were received late and were not read in advance of the meeting. She urged residents to attend the next Folsom City Council meeting since approval of access to the project means they would have access through the district's roads forever. Other residents also expressed concerns. Resident Ed McGowan spoke commenting that he doesn't understand how the City of Folsom can decide our future and that he will personally be impacted with every single passing car. He noted he had not received any notices from the City of Folsom even though the planned road is only 187' from his property. Ellen Post also spoke with concerns about the process followed by the City of Folsom citing a revised agenda in violation of the Brown Act and other issues which necessitate a cure and correct. A resident of Four Seasons, John Raslear, who introduced himself as Chairman of the Civic League and Vice President of the Area Planning Advisory Committee of EDH, said our local Supervisor, the County, and DOT have looked at the proposed access plans and it appears Folsom has the right to utilize the existing easement. He said our residents should be extremely concerned about the planned JPA Connector on White Rock Road and be asking questions such as how many lanes it will have, when and where it will connect to Hwy 50, and said this issue is extremely important for both of our developments' future. Fire Chief Dave Roberts also spoke highlighting that the fire district's goal is always to get to you as soon as possible. He spoke of mutual agreements in place among the various neighboring fire districts where they back each other up for responding to calls as necessary. He recommended that mitigation measures be sought to make the access road as palatable as possible.

The Board noted the next Folsom Council meeting is scheduled for July 25 at 6:00 p.m. at Folsom City Hall. Matt thanked all of the residents for coming to the meeting tonight and encouraged them to attend often.

2. Public Comment (Items not on the agenda). A resident inquired whether the private road would be affected by the access road. Another resident commented that parcels on Berkshire and Stonebridge do not have access to ComCast cable. The board noted the cable issue is not within its jurisdiction.

3. Monthly Reports

a. General Manager Report. General Manager Chaney Hicks presented an oral and written report giving an overview of the landscaping and other issues addressed this month.

b. Master Plan Committee Report. The Committee did not meet.

4. Consent Items

The July 14, 2017 bank statement was removed from the Consent items because it was not yet available. The remaining consent items consisting of the draft Minutes of the June 6, 2017 special meeting, June 20, 2017 special meeting, and June 20, 2017 regular meeting of the Board of Directors; correspondence including CSDA 2017 Board Elections Updated Mail Ballot information, SCRMA 2017/18 Property Liability Coverage documents, El Dorado County Community Development Services Planning and Building Department Notice of Availability of Draft Environmental Impact Report for the El Dorado Hills Apartments Project, and a letter from a resident regarding the condition of the yard at 2061 Stonebriar Drive were considered. Director Tim Halverson moved to approve the consent items and accept and file the items; second by Director Mark Magee; motion carried.

AYES: Sites, Halverson, Magee, Collette

NOES: None

ABSENT: Fawkes

ABSTAIN: None

5. Old Business

b. Master Plan for Berkshire Park; Setback Requirements. General Manager Chaney Hicks updated the Board about the zoning setbacks and conversations with the Head Planner who thinks the District's desired changes may be achievable through an Administrative Permit. Going this route for approval would result in lesser fees than by seeking a variance. President Sites is preparing a to-scale map for discussion with the Planner. Given the large number of residents in attendance at the meeting, Matt discussed the tentative plans for Berkshire Park. He explained that the plans were derived primarily because of the new homes in the district and the need to develop park areas for utilization of development proceeds received for that purpose. The residents present (approximately 35) expressed their like for the plans for Berkshire Park. Drawings of the proposed plans will be posted to the District's website as soon as possible.

At the conclusion of this agenda item, all but one resident left the meeting.

6. New Business

c. Prima Drive Tree Trimming. General Manager Chaney Hicks discussed with the Board the issue of dead trees at Prima Drive and methods for removal that would include killing the root system. She consulted an arborist and was advised about the process but was told there are no guarantees that all the root system will be killed. Resident Ed McGowan commented that these types of trees generate hundreds of volunteers which he said he is constantly pulling out. With respect to the dead trees, the Board feels it is a safety concern and they must be removed. Director Tim Halverson made a motion to expend not-to-exceed \$2,000 from the approved budget for removal of the dead trees utilizing a method intended to kill the root system. Further discussion was had, including resident Ed McGowan noting with removal of any trees, his privacy is reduced because the trees add both privacy and value to his property. In the future, the Board would like to look into using trees at that location that are correct for our area. Director Brenda Collette commented that planting a grove of trees could be a possible future Eagle Scout project. Director Mark Magee

commented that we should approach this in phases with the trees being removed now by a process intended to kill the root system, we should see about adding additional irrigation drippers, and in the future investigate planting other types of trees in the area. After discussion, Director Mark Magee seconded the motion; motion carried.

AYES: Halverson, Magee, Collette

NOES: None

ABSENT: Fawkes

ABSTAIN: Sites

d. Public Hearing – Open Public Hearing Regarding Authorizing the Continued Collection of the Direct Charge Assessment FY18. President Matt Sites opened the public hearing for this item. He asked if there was any public comment. There being none, he closed the hearing. There being no further discussion, Director Tim Halverson moved for adoption of Resolution 17-02 Authorizing continued collection of the Direct Charge Assessment of \$200 in FY18 for the purpose of maintaining and improving community infrastructure and for other lawful purposes of the District; second by Director Mark Magee; motion carried.

AYES: Sites, Halverson, Magee, Collette

NOES: None

ABSENT: Fawkes

ABSTAIN: None

e. Public Hearing – Open Public Hearing regarding Establishing the Appropriation Limits for Fiscal Year 2018 for RHCSO as described in Article XII B of the State Constitution; proposed appropriation limits are \$94,678.20. President Matt Sites opened the public hearing for this item. He asked if there was any public comment. There being none, he closed the hearing. The Board referenced the prior legal opinion from former General Counsel David McMurchie on this topic. There being no further discussion, Director Tim Halverson moved for adoption of Resolution 17-03 Establishing the Appropriation Limits for Fiscal Year 2018 for the Rolling Hills Community Services District as described in Article XII B of the State Constitution in the amount of \$94,678.20; second by Director Mark Magee; motion carried.

AYES: Sites, Halverson, Magee, Collette

NOES: None

ABSENT: Fawkes

ABSTAIN: None

f. Public Hearing – Open Public Hearing regarding Approval of the final operating budget for RHCSO for Fiscal Year 2018. President Matt Sites opened the public hearing for this item. He asked if there was any public comment. Resident Ed McGowan asked if the majority of the project money in the budget is targeted to be spent on Berkshire Park. President Sites responded yes, that the approved preliminary budget includes \$160,000 for improvements to Berkshire Park because of the development funds received which are to be spent on parks development. There being no further public comment, he closed the hearing. Director Tim Halverson moved for adoption of Resolution 17-04 Approving the Final Budget for Fiscal Year 2018 in the amount of \$418,975.00 as presented (including \$167,475 for operations and maintenance and \$251,000 for projects. Discussion ensued with Director Brenda Collette inquiring about the funds earmarked for the Stonebriar lawn project. After discussion, President Matt Sites offered a modified motion approving the final budget in the amount of \$418,975,000 (including \$167,475 for operations and maintenance as presented and \$251,000 for projects). However, the breakdown of the projects funds will specify a lump sum of \$215,000 for parks improvements, which will provide flexibility over the budget year. The motion was seconded by Director Tim Halverson; motion carried.

AYES: Sites, Halverson, Magee, Collette

NOES: None

ABSENT: Fawkes

ABSTAIN: None

7. Adjournment. The meeting was adjourned at 9:55 p.m. upon a motion by President Matt Sites, second by Director Brenda Collette; motion carried.

Submitted by:

Linda Stone, Board Secretary

Approved by Board:

DRAFT

Wells Fargo Simple Business Checking

Account number: **2017655164** ■ June 15, 2017 - July 17, 2017 ■ Page 1 of 4

WELLS
FARGO

ROLLING HILLS COMMUNITY SERVICES
DISTRICT
PO BOX 5266
EL DORADO HILLS CA 95762-0005

Questions?

Available by phone 24 hours a day, 7 days a week:
Telecommunications Relay Services calls accepted

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (114)

P.O. Box 6995

Portland, OR 97228-6995

Your Business and Wells Fargo

Cash flow is a key indicator of the financial health of your business. Find tips and strategies for effective cash flow management at wellsfargoworks.com.

Account options

A check mark in the box indicates you have these convenient services with your account(s). Go to wellsfargo.com/biz or call the number above if you have questions or if you would like to add new services.

Business Online Banking
Online Statements
Business Bill Pay
Business Spending Report
Overdraft Protection



Other Wells Fargo Benefits

Apply for a Commercial Equity Line of Credit and enjoy a low rate of Prime + 0% on your balance through December 31, 2018

Whether you are planning to make property improvements, expand your business, or purchase either property or large equipment, we want to help you with your financing. Small business owners and real estate investors can get up to \$500,000 in commercial real estate financing that starts as a 5-year, Prime-based revolving equity line after which the balance converts to an adjustable 15-year amortized loan for a total term of 20 years.

Key benefits of our real estate secured financing:

- No application fee, and no appraisal fee
- Low 1% origination fee due at closing

To learn more, or apply for this great offer, please call: 1-866-416-4320, Monday - Friday, 8:00 a.m. to 5:00 p.m. Pacific Time.

Note: All financing is subject to credit approval. Some restrictions may apply.

Activity summary

Beginning balance on 6/15	\$3,177.53
Deposits/Credits	0.00
Withdrawals/Debits	- 1,226.54
Ending balance on 7/17	\$1,950.99
Average ledger balance this period	\$2,725.77

Account number: **2017655164****ROLLING HILLS COMMUNITY SERVICES
DISTRICT***California account terms and conditions apply*

For Direct Deposit use

Routing Number (RTN): 121042882

For Wire Transfers use

Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed on your statement or visit your Wells Fargo store.

Transaction history

Date	Check Number	Description	Deposits/ Credits	Withdrawals/ Debits	Ending daily balance
6/15		Purchase authorized on 06/14 Ringcentral, Inc 650-4724100 CA S387165437451316 Card 8086		27.29	3,150.24
6/19		Purchase authorized on 06/19 USPS PO 05274206 1015 Ril Folsom CA P00387170706689066 Card 7555		20.40	3,129.84
6/22		Purchase authorized on 06/20 Merriweather & Wil 415-9863999 CA S387170841238070 Card 7555		267.00	2,862.84
6/26		Recurring Payment authorized on 06/23 Smk*SurveyMonkey.C 971-2445555 CA S387174540800850 Card 7555		26.00	2,836.84
7/5		Purchase authorized on 07/03 Istorageel Dorado 916-9339933 CA S467184729574923 Card 8086		143.00	
7/5		Southwest Gas Web 170703 1210252492032 Roman Chris		260.00	2,433.84
7/14		Wiseticket.Com 8009755616 75407648 Ramiro Chavira		59.99	2,373.85
7/17		Purchase authorized on 07/14 Ringcentral, Inc 650-4724100 CA S587195444453950 Card 8086		27.43	
7/17		Purchase authorized on 07/14 Usmarkerboard 800-791-2946 MA S307195814384709 Card 7555		395.43	1,950.99
Ending balance on 7/17					1,950.99
Totals			\$0.00	\$1,226.54	

The Ending Daily Balance does not reflect any pending withdrawals or holds on deposited funds that may have been outstanding on your account when your transactions posted. If you had insufficient available funds when a transaction posted, fees may have been assessed.

