

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

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

**JUNE 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS .....	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position .....	3
Statement of Revenues, Expenses, and Changes in Net Position .....	4
Statement of Cash Flows .....	5
Notes to the Basic Financial Statements .....	7

## **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 ended June 30, 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***

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, 2017, 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.

**Emphasis of Matter**

*Correction of Error*

As discussed in Note 7 to the financial statements, the District restated their net position as of June 30, 2016, for reporting capital assets owned by the County of Madera, California, in particular, land, land under roads, and infrastructure, as owned by the District. Our opinion is not modified with respect to that matter.

**Other Matter**

*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

Fresno, California  
September 25, 2019

## BASIC FINANCIAL STATEMENTS

*THIS PAGE IS LEFT BLANK INTENTIONALLY.*

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

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

**ASSETS**

Current Assets:	
Cash and investments	\$ 140,551
Cash and investments - restricted	475,721
Accounts receivable	32,717
Interest receivable	<u>1,185</u>
Total Current Assets	<u>650,174</u>
Non-Current Assets:	
Long-term assessment receivable	2,893,123
Capital assets:	
Land	35,955
Depreciable assets	3,918,628
Accumulated depreciation	<u>(1,390,533)</u>
Total Non-Current Assets	<u>5,457,173</u>
Total Assets	<u>6,107,347</u>

**LIABILITIES**

Current Liabilities:	
Accounts payable	11,105
Interest payable	56,951
Deposits from others	4,950
Due to County of Madera	61,242
Unearned revenue	3,049
Advance from County of Madera	183,000
Bonds payable - current	<u>70,000</u>
Total Current Liabilities	<u>390,297</u>
Non-Current Liabilities:	
Advances from County of Madera	106,603
Bonds payable	<u>2,779,539</u>
Total Non-Current Liabilities	<u>2,886,142</u>
Total Liabilities	<u>3,276,439</u>

**NET POSITION**

Net investment in capital assets	(468,489)
Restricted for debt service	475,721
Unrestricted	<u>2,823,676</u>
Total Net Position	<u>\$ 2,830,908</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, 2017**

Operating Revenues:	
Charges for services	\$ 455,208
Other revenues	<u>4,214</u>
Total Operating Revenues	<u>459,422</u>
Operating Expenses:	
Services and supplies	56,104
Maintenance	186,355
Insurance	3,232
Utilities	70,923
Depreciation and amortization	<u>155,749</u>
Total Operating Expenses	<u>472,363</u>
Operating Income (Loss)	<u>(12,941)</u>
Non-Operating Revenue (Expenses):	
Taxes	27,737
Investment income	3,146
Interest expense	(167,158)
Other non-operating revenues	<u>12</u>
Total Non-Operating Revenue (Expenses)	<u>(136,263)</u>
Change in Net Position	(149,204)
Net Position, Beginning of Year, restated	<u>2,980,112</u>
Net Position, End of Year	<u><u>\$ 2,830,908</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, 2017**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 509,594
Cash paid to suppliers	<u>(272,599)</u>
Net cash provided (used) by operating activities	<u>236,995</u>
Cash flows from noncapital financing activities:	
Taxes	27,884
Advance from County of Madera	<u>36,700</u>
Net cash provided (used) by noncapital financing activities	<u>64,584</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(240,357)
Principal paid on capital debt	(70,000)
Interest paid on capital debt	<u>(166,606)</u>
Net cash provided (used) by capital and related financing activities	<u>(476,963)</u>
Cash flows from investing activities:	
Interest on investments	<u>3,261</u>
Net cash provided (used) by investing activities	<u>3,261</u>
Net increase (decrease) in cash and cash equivalents	(172,123)
Cash and cash equivalents, beginning of the year	<u>788,395</u>
Cash and cash equivalents, end of the year	<u><u>\$ 616,272</u></u>
 <b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>	
Cash and Investments per Statement of Net Position	\$ 140,551
Restricted Cash and Investments per Statement of Net Position	<u>475,721</u>
Total Cash and Investments per Statement of Net Position	<u><u>\$ 616,272</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, 2017**

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

Operating income (loss)	\$ (12,941)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	152,632
Amortization	3,117
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	(21,360)
Decrease/(Increase) in long-term assessment receivable	69,120
Increase/(Decrease) in accounts payable	9,089
Increase/(Decrease) in due to County of Madera	34,926
Increase/(Decrease) in deposits from others	1,350
Increase/(Decrease) in unearned revenues	<u>1,062</u>
Net cash provided (used) by operating activities	<u>\$ 236,995</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

*THIS PAGE IS LEFT BLANK INTENTIONALLY.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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. 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. In addition to the charges for water services, 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 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, 2017**

**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. 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. 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.

**H. 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, laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Net Position** (Continued)

- 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.

