

ROLLING HILLS COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2019, 2018, 2017

Rolling Hills Community Services District
For the Years Ended
June 30, 2019, 2018, 2017
Table of Contents

Financial Section

Independent Auditor's Report	1
Fund Balance Sheet/Statement of Net Position	3
Statement of Revenues, Expenditures/Expenses and Changes in Fund Balance/Statement of Activities	6
Notes To The Financial Statements	9

Required Supplementary Information

Statements of Revenue, Expenditure and Changes in Fund Balance -- Budget and Actual	18
Budgetary Comparison Schedule	21
Notes to Required Supplementary Information	22

Other Reports

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	23
--	----

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 and general fund of Rolling Hills Community Services District as of and for the years ended June 30, 2019, 2018 and 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, 2018 and 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, I have also issued my report dated January 15, 2021 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

January 15, 2021

Rolling Hills Community Services District
Fund Balance Sheet/ Statement of Net Position
June 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash in county treasury	\$527,163	\$	\$527,163
Imprest cash	5,000		5,000
Capital assets net of accumulated depreciation	<u> </u>	<u>2,079</u>	<u>2,079</u>
Total Assets	<u><u>\$532,163</u></u>	<u><u>\$2,079</u></u>	<u><u>\$534,242</u></u>
LIABILITIES			
Accounts payable	<u>\$ 5,067</u>		<u>\$ 5,067</u>
Total Liabilities	<u>5,067</u>	<u>-</u>	<u>5,067</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Nonspendable	5,000	(5,000)	
Reserved	<u>522,096</u>	<u>(522,096)</u>	
Total Fund Balance	<u>527,096</u>	<u>(527,096)</u>	
Total Liabilities and Fund Balances	<u><u>\$ 532,163</u></u>		
NET POSITION			
Invested in capital assets net of related debt		2,079	2,079
Restricted for Public Ways & Facilities		<u>527,096</u>	<u>527,096</u>
TOTAL NET POSITION		<u><u>\$ 529,175</u></u>	<u><u>\$ 529,175</u></u>

See notes to financial statements.

Rolling Hills Community Services District
Fund Balance Sheet/ Statement of Net Position
June 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash in county treasury	\$504,243	\$	\$504,243
Imprest cash	5,000		5,000
Prepaid expenses	800		800
Capital assets net of accumulated depreciation		6,440	6,440
	<u>510,043</u>	<u>\$6,440</u>	<u>\$516,483</u>
Total Assets			
LIABILITIES			
Accounts payable	\$ 27,526	\$	\$ 27,526
	<u>27,526</u>	<u>-</u>	<u>27,526</u>
Total Liabilities			
FUND BALANCE/NET ASSETS			
Fund Balances:			
Nonspendable	5,000	(5,000)	
Restricted	<u>477,517</u>	<u>(477,517)</u>	
	<u>482,517</u>	<u>(482,517)</u>	
Total Fund Balance			
Total Liabilities and Fund Balances	<u>\$ 510,043</u>		
NET POSITION			
Invested in capital assets net of related debt		6,440	6,440
Restricted for Public Ways & Facilities		<u>482,517</u>	<u>482,517</u>
TOTAL NET POSITION		<u>\$ 488,957</u>	<u>\$ 488,957</u>

See notes to financial statements.

Rolling Hills Community Services District
Fund Balance Sheet/Statement of Net Position
June 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash in county treasury	\$486,504	\$	\$486,504
Imprest cash	5,000		\$5,000
Capital assets net of accumulated depreciation	<u> </u>	<u>10,801</u>	<u>10,801</u>
Total Assets	<u><u>\$491,504</u></u>	<u><u>\$10,801</u></u>	<u><u>\$502,305</u></u>
LIABILITIES			
Accounts payable	<u>\$ 28,634</u>	<u>\$</u>	<u>\$ 28,634</u>
Total Liabilities	<u>28,634</u>	<u>-</u>	<u>28,634</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Nonspendable	5,000	(5,000)	
Restricted	<u>457,870</u>	<u>(457,870)</u>	
Total Fund Balance	<u>462,870</u>	<u>(462,870)</u>	
Total Liabilities and Fund Balances	<u><u>\$ 491,504</u></u>		
NET POSITION			
Invested in capital assets net of related debt		10,801	10,801
Restricted for:			-
Public Ways & Facilities		<u>462,870</u>	<u>462,870</u>
TOTAL NET POSITION		<u><u>\$ 473,671</u></u>	<u><u>\$ 473,671</u></u>

See notes to financial statements.

