

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2016**

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

JUNE 30, 2016

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Report of Independent Auditors

To the Board of Supervisors
Madera County

Report on the Financial Statements

We have audited the accompanying financial statements of the Service Area 19 – Rolling Hills (District), a component unit of the County of Madera, California as of and for the year then ended June 30, 2016, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Service Area 19 – Rolling Hills as of June 30, 2016, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 14-16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Fresno, California
December 4, 2017

BASIC FINANCIAL STATEMENTS

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**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

Current Assets:

Cash and investments	\$	333,545
Cash and investments - restricted		454,850
Accounts receivable		11,357
Interest receivable		1,288
Taxes receivable		<u>147</u>
 Total Current Assets		 <u>801,187</u>

Non-Current Assets:

Long-term assessment receivable		2,962,243
Capital assets:		
Land		55,425
Land under roads		862,669
Depreciable assets		4,137,131
Accumulated depreciation		<u>(1,654,217)</u>
 Total Non-Current Assets		 <u>6,363,251</u>
 Total Assets		 <u>7,164,438</u>

LIABILITIES

Current Liabilities:

Accounts payable		2,016
Interest payable		56,399
Deposits from others		3,600
Due to County of Madera		96,219
Unearned revenue		1,987
Advance from County of Madera		183,000
Bonds payable - current		<u>70,000</u>
 Total Current Liabilities		 <u>413,221</u>

Non-Current Liabilities:

Bonds payable		<u>2,846,422</u>
 Total Non-Current Liabilities		 <u>2,846,422</u>
 Total Liabilities		 <u>3,259,643</u>

NET POSITION

Net investment in capital assets		484,586
Restricted for debt service		444,794
Unrestricted		<u>2,975,415</u>
 Total Net Position		 <u>\$ 3,904,795</u>

The notes to the basic financial statements are an integral part of this statement.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Operating Revenues:	
Charges for services	\$ 415,928
Other revenues	<u>9,895</u>
Total Operating Revenues	<u>425,823</u>
Operating Expenses:	
Services and supplies	36,620
Maintenance	96,160
Insurance	3,107
Utilities	69,285
Depreciation and amortization	<u>152,645</u>
Total Operating Expenses	<u>357,817</u>
Operating Income (Loss)	<u>68,006</u>
Non-Operating Revenue (Expenses):	
Taxes	27,129
Investment income	2,680
Interest and fiscal charges	<u>(168,812)</u>
Total Non-Operating Revenue (Expenses)	<u>(139,003)</u>
Income (Loss) Before Contributions	(70,997)
Capital contributions	<u>22,392</u>
Change in Net Position	(48,605)
Net Position, Beginning of Year	<u>3,953,400</u>
Net Position, End of Year	<u>\$ 3,904,795</u>

The notes to the basic financial statements are an integral part of this statement.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 545,333
Cash paid to suppliers	<u>(198,208)</u>
Net cash provided (used) by operating activities	<u>347,125</u>
Cash flows from noncapital financing activities:	
Taxes	26,982
Advance from County of Madera	<u>183,000</u>
Net cash provided (used) by noncapital financing activities	<u>209,982</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(22,391)
Principal paid on capital debt	(65,000)
Interest paid on capital debt	<u>(169,738)</u>
Net cash provided (used) by capital and related financing activities	<u>(257,129)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,775</u>
Net cash provided (used) by investing activities	<u>1,775</u>
Net increase (decrease) in cash and cash equivalents	301,753
Cash and cash equivalents, beginning of the year	<u>486,642</u>
Cash and cash equivalents, end of the year	<u>\$ 788,395</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and Investments per Statement of Net Position	\$ 333,545
Restricted Cash and Investments per Statement of Net Position	<u>454,850</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 788,395</u>

The notes to the basic financial statements are an integral part of this statement.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating income (loss)	\$ 68,006
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	149,528
Amortization	3,117
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	31,779
Decrease/(Increase) in due from County of Madera	156
Decrease/(Increase) in long-term assessment receivable	87,820
Increase/(Decrease) in accounts payable	(550)
Increase/(Decrease) in due to County of Madera	7,514
Increase/(Decrease) in deposits from others	<u>1,050</u>
Increase/(Decrease) in unearned revenues	<u>(1,295)</u>
Net cash provided (used) by operating activities	<u>\$ 347,125</u>

Schedule of non-cash capital and related financing activities:

Contributions of capital assets	\$ 22,392
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The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the **SA 19 - Rolling Hills** (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (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.

