

MAINTENANCE DISTRICT 33 - FAIRMEAD
(A Component Unit of the County of Madera, California)

Financial Statements and Independent Auditor's Report
June 30, 2015, 2014 and 2013



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**Maintenance District 33 - Fairmead
(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 33 – Fairmead (District), a component unit of the County of Madera, California, as of and for the year ended June 30, 2015, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the District's basic 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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining segment financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining segment financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining segment financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 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.

CliftonLarsonAllen LLP

Roseville, California
March 24, 2017

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

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

	2015	2014	2013
ASSETS			
Current assets:			
Cash and investments	\$ 30,638	\$ 51,601	28,832
Accounts receivable	29,442	12,107	13,630
Interest receivable	48	52	32
Taxes receivable	25,711	14	794
Other receivables	--	--	--
Due from other governments	195,113	19,399	--
Due from County of Madera	450,016	231	215
Total current assets	730,968	83,404	43,503
Non-current assets:			
Land	5,887	5,887	5,887
Construction in progress	371,565	98,274	--
Depreciable assets	1,329,987	1,329,987	1,329,987
Accumulated depreciation	(357,254)	(319,133)	(281,012)
Total non-current assets	1,350,185	1,115,015	1,054,862
Total assets	2,081,153	1,198,419	1,098,365
LIABILITIES			
Current liabilities:			
Accounts payable	213,105	76,887	4,965
Due to County of Madera	228,805	33,902	17,473
Deposits from others	600	150	--
Unearned revenues	762	840	806
Total current liabilities	443,272	111,779	23,244
Non-current liabilities:			
Advances from County of Madera	490,000	40,000	--
Total Non-Current Liabilities	490,000	40,000	--
Total Liabilities	933,272	151,779	23,244
NET POSITION			
Net investment in capital assets	1,350,185	1,115,015	1,054,862
Unrestricted	(202,304)	(68,375)	20,259
Total Net Position	\$ 1,147,881	\$ 1,046,640	\$ 1,075,121

The accompanying notes are an integral part of these financial statements

MAINTENANCE DISTRICT 33 - FAIRMEAD
(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

	2015	2014	2013
Operating revenues:			
Charges for services	\$ 117,334	\$ 82,081	\$ 71,044
Other revenues	1,516	--	--
Total operating revenues	118,850	82,081	71,044
Operating Expenses:			
Services and supplies	383,198	101,346	92,707
Depreciation	38,121	38,121	38,121
Total operating expenses	421,319	139,467	130,828
Operating Income (Loss)	(302,469)	(57,386)	(59,784)
Non-operating revenues (expenses)			
Taxes	36,307	9,192	8,911
Investment income (expense)	(835)	219	123
Intergovernmental revenue	263,853	19,494	1,698
Total non-operating revenues (expenses)	299,325	28,905	10,732
Change in Net Position Before Capital Contributions	(3,144)	(28,481)	(49,052)
Capital grants and contributions	104,385	--	--
Change in Net Position	101,241	(28,481)	(49,052)
Net position - beginning	1,046,640	1,075,121	1,124,173
Net position - ending	\$ 1,147,881	\$ 1,046,640	\$ 1,075,121

The accompanying notes are an integral part of these financial statements

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 99,842	\$ 83,404	\$ 70,542
Payments to suppliers and service providers	(199,479)	(89,882)	(72,768)
Other receipts	1,516	--	--
Net cash provided (used by) operating activities	<u>(98,121)</u>	<u>(6,478)</u>	<u>(2,226)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants	166,196	95	1,698
Interfund borrowing	--	40,000	--
Taxes	10,610	9,972	8,117
Net cash provided (used by) noncapital financing activities	<u>176,806</u>	<u>50,067</u>	<u>9,815</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	26,328	--	--
Acquisition and construction of capital assets	(125,144)	(21,019)	--
Net cash provided (used by) capital and related financing activities	<u>(98,816)</u>	<u>(21,019)</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (paid)	(832)	199	95
Net cash provided (used by) investing activities	<u>(832)</u>	<u>199</u>	<u>95</u>
Net increase (decrease) in cash and cash equivalents	(20,963)	22,769	7,684
Cash and cash equivalents July 1	<u>51,601</u>	<u>28,832</u>	<u>21,148</u>
Cash and cash equivalents June 30	<u>\$ 30,638</u>	<u>\$ 51,601</u>	<u>\$ 28,832</u>

The accompanying notes are an integral part of these financial statements

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

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

	2015	2014	2013
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (302,469)	\$ (57,386)	\$ (59,784)
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:			
Depreciation	38,121	38,121	38,121
(Increase) decrease in accounts receivable	(17,335)	1,523	(485)
(Increase) decrease in other receivables	--	--	--
(Increase) decrease in due from County of Madera	215	(16)	270
Decrease (increase) in unearned revenue	78	(34)	(287)
Decrease (increase) in deposits payable	(450)	(150)	--
Decrease (increase) in accounts payable	(11,184)	(4,965)	4,467
Decrease (increase) in due to County of Madera	194,903	16,429	15,472
Net cash provided (used by) operating activities	\$ (98,121)	\$ (6,478)	\$ (2,226)

The accompanying notes are an integral part of these financial statements

MD 33 FAIRMEAD
(A Component Unit of the County of Madera, California)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the MD 33 Fairmead (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 179.15 improved units and 62 standby units. The District also includes 25 street lights and maintenance thereon. The District is located midway between the cities of Madera and Chowchilla at Avenue 19 ½ and California State Highway 99 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 eligibility 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 33 FAIRMEAD
(A Component Unit of the County of Madera, California)

Notes to Basic Financial Statements
For the Year 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 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.

MD 33 FAIRMEAD
(A Component Unit of the County of Madera, California)

Notes to Basic Financial Statements
For the Year 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 investments 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 basic 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	\$ 30,638	\$ 51,601	\$ 28,832

MD 33 FAIRMEAD
(A Component Unit of the County of Madera, California)

Notes to Basic Financial Statements
For the Year 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	\$ 5,887	\$ --	\$ --	\$ 5,887
Construction-in-progress	98,274	273,291	--	371,565
Total capital assets, not being depreciated	104,161	273,291	--	377,452
Capital assets, being depreciated:				
Structures and improvements	1,329,987	--	--	1,329,987
Total capital assets, being depreciated	1,329,987	--	--	1,329,987
Less accumulated depreciation:				
Structures and improvements	(319,133)	(38,121)	--	(357,254)
Total accumulated depreciation	(319,133)	(38,121)	--	(357,254)
Total capital assets, being depreciated	1,010,854	(38,121)	--	972,733
Total capital assets	\$ 1,115,015	\$ 235,170	\$ --	\$ 1,350,185

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

	Balance July 1, 2013	Additions	Retirements/ Adjustments	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 5,887	\$ --	\$ --	\$ 5,887
Construction-in-progress	--	98,274	--	98,274
Total capital assets, not being depreciated	5,887	98,274	--	104,161
Capital assets, being depreciated:				
Structures and improvements	1,329,987	--	--	1,329,987
Total capital assets, being depreciated	1,329,987	--	--	1,329,987
Less accumulated depreciation:				
Structures and improvements	(281,012)	(38,121)	--	(319,133)
Total accumulated depreciation	(281,012)	(38,121)	--	(319,133)
Total capital assets, being depreciated	1,048,975	(38,121)	--	1,010,854
Total capital assets	\$ 1,054,862	\$ 60,153	\$ --	\$ 1,115,015

MD 33 FAIRMEAD
(A Component Unit of the County of Madera, California)

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

NOTE 3: CAPITAL ASSETS (continued)

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

	Balance July 1, 2012	Additions	Retirements/ Adjustments	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 5,887	\$ --	\$ --	\$ 5,887
Total capital assets, not being depreciated	<u>5,887</u>	<u>--</u>	<u>--</u>	<u>5,887</u>
Capital assets, being depreciated:				
Structures and improvements	1,329,987	--	--	1,329,987
Total capital assets, being depreciated	<u>1,329,987</u>	<u>--</u>	<u>--</u>	<u>1,329,987</u>
Less accumulated depreciation:				
Structures and improvements	(242,891)	(38,121)	--	(281,012)
Total accumulated depreciation	<u>(242,891)</u>	<u>(38,121)</u>	<u>--</u>	<u>(281,012)</u>
Total capital assets, being depreciated	1,087,096	(38,121)	--	1,048,975
Total capital assets	<u>\$ 1,092,983</u>	<u>\$ (38,121)</u>	<u>\$ --</u>	<u>\$ 1,054,862</u>

NOTE 4: DUE TO/FROM COUNTY OF MADERA

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:

	2015	2014	2013
Due from County of Madera	<u>\$ 450,016</u>	<u>\$ 231</u>	<u>\$ 215</u>
Due to County of Madera	\$ 228,805	\$ 33,902	\$ 17,473
Advances from County of Madera	490,000	40,000	--
Total Due to County of Madera	<u>\$ 718,805</u>	<u>\$ 73,902</u>	<u>\$ 17,473</u>

The County has provided two temporary loan advances to assist with cash flow needs related to capital improvement projects. In fiscal year ending June 30, 2014 the County approved an advance of \$40,000. During fiscal year ended June 30, 2015, the County approved an additional \$450,000 advance to be repaid over 18 months. As of June 30, 2015 the approved advance had not been transferred to the District and therefore is reported as Due from the County.

Total advances outstanding as of June 30, 2015 were \$490,000. For fiscal year ended June 30, 2015, the \$228,805 reported as due to County of Madera includes \$133,998 temporary loan to cover a cash deficit.

MD 33 FAIRMEAD
(A Component Unit of the County of Madera, California)

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

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.

SUPPLEMENTARY INFORMATION

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MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statement of Net Position
June 30, 2015

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ --	\$ --	\$ 30,638	\$ 30,638
Accounts receivable	29,442	--	--	29,442
Interest receivable	--	--	48	48
Taxes receivable	25,711	--	--	25,711
Other receivables	--	--	--	--
Due from other governments	195,113	--	--	195,113
Due from County of Madera	450,000	--	16	450,016
Total current assets	<u>700,266</u>	<u>--</u>	<u>30,702</u>	<u>730,968</u>
Non-current assets:				
Land	3,800	--	2,087	5,887
Construction in progress	371,565	--	--	371,565
Depreciable assets	1,329,987	--	--	1,329,987
Accumulated depreciation	(357,254)	--	--	(357,254)
Total non-current assets	<u>1,348,098</u>	<u>--</u>	<u>2,087</u>	<u>1,350,185</u>
Total assets	<u>2,048,364</u>	<u>--</u>	<u>32,789</u>	<u>2,081,153</u>
LIABILITIES				
Current liabilities:				
Accounts payable	213,105	--	--	213,105
Due to County of Madera	228,805	--	--	228,805
Deposits from others	600	--	--	600
Unearned revenues	762	--	--	762
Total current liabilities	<u>443,272</u>	<u>--</u>	<u>--</u>	<u>443,272</u>
Non-current liabilities:				
Advances from County of Madera	490,000	--	--	490,000
Total Non-Current Liabilities	<u>490,000</u>	<u>--</u>	<u>--</u>	<u>490,000</u>
Total Liabilities	<u>933,272</u>	<u>--</u>	<u>--</u>	<u>933,272</u>
NET POSITION				
Net investment in capital assets	1,348,098	--	2,087	1,350,185
Unrestricted	(233,006)	--	30,702	(202,304)
Total Net Position	<u>\$ 1,115,092</u>	<u>\$ --</u>	<u>\$ 32,789</u>	<u>\$ 1,147,881</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 107,638	\$ 4,331	\$ 5,365	\$ 117,334
Other revenues	1,516	--	--	1,516
Total operating revenues	<u>109,154</u>	<u>4,331</u>	<u>5,365</u>	<u>118,850</u>
Operating Expenses:				
Services and supplies	378,826	4,331	41	383,198
Depreciation	38,121	--	--	38,121
Total operating expenses	<u>416,947</u>	<u>4,331</u>	<u>41</u>	<u>421,319</u>
Operating Income (Loss)	<u>(307,793)</u>	<u>--</u>	<u>5,324</u>	<u>(302,469)</u>
Non-operating revenues (expenses)				
Taxes	36,307	--	--	36,307
Investment income	(1,076)	--	241	(835)
Intergovernmental revenue	263,853	--	--	263,853
Total non-operating revenues (expenses)	<u>299,084</u>	<u>--</u>	<u>241</u>	<u>299,325</u>
Change in Net Position Before Capital Contributions	(8,709)	--	5,565	(3,144)
Capital grants and contributions	<u>104,385</u>	<u>--</u>	<u>--</u>	<u>104,385</u>
Change in Net position	95,676	--	5,565	101,241
Net position - beginning	<u>1,019,416</u>	<u>--</u>	<u>27,224</u>	<u>1,046,640</u>
Net position - ending	<u>\$ 1,115,092</u>	<u>\$ --</u>	<u>\$ 32,789</u>	<u>\$ 1,147,881</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statement of Cash Flows
For the Year Ended June 30, 2015

