

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

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2021**

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

JUNE 30, 2021

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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, 2021**

ASSETS

Current Assets:

Cash and investments	\$ 94,649
Cash and investments - restricted	309,701
Accounts receivable	7,215
Interest receivable	402
	<hr/>
Total Current Assets	411,967

Non-Current Assets:

Long-term receivables	<hr/> 2,513,703
Total Non-Current Assets	<hr/> 2,513,703
Total Assets	<hr/> 2,925,670

LIABILITIES

Current Liabilities:

Accounts payable	5,810
Interest payable	31,424
Due to County of Madera	705
Bonds payable - current	99,759
	<hr/>
Total Current Liabilities	137,698

Non-Current Liabilities:

Bonds payable	<hr/> 2,414,174
Total Non-Current Liabilities	<hr/> 2,414,174
Total Liabilities	<hr/> 2,551,872

NET POSITION

Restricted for debt service	282,847
Unrestricted	90,951
	<hr/>
Total Net Position	\$ <u>373,798</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, 2021**

Operating Revenues:	
Other revenues	\$ 517
Total Operating Revenues	<u>517</u>
Operating Expenses:	
Services and supplies	7,052
Maintenance	<u>3,428</u>
Total Operating Expenses	<u>10,480</u>
Operating Income (Loss)	<u>(9,963)</u>
Non-Operating Revenue (Expenses):	
Taxes	33,508
Assessments	42,507
Investment income	1,696
Interest and fiscal charges	<u>(89,196)</u>
Total Non-Operating Revenue (Expenses)	<u>(11,485)</u>
Change in Net Position	(21,448)
Net Position, Beginning of Year	<u>395,246</u>
Net Position, End of Year	<u><u>\$ 373,798</u></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, 2021**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 13,512
Cash paid to suppliers	<u>(7,880)</u>
Net cash provided by (used for) operating activities	<u>5,632</u>
Cash flows from noncapital financing activities:	
Taxes	33,508
Repayment of Advances from County of Madera	<u>(289,603)</u>
Net cash provided by (used for) noncapital financing activities	<u>(256,095)</u>
Cash flows from capital and related financing activities:	
Assessments received from property owners	166,801
Principal paid on capital debt	(94,771)
Interest paid on capital debt	<u>(103,618)</u>
Net cash provided by (used for) capital and related financing activities	<u>(31,588)</u>
Cash flows from investing activities:	
Investment income received	<u>2,603</u>
Net cash provided by (used for) investing activities	<u>2,603</u>
Net increase (decrease) in cash and cash equivalents	(279,448)
Cash and cash equivalents, beginning of the year	<u>683,798</u>
Cash and cash equivalents, end of the year	<u>\$ 404,350</u>
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and Investments per Statement of Net Position	\$ 94,649
Restricted Cash and Investments per Statement of Net Position	<u>309,701</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 404,350</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, 2021**

Reconciliation of Operating Income (Loss) to Net Cash provided by (used for) Operating Activities

Operating income (loss)	\$ (9,963)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	12,995
Increase/(Decrease) in accounts payable	5,794
Increase/(Decrease) in due to County of Madera	<u>(3,194)</u>
Net cash provided by (used for) operating activities	<u>\$ 5,632</u>

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, 2021**

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 has approximately 364 parcels with 5.30 miles of paved road and 0.95 miles of chip sealed road. These roads are minor rural County roads which are included in the County's maintained road system. 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. On October 23, 2018, the Board approved a Purchase and Sale Agreement for the SA 19, Rolling Hills water system to Bakman Water Company. As of March 1, 2019, Bakman Water Company became the sole provider of potable water service for SA 19. The District receives property taxes to cover operating expenses of the District.

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 Change 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 Change 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, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Receivables

Receivables consist of 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. Long-term Assessment Receivable

Long term receivables consists of special assessments which have been levied but not yet due. In future years when the assessments are paid the receivable will be reduced until all is paid.