Monthly service fee summary

For a complete list of fees and detailed account information, please see the Wells Fargo Fee and Information Schedule and Account Agreement applicable to your account or talk to a banker. Go to wellsfargo.com/feefaq to find answers to common questions about the monthly service fee on your account.

Fee period 06/15/2017 - 07/17/2017	Standard monthly service fee \$10.00	You paid \$0.00
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How to avoid the monthly service feeHave any **ONE** of the following account requirements

- Average ledger balance

Minimum required

\$500.00

This fee period

\$2,726.00 ☒

C1/C1

Account transaction fees summary

<i>Service charge description</i>	<i>Units used</i>	<i>Units included</i>	<i>Excess units</i>	<i>Service charge per excess units (\$)</i>	<i>Total service charge (\$)</i>
Cash Deposited (\$)	0	3,000	0	0.0030	0.00
Transactions	2	50	0	0.50	0.00
Total service charges					\$0.00

IMPORTANT ACCOUNT INFORMATION

Periodically, it is necessary to update selected sections of the disclosures you received when you opened your account. These updates provide you with the most up to date account information and are very important; so please review this information carefully and feel free to contact us with any questions or concerns.

We updated the Business Account Agreement ("Agreement"). In the section titled "Available balance, posting order, and overdrafts," the following question about our standard overdraft coverage was added:

What is Wells Fargo's standard overdraft coverage?

Our standard overdraft coverage is when, at our discretion, we pay checks or automatic payments (such as ACH payments) into overdraft rather than returning them unpaid. You can request to remove our standard overdraft coverage from your account by speaking to a banker.

Important: If you remove our standard overdraft coverage from your account, the following will apply if you do not have enough money in your account or accounts linked for Overdraft Protection to cover a transaction:

- We will return your checks and automatic payments (such as ACH payments) and assess a non-sufficient funds/NSF returned item fee and you could be assessed additional fees by merchants.
- We will not authorize transactions such as ATM withdrawals or everyday debit card purchases into overdraft.
- We will not authorize certain transactions (such as cashed checks, recurring debit card transactions, or Bill Pay transactions) into overdraft. However, if these transactions are authorized when your account has enough money but are later presented for payment when your account does not have enough money, we will pay the transaction into overdraft and charge an overdraft fee.

All other aspects of the Agreement remain the same. If there is a conflict between the language above and the Agreement, this language will control.

If you remove our standard overdraft coverage and your account is enrolled in Debit Card Overdraft Service, Debit Card Overdraft Service will be removed and we will not authorize transactions such as ATM withdrawals or everyday debit card purchases into overdraft.

To learn more about tools that Wells Fargo offers to help you avoid overdraft and/or returned item fees, visit wellsfargo.com/biz/checking/quickstart/overdraft-protection, speak with a local banker or call the phone number on the top of your statement. Thank you for being a Wells Fargo customer. As a valued Wells Fargo customer we hope you find this information helpful.



General statement policies for Wells Fargo Bank

■ **Notice:** Wells Fargo Bank, N.A. may furnish information about accounts belonging to individuals, including sole proprietorships, to consumer reporting agencies. If this applies to you, you have the right to dispute the accuracy of information that we have reported by writing to us at: Overdraft Collections and Recovery, P.O. Box 5058, Portland, OR 97208-5058.

You must describe the specific information that is inaccurate or in dispute and the basis for any dispute with supporting documentation. In the case of information that relates to an identity theft, you will need to provide us with an identity theft report.

Account Balance Calculation Worksheet

1. Use the following worksheet to calculate your overall account balance.
2. Go through your register and mark each check, withdrawal, ATM transaction, payment, deposit or other credit listed on your statement. Be sure that your register shows any interest paid into your account and any service charges, automatic payments or ATM transactions withdrawn from your account during this statement period.
3. Use the chart to the right to list any deposits, transfers to your account, outstanding checks, ATM withdrawals, ATM payments or any other withdrawals (including any from previous months) which are listed in your register but not shown on your statement.

ENTER

A. The ending balance
shown on your statement \$

ADD

B. Any deposits listed in your register or transfers into your account which are not shown on your statement.	\$ _____
	\$ _____
	\$ _____
	+ \$ _____
..... TOTAL	\$ _____

CALCULATE THE SUBTOTAL

(Add Parts A and B)

.....TOTAL \$

SUBTRACT

C. The total outstanding checks and withdrawals from the chart above - \$

CALCULATE THE ENDING BALANCE

(Part A + Part B - Part C)

This amount should be the same
as the current balance shown in
your check register \$

[illegible]



County of El Dorado

OFFICE OF AUDITOR-CONTROLLER

360 FAIR LANE
PLACERVILLE, CALIFORNIA 95667-4193
Phone: (530) 621-5487 Fax: (530) 295-2535

JOE HARN, CPA
Auditor-Controller

BOB TOSCANO
Assistant Auditor-Controller

July 3, 2017

ROLLING HILLS CSD
PO BOX 5266
EL DORADO HILLS CA 95762

RE: Quarter 2, 2017 Reports

To whom it may concern,

Enclosed are copies of the Federal and State quarterly reports that were filed on behalf of the District.

Please retain these copies as they are often needed for audits, Worker's Compensation reporting, or as otherwise required.

Please contact me if you have any questions, thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Moore".

Tim Moore
County of El Dorado
Office of Auditor/Controller-
Payroll Division
530-621-5485

17

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2017
(Check one.)