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 90,146	\$ 4,331	\$ 5,365	\$ 99,842
Payments to suppliers and service providers	(195,107)	(4,331)	(41)	(199,479)
Other receipts	1,516	--	--	1,516
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used by) operating activities	<u>(103,445)</u>	<u> </u>	<u>5,324</u>	<u>(98,121)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	166,196	--	--	166,196
Interfund borrowing	78	--	(78)	--
Taxes	10,610	--	--	10,610
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used by) noncapital financing activities	<u>176,884</u>	<u> </u>	<u>(78)</u>	<u>176,806</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	26,328	--	--	26,328
Acquisition and construction of capital assets	(125,144)	--	--	(125,144)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used by) capital and related financing activities	<u>(98,816)</u>	<u> </u>	<u> </u>	<u>(98,816)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(1,008)	--	176	(832)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used by) investing activities	<u>(1,008)</u>	<u> </u>	<u>176</u>	<u>(832)</u>
Net increase (decrease) in cash and cash equivalents	(26,385)	--	5,422	(20,963)
Cash and cash equivalents July 1	26,385	--	25,216	51,601
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents June 30	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 30,638</u>	<u>\$ 30,638</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	<u>\$ (307,793)</u>	<u>\$ --</u>	<u>\$ 5,324</u>	<u>\$ (302,469)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:				
Depreciation	38,121	--	--	38,121
(Increase) decrease in accounts receivable	(17,335)	--	--	(17,335)
(Increase) decrease in due from County of Madera	215	--	--	215
Decrease (increase) in unearned revenue	78	--	--	78
Decrease (increase) in deposits payable	(450)	--	--	(450)
Decrease (increase) in accounts payable	(11,184)	--	--	(11,184)
Decrease (increase) in due to County of Madera	194,903	--	--	194,903
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used by) operating activities	<u>\$ (103,445)</u>	<u>\$ --</u>	<u>\$ 5,324</u>	<u>\$ (98,121)</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statement of Net Position
June 30, 2014

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 26,385	\$ --	\$ 25,216	\$ 51,601
Accounts receivable	12,107	--	--	12,107
Interest receivable	52	--	--	52
Taxes receivable	14	--	--	14
Due from other governments	19,399	--	--	19,399
Due from County of Madera	231	--	--	231
Total current assets	<u>58,188</u>	<u>--</u>	<u>25,216</u>	<u>83,404</u>
Non-current assets:				
Land	3,800	--	2,087	5,887
Construction in progress	98,274	--	--	98,274
Depreciable assets	1,329,987	--	--	1,329,987
Accumulated depreciation	(319,133)	--	--	(319,133)
Total non-current assets	<u>1,112,928</u>	<u>--</u>	<u>2,087</u>	<u>1,115,015</u>
Total assets	<u>1,171,116</u>	<u>--</u>	<u>27,303</u>	<u>1,198,419</u>
LIABILITIES				
Current liabilities:				
Accounts payable	76,887	--	--	76,887
Due to County of Madera	33,822	--	80	33,902
Deposits from others	150	--	--	150
Unearned revenues	840	--	--	840
Total current liabilities	<u>111,699</u>	<u>--</u>	<u>80</u>	<u>111,779</u>
Non-current liabilities:				
Advances from County of Madera	40,000	--	--	40,000
Total Non-Current Liabilities	<u>40,000</u>	<u>--</u>	<u>--</u>	<u>40,000</u>
Total Liabilities	<u>151,699</u>	<u>--</u>	<u>80</u>	<u>151,779</u>
NET POSITION				
Net investment in capital assets	1,112,918	--	2,087	1,115,005
Unrestricted	(93,501)	--	25,136	(68,365)
Total Net Position	<u>\$ 1,019,417</u>	<u>\$ --</u>	<u>\$ 27,223</u>	<u>\$ 1,046,640</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 79,281	\$ --	\$ 2,800	\$ 82,081
Total operating revenues	<u>79,281</u>	<u>--</u>	<u>2,800</u>	<u>82,081</u>
Operating Expenses:				
Services and supplies	97,420	3,544	382	101,346
Depreciation	38,121	--	--	38,121
Total operating expenses	<u>135,541</u>	<u>3,544</u>	<u>382</u>	<u>139,467</u>
Operating Income (Loss)	<u>(56,260)</u>	<u>(3,544)</u>	<u>2,418</u>	<u>(57,386)</u>
Non-operating revenues (expenses)				
Taxes	5,648	3,544	--	9,192
Investment income	132	--	87	219
Intergovernmental revenue	19,494	--	--	19,494
Total non-operating revenues (expenses)	<u>25,274</u>	<u>3,544</u>	<u>87</u>	<u>28,905</u>
Change in Net Position	(30,986)	--	2,505	(28,481)
Net position, beginning	<u>1,050,403</u>	<u>--</u>	<u>24,718</u>	<u>1,075,121</u>
Net position - ending	<u>\$ 1,019,417</u>	<u>\$ --</u>	<u>\$ 27,223</u>	<u>\$ 1,046,640</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statement of Cash Flows
For the Year Ended June 30, 2014