Rolling Hills Community Services District
Statement of Fund Revenues, Expenditures/Expenses, and Changes in Fund Balance/Statement of
Activities
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 140,119		\$ 140,119
Depreciation		4,361	4,361
	<u>140,119</u>	<u>4,361</u>	<u>144,480</u>
TOTAL PROGRAM EXPENSES			
	<u>140,119</u>	<u>4,361</u>	<u>144,480</u>
PROGRAM REVENUES			
State homeowners property tax relief	838		838
	<u>838</u>		<u>838</u>
TOTAL PROGRAM REVENUES			
	<u>838</u>		<u>838</u>
NET PROGRAM REVENUES (DEFICIT)			
	<u>(139,281)</u>	<u>(4,361)</u>	<u>(143,642)</u>
GENERAL REVENUES			
Property taxes	94,920		94,920
Direct benefit assessments	78,900		78,900
Investment earnings	10,040		10,040
	<u>183,860</u>		<u>183,860</u>
TOTAL GENERAL REVENUES			
	<u>183,860</u>		<u>183,860</u>
Net Change (Decrease) in Fund Balance/Net Position	44,579	(4,361)	40,218
FUND BALANCE/NET POSITION			
Beginning of the year	482,517	6,440	488,957
	<u>482,517</u>	<u>6,440</u>	<u>488,957</u>
End of the year	\$ 527,096	\$ 2,079	\$ 529,175
	<u>\$ 527,096</u>	<u>\$ 2,079</u>	<u>\$ 529,175</u>

See notes to financial statements.

Rolling Hills Community Services District
Statement of Fund Revenues, Expenditures/Expenses, and Changes in Fund Balance/Statement of
Activities
For the Year Ended June 30, 2018

	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 150,854		\$ 150,854
Depreciation		4,361	4,361
	<u>150,854</u>	<u>4,361</u>	<u>155,215</u>
TOTAL PROGRAM EXPENSES			
	<u>150,854</u>	<u>4,361</u>	<u>155,215</u>
PROGRAM REVENUES			
State homeowners property tax relief	774		774
	<u>774</u>		<u>774</u>
TOTAL PROGRAM REVENUES			
	<u>774</u>		<u>774</u>
NET PROGRAM REVENUES (DEFICIT)	<u>(150,080)</u>	<u>(4,361)</u>	<u>(154,441)</u>
GENERAL REVENUES			
Property taxes	84,418		84,418
Direct benefit assessments	79,993		79,993
Investment earnings	5,316		5,316
	<u>169,727</u>		<u>169,727</u>
TOTAL GENERAL REVENUES			
	<u>169,727</u>		<u>169,727</u>
Net Change (Decrease) in Fund Balance/Net Position	19,647	(4,361)	15,286
FUND BALANCE/NET POSITION			
Beginning of the year	<u>462,870</u>	<u>10,801</u>	<u>473,671</u>
End of the year	<u>\$ 482,517</u>	<u>\$ 6,440</u>	<u>\$ 488,957</u>

See notes to financial statements.

Rolling Hills Community Services District
Statement of Fund Revenues, Expenditures/Expenses, and Changes in Fund Balance/Statement of
Activities
For the Year Ended June 30, 2017