- ☐ 1: January, February, March
☒ 2: April, May, June
☐ 3: July, August, September
☐ 4: October, November, December

Instructions and prior year forms are available at www.irs.gov/form941.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1	Number of employees who received wages, tips, or other compensation for the pay period including: <i>Mar. 12</i> (Quarter 1), <i>June 12</i> (Quarter 2), <i>Sept. 12</i> (Quarter 3), or <i>Dec. 12</i> (Quarter 4)	1	<input type="text" value="0"/>																				
2	Wages, tips, and other compensation	2	<input type="text" value="0"/> <input type="text" value="00"/>																				
3	Federal income tax withheld from wages, tips, and other compensation	3	<input type="text" value="0"/> <input type="text" value="00"/>																				
4	If no wages, tips, and other compensation are subject to social security or Medicare tax	<input checked="" type="checkbox"/>	Check and go to line 6.																				
<table border="0" style="width: 100%;"> <tr> <td></td> <td style="text-align: center;">Column 1</td> <td></td> <td style="text-align: center;">Column 2</td> </tr> <tr> <td>5a</td> <td>Taxable social security wages . . . <input type="text" value="0"/> <input type="text" value="00"/></td> <td>$\times 0.124 =$</td> <td><input type="text" value="0"/> <input type="text" value="00"/></td> </tr> <tr> <td>5b</td> <td>Taxable social security tips . . . <input type="text" value=""/></td> <td>$\times 0.124 =$</td> <td><input type="text" value=""/></td> </tr> <tr> <td>5c</td> <td>Taxable Medicare wages & tips. . . <input type="text" value="0"/> <input type="text" value="00"/></td> <td>$\times 0.029 =$</td> <td><input type="text" value="0"/> <input type="text" value="00"/></td> </tr> <tr> <td>5d</td> <td>Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text" value=""/></td> <td>$\times 0.009 =$</td> <td><input type="text" value=""/></td> </tr> </table>					Column 1		Column 2	5a	Taxable social security wages . . . <input type="text" value="0"/> <input type="text" value="00"/>	$\times 0.124 =$	<input type="text" value="0"/> <input type="text" value="00"/>	5b	Taxable social security tips . . . <input type="text" value=""/>	$\times 0.124 =$	<input type="text" value=""/>	5c	Taxable Medicare wages & tips. . . <input type="text" value="0"/> <input type="text" value="00"/>	$\times 0.029 =$	<input type="text" value="0"/> <input type="text" value="00"/>	5d	Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text" value=""/>	$\times 0.009 =$	<input type="text" value=""/>
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5e	Add Column 2 from lines 5a, 5b, 5c, and 5d	5e	<input type="text" value="0"/> <input type="text" value="00"/>																				
5f	Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)	5f	<input type="text" value=""/>																				
6	Total taxes before adjustments. Add lines 3, 5e, and 5f	6	<input type="text" value="0"/> <input type="text" value="00"/>																				
7	Current quarter's adjustment for fractions of cents	7	<input type="text" value=""/> <input type="text" value="00"/>																				
8	Current quarter's adjustment for sick pay	8	<input type="text" value=""/>																				
9	Current quarter's adjustments for tips and group-term life insurance	9	<input type="text" value=""/>																				
10	Total taxes after adjustments. Combine lines 6 through 9	10	<input type="text" value="0"/> <input type="text" value="00"/>																				
11	Qualified small business payroll tax credit for increasing research activities. Attach Form 8974	11	<input type="text" value=""/>																				
12	Total taxes after adjustments and credits. Subtract line 11 from line 10	12	<input type="text" value="0"/> <input type="text" value="00"/>																				
13	Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter	13	<input type="text" value="0"/> <input type="text" value="00"/>																				
14	Balance due. If line 12 is more than line 13, enter the difference and see instructions	14	<input type="text" value="0"/> <input type="text" value="00"/>																				
15	Overpayment. If line 13 is more than line 12, enter the difference <input type="text" value="0"/> <input type="text" value="00"/>	Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.																					

► You MUST complete both pages of Form 941 and SIGN it.

Next ►

Name (not your trade name)

ROLLING HILLS COMMUNITY SERVICES DISTRICT

Employer identification number (EIN)

41-2208081

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

- 16 Check one: ☒ Line 12 on this return is less than \$2,500 or line 12 (line 10 if the prior quarter was the fourth quarter of 2016) on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 (line 10 if the prior quarter was the fourth quarter of 2016) for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule below; if you are a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

- ☐ You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1

Month 2

Month 3

Total liability for quarter

Total must equal line 12.

- ☐ You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

- 17 If your business has closed or you stopped paying wages ☐ Check here, and enter the final date you paid wages / / .

- 18 If you are a seasonal employer and you don't have to file a return for every quarter of the year . . . ☐ Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

- ☐ Yes. Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS.

- ☒ No.

Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign your name here

Print your name here

Tim Moore

Print your title here

Accounting Division Manager

Date

7/26/2017

Best daytime phone

(530) 621-5485

Paid Preparer Use OnlyCheck if you are self-employed . . . ☐

Preparer's name

PTIN

Preparer's signature

Date

 / /

Firm's name (or yours if self-employed)

EIN

Address

Phone

City

State

ZIP code

ROLLING HILLS COMMUNITY SERVICES DISTRICT

Page: 1

Quarterly Contribution Return and Report of Wages (DE 9)

Quarter Ended: June 30, 2017

A. No Wages Paid This Quarter ☒ [X]

B. Out of Business/No Employees ☐ []

C. Total Subject Wages Paid This Quarter \$0.00

D. Unemployment Insurance (UI) (Total employee wages up to 7,000.00 per employee per calendar year)

UI Rate %		UI Taxable Wages		
3.40	x	\$0.00	=	\$0.00

E. Employment Training Tax (ETT)

ETT Rate %		ETT Taxable Wages		
0.10	x	\$0.00	=	\$0.00

F. State Disability Insurance (Total employee wages up to 110,902.00 per employee per calendar year)

SDI Rate %		SDI Taxable Wages		
0.90	x	\$0.00	=	\$0.00

G. California Personal Income Tax (PIT) Withheld \$0.00

H. Subtotal \$0.00

I. Less: (Contributions and Withholdings Paid for the Year) \$0.00
(DO NOT Include Penalty and Interest Payments)

J. Total Taxes Due or Overpaid (Item H minus Item I) \$0.00

ROLLING HILLS COMMUNITY SERVICES DISTRICT

Quarterly Contribution Return and Report of Wages (Continuation) (DE 9C)

Quarter Ended: June 30, 2017

A. Employees full-time and part-time who worked during or received pay subject to UI for the payroll period which includes the 12th of the month.