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 80,604	\$ --	\$ 2,800	\$ 83,404
Payments to suppliers and service providers	(86,036)	(3,544)	(302)	(89,882)
Net cash provided (used by) operating activities	(5,432)	(3,544)	2,498	(6,478)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	95	--	--	95
Interfund borrowing	40,000	--	--	40,000
Taxes	6,428	3,544	--	9,972
Net cash provided (used by) noncapital financing activities	46,523	3,544	--	50,067
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(21,019)	--	--	(21,019)
Net cash provided (used by) capital and related financing activities	(21,019)	--	--	(21,019)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	87	--	112	199
Net cash provided (used by) investing activities	87	--	112	199
Net increase (decrease) in cash and cash equivalents	20,159	--	2,610	22,769
Cash and cash equivalents July 1	6,226	--	22,606	28,832
Cash and cash equivalents June 30	<u>\$ 26,385</u>	<u>\$ --</u>	<u>\$ 25,216</u>	<u>\$ 51,601</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (56,260)	\$ (3,544)	\$ 2,418	\$ (57,386)
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:				
Depreciation	38,121	--	--	38,121
(Increase) decrease in accounts receivable	1,523	--	--	1,523
(Increase) decrease in due County of Madera	(16)	--	--	(16)
Decrease (increase) in unearned revenue	(34)	--	--	(34)
Decrease (increase) in deposits payable	(150)	--	--	(150)
Decrease (increase) in accounts payable	(4,965)	--	--	(4,965)
Decrease (increase) in due County of Madera	16,349	--	80	16,429
Net cash provided (used by) operating activities	<u>\$ (5,432)</u>	<u>\$ (3,544)</u>	<u>\$ 2,498</u>	<u>\$ (6,478)</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statements of Net Position
June 30, 2013

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 6,226	\$ --	\$ 22,606	\$ 28,832
Accounts receivable	13,630	--	--	13,630
Interest receivable	7	--	25	32
Taxes receivable	794	--	--	794
Due from County of Madera	215	--	--	215
Total current assets	<u>20,872</u>	<u>--</u>	<u>22,631</u>	<u>43,503</u>
Non-current assets:				
Land	3,800	--	2,087	5,887
Depreciable assets	1,329,987	--	--	1,329,987
Accumulated depreciation	(281,012)	--	--	(281,012)
Total non-current assets	<u>1,052,775</u>	<u>--</u>	<u>2,087</u>	<u>1,054,862</u>
Total assets	<u>1,073,647</u>	<u>--</u>	<u>24,718</u>	<u>1,098,365</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,965	--	--	4,965
Due to County of Madera	17,473	--	--	17,473
Unearned revenues	806	--	--	806
Total liabilities	<u>23,244</u>	<u>--</u>	<u>--</u>	<u>23,244</u>
NET POSITION				
Net investment in capital assets	1,052,775	--	2,087	1,054,862
Unrestricted	(2,372)	--	22,631	20,259
Total Net Position	<u>\$ 1,050,403</u>	<u>\$ --</u>	<u>\$ 24,718</u>	<u>\$ 1,075,121</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	<u>Water</u>	<u>Lighting</u>	<u>Roads</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 67,969	\$ --	\$ 3,075	\$ 71,044
Total operating revenues	<u>67,969</u>	<u>--</u>	<u>3,075</u>	<u>71,044</u>
Operating Expenses:				
Services and supplies	89,471	3,236	--	92,707
Depreciation	38,121	--	--	38,121
Total operating expenses	<u>127,592</u>	<u>3,236</u>	<u>--</u>	<u>130,828</u>
Operating Income (Loss)	<u>(59,623)</u>	<u>(3,236)</u>	<u>3,075</u>	<u>(59,784)</u>
Non-operating revenues (expenses)				
Taxes	5,675	3,236	--	8,911
Investment income	41	--	82	123
Intergovernmental revenue	1,698	--	--	1,698
Total non-operating revenues (expenses)	<u>7,414</u>	<u>3,236</u>	<u>82</u>	<u>10,732</u>
Change in Net Position	(52,209)	--	3,157	(49,052)
Net position, beginning	<u>1,102,612</u>	<u>--</u>	<u>21,561</u>	<u>1,124,173</u>
Net position - ending	<u>\$ 1,050,403</u>	<u>\$ --</u>	<u>\$ 24,718</u>	<u>\$ 1,075,121</u>

MAINTENANCE DISTRICT 33 - FAIRMEAD
(a Component Unit of the County of Madera)

Combining Statements of Cash Flows
For the Year Ended June 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Roads</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 67,467	\$ --	\$ 3,075	\$ 70,542
Payments to suppliers and service providers	(69,532)	(3,236)	--	(72,768)
Net cash provided (used by) operating activities	<u>(2,065)</u>	<u>(3,236)</u>	<u>3,075</u>	<u>(2,226)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	1,698	--	--	1,698
Taxes	4,881	3,236	--	8,117
Net cash provided (used by) noncapital financing activities	<u>6,579</u>	<u>3,236</u>	<u>--</u>	<u>9,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	38	--	57	95
Net cash provided (used by) investing activities	<u>38</u>	<u>--</u>	<u>57</u>	<u>95</u>
Net increase (decrease) in cash and cash equivalents	4,552	--	3,132	7,684
Cash and cash equivalents July 1	<u>1,674</u>	<u>--</u>	<u>19,474</u>	<u>21,148</u>
Cash and cash equivalents June 30	<u>\$ 6,226</u>	<u>\$ --</u>	<u>\$ 22,606</u>	<u>\$ 28,832</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	<u>\$ (59,623)</u>	<u>\$ (3,236)</u>	<u>\$ 3,075</u>	<u>\$ (59,784)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:				
Depreciation	38,121	--	--	38,121
(Increase) decrease in accounts receivable	(485)	--	--	(485)
(Increase) decrease in other receivables	--	--	--	--
(Increase) decrease in due from County of Madera	270	--	--	270
Decrease (increase) in unearned revenue	(287)	--	--	(287)
Decrease (increase) in deposits payable	--	--	--	--
Decrease (increase) in accounts payable	4,467	--	--	4,467
Decrease (increase) in due to County of Madera	15,472	--	--	15,472
Net cash provided (used by) operating activities	<u>\$ (2,065)</u>	<u>\$ (3,236)</u>	<u>\$ 3,075</u>	<u>\$ (2,226)</u>

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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 33 – Fairmead (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 basic financial statements, and have issued our report thereon dated March 24, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-001 to be a material weakness.

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

CliftonLarsonAllen LLP

Roseville, California
March 24, 2017

MD 33 FAIRMEAD
(A Component Unit of the County of Madera, California)

Schedule of Findings and Responses
For the Year Ended June 30, 2015

Reference Number **2016-001 Capital Assets (Capitalizable Costs)**

Type of Finding Material Weakness

Criteria

Under generally accepted accounting principles (GAAP), a cost should be capitalized only if it is directly identifiable with a specific asset, and the cost is incurred after acquisition of the related asset has come to be considered probable.

Condition

During the audit, we noted that costs associated with feasibility studies in the amount of \$263,853 had been improperly capitalized.

Cause

County staff was not aware that feasibility study costs did not meet the criteria for capitalization and therefore capitalized such costs.

Effect of Condition

Capital assets were overstated by \$263,853 and expenses were understated by the same amount.

Recommendation

We recommend that the County update its capitalization policy documentation to ensure that future costs are reported in accordance with GAAP.

Management Response

We agree with the finding and are in the process of updating our capitalization policy documentation to ensure that future costs are reported in accordance with GAAP.