

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>79,930</u>	<u>-</u>	<u>79,930</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>215,493</u>	<u>(215,493)</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>	19,523	<u>19,523</u>
Total Assets	<u>\$284,773</u>	<u>\$19,523</u>	<u>\$304,296</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>\$ 284,773</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>\$ 291,255</u>	<u>\$ 291,255</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	-	-	-
Net Assets of Governmental Activities	\$ 230,655	\$ 291,255	\$ 295,191

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
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM EXPENSES	206,492	4,361	210,853
	<hr/>	<hr/>	<hr/>
PROGRAM REVENUES			
State homeowners property tax relief	771		771
Other program revenues	1,660		1,660
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM REVENUES	2,431		2,431
	<hr/>	<hr/>	<hr/>
NET PROGRAM REVENUES (DEFICIT)	(204,061)	(4,361)	(208,422)
	<hr/>	<hr/>	<hr/>
GENERAL REVENUES			
Property taxes	76,938		76,938
Direct benefit assessments	69,738		69,738
Investment earnings	1,146		1,146
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL REVENUES	147,822		147,822
	<hr/>	<hr/>	<hr/>
EXCESS (DEFIENCIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	(56,239)		
	<hr/>	<hr/>	<hr/>
INCREASE IN NET ASSETS		(4,361)	(60,600)
	<hr/>	<hr/>	<hr/>
FUND BALANCE/NET ASSETS			
Beginning of the year	271,732	19,522	291,255
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM EXPENSES	145,157	4,361	149,518
	<hr/>	<hr/>	<hr/>
PROGRAM REVENUES			
State homeowners property tax relief	771		771
Other program revenues	20		20
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM REVENUES	791		791
	<hr/>	<hr/>	<hr/>
NET PROGRAM REVENUES (DEFICIT)	(144,366)	(4,361)	(148,727)
	<hr/>	<hr/>	<hr/>
GENERAL REVENUES			
Property taxes	74,362		74,362
Direct benefit assessments	69,695		69,695
Investment earnings	734		734
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL REVENUES	144,791		144,791
	<hr/>	<hr/>	<hr/>
EXCESS (DEFIENCIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	425		
	<hr/>	<hr/>	<hr/>
INCREASE IN NET ASSETS		(4,361)	(3,936)
	<hr/>	<hr/>	<hr/>
FUND BALANCE/NET ASSETS			
Beginning of the year	271,307	23,883	295,191
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM EXPENSES	148,863	4,361	153,224
	<hr/>	<hr/>	<hr/>
PROGRAM REVENUES			
State homeowners property tax relief	749		749
Other program revenues	200		200
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM REVENUES	949		949
	<hr/>	<hr/>	<hr/>
NET PROGRAM REVENUES (DEFICIT)	(147,914)	(4,361)	(152,275)
	<hr/>	<hr/>	<hr/>
GENERAL REVENUES			
Property taxes	68,825		68,825
Direct benefit assessments	70,795		70,795
Investment earnings	602		602
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL REVENUES	140,222		140,222
	<hr/>	<hr/>	<hr/>
EXCESS (DEFIENCIENCY) OF REVENUES AND TRANSFERS IN OVER EXPENDITURES AND TRANSFERS OUT	(7,692)		
	<hr/>	<hr/>	<hr/>
INCREASE IN NET ASSETS		(4,361)	(12,053)
	<hr/>	<hr/>	<hr/>
FUND BALANCE/NET ASSETS			
Beginning of the year	278,999	28,244	307,244
	<hr/>	<hr/>	<hr/>
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)
<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>	<u>(4,361)</u>
 Change in Net Assets of Governmental Activities	 <u><u>\$ (60,600)</u></u>	 <u><u>\$ (3,936)</u></u>	 <u><u>\$ (12,053)</u></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
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2014

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
NOTES TO THE FINANCIAL STATEMENTS
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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

ROLLING HILLS COMMUNITY SERVICES DISTRICT
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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.

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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>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balances and reserves July 1, 2013				\$ -
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> </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, 2014	<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 Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances and reserves July 1, 2015	\$ 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	2,000	2,000	200	(1,800)
	<u>179,250</u>	<u>179,250</u>	<u>141,171</u>	<u>(38,079)</u>
Amounts Available for Appropriation				
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	30,000	30,000	30,077	(77)
	<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, 2016	<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	\$150,253	\$145,582	\$141,171
 <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	\$206,492	\$145,157	\$148,863

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 America 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