☐ B. Reporting Voluntary DI wages

☒ C. No Payroll

☐ D. Out of Business

1st Month

0

2nd Month

0

3rd Month

0

E. SSN	F. First Name	MI	Last Name	G. Total Subject Wages	H. Total PIT Wages	I. Total PIT Withheld	Wage Code

M. Grand Total Subject Wages

0.00

N. Grand Total PIT Wages

0.00

O. Grand Total PIT Withheld

0.00

BUSINESS ITEMS

ROLLING HILLS COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2016, 2015 and 2014

Rolling Hills Community Services District
For the Years Ended
June 30, 2016, 2015 and 2014
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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, 2016, 2015 and 2014, 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, 2016, 2015 and 2014, 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 18 through 21 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.

In accordance with Government Auditing Standards, I have also issued my report dated July 22, 2017 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Vaughn Johnson
Vaughn Johnson, CPA
July 22, 2017

Rolling Hills Community Services District
Balance Sheet and Statement of Net Assets
June 30, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash in county treasury	\$295,423	\$	\$295,423
Capital assets net of accumulated depreciation	<u> </u>	<u>15,162</u>	<u>15,162</u>
Total Assets	<u><u>\$295,423</u></u>	<u><u>\$15,162</u></u>	<u><u>\$310,585</u></u>
LIABILITIES			
Accounts payable	\$ 79,930		\$ 79,930
Deferred Revenues	<u> </u>	<u>\$</u>	<u>-</u>
Total Liabilities	<u><u>79,930</u></u>	<u><u>-</u></u>	<u><u>79,930</u></u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Reserved	53,834	(53,834)	
Unreserved			
Designated			
Undesignated	<u>161,659</u>	<u>(161,659)</u>	<u> </u>
Total Fund Balance	<u><u>215,493</u></u>	<u><u>(215,493)</u></u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 295,423</u></u>		
NET ASSETS			
Invested in capital assets net of related debt		15,162	15,162
Restricted			-
Unrestricted		<u>215,493</u>	<u>215,493</u>
TOTAL NET ASSETS		<u><u>\$ 230,655</u></u>	<u><u>\$ 230,655</u></u>

See notes to financial statements.

Rolling Hills Community Services District
Balance Sheet and Statement of Net Assets
June 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash in county treasury	\$284,773	\$	\$284,773
Capital assets net of accumulated depreciation	<u> </u>	<u>19,523</u>	<u>19,523</u>
Total Assets	<u><u>\$284,773</u></u>	<u><u>\$19,523</u></u>	<u><u>\$304,296</u></u>
LIABILITIES			
Accounts payable	\$ 13,041	\$	\$ 13,041
Deferred Revenue	<u> </u>	<u> </u>	<u>-</u>
Total Liabilities	<u>13,041</u>	<u>-</u>	<u>13,041</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Reserved	53,834	(53,834)	
Unreserved			
Designated			
Undesignated	<u>217,898</u>	<u>(217,898)</u>	<u> </u>
Total Fund Balance	<u>271,732</u>	<u>(271,732)</u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 284,773</u></u>		
NET ASSETS			
Invested in capital assets net of related debt		19,523	19,523
Restricted			-
Unrestricted		<u>271,732</u>	<u>271,732</u>
TOTAL NET ASSETS		<u><u>\$ 291,255</u></u>	<u><u>\$ 291,255</u></u>

See notes to financial statements.

Rolling Hills Community Services District
Balance Sheet and Statement of Net Assets
June 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash in county treasury	\$294,297	\$	\$294,297
Capital assets net of accumulated depreciation	<u> </u>	<u>23,884</u>	<u>23,884</u>
Total Assets	<u><u>\$294,297</u></u>	<u><u>\$23,884</u></u>	<u><u>\$318,181</u></u>
LIABILITIES			
Accounts payable	\$ 22,990	\$	\$ 22,990
Deferred Revenue	<u> </u>	<u> </u>	<u>-</u>
Total Liabilities	<u>22,990</u>	<u>-</u>	<u>22,990</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Reserved	53,834	(53,834)	
Unreserved			
Designated			
Undesignated	<u>217,473</u>	<u>(217,473)</u>	<u> </u>
Total Fund Balance	<u>271,307</u>	<u>(271,307)</u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 294,297</u></u>		
NET ASSETS			
Invested in capital assets net of related debt		23,884	23,884
Restricted			-
Unrestricted		<u>271,307</u>	<u>271,307</u>
TOTAL NET ASSETS		<u><u>\$ 295,191</u></u>	<u><u>\$ 295,191</u></u>

See notes to financial statements.