**I. 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, 2017 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$ 140,551
Cash and investments – restricted	<u>475,721</u>
Total cash and investments	<u>\$ 616,272</u>

The District’s cash and investments consisted of the following as of June 30, 2017:

Deposits held with County of Madera Investment Pool	\$ 616,272
---	------------

**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, 2017, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**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.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017, was as follows:

	<b>Water</b>			Balance June 30, 2017
	Balance July 1, 2016	Additions	Deletions	
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	240,357	-	3,918,628
Total capital assets, being depreciated	3,678,271	240,357	-	3,918,628
Less accumulated depreciation for:				
Water systems	(1,237,901)	(152,632)	-	(1,390,533)
Total accumulated depreciation	(1,237,901)	(152,632)	-	(1,390,533)
Total capital assets being depreciated, net	2,440,370	87,725	-	2,528,095
Total capital assets, net	<u>\$ 2,476,325</u>	<u>\$ 87,725</u>	<u>\$ -</u>	<u>\$ 2,564,050</u>

Depreciation expenses of \$152,632 was charged to the water service 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, 2017 is \$61,242.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5: LONG-TERM LIABILITIES**

Changes in the District's long-term liabilities for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions/ Reclassifications	Deletions	Balance June 30, 2017	Due Within One Year
Advances from County of Madera	\$ 183,000	\$ -	\$ -	\$ 183,000	\$ 183,000
Advances from County of Madera	-	36,700	-	36,700	-
Advances from County of Madera		69,903		69,903	-
Limited Obligation Improvement					
Bonds, Series 2008	2,985,000	-	(70,000)	2,915,000	70,000
Unamortized bonds discount	(68,578)	-	3,117	(65,461)	-
	<u>3,099,422</u>	<u>106,603</u>	<u>(66,883)</u>	<u>3,139,142</u>	<u>253,000</u>
<b>Total</b>	<b>\$ 3,099,422</b>	<b>\$ 106,603</b>	<b>\$ (66,883)</b>	<b>\$ 3,139,142</b>	<b>\$ 253,000</b>

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, 2017 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.

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.

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.

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 to \$220,000 through September 2, 2038. Semi-annual payments are due on March 2<sup>nd</sup> and September 2<sup>nd</sup> of each year. As of June 30, 2017 the outstanding balance on these bonds and unamortized discount are \$2,915,000 and \$65,461, respectively. Amortization expense for the fiscal year is \$3,117.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5: LONG-TERM LIABILITIES (Continued)**

As of June 30, 2017, annual debt service requirements of the bonds payable to maturity is as follow:

Year ending June 30,	Principal	Interest	Total
2018	\$ 70,000	\$ 163,106	\$ 233,106
2019	75,000	159,481	234,481
2020	80,000	155,606	235,606
2021	85,000	151,481	236,481
2022	90,000	146,994	236,994
2023-2027	525,000	607,592	1,132,592
2028-2032	670,000	432,683	1,102,683
2033-2037	900,000	230,591	1,130,591
2038-2039	420,000	21,764	441,764
	<u>\$ 2,915,000</u>	<u>\$ 2,069,298</u>	<u>\$ 4,984,298</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.

**NOTE 7: RESTATEMENT OF BEGINNING NET POSITION**

The beginning net position was overstated by \$924,683 due to land, land under roads, and infrastructure belonging to the County of Madera being reported as belonging to the District.

The restatement of beginning net position is summarized as follows:

	Net investment in capital			Total
	assets	Restricted	Unrestricted	
Net position at June 30, 2016, as previously stated	\$ 484,586	\$ 444,794	\$ 2,975,415	\$ 3,904,795
Land, land under roads, and infrastructure adjustments	(924,683)	-	-	(924,683)
Net position at June 30, 2016, as restated	<u>\$ (440,097)</u>	<u>\$ 444,794</u>	<u>\$ 2,975,415</u>	<u>\$ 2,980,112</u>

The effect on the prior year change in net position summarized as follows:

Change in net position for the year ended June 30, 2016, as previously stated	\$ (48,605)
Maintenance expense adjustment	(44,783)
Infrastructure depreciation expense adjustment	2,239
Change in net position for the year ended June 30, 2016, as restated	<u>\$ (91,149)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8: SUBSEQUENT EVENTS**

Asset Purchase and Sale Agreement

On October 23, 2018, the District entered into an Asset Purchase and Sale Agreement with Bakman Water Company, a private water company, for the sale of the SA 19 Water System. The sale of the Water System is necessary because the Water System is in need of significant repairs, deferred maintenance, and various other improvements, which the District lacks sufficient resources to undertake. As of March 1, 2019 Bakman Water Company became the sole provider of portable water service for SA19. The purchase price of the Water System was \$1 and Bakman Water Company agreed to pay the District for the unpaid bond balance of the Limited Obligation Improvement Bonds, Series 2008, over a three year term.

Limited Obligation Refunding Improvement Bonds, Series 2019

On January 30, 2019, the District issued \$2,710,000 of 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 an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds.