

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

FINANCIAL STATEMENTS

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

JUNE 30, 2016

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Report of Independent Auditors

To the Board of Supervisors
Madera County

Report on the Financial Statements

We have audited the accompanying financial statements of the Service Area 05 – Eastside Acres Village (District), a component unit of the County of Madera, California as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Service Area 05 – Eastside Acres Village as of June 30, 2016, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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
December 4, 2017

BASIC FINANCIAL STATEMENTS

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**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 50,378	\$ -	\$ 50,378
Cash and investments - restricted	-	13,714	13,714
Interest receivable	118	32	150
Taxes receivable	1	1	2
Long-term receivables	-	34,000	34,000
Capital assets, not being depreciated			
Land	5,310	-	5,310
Land under roads	75,325	-	75,325
Capital assets being depreciated, net			
Sewer systems	-	27,969	27,969
	<u>131,132</u>	<u>75,716</u>	<u>206,848</u>
Total Assets			
LIABILITIES			
Accounts payable	270	-	270
Interest payable	-	1,051	1,051
Due to County of Madera	581	-	581
Noncurrent liabilities:			
Due within one year	-	6,000	6,000
Due in more than one year	-	32,000	32,000
	<u>851</u>	<u>39,051</u>	<u>39,902</u>
Total Liabilities			
NET POSITION			
Net investment in capital assets	80,635	(10,031)	70,604
Restricted for:			
Road and lighting maintenance	49,646	-	49,646
Debt service	-	47,714	47,714
Unrestricted	-	(1,018)	(1,018)
	<u>130,281</u>	<u>36,665</u>	<u>166,946</u>
Total Net Position			

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Governmental Activities	Business-Type Activities	
Governmental Activities:					
Road & Lighting activities	\$ 7,062	\$ -	\$ (7,062)	\$ -	\$ (7,062)
Total governmental activities	<u>7,062</u>	<u>-</u>	<u>(7,062)</u>	<u>-</u>	<u>(7,062)</u>
Business-Type Activities:					
Sewer	<u>4,262</u>	<u>3,003</u>	<u>-</u>	<u>(1,259)</u>	<u>(1,259)</u>
Total business-type activities	<u>4,262</u>	<u>3,003</u>	<u>-</u>	<u>(1,259)</u>	<u>(1,259)</u>
Total primary government	<u>\$ 11,324</u>	<u>\$ 3,003</u>	<u>(7,062)</u>	<u>(1,259)</u>	<u>(8,321)</u>
General revenues:					
Property taxes			6,690	-	6,690
Investment earnings			341	75	416
Miscellaneous			<u>67</u>	<u>-</u>	<u>67</u>
Total general revenues			<u>7,098</u>	<u>75</u>	<u>7,173</u>
Changes in net position			36	(1,184)	(1,148)
Net position - beginning			<u>130,245</u>	<u>37,849</u>	<u>168,094</u>
Net position - ending			<u>\$ 130,281</u>	<u>\$ 36,665</u>	<u>\$ 166,946</u>

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016**

	Road & Lighting Maintenance
ASSETS	
Cash and investments	\$ 50,378
Interest receivable	118
Taxes receivable	1
Total Assets	\$ 50,497
LIABILITIES	
Accounts payable	\$ 270
Due to County of Madera	581
Total Liabilities	851
FUND BALANCE	
Restricted for road and lighting maintenance	49,646
Total Fund Balance	49,646
Total Liabilities and Fund Balance	\$ 50,497

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - governmental fund	\$ 49,646
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>80,635</u>
Net position of governmental activities	<u>\$ 130,281</u>

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Road & Lighting Maintenance
REVENUES	
Assessments	\$ 6,690
Intergovernmental	67
Investment earnings	341
Total revenues	7,098
EXPENDITURES	
Current:	
Road and lighting maintenance:	
General and administrative	181
Maintenance - roads	1,884
Insurance	1,648
Utilities	3,349
Total expenditures	7,062
Excess (deficiency) of revenues over expenditures	36
Net change in fund balances	36
Fund balance - beginning	49,610
Fund balance - ending	\$ 49,646

