

**Maintenance District 10A – Madera Ranchos  
(A Component Unit of the County of Madera, California)**

**Financial Statements and Independent Auditor's Report  
For the Years Ended June 30, 2015, 2014 and 2013**

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**Maintenance District 10A – Madera Ranchos  
(A Component Unit of the County of Madera, California)**

Annual Financial Report  
For the Years Ended June 30, 2015, 2014 and 2013

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## INDEPENDENT AUDITOR'S REPORT

The Board of Supervisors and Grand Jury  
Madera County  
Madera, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Maintenance District 10A – Madera Ranchos (District), a component unit of the County of Madera, California, as of and for the years ended June 30, 2015, 2014 and 2013, 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 opinions 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, 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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2015, 2014 and 2013, and the changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 on our consideration of the District's internal control over financial reporting and on our 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 our 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.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California  
November 1, 2016

**MAINTENANCE DISTRICT 10A - MADERA RANCHOS**  
(a Component Unit of the County of Madera)

Statements of Net Position  
June 30, 2015, 2014 and 2013

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,359,459	\$ 1,204,969	\$ 1,519,957
Accounts receivable	72,505	44,985	39,665
Interest receivable	--	2,438	1,686
Taxes receivable	2,116	34	365
Due from other funds	28	--	--
Total current assets	1,434,108	1,252,426	1,561,673
Non-current assets:			
Land	251,695	251,695	251,695
Construction in progress	2,335,976	615,903	165,634
Depreciable assets	3,172,909	3,153,302	3,153,302
Accumulated depreciation	(1,433,902)	(1,345,788)	(1,257,838)
Total non-current assets	4,326,678	2,675,112	2,312,793
Total assets	5,760,786	3,927,538	3,874,466
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	843,825	17,124	52,736
Due to other funds	54,002	4,477	15,159
Deposits from others	11,100	3,150	--
Unearned revenues	8,238	8,978	5,004
Total current liabilities	917,165	33,729	72,899
Non-current liabilities:			
Advances from other funds	750,000	--	--
Total Non-Current Liabilities	750,000	--	--
Total Liabilities	1,667,165	33,729	72,899
<b>NET POSITION</b>			
Net investment in capital assets	4,326,678	2,675,112	2,312,793
Unrestricted	(233,057)	1,218,697	1,488,774
Total Net Position	\$ 4,093,621	\$ 3,893,809	\$ 3,801,567

The accompanying notes are an integral part of these financial statements

**MAINTENANCE DISTRICT 10A - MADERA RANCHOS**  
(a Component Unit of the County of Madera)

Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2015, 2014 and 2013

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating revenues:			
Charges for services	\$ 654,609	\$ 631,617	\$ 581,253
Total operating revenues	654,609	631,617	581,253
Operating Expenses:			
Services and supplies	375,343	459,083	502,083
Depreciation	88,114	87,950	92,116
Total operating expenses	463,457	547,033	594,199
Operating Income (Loss)	191,152	84,584	(12,946)
Non-operating revenues (expenses)			
Investment income	8,660	7,658	5,762
Total non-operating revenues (expenses)	8,660	7,658	5,762
Change in Net Position	199,812	92,242	(7,184)
Net position, beginning	3,893,809	3,801,567	3,808,751
Net position - ending	\$ 4,093,621	\$ 3,893,809	\$ 3,801,567

The accompanying notes are an integral part of these financial statements



**MAINTENANCE DISTRICT 10A - MADERA RANCHOS**  
(a Component Unit of the County of Madera)

Statements of Cash Flows  
For the Years Ended June 30, 2015, 2014 and 2013

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 634,305	\$ 633,000	\$ 592,812
Payments to suppliers and service providers	(333,862)	(505,377)	(449,722)
Net cash provided (used by) operating activities	300,443	127,623	143,090
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advances from other funds	750,000	--	--
Net cash provided (used by) noncapital financing activities	750,000	--	--
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(904,935)	(450,269)	(262,340)
Net cash provided (used by) capital and related financing activities	(904,935)	(450,269)	(262,340)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	8,982	7,658	8,254
Net cash provided (used by) investing activities	8,982	7,658	8,254
Net increase (decrease) in cash and cash equivalents	154,490	(314,988)	(110,996)
Cash and cash equivalents July 1	1,204,969	1,519,957	1,630,953
Cash and cash equivalents June 30	\$ 1,359,459	\$ 1,204,969	\$ 1,519,957