Rolling Hills Community Services District
Adjustments-Total Government Fund Balance to
Net Assets of Governmental Activities
June 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Governmental Fund Balance	\$ 215,493	\$ 271,732	\$ 271,307
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	15,162	19,523	23,884
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>	<u>-</u>
Net Assets of Governmental Activities	<u><u>\$ 230,655</u></u>	<u><u>\$ 291,255</u></u>	<u><u>\$ 295,191</u></u>

See notes to financial statements

Rolling Hills Community Services District
Statement of Activities and Governmental Funds Revenues
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 206,492		\$ 206,492
Capital assets			-
Depreciation		4,361	4,361
	<u>206,492</u>	<u>4,361</u>	<u>210,853</u>
TOTAL PROGRAM EXPENSES			
	<u>206,492</u>	<u>4,361</u>	<u>210,853</u>
PROGRAM REVENUES			
State homeowners property tax relief	771		771
Other program revenues	1,660		1,660
	<u>2,431</u>		<u>2,431</u>
TOTAL PROGRAM REVENUES			
	<u>2,431</u>		<u>2,431</u>
NET PROGRAM REVENUES (DEFICIT)	<u>(204,061)</u>	<u>(4,361)</u>	<u>(208,422)</u>
GENERAL REVENUES			
Property taxes	76,938		76,938
Direct benefit assessments	69,738		69,738
Investment earnings	1,146		1,146
	<u>147,822</u>		<u>147,822</u>
TOTAL GENERAL REVENUES			
	<u>147,822</u>		<u>147,822</u>
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	(56,239)		
INCREASE IN NET ASSETS		(4,361)	(60,600)
FUND BALANCE/NET ASSETS			
Beginning of the year	<u>271,732</u>	<u>19,522</u>	<u>291,255</u>
End of the year	<u>\$ 215,493</u>	<u>\$ 15,161</u>	<u>\$ 230,655</u>

See notes to financial statements.

Rolling Hills Community Services District
Statement of Activities and Governmental Funds Revenues
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 145,157		\$ 145,157
Capital assets			-
Depreciation		4,361	4,361
	<u>145,157</u>	<u>4,361</u>	<u>149,518</u>
TOTAL PROGRAM EXPENSES			
	<u>145,157</u>	<u>4,361</u>	<u>149,518</u>
PROGRAM REVENUES			
State homeowners property tax relief	771		771
Other program revenues	20		20
	<u>791</u>		<u>791</u>
TOTAL PROGRAM REVENUES			
	<u>791</u>		<u>791</u>
NET PROGRAM REVENUES (DEFICIT)	<u>(144,366)</u>	<u>(4,361)</u>	<u>(148,727)</u>
GENERAL REVENUES			
Property taxes	74,362		74,362
Direct benefit assessments	69,695		69,695
Investment earnings	734		734
	<u>144,791</u>		<u>144,791</u>
TOTAL GENERAL REVENUES			
	<u>144,791</u>		<u>144,791</u>
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	425		
INCREASE IN NET ASSETS		(4,361)	(3,936)
FUND BALANCE/NET ASSETS			
Beginning of the year	<u>271,307</u>	<u>23,883</u>	<u>295,191</u>
End of the year	<u>\$ 271,732</u>	<u>\$ 19,522</u>	<u>\$ 291,255</u>

See notes to financial statements.

Rolling Hills Community Services District
Statement of Activities and Governmental Funds Revenues
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 148,863		\$ 148,863
Capital assets			-
Depreciation		4,361	4,361
	<u>148,863</u>	<u>4,361</u>	<u>153,224</u>
TOTAL PROGRAM EXPENSES			
	<u>148,863</u>	<u>4,361</u>	<u>153,224</u>
PROGRAM REVENUES			
State homeowners property tax relief	749		749
Other program revenues	200		200
	<u>949</u>		<u>949</u>
TOTAL PROGRAM REVENUES			
	<u>949</u>		<u>949</u>
NET PROGRAM REVENUES (DEFICIT)	<u>(147,914)</u>	<u>(4,361)</u>	<u>(152,275)</u>
GENERAL REVENUES			
Property taxes	68,825		68,825
Direct benefit assessments	70,795		70,795
Investment earnings	602		602
	<u>140,222</u>		<u>140,222</u>
TOTAL GENERAL REVENUES			
	<u>140,222</u>		<u>140,222</u>
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	(7,692)		
INCREASE IN NET ASSETS		(4,361)	(12,053)
FUND BALANCE/NET ASSETS			
Beginning of the year	<u>278,999</u>	<u>28,244</u>	<u>307,244</u>
End of the year	<u>\$ 271,307</u>	<u>\$ 23,883</u>	<u>\$ 295,191</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, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Change in Governmental Fund Balance	\$ (56,239)	\$ 425	\$ (7,692)
Amounts reported for the governmental activities in the statement of activities are different because:			
Governmental funds reported capital outlays as expenditures, However, in the statement of activities, the cost of those assets are capitalized as capital assets			
Expenditures for capital assets and related capital assets adjustments	-	-	
Less current year depreciation	<u>(4,361)</u>	<u>(4,361)</u>	<u>(4,361)</u>
Change in Net Assets of Governmental Activities	<u>\$ (60,600)</u>	<u>\$ (3,936)</u>	<u>\$ (12,053)</u>

See notes to financial statements.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
JUNE 30, 2015
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

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.

The District levies assessments and provides services to 349 parcels at \$200 each for the purpose of maintaining and improving community infrastructure and for other lawful purposes of the District.

The financial reporting entity consists of only the primary government: the District. Management has determined that there are no other organizations for which the primary government is financially accountable, nor any other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the District has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the District.

Basis of Presentation, Accounting and Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental 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.

Government-wide financial statement. The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District did not have any business-type activities during the year. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
JUNE 30, 2015
JUNE 30, 2014

period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Fund financial statement. Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements.

Governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (up to 60 days after year-end) are recognized when due.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and El Dorado County pooled cash original maturity of three months or less from the date of acquisition.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures, certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate, Risk, Credit Risk, Overall Risk, Custodial Credit Risk, and Concentrations of Credit Risk.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, transient tax, franchise tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The District's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary. There is no accounts receivable as of each reporting date.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
JUNE 30, 2015
JUNE 30, 2014

Capital Assets

Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as an expenditure in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets, owned by the District, are stated at historical cost or estimated historical cost, if actual historical cost is not available. Capital 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.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. After June 30, 2004 fixed assets were recorded. Land improvements are depreciated with the straight-line method with a life of 15 years.

Fund Balances

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Nonspendable. Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted. Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed. Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District Board of Directors.