A. Reporting Entity

The District provides water service to 335 improved units and 28 standby units. The District is located between Avenue 11 and Business Route 41. The District was formed on September 11, 1984 by Resolution No. 84-408 and is approximately 311 acres in size. The funding for the water system operations is derived from charges for water services. The water rates were last set by Resolution No. 2014-047 on April 1, 2014 and included an annual Consumer Price Index adjustment.

The District also provides road maintenance to 364 parcels served by 5.30 miles of paved roads and 0.95 miles of chip sealed road. When the District was formed there was no direct assessment for road maintenance. This District is pre Proposition 13 and receives a percentage of property taxes to assist in road maintenance.

The Board of Supervisors is the governing body of the District. The District is considered a blended component unit of the County of Madera and is reported as an enterprise fund in the County of Madera financial statements. The financial statements included in this report are intended to present the financial position and results of operations of only the District. They are not intended to present the financial position or results of operations of the County of Madera taken as a whole.

B. Basis of Presentation and Method of Accounting

Proprietary fund financial statements include a Statement of Net Position and a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. The principal operating revenues of the District are charges for services. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All other expenses are reported as non-operating expenses.

C. Cash and Investments

Cash and investments shown in the Statement of Net Position represent the District's share of the County of Madera's cash and investment pool. Interest earnings from this pool are transferred to the District on a quarterly basis based on the District's average daily balance. The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Receivables

Receivables consist of fees charged for water services, property taxes, assessments, and interest from the County of Madera. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

E. Property Taxes/Assessments

Secured and unsecured property taxes and assessments are levied in July each year. Property taxes and assessments become a lien against the property as of January 1 of each year. Secured property taxes and assessments are payable in two installments which are due November 1 and February 1. Unsecured property taxes and assessments are due on August 31. All property taxes and assessments receivable are due from property owners within the District.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and similar items), are reported in the Statement of Net Position. Capital assets are defined by the District as assets with a cost of more than \$5,000 for machinery and equipment and \$10,000 for the other categories of capital assets with an estimated useful life of more than one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

<u>Depreciable Asset</u>	<u>Estimated Life</u>
Infrastructure	20-50 years
Water Systems	15-65 years
Structures and Improvements	30-50 years
Equipment	3-20 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost.

G. Net Position

Net position is classified in the following three components:

- 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 – 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.
- Unrestricted – This category represents all other net position of the District, that do not meet the definition of “net investment in capital assets” or “restricted net position.”

When both restricted and unrestricted resources are available for use, unrestricted resources are used only after the restricted resources are depleted.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Use of Estimates

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2016 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$ 333,545
Cash and investments – restricted	<u>454,850</u>
Total cash and investments	<u>\$ 788,395</u>

The District's cash and investments consisted of the following as of June 30, 2016:

Deposits held with County of Madera Investment Pool	\$ 788,395
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Risk Disclosure

Required disclosures for the District's deposit and investment risks for the cash held in the County of Madera Treasury at June 30, 2016, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Refer to County of Madera's financial statements

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County of Madera's Comprehensive Annual Financial Report and may be obtained by contacting the County Auditor-Controller's Office at 200 W. 4th Street – Madera, CA 93637.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The District's cash investments in the County of Madera Investment Pool are carried at fair value. County of Madera invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, County of Madera Investment Pool is not an investment type that can be categorized in any particular level in the fair value hierarchy.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	Total			
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 55,425	\$ -	\$ -	\$ 55,425
Land under roads	862,669	-	-	862,669
Total capital assets, not being depreciated	918,094	-	-	918,094
Capital assets, being depreciated:				
Infrastructure	414,077	44,783	-	458,860
Water systems	3,678,271	-	-	3,678,271
Total capital assets, being depreciated	4,092,348	44,783	-	4,137,131
Less accumulated depreciation for:				
Infrastructure	(414,077)	(2,239)	-	(416,316)
Water systems	(1,090,612)	(147,289)	-	(1,237,901)
Total accumulated depreciation	(1,504,689)	(149,528)	-	(1,654,217)
Total capital assets being depreciated, net	2,587,659	(104,745)	-	2,482,914
Total capital assets, net	<u>\$ 3,505,753</u>	<u>\$ (104,745)</u>	<u>\$ -</u>	<u>\$ 3,401,008</u>

Depreciation expenses of \$149,528 was charged to the District.

	Water			
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 35,955	\$ -	\$ -	\$ 35,955
Total capital assets, not being depreciated	35,955	-	-	35,955
Capital assets, being depreciated:				
Water systems	3,678,271	-	-	3,678,271
Total capital assets, being depreciated	3,678,271	-	-	3,678,271
Less accumulated depreciation for:				
Water systems	(1,090,612)	(147,289)	-	(1,237,901)
Total accumulated depreciation	(1,090,612)	(147,289)	-	(1,237,901)
Total capital assets being depreciated, net	2,587,659	(147,289)	-	2,440,370
Total capital assets, net	<u>\$ 2,623,614</u>	<u>\$ (147,289)</u>	<u>\$ -</u>	<u>\$ 2,476,325</u>

Depreciation expenses of \$147,289 was charged to the water service function of the District.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3: CAPITAL ASSETS (Continued)

	Roads			Balance June 30, 2016
	Balance July 1, 2015	Additions	Deletions	
Capital assets, not being depreciated:				
Land	\$ 19,470	\$ -	\$ -	\$ 19,470
Land under roads	862,669	-	-	862,669
Total capital assets, not being depreciated	882,139	-	-	882,139
Capital assets, being depreciated:				
Infrastructure	414,077	44,783	-	458,860
Total capital assets, being depreciated	414,077	44,783	-	458,860
Less accumulated depreciation for:				
Infrastructure	(414,077)	(2,239)	-	(416,316)
Total accumulated depreciation	(414,077)	(2,239)	-	(416,316)
Total capital assets being depreciated, net	-	42,544	-	42,544
Total capital assets, net	<u>\$ 882,139</u>	<u>\$ 42,544</u>	<u>\$ -</u>	<u>\$ 924,683</u>

Depreciation expenses of \$2,239 was charged to the road maintenance function of the District.

NOTE 4: RELATED PARTY TRANSACTIONS

The District's property taxes are levied and collected through County of Madera Assessor and Treasurer-Tax Collector departments. The District contracts with the County of Madera to provide certain services to the District. The District's accounting and clerical functions are performed by County personnel. The County of Madera charges the District for administrative costs incurred.

The amount due to the County of Madera as of June 30, 2016 is \$96,219. The District intends to pay back this amount through future cash flow at the current established rate, however, future rate increases may be necessary in order to fulfill the obligation.

NOTE 5: LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Advances from County of Madera	\$ -	\$ 183,000	\$ -	\$ 183,000	\$ 183,000
Limited Obligation Improvement Bonds, Series 2008	3,050,000	-	(65,000)	2,985,000	70,000
Unamortized bonds discount	(71,695)	-	3,117	(68,578)	-
Total	<u>\$ 2,978,305</u>	<u>\$ 183,000</u>	<u>\$ (61,883)</u>	<u>\$ 3,099,422</u>	<u>\$ 253,000</u>

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5: LONG-TERM LIABILITIES (Continued)

Advance from the County of Madera

The District has obtained a \$183,000 loan from the County of Madera on June 29, 2016 to assist with cash flow need for emergency water well replacement and repair. The loan is to be repaid with interest at a rate equal to the State quarterly pooled interest rate, not to exceed three percent (3%). This loan is to be repaid in total with interest by June 30, 2017. The outstanding balance of the loan advance as of June 30, 2016 was \$183,000. The District intends to pay back this advance through future cash flow at the current established rate, however, future rate increases may be necessary in order to fulfill the obligation. Refer to Note 7 for additional information.

Limited Obligation Improvement Bonds, Series 2008

On September 4, 2008, the District issued \$3,410,677.43 Limited Obligation Improvement Bonds, Series 2008 for the purpose of financing the construction and acquisition of certain public improvements within Assessment District No. 2007-1 (CSA No. 19, Rolling Hills Water Improvements). These bonds will be repaid from amounts levied against the property owners benefited by this water improvement. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the bonds. The term of this bond is 30 years, maturing on September 2, 2038 with stated interest rates ranging from 3.00% to 5.875%. Annual principal installments range from \$50,667.43 to \$220,000 through September 2, 2038. Semi-annual payments are due on March 2nd and September 2nd of each year. As of June 30, 2016 the outstanding balance on these bonds and unamortized discount are \$2,985,000 and \$68,578, respectively. Amortization expense for the fiscal year is \$3,117.