The accompanying notes are an integral part of these financial statements

**MAINTENANCE DISTRICT 10A - MADERA RANCHOS**  
(a Component Unit of the County of Madera)

Statements of Cash Flows - continued  
For the Years Ended June 30, 2015, 2014 and 2013

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>			
Operating income (loss)	<b>\$ 191,152</b>	<b>\$ 84,584</b>	<b>\$ (12,946)</b>
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:			
Depreciation	88,114	87,950	92,116
(Increase) decrease in accounts receivable	(27,514)	(4,955)	11,520
(Increase) decrease in other receivables	--	(786)	--
(Increase) decrease in due from other funds	--		1,153
Decrease (increase) in unearned revenue	(740)	3,974	(1,114)
Decrease (increase) in deposits payable	--	3,150	--
Decrease (increase) in accounts payable	49,431	(35,612)	46,327
Decrease (increase) in due to other funds	--	(10,682)	6,034
Net cash provided (used by) operating activities	<b>\$ 300,443</b>	<b>\$ 127,623</b>	<b>\$ 143,090</b>

The accompanying notes are an integral part of these financial statements

**MD 10 A Madera Ranchos  
(A Component Unit of the County of Madera, California)**

Notes to Financial Statements  
For the Years Ended June 30, 2015, 2014 and 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the MD 10 A Madera Ranchos (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 residential and commercial customers totaling 938.8 improved units and 62.6 standby units. The District is located south east of the City of Madera in the vicinity of Avenue 12 and Road 36 1/2 in Madera County.

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**

The District accounts for its activities as a single enterprise fund, and the financial statements are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges for services. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. In accordance with GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

**C. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased, and its equity in the County Treasurer's investment pool, to be cash equivalents.

**D. Receivables**

Receivables consist mostly of fees charged for water services. Accounts receivable represents amounts billed directly by the District. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

**MD 10 A Madera Ranchos  
(A Component Unit of the County of Madera, California)**

Notes to Financial Statements  
For the Years Ended June 30, 2015, 2014 and 2013

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

**E. Capital Assets**

Capital assets, including public domain (infrastructure assets such as water, sewer, and similar items) 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>
Water and Sewer Systems	15-65 years
Buildings and Improvements	30-50 years
Machinery and 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.

**F. Interfund Transactions**

Interfund transactions are reflected as loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenses in the reimbursing fund and reductions to expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between segments are netted when reporting at the District-wide level.

**G. Estimates**

The preparation of 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.

**MD 10 A Madera Ranchos  
(A Component Unit of the County of Madera, California)**

Notes to Financial Statements  
For the Years Ended June 30, 2015, 2014 and 2013

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

**H. Net Position**

The District's financial statements utilize a net position presentation. Net position comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: 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 – 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. For the District, this category represents restrictions for debt service and construction projects.
- Unrestricted – This category represents the net position of the District, not restricted for any project or other purpose.

When both restricted and unrestricted net position is available, unrestricted resources are used only after the restricted resources are depleted.

**NOTE 2: 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.

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

The District's cash and investments consisted of the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash and investments - unrestricted	\$ 1,359,459	\$ 1,204,969	\$ 1,519,957

**MD 10 A Madera Ranchos  
(A Component Unit of the County of Madera, California)**

Notes to Financial Statements  
For the Years Ended June 30, 2015, 2014 and 2013

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

Required disclosures for the District's deposit and investment risks for the cash held in the County Treasury at June 30, 2015, were as follows:

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

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Retirements /Adjustments	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 251,695	\$ --	\$ --	\$ 251,695
Construction-in-progress	615,903	1,720,073	--	2,335,976
Total capital assets, not being depreciated	867,598	1,720,073	--	2,587,671
Capital assets, being depreciated:				
Structures and improvements	3,082,172	--	--	3,082,172
Equipment	71,130	19,607	--	90,737
Total capital assets, being depreciated	3,153,302	19,607	--	3,172,909
Less accumulated depreciation:				
Structures and improvements	(1,296,172)	(82,703)	--	(1,378,875)
Equipment	(49,616)	(5,411)	--	(55,027)
Total accumulated depreciation	(1,345,788)	(88,114)	--	(1,433,902)
Total capital assets, being depreciated	1,807,514	(68,507)	--	1,739,007
Total capital assets	\$ 2,675,112	\$ 1,651,566	\$ --	\$ 4,326,678