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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2021 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$ 94,649
Cash and investments – restricted	<u>309,701</u>
Total cash and investments	<u>\$ 411,967</u>

The District's cash and investments consisted of the following as of June 30, 2021:

Deposits held with County of Madera Investment Pool	\$ 411,967
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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, 2021, 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 Annual Comprehensive 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 and 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.

NOTE 3: LONG-TERM RECEIVABLES

The District had issued capital improvement special assessment debts and the County is obligated in some manner for these debts. These special assessment debts and corresponding special assessment receivables are recorded in the Special District - Water/Sewer fund. Long-term assessment receivable as of June 30, 2021 is \$2,513,703.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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. Total expenses to the County of Madera for the year ended June 30, 2021 were \$13,326.

The amount due to the County of Madera as of June 30, 2021 is \$705.

See additional information on advances from the County of Madera at Note 5.

NOTE 5: LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Advances from County of Madera	\$ 219,700	\$ -	\$ (219,700)	\$ -	\$ -
Advances from County of Madera	69,903	-	(69,903)	-	-
Limited Obligation Improvement Bonds, Series 2019 from Direct Placement	<u>2,608,704</u>	<u>-</u>	<u>(94,771)</u>	<u>2,513,933</u>	<u>99,759</u>
Total	<u>\$ 2,898,307</u>	<u>\$ -</u>	<u>\$ (384,374)</u>	<u>\$ 2,513,933</u>	<u>\$ 99,759</u>

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%). The outstanding balance of the loan advance as of June 30, 2021 was \$183,000. This loan is paid off during the fiscal year.

The District 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. This loan is paid off during the fiscal year.

The District has been advanced funds from the County in the amount of \$69,903. The advance is unsecured, noninterest bearing, and is due on demand. The County does not anticipate demanding repayment in the next fiscal year; therefore, the balance has been shown as a noncurrent liability on the statement of net position. This loan is paid off during the fiscal year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5: LONG-TERM LIABILITIES (Continued)

Limited Obligation Refunding Improvement Bonds, Series 2019

On January 30, 2019, the District issued \$2,710,000 of direct placement Taxable Limited Obligation Improvement Refunding Bonds, Series 2019, at interest rate of 3.75%, and used the proceeds to advance refund the Limited Obligation Improvement Bonds, Series 2008. The net proceeds of \$2,787,087 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. County of Madera Treasurer purchased the bonds for its investment pool in a direct placement by the County. 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. Annual principal installments range from \$95,000 to \$190,000 through September 2, 2038. Semi-annual payments are due on March 2nd and September 2nd of each year. As of June 30, 2021 the outstanding balance on these bonds is \$2,513,933.

As of June 30, 2021, annual debt service requirements of the bonds payable to maturity is as follow:

Year ending June 30,	Principal	Interest	Total
2022	\$ 99,759	\$ 92,402	\$ 192,161
2023	104,747	88,568	193,315
2024	109,735	84,546	194,281
2025	114,723	80,337	195,060
2026	114,723	76,035	190,758
2027-2031	648,435	310,501	958,936
2032-2036	778,123	177,135	955,258
2037-2039	<u>543,688</u>	<u>31,144</u>	<u>574,832</u>
 Total	 <u>\$ 2,513,933</u>	 <u>\$ 940,668</u>	 <u>\$ 3,454,601</u>

The interest expense for the year ended June 30, 2021 was \$89,196.

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 Public Risk Innovation, Solutions, and Management (PRISM). Disclosure of complete information on risk management can be found in the County of Madera Annual Comprehensive Financial Report.