As of June 30, 2016, annual debt service requirements of the bonds payable to maturity is as follow:

Year ending June 30,	Principal	Interest	Total
2017	\$ 70,000	\$ 164,856	\$ 234,856
2018	70,000	161,356	231,356
2019	75,000	157,606	232,606
2020	80,000	153,606	233,606
2021	85,000	149,356	234,356
2021-2026	500,000	636,510	1,136,510
2026-2031	635,000	466,494	1,101,494
2031-2036	850,000	275,933	1,125,933
2036-2039	<u>620,000</u>	<u>48,709</u>	<u>668,709</u>
	<u>\$ 2,985,000</u>	<u>\$ 2,214,426</u>	<u>\$ 5,199,426</u>

NOTE 6: INSURANCE AND RISK OF LOSS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. Because the District does not have employees, it is not exposed to injuries to employees. The District's officers are officials of the County, and therefore coverage for general liability and errors and omissions is provided under the County's program. This program is self-insured to a level of \$100,000, after which excess coverage is obtained through participation in the CSAC Excess Insurance Authority (EIA). Disclosure of complete information on risk management can be found in the County of Madera Comprehensive Annual Financial Report.

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7: SUBSEQUENT EVENTS

The District had obtained a \$183,000 loan from the County of Madera on June 29, 2016 to assist with cash flow need for emergency water well replacement and repair. The loan was to be repaid in total with interest by June 30, 2017. The District will not be able to repay the loan by June 30, 2017 as stated in the loan agreement. The District is in the process of increasing the water rate and will not be able to repay the loan until the water rate increase is complete.

The District had obtained a \$36,700 loan from the County of Madera on June 20, 2017 to help fund the District's operation. The loan is to be repaid with interest at the County of Madera treasury pool rate plus 50 basis points as soon as funds are available from the District. Interest will be accrued on the unpaid principal balance until loan is paid in full.

SUPPLEMENTARY INFORMATION

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016**

	Water	Roads	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 333,545	\$ -	\$ 333,545
Cash and investments - restricted	454,850	-	454,850
Accounts receivable	11,357	-	11,357
Interest receivable	1,288	-	1,288
Taxes receivable	147	-	147
Total Current Assets	801,187	-	801,187
Non-Current Assets:			
Long-term assessment receivable	2,962,243	-	2,962,243
Capital assets:			
Land	35,955	19,470	55,425
Land under roads	-	862,669	862,669
Depreciable assets	3,678,271	458,860	4,137,131
Accumulated depreciation	(1,237,901)	(416,316)	(1,654,217)
Total Non-Current Assets	5,438,568	924,683	6,363,251
Total Assets	6,239,755	924,683	7,164,438
LIABILITIES			
Current Liabilities:			
Accounts payable	2,016	-	2,016
Interest payable	56,399	-	56,399
Deposits from others	3,600	-	3,600
Due to County of Madera	96,219	-	96,219
Unearned revenue	1,987	-	1,987
Advance from County of Madera	183,000	-	183,000
Bonds payable - current	70,000	-	70,000
Total Current Liabilities	413,221	-	413,221
Non-Current Liabilities:			
Bonds payable	2,846,422	-	2,846,422
Total Non-Current Liabilities	2,846,422	-	2,846,422
Total Liabilities	3,259,643	-	3,259,643
NET POSITION			
Net investment in capital assets	(440,097)	924,683	484,586
Restricted for debt service	444,794	-	444,794
Unrestricted	2,975,415	-	2,975,415
Total Net Position	\$ 2,980,112	\$ 924,683	\$ 3,904,795