**MD 10 A Madera Ranchos**  
**(A Component Unit of the County of Madera, California)**

Notes to Financial Statements  
For the Years Ended June 30, 2015, 2014 and 2013

**NOTE 3: CAPITAL ASSETS** (continued)

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 251,695	\$ --	\$ --	\$ 251,695
Construction-in-progress	165,634	450,269	--	615,903
Total capital assets, not being depreciated	<u>417,329</u>	<u>450,269</u>	<u>--</u>	<u>867,598</u>
Capital assets, being depreciated:				
Structures and improvements	3,082,172	--	--	3,082,172
Equipment	71,130	--	--	71,130
Total capital assets, being depreciated	<u>3,153,302</u>	<u>--</u>	<u>--</u>	<u>3,153,302</u>
Less accumulated depreciation:				
Structures and improvements	(1,213,469)	(82,703)	--	(1,296,172)
Equipment	(44,369)	(5,247)	--	(49,616)
Total accumulated depreciation	<u>(1,257,838)</u>	<u>(87,950)</u>	<u>--</u>	<u>(1,345,788)</u>
Total capital assets, being depreciated	<u>1,895,464</u>	<u>(87,950)</u>	<u>--</u>	<u>1,807,514</u>
Total capital assets	<u>\$ 2,312,793</u>	<u>\$ 362,319</u>	<u>\$ --</u>	<u>\$ 2,675,112</u>

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 201,900	\$ 49,795	\$ --	\$ 251,695
Construction-in-progress	25,347	140,287	--	165,634
Total capital assets, not being depreciated	<u>227,247</u>	<u>190,082</u>	<u>--</u>	<u>417,329</u>
Capital assets, being depreciated:				
Structures and improvements	3,023,383	58,789	--	3,082,172
Equipment	57,660	13,470	--	71,130
Total capital assets, being depreciated	<u>3,081,043</u>	<u>72,259</u>	<u>--</u>	<u>3,153,302</u>
Less accumulated depreciation:				
Structures and improvements	(1,126,264)	(87,205)	--	(1,213,469)
Equipment	(39,458)	(4,911)	--	(44,369)
Total accumulated depreciation	<u>(1,165,722)</u>	<u>(92,116)</u>	<u>--</u>	<u>(1,257,838)</u>
Total capital assets, being depreciated	<u>1,915,321</u>	<u>(19,857)</u>	<u>--</u>	<u>1,895,464</u>
Total capital assets	<u>\$ 2,142,568</u>	<u>\$ 170,225</u>	<u>\$ --</u>	<u>\$ 2,312,793</u>

**MD 10 A Madera Ranchos  
(A Component Unit of the County of Madera, California)**

Notes to Financial Statements  
For the Years Ended June 30, 2015, 2014 and 2013

**NOTE 4: DUE TO/FROM OTHER FUNDS**

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. The following are due from and due to balances between the District and other funds of the County of Madera:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Due from County of Madera	\$ 28	\$ --	\$ --
Due to County of Madera	54,002	4,477	15,159
Advances from County of Madera	750,000	--	--

On February 10, 2015, the County approved an advance of \$750,000 to the District to assist with cash flow needs to complete the Dublin Plant Well project. The balance outstanding at June 30, 2015 was \$750,000.

**NOTE 5: 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 financial statements.

**NOTE 6: SUBSEQUENT EVENTS**

Management has evaluated events subsequent to June 30, 2015 through November 1, 2016, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.



## **OTHER REPORTS**

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**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 Supervisors and Grand Jury  
Madera County  
Madera, California

We have audited the accompanying financial statements of the Maintenance District 10A – Madera Ranchos (District), a component unit of the County of Madera, California, as of and for the years ended June 30, 2015, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 1, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 the District's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Supervisors and Grand Jury  
Madera County

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.

A handwritten signature in cursive script that reads "Gallina LLP". The signature is written in black ink and is positioned above the typed name and date.

Roseville, California  
November 1, 2016