	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Activities</u>
PROGRAM EXPENSES			
Materials and services	\$ 162,450		\$ 162,450
Depreciation		4,361	4,361
	<u>162,450</u>	<u>4,361</u>	<u>166,811</u>
TOTAL PROGRAM EXPENSES			
PROGRAM REVENUES			
State homeowners property tax relief	765		765
Other program revenues	258,050		258,050
	<u>258,815</u>		<u>258,815</u>
TOTAL PROGRAM REVENUES			
	<u>258,815</u>		<u>258,815</u>
NET PROGRAM REVENUES (DEFICIT)	<u>96,365</u>	<u>(4,361)</u>	<u>92,004</u>
GENERAL REVENUES			
Property taxes	79,573		79,573
Direct benefit assessments	69,238		69,238
Investment earnings	2,201		2,201
	<u>151,012</u>		<u>151,012</u>
TOTAL GENERAL REVENUES			
	<u>151,012</u>		<u>151,012</u>
Net Change (Decrease) in Fund Balance/Net Position	247,377	(4,361)	243,016
FUND BALANCE/NET POSITION			
Beginning of the year	215,493	15,162	230,655
	<u>215,493</u>	<u>15,162</u>	<u>230,655</u>
End of the year	<u>\$ 462,870</u>	<u>\$ 10,801</u>	<u>\$ 473,671</u>

See notes to financial statements.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

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's powers are exercised through an elected Board of Directors (Board), which as of June 30, 2019 was composed of the following members:

<u>Name</u>	<u>Term Expires</u>
Matthew Sites	December 2022
Brenda Collette	December 2020
Vacant	December 2022
Gordon Fawkes	December 2020
Mark Magee	December 2020

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.

Implementation of Governmental Accounting Standards Board Statements

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The provisions of the following Governmental Accounting Standards Board (GASB) Statements have been implemented by the district for the year ended June 30, 2019:

GASB Statement No. 85, Omnibus 2017; which is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. There was no impact to the District's financial statements as a result of implantation of this statement.

Basis of Presentation

This statement of net position and statement of activities display information about the primary government (the District). Using the economic resources measurement focus and the accrual basis of accounting, these statements report all of the assets, liabilities, revenues, expenses, gains and losses of the District. These statements include the financial activities of the overall government, except fiduciary activities.

The statement of activities presents a comparison between direct expenses and program revenues for the District's single governmental activity. Since all of the District's expenses are specifically associated with their single program or function (public ways and facilities) these expenses are clearly identifiable to that particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the District's public ways and facilities. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental or enterprise funds, each displayed in a separate column. All remaining governmental or enterprise funds, if any, are separately aggregated and reported as non-major funds. The District utilizes a single governmental fund, the General Fund, to account for all revenues and expenditures necessary to carry out its single governmental activity.

Given the simplicity of the District's operations (single program or activity) and the use of a single governmental fund (General Fund), the District's basic financial statements have been presented in columnar format whereby both the government-wide and fund financial statements have been presented in separate columns with an additional column showing any adjustments necessary to reflect the differences in the respective basis of accounting.

The District does not have any non-major governmental, fiduciary or proprietary funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District does not give (or receive) equal value in exchange, includes property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The measurable criterion requires that revenues be subject to reasonable estimation and the availability criterion refers to the District's ability to spend the resources related to recognition of revenue. The availability criterion requires that resources can only be recorded as revenue, if those resources are expected to be collected or otherwise realized in time to pay liabilities reported by the District within 30 days of the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Budgetary Basis of Accounting

Pursuant to Section 53901 of the California Government Code, the District is required to file annual budgets with the El Dorado County Auditor-Controller's Office. The District complied with this requirement in the audit period. However, the District did not consistently file budget amendments with the County Auditor as warranted during the audit period; The District's annual budgets are prepared on the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

Cash and Investments

The District has instructed the County of El Dorado (County) to invest excess funds on deposit in their overall pooling of investment. The District's interest is then allocated according to the average cash balance in the County Treasury based upon the overall investments of the County. The balance in this account is presented on the financial statements as "Cash with County Treasury".

The County maintains written investment policies which address a wide variety of investment practices, including primary investment objectives, investment authority, allocable investment vehicles, investment maturity terms, eligible financial institutions, capital preservation, and cash flow management. All cash deposits at the County conform to the California Government Code Section 53646 and are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral.

In accordance with Government Accounting Standards Board Statement No. 31, the County calculated the fair value of all investments included in the pooled investments based upon quoted market prices. Details of the pooled investments can be found in the County's basic financial statements.

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.