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Water</u>	<u>Roads</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 415,928	\$ -	\$ 415,928
Other revenues	<u>9,895</u>	<u>-</u>	<u>9,895</u>
Total Operating Revenues	<u>425,823</u>	<u>-</u>	<u>425,823</u>
Operating Expenses:			
Services and supplies	36,620	-	36,620
Maintenance	91,303	4,857	96,160
Insurance	3,107	-	3,107
Utilities	69,285	-	69,285
Depreciation and amortization	<u>150,406</u>	<u>2,239</u>	<u>152,645</u>
Total Operating Expenses	<u>350,721</u>	<u>7,096</u>	<u>357,817</u>
Operating Income (Loss)	<u>75,102</u>	<u>(7,096)</u>	<u>68,006</u>
Non-Operating Revenue (Expenses):			
Taxes	1,634	25,495	27,129
Investment income	2,680	-	2,680
Interest and fiscal charges	<u>(168,812)</u>	<u>-</u>	<u>(168,812)</u>
Total Non-Operating Revenue (Expenses)	<u>(164,498)</u>	<u>25,495</u>	<u>(139,003)</u>
Income (Loss) Before Contributions	(89,396)	18,399	(70,997)
Capital contributions	-	22,392	22,392
Transfers in	-	1,753	1,753
Transfers out	<u>(1,753)</u>	<u>-</u>	<u>(1,753)</u>
Change in Net Position	(91,149)	42,544	(48,605)
Net Position, Beginning of Year	<u>3,071,261</u>	<u>882,139</u>	<u>3,953,400</u>
Net Position, End of Year	<u>\$ 2,980,112</u>	<u>\$ 924,683</u>	<u>\$ 3,904,795</u>

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	Water	Roads	Total
Cash flows from operating activities:			
Cash receipts from customers and users	\$ 545,333	\$ -	\$ 545,333
Cash paid to suppliers	<u>(193,351)</u>	<u>(4,857)</u>	<u>(198,208)</u>
Net cash provided (used) by operating activities	<u>351,982</u>	<u>(4,857)</u>	<u>347,125</u>
Cash flows from noncapital financing activities:			
Taxes	1,487	25,495	26,982
Transfers from (to) other divisions	(1,753)	1,753	-
Advance from County of Madera	<u>183,000</u>	<u>-</u>	<u>183,000</u>
Net cash provided (used) by noncapital financing activities	<u>182,734</u>	<u>27,248</u>	<u>209,982</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(22,391)	(22,391)
Principal paid on capital debt	(65,000)	-	(65,000)
Interest paid on capital debt	<u>(169,738)</u>	<u>-</u>	<u>(169,738)</u>
Net cash provided (used) by capital and related financing activities	<u>(234,738)</u>	<u>(22,391)</u>	<u>(257,129)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,775</u>	<u>-</u>	<u>1,775</u>
Net cash provided (used) by investing activities	<u>1,775</u>	<u>-</u>	<u>1,775</u>
Net increase (decrease) in cash and cash equivalents	301,753	-	301,753
Cash and cash equivalents, beginning of the year	<u>486,642</u>	<u>-</u>	<u>486,642</u>
Cash and cash equivalents, end of the year	<u>\$ 788,395</u>	<u>\$ -</u>	<u>\$ 788,395</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Investments per Statement of Net Position	\$ 333,545	\$ -	\$ 333,545
Restricted Cash and Investments per Statement of Net Position	<u>454,850</u>	<u>-</u>	<u>454,850</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 788,395</u>	<u>\$ -</u>	<u>\$ 788,395</u>

**SERVICE AREA 19 – ROLLING HILLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	Water	Roads	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 75,102	\$ (7,096)	\$ 68,006
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	147,289	2,239	149,528
Amortization	3,117	-	3,117
Changes in operating assets and liabilities:			
Decrease/(Increase) in accounts receivable	31,779	-	31,779
Decrease/(Increase) in due from County of Madera	156	-	156
Decrease/(Increase) in long-term assessment receivable	87,820	-	87,820
Increase/(Decrease) in accounts payable	(550)	-	(550)
Increase/(Decrease) in due to County of Madera	7,514	-	7,514
Increase/(Decrease) in deposits from others	1,050	-	1,050
Increase/(Decrease) in unearned revenues	(1,295)	-	(1,295)
Net cash provided (used) by operating activities	\$ 351,982	\$ (4,857)	\$ 347,125

Schedule of non-cash capital and related financing activities:

Contributions of capital assets	\$ -	\$ 22,392	\$ 22,392
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