Assigned. Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the General Manager.

Unassigned. The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

Flow Assumption / Spending Order Policy. When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Council has directed otherwise.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
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Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets. This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.

Restricted Net Position. This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. Certain proceeds from debt and the loans are reported as restricted net position because their use is limited by applicable debt or other covenants.

Unrestricted Net Position. This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

Use of Restricted/Unrestricted Net Position. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Property Taxes

All property taxes are collected and allocated by El Dorado County to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The District participates in the County "Teeter Plan" method of property tax distribution. 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. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

Budgets and Budgetary Accounting

Budgets are used to control spending. Unexpended allocations lapse at the end of each fiscal year and are not carried forward to the following period. Preliminary budgets are determined by the first day of July. A notice of this budget is published, and no less than one month thereafter, the District's Board of Directors approves the final budget. The final budget is reported by the tenth day of August. The District's budget, as included in these financial statements, represents the budget approved by the Board of Directors. The adopted budget is made for the District as a whole. The District uses the same basis of accounting for budget and financial statement purposes. All appropriations lapse at year-end. The budget was not amended during the fiscal year.

Use of Estimates

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

ROLLING HILLS COMMUNITY SERVICES DISTRICT
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Subsequent Events

Management has considered subsequent events through July 22, 2017, the date which the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

2. CASH AND CASH EQUIVALENTS

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds using a formula based on the average daily cash balance of each fund.

The investment pool includes both voluntary and involuntary participation from external entities. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer.

The County investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, public trust, and yield.

The County Board of Supervisors reviews and approves the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the investment pool participants every quarter. The report covers the type of investments in the pool, maturity dates, par value, actual costs and fair value.

The District's cash and investments are comprised of the following at June 30, 2016:

<u>Deposits and Investments</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Investment Risk</u>
Cash in County of El Dorado Treasury	\$290,423	\$290,423	AA
Cash in Bank	5,000	5,000	
Total cash and investments	<u>\$295,423</u>	<u>\$295,423</u>	NA

Credit Risk, Carrying Amount and Fair Value

The District investment policy, which is guided by the Government Code, allows for investment in the following:

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

The following identifies the investment types that are authorized for the District by the California Government Code.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized

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statistical rating organization. Presented above is the minimum rating required by (where applicable) the California Government Code, debt agreements, and the actual rating as of fiscal year end for each investment type.

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 does 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2016, none of the District's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

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. As of the year-end, cash in County of El Dorado held by the District are all under one-year in maturity and are non-negotiable and, thus, have a guaranteed face value.

3. 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, 2016 are as follows:

Land improvements	\$ 61,340
Accumulated depreciation	<u>(46,178)</u>
	<u>\$ 15,162</u>

Depreciation expense for each year was \$4,361.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
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4. INSURANCE COVERAGE

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in the Special District Risk Management Authority (SDRMA), an intergovernmental risk-sharing, joint powers authority (risk-sharing pool) established to provide an independently managed, self-insurance program for members. The purpose of SDRMA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expense.

The District contributes its pro rata share of anticipated losses to a pool administered by the SDRMA. Should actual losses among participants be greater than the anticipated losses, the District will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the District will be refunded its pro rata share of the excess. Settled claims have not exceeded commercial excess liability coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Rolling Hills Community Services District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2016

	<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, 2015				\$ -
Resources (inflows)				
Property taxes	72,500	72,500	76,938	4,438
Direct special assessments	69,800	69,800	69,738	(62)
State homeowner's property tax exemption			771	771
Use of Money-interest	1,000	1,000	1,146	146
Miscellaneous revenue	<u>215,000</u>	<u>215,000</u>	<u>1,660</u>	<u>(213,340)</u>
Amounts Available for Appropriation	<u>358,300</u>	<u>358,300</u>	<u>150,253</u>	<u>(208,047)</u>
Charges to appropriations (outflows)				
Salaries	150	150	39	111
Telephone	950	950	212	738
Insurance	3,300	3,300	3,050	250
Maintenance: building & improvements	2,000	2,000	5,280	(3,280)
Maintenance: grounds	8,000	8,000	4,068	3,932
Maintenance: park	45,000	45,000	43,444	1,556
Maintenance: water	4,000	4,000	3,645	355
Maintenance: drainage	2,500	2,500	7,400	(4,900)
Maintenance: roads	71,000	71,000	66,136	4,864
Maintenance: lighting	500	500	150	350
Maintenance: supplies	300	300		300
Memberships	450	450	522	(72)
Misc. expense	500	500	319	181
Office expense	800	800	510	290
Printing			413	
Professional & specialized services	22,000	22,000	30,467	(8,467)
Agency administrative fee	100	100	115	(15)
Audit				-
Legal services	6,000	6,000	5,391	609
Special district director services	5,250	5,250	3,825	1,425
Publication & legal notices	500	500	429	71
Rent & lease: equipment	600	600	564	36
Rent & lease: building & improvements	2,800	2,800	1,668	1,132
Special projects	11,500	11,500	471	11,029
SB924: transportation & travel	500	500		500
Transportation & travel	200	200	-	200
Mileage: employee	400	400	165	235
Utilities	30,000	30,000	28,209	1,791
Contingencies	<u>139,000</u>	<u>139,000</u>		<u>139,000</u>
Total charges to appropriations	<u>358,300</u>	<u>358,300</u>	<u>206,492</u>	<u>151,808</u>
Budgetary Balances June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (56,239)</u>	<u>\$ (56,239)</u>