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.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

Accounts Payable

Accounts payable consist of amounts the District owes for services or supplies purchased for on credit for maintenance of public ways and facilities.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from these estimates and the differences may be material.

Accounting Records

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

2. TAX LEVIED AND SPECIAL ASSESSMENTS

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.

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.

3. CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING THE DISTRICT

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

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

On November 5, 1996, the voters of the State of California Approved Proposition 218, properly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIC and XIID, which contain a number of provisions that affect the ability of local agencies, including the District, to levy and collect both existing and future taxes, assessments, fees and charges. Article XIIC stipulates that the

District must obtain voter approval of any increase in taxes and Article XIID establishes the specific procedures and requirements that must be followed to obtain voter approval for any special taxes.

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

For the period of July 01, 2016 to June 30, 2019 the District did not increase its spending appropriations beyond the allowable economic factors.

4. CASH AND INVESTMENTS

The County sponsors an investment pool that is managed by the County Treasurer for the purpose 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, 2019:

	Carrying Amount	Market Value	Investment Risk
<u>Deposits and Investments</u>			
Cash in County of El Dorado Treasury	\$527,163	\$527,163	AA
Cash in Bank	5,000	5,000	
Total cash and investments	<u>\$532,163</u>	<u>\$532,163</u>	NA

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

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 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, 2019, 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.

5. 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, 2019 are as follows:

Land improvements	\$ 61,340
Accumulated depreciation	<u>(59,261)</u>
	<u>\$ 2,079</u>

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

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

6. NET POSITION/FUND BALANCE

a. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets:* This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position:* This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Included in governmental activities restricted net position at June 30, 2019, is net position restricted by enabling legislation of \$527,096.
- *Unrestricted Net Position:* This category represents net assets of the District, not restricted for any project or other project.

b. Fund Balance

As prescribed by GASB Statement No. 54, governmental funds report fund balances in classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in those funds. As of June 30, 2019, fund balances for governmental funds comprise the following based on the relative strength of the constraints that control how specific amounts can be spent:

- *Nonspendable Fund Balance:* This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories, and prepaid amounts.
- *Restricted Fund Balance:* This category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance:* This category includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority (resolution by the District’s Board). Commitments may be changed or lifted only by the District’s Board taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance:* This category comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. *Intent* is expressed by (a) the District’s Board or (b) a body (a budget or finance committee, for example) or official to which the District’s Board has delegated the authority to assign amounts to be used for specific purposes.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

- *Unassigned Fund Balance:* This category is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification was used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In circumstances when an expenditure is incurred for purposes for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

7. POTENTIAL CONFLICTS OF INTEREST

Government Code Sections 1090-1099 stipulate certain activities considered to be a “conflict of interest” if performed by district board members and/or employees in their official capacity. These prohibited activities include:

- The involvement in the disbursement of moneys or payments with vendors in which they have a financial interest.
- The disclosure of information, which is not a matter of public record, which may result in a financial gain to a district board member, district employee, or another party.

The District’s Board members are aware of these Government Code restrictions and, further, assert their avoidance of these activities and any other that might be perceived, by a reasonable person, to be a conflict of interest.

8. PREVAILING WAGE RATES

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

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

9. 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.

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019, 2018, 2017

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.

10. SUBSEQUENT EVENTS

Management evaluated all the activities have been evaluated of the District through January 15, 2021 the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has characterized COVID-19 as a pandemic. The spread of this virus has caused business disruption to the District when stay at home orders were issued by the Governor of California. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the length of stay-at-home orders, all of which are highly uncertain and cannot be predicted at this time.