SUPPLEMENTARY INFORMATION

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

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021**

	Water	Roads	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 94,649	\$ -	\$ 94,649
Cash and investments - restricted	309,701	-	309,701
Accounts receivable	7,215	-	7,215
Interest receivable	402	-	402
Total Current Assets	411,967	-	411,967
Non-Current Assets:			
Long-term receivables	2,513,703	-	2,513,703
Total Non-Current Assets	2,513,703	-	2,513,703
Total Assets	2,925,670	-	2,925,670
LIABILITIES			
Current Liabilities:			
Accounts payable	5,810	-	5,810
Interest payable	31,424	-	31,424
Due to County of Madera	705	-	705
Bonds payable - current	99,759	-	99,759
Total Current Liabilities	137,698	-	137,698
Non-Current Liabilities:			
Bonds payable	2,414,174	-	2,414,174
Total Non-Current Liabilities	2,414,174	-	2,414,174
Total Liabilities	2,551,872	-	2,551,872
NET POSITION			
Restricted for debt service	282,847	-	282,847
Unrestricted	90,951	-	90,951
Total Net Position	\$ 373,798	\$ -	\$ 373,798

**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, 2021**

	Water	Roads	Total
Operating Revenues:			
Other revenues	\$ 517	\$ -	\$ 517
Total Operating Revenues	517	-	517
Operating Expenses:			
Services and supplies	\$ 7,052	\$ -	\$ 7,052
Maintenance	-	3,428	3,428
Total Operating Expenses	7,052	3,428	10,480
Operating Income (Loss)	(6,535)	(3,428)	(9,963)
Non-Operating Revenue (Expenses):			
Taxes	30,080	3,428	33,508
Assessments	42,507	-	42,507
Investment income	1,696	-	1,696
Interest and fiscal charges	(89,196)	-	(89,196)
Total Non-Operating Revenue (Expenses)	(14,913)	3,428	(11,485)
Change in Net Position	(21,448)	-	(21,448)
Net Position, Beginning of Year	395,246	-	395,246
Net Position, End of Year	\$ 373,798	\$ -	\$ 373,798

**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, 2021**

	Water	Roads	Total
Cash flows from operating activities:			
Cash receipts from customers and users	\$ 13,512	\$ -	\$ 13,512
Cash paid to suppliers	<u>(4,452)</u>	<u>(3,428)</u>	<u>(7,880)</u>
Net cash provided by (used for) operating activities	<u>9,060</u>	<u>(3,428)</u>	<u>5,632</u>
Cash flows from noncapital financing activities:			
Taxes	30,080	3,428	33,508
Repayment of Advances from County of Madera	<u>(289,603)</u>	<u>-</u>	<u>(289,603)</u>
Net cash provided by (used for) noncapital financing activities	<u>(259,523)</u>	<u>3,428</u>	<u>(256,095)</u>
Cash flows from capital and related financing activities:			
Assessments received from property owners	166,801	-	166,801
Principal paid on capital debt	(94,771)	-	(94,771)
Interest paid on capital debt	<u>(103,618)</u>	<u>-</u>	<u>(103,618)</u>
Net cash provided by (used for) capital and related financing activities	<u>(31,588)</u>	<u>-</u>	<u>(31,588)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,603</u>	<u>-</u>	<u>2,603</u>
Net cash provided by (used for) investing activities	<u>2,603</u>	<u>-</u>	<u>2,603</u>
Net increase (decrease) in cash and cash equivalents	(279,448)	-	(279,448)
Cash and cash equivalents, beginning of the year	<u>683,798</u>	<u>-</u>	<u>683,798</u>
Cash and cash equivalents, end of the year	<u>\$ 404,350</u>	<u>\$ -</u>	<u>\$ 404,350</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Investments per Statement of Net Position	\$ 94,649	\$ -	\$ 94,649
Restricted Cash and Investments per Statement of Net Position	<u>309,701</u>	<u>-</u>	<u>309,701</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 404,350</u>	<u>\$ -</u>	<u>\$ 404,350</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, 2021**

	Water	Roads	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (6,535)	\$ (3,428)	\$ (9,963)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Changes in operating assets and liabilities:			
Decrease/(Increase) in accounts receivable	12,995	-	12,995
Increase/(Decrease) in accounts payable	5,794	-	5,794
Increase/(Decrease) in due to County of Madera	(3,194)	-	(3,194)
Net cash provided by (used for) operating activities	\$ 9,060	\$ (3,428)	\$ 5,632