Rolling Hills Community Services District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	<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, 2014	\$ 24,160	\$ 24,160		\$ -
Resources (inflows)				
Property taxes	68,000	68,000	74,362	6,362
Direct special assessments	69,800	69,800	69,695	(105)
State homeowner's property tax exemption			771	771
Use of Money-interest	1,000	1,000	734	(266)
Miscellaneous revenue	500	500	20	(480)
	<u>163,460</u>	<u>163,460</u>	<u>145,582</u>	<u>(17,878)</u>
Amounts Available for Appropriation				
Charges to appropriations (outflows)				
Salaries	200	200	39	161
Telephone	1,200	1,200	285	915
Insurance	3,300	3,300	3,125	175
Maintenance: building & improvements	2,000	2,000	8,915	(6,915)
Maintenance: grounds	7,000	7,000	7,966	(966)
Maintenance: park	40,000	40,000	45,315	(5,315)
Maintenanc: water	4,000	4,000	2,354	1,646
Maintenance: drainage	2,500	2,500	1,500	1,000
Maintenance: roads	4,000	4,000	3,563	437
Maintenance: lighting	500	500		500
Maintenance: supplies	500	500		500
Memberships	450	450	488	(38)
Misc. expense	500	500	212	288
Office expense	500	500	1,016	(516)
Professional & specialized services	22,000	22,000	23,696	(1,696)
Agency administrative fee	110	110	100	10
Audit	5,000	5,000	5,000	-
Legal services	8,000	8,000	3,189	4,811
Special district director services	5,250	5,250	3,375	1,875
Publication & legal notices	500	500	49	451
Rent & lease: equipment	250	250	600	(350)
Rent & lease: building & improvements	2,600	2,600	2,598	2
Special projects	22,000	22,000	1,097	20,903
SB924: transportation & travel	500	500		500
Transportation & travel	200	200	-	200
Mileage: employee	400	400	131	269
Utilities	30,000	30,000	30,544	(544)
	<u>163,460</u>	<u>163,460</u>	<u>145,157</u>	<u>18,303</u>
Total charges to appropriations				
Budgetary Balances June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425</u>	<u>\$ 425</u>

Rolling Hills Community Services District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balances and reserves July 1, 2013	\$ 41,250	\$ 41,250		\$ -
Resources (inflows)				
Property taxes	66,000	66,000	68,825	2,825
Direct special assessments	69,000	69,000	70,795	1,795
State homeowner's property tax exemption			749	749
Use of money-interest	1,000	1,000	602	(398)
Miscellaneous revenue	<u>2,000</u>	<u>2,000</u>	<u>200</u>	<u>(1,800)</u>
Amounts Available for Appropriation	<u>179,250</u>	<u>179,250</u>	<u>141,171</u>	<u>(38,079)</u>
Charges to appropriations (outflows)				
Salaries	200	200	80	120
Telephone	1,200	1,200	862	338
Insurance	3,300	3,300	3,295	5
Maintenance: buildings & improvement	12,000	12,000	3,260	8,740
Maintenance: grounds	2,000	2,000	8,478	(6,478)
Maintenance: park	40,000	40,000	39,065	935
Maintenance: water system	4,000	4,000	8,331	(4,331)
Maintenance: drainage	2,000	2,000	2,925	(925)
Maintenance: roads	20,000	20,000	12,225	7,775
Maintenance: lighting	500	500	345	155
Maintenance: supplies	500	500	238	262
Memberships	450	450	454	(4)
Miscellaneous	500	500	40	460
Office expense	800	800	509	291
Professional & specialized services	22,000	22,000	21,900	100
Agency administrative fee	100	100	105	(5)
Audit & Accounting Services	5,000	5,000		5,000
Legal services	8,000	8,000	10,143	(2,143)
Special district director services	5,250	5,250	3,300	1,950
Publication & legal notices	500	500	339	161
Rent & lease: equipment	250	250		250
Rent & lease: building & improvements	2,600	2,600	2,440	160
Special Projects	17,000	17,000	385	16,615
SB924: transportation & travel	500	500		500
Transportation and travel	200	200		200
Mileage: employee	400	400	67	333
Utilities	<u>30,000</u>	<u>30,000</u>	<u>30,077</u>	<u>(77)</u>
	<u>179,250</u>	<u>179,250</u>	<u>148,863</u>	<u>30,387</u>
Fixed Asset: building improvements				-
Total charges to appropriations	<u>179,250</u>	<u>179,250</u>	<u>148,863</u>	<u>30,387</u>
Budgetary Balances June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,692)</u>	<u>\$ (7,692)</u>

Rolling Hills Community Services
Budgetary Comparison Schedule
General Fund
For the Years Ended June 30, 2016, 2015 and 2014

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

<u>Sources/Inflows of Resources</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparisons schedule	\$150,253	\$145,582	\$141,171
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	-	-	-
Total Revenues as reported on the statement of revenues, expenditures and changes in the fund balance governmental funds	<u>\$150,253</u>	<u>\$145,582</u>	<u>\$141,171</u>
<u>Uses/Outflow resources</u>			
Actual amounts (budgetary) "total charges to appropriations" from budgetary comparison schedule	\$206,492	\$145,157	\$148,863
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>\$206,492</u>	<u>\$145,157</u>	<u>\$148,863</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, 2016, 2015 and 2014. 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
July 22, 2017

Rolling Hills Community Services District
Appropriations Limit Worksheet
June 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Appropriations limit beginning fiscal year	<u>\$81,770</u>	<u>\$81,770</u>	<u>77515</u>
Adjustment factors			
Population growth			
Per capita Personal Income (inflation)	<u> </u>	<u> </u>	<u> </u>
Total Adjustment	<u>1.0479</u>	<u>1</u>	<u>1.0549</u>
Annual adjustment in dollars	<u>\$3,917</u>	<u>\$0</u>	<u>\$4,256</u>
Appropriations limit end fiscal year	<u><u>\$85,687</u></u>	<u><u>\$81,770</u></u>	<u><u>\$81,770</u></u>

VAUGHN JOHNSON, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON 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, 2016, 2015 and 2014, 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 July 22, 2017

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

July 22, 2017