SUPPLEMENTARY INFORMATION

Rolling Hills Community Services District
Statement of Revenue, Expenditure and Changes in Fund Balance--Budget and Actual
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances and reserves July 1, 2018	\$ 281,525	\$ 281,525	\$ 482,517	\$ 200,992
Resources (inflows)				
Property taxes	83,600	83,600	94,920	11,320
Direct special assessments	79,000	79,000	78,900	(100)
State homeowner's property tax exemption			838	838
Use of Money-interest	3,500	3,500	10,040	6,540
	<u>447,625</u>	<u>447,625</u>	<u>667,215</u>	<u>219,590</u>
Amounts Available for Appropriation				
Charges to appropriations (outflows)				
Telephone	350	350	200	150
County Pass Thru Telephone	500	500		500
Food	50	50		50
Insurance	3,600	3,600	3,602	(2)
Maintenance: building & improvements	2,000	2,000		2,000
Maintenance: grounds	10,000	10,000	7,602	2,398
Maintenance: park	40,000	40,000	44,520	(4,520)
Maintenance: water	5,000	5,000	6,168	(1,168)
Maintenance: drainage	12,500	12,500	2,865	9,635
Maintenance: roads	40,000	40,000	324	39,676
Maintenance: lighting	300	300	1,239	(939)
Maintenance: supplies	300	300	25	275
Memberships	600	600	622	(22)
Misc. expense	300	300	123	177
Office expense	500	500	476	24
Postage			145	(145)
Printing	650	650	833	(183)
Professional & specialized services	26,000	26,000	31,329	(5,329)
Agency administrative fee	125	125	132	(7)
Audit	9,000	9,000		9,000
Legal services	8,000	8,000	1,496	6,504
Special district director services	5,250	5,250	3,825	1,425
Publication & legal notices	500	500		500
Rent & lease: equipment	300	300	800	(500)
Rent & lease: building & improvements	3,700	3,700	3,664	36
Special projects	251,500	251,500	216	251,284
SB924: transportation & travel	300	300		300
Mileage: employee	300	300	18	282
Utilities	26,000	26,000	29,895	(3,895)
	<u>447,625</u>	<u>447,625</u>	<u>140,119</u>	<u>307,506</u>
Total charges to appropriations				
Budgetary Balances June 30, 2019	\$ -	\$ -	\$ 527,096	\$ 527,096

Rolling Hills Community Services District
Statement of Revenue, Expenditure and Changes in Fund Balance--Budget and Actual
For the Year Ended June 30, 2018

	<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, 2017			\$ 462,870	\$ 462,870
Resources (inflows)				
Property taxes	80,000	80,000	84,418	4,418
Direct special assessments	75,000	75,000	79,993	4,993
State homeowner's property tax exemption			774	774
Use of Money-interest	2,000	2,000	5,316	3,316
Development & Quimby Fee	261,475	261,475		(261,475)
Miscellaneous revenue	500	500		(500)
	<u>418,975</u>	<u>418,975</u>	<u>633,371</u>	<u>214,396</u>
Amounts Available for Appropriation				
Charges to appropriations (outflows)				
Salaries	150	150		150
Telephone	200	200	356	(156)
County Pas Thru Telephone	800	800		800
Insurance	3,300	3,300	3,578	(278)
Maintenance: building & improvements	2,000	2,000		2,000
Maintenance: grounds	8,000	8,000	23,303	(15,303)
Maintenance: park	41,400	41,400	34,050	7,350
Maintenanc: water	2,000	2,000	8,701	(6,701)
Maintenance: drainage	15,000	15,000		15,000
Maintenance: roads	10,500	10,500	138	10,362
Maintenance: lighting	250	250	400	(150)
Maintenance: supplies	300	300	84	216
Memberships	550	550	587	(37)
Misc. expense	250	250	905	(655)
Office expense	500	500	744	(244)
Printing			310	(310)
Professional & specialized services	26,000	26,000	29,199	(3,199)
Agency administrative fee	125	125	103	22
Legal services	8,000	8,000	5,099	2,901
Special district director services	5,250	5,250	4,125	1,125
Publication & legal notices	500	500	523	(23)
Rent & lease: equipment	600	600		600
Rent & lease: building & improvements	3,700	3,700	3,606	94
Special projects	11,500	11,500	276	11,224
SB924: transportation & travel	300	300		300
Transportation & travel	100	100	-	100
Mileage: employee	200	200	291	(91)
Utilities	26,000	26,000	34,476	(8,476)
Building Improvements	251,500	251,500		251,500
	<u>418,975</u>	<u>418,975</u>	<u>150,854</u>	<u>268,121</u>
Total charges to appropriations				
Budgetary Balances June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,517</u>	<u>\$ 482,517</u>

Rolling Hills Community Services District
Statement of Revenue, Expenditure and Changes in Fund Balance--Budget and Actual
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary fund balances and reserves July 1, 2016	\$ 55,615	\$ 55,615	\$ 215,493	\$ 159,878
Resources (inflows)				
Property taxes	74,000	74,000	79,573	5,573
Direct special assessments	69,800	69,800	69,238	(562)
State homeowner's property tax exemption		-	765	765
Use of money-interest	1,000	1,000	2,201	1,201
Miscellaneous revenue	500	500	258,050	257,550
	<u>200,915</u>	<u>200,915</u>	<u>625,320</u>	<u>424,405</u>
Amounts Available for Appropriation	<u>200,915</u>	<u>200,915</u>	<u>625,320</u>	<u>424,405</u>
Charges to appropriations (outflows)				
Salaries	150	150		150
Telephone	150	150	324	(174)
County Pass Thru Telephone	800	800	535	265
Food			21	(21)
Insurance	3,300	3,300	3,150	150
Maintenance: buildings & improvement	2,000	2,000	5,930	(3,930)
Maintenance: grounds	8,000	8,000	15,141	(7,141)
Maintenance: park	41,400	41,400	43,851	(2,451)
Maintenance: water system	4,000	4,000	4,040	(40)
Maintenance: drainage	7,500	7,500		7,500
Maintenance: roads	7,000	7,000		7,000
Maintenance: lighting	500	500	85	415
Maintenance: supplies	300	300	432	(132)
Memberships	450	450	556	(106)
Miscellaneous	500	500	238	262
Office expense	800	800	475	325
Professional & specialized services	26,000	26,000	30,268	(4,268)
Agency administrative fee	115	115	120	(5)
Audit & Accounting Services	9,000	9,000	8,000	1,000
Legal services	12,000	12,000	10,212	1,788
Special district director services	5,250	5,250	4,950	300
Publication & legal notices	500	500	392	108
Rent & lease: equipment	600	600	1,155	(555)
Rent & lease: building & improvements	3,000	3,000	3,453	(453)
Special Projects	41,500	41,500	928	40,572
SB924: transportation & travel	500	500	150	350
Transportation and travel	200	200		200
Mileage: employee	400	400	62	338
Utilities	25,000	25,000	27,982	(2,982)
	<u>200,915</u>	<u>200,915</u>	<u>162,450</u>	<u>38,465</u>
Total charges to appropriations	<u>200,915</u>	<u>200,915</u>	<u>162,450</u>	<u>38,465</u>
Budgetary Balances June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,870</u>	<u>\$ 462,870</u>

**Rolling Hills Community Services
Budgetary Comparison Schedule
General Fund
For the Years Ended June 30, 2019, 2018, 2017**

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

<u>Sources/Inflows of Resources</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparisons schedule	\$667,215	\$633,371	\$ 625,320
Difference budget to GAAP The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes	<u>482,517</u>	<u>462,870</u>	<u>215,493</u>
Total Revenues as reported on the statement of revenues, expenditures and changes in the fund balance governmental funds	<u><u>\$184,698</u></u>	<u><u>\$170,501</u></u>	<u><u>\$ 409,827</u></u>
<u>Uses/Outflow resources</u>			
Actual amounts (budgetary) "total charges to appropriations" from budgetary comparison schedule	\$140,119	\$150,854	\$ 162,450
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	<u> </u>	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u><u>\$140,119</u></u>	<u><u>\$150,854</u></u>	<u><u>\$162,450</u></u>

ROLLING HILLS COMMUNITY SERVICES DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2019, 2018, 2017

NOTE 1 – PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control individual appropriation accounts. Budget are prepared on the budgetary basis. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The Budgeted Comparison Schedule – General Fund is presented to explain the differences between budgetary inflows and outflows and the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as provided by the Governmental Accounting Standards Board.

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 Rolling Hills Community Services District, as of and for the years ended June 30, 2019, 2018 and 2017, 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 January 15, 2021.

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

January 15, 2021