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund	\$	36
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		<u>-</u>
Change in net position of governmental activities	\$	<u>36</u>

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	Enterprise Fund
	Sewer
ASSETS	
Current Assets:	
Cash and investments - restricted	\$ 13,714
Interest receivable	32
Taxes receivable	1
Total Current Assets	13,747
Non-Current Assets:	
Long-term special assessments receivable	34,000
Capital assets:	
Depreciable assets	143,836
Accumulated depreciation	(115,867)
Total Non-Current Assets	61,969
Total Assets	75,716
LIABILITIES	
Current Liabilities:	
Interest payable	1,051
Long-term debt, current portion	6,000
Total Current Liabilities	7,051
Non-Current Liabilities:	
Long-term debt, non-current portion	32,000
Total Non-Current Liabilities	32,000
Total Liabilities	39,051
NET POSITION	
Net investment in capital assets	(10,031)
Restricted for:	
Debt service	47,714
Unrestricted	(1,018)
Total Net Position	\$ 36,665

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	Enterprise Fund
	Sewer
Operating Revenues:	
Charges for services	\$ 3,003
Total Operating Revenues	3,003
Operating Expenses:	
Depreciation	2,237
Total Operating Expenses	2,237
Operating Income (Loss)	766
Non-Operating Revenue (Expenses):	
Investment income	75
Interest and fiscal charges	(2,025)
Total Non-Operating Revenue (Expenses)	(1,950)
Change in Net Position	(1,184)
Net Position, Beginning of Year	37,849
Net Position, End of Year	\$ 36,665

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	Enterprise Fund
	Sewer
Cash flows from operating activities:	
Cash receipts from customers and users	\$ 3,007
Net cash provided (used) by operating activities	3,007
Cash flows from non-capital financing activities:	
Taxes	(1)
Interest paid on non-capital debt	(2,025)
Net cash provided (used) by non-capital financing activities	(2,026)
Cash flows from investing activities:	
Interest on investments	63
Net cash provided (used) by investing activities	63
Net increase (decrease) in cash and cash equivalents	1,044
Cash and cash equivalents, beginning of the year	12,670
Cash and cash equivalents, end of the year	\$ 13,714
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 766
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,237
Changes in operating assets and liabilities:	
Decrease/(Increase) in due from County of Madera	4
Net cash provided (used) by operating activities	\$ 3,007

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the **SA 05 – Eastside Acres Village** (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 sewer service, road maintenance and street lighting for a residential development. SA 05 is located on the west side of Madera County adjacent to the City of Firebaugh. The district was formed on February 11, 1980 by Resolution No. 80-97. The district provides sewer service to the residential development, and all aspects of budgeting, operations and maintenance is handled by the City of Firebaugh under a contract with the County of Madera. Under the contract, the City of Firebaugh will provide service limited to 100 connections or an average daily flow of 70,000 gallons, whichever is greater. Resolution No. 80-47 specifies fees to be paid to the City for each connection. These fees are directly invoiced by the City and are based upon the City's current service charge as set by their resolution.

There are 19 street lights in SA 05 with maintenance and servicing performed by PG & E. There is no assessment for the street lights and costs of operations are met by using property tax revenue.

The District provides road maintenance to 83 parcels with 1.77 miles of paved roads. The majority of the road ways are concrete rolled-back type curbs and gutters. This District receives a percentage of property tax to assist in road maintenance.

The Board of Supervisors is the governing body of the District. The District is considered a blended component unit of the County of Madera and is reported as a special revenue 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 accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. An economic resource focus concentrates on an entity's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recognized in the period which they are earned, while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenue for the District in the charges for services category.

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Method of Accounting (Continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds, separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

The District reports the following major governmental funds:

- The SA 05 – *Lighting and Road maintenance* fund is used to account for all financial resources of the District relating to the maintenance of the paved roads and the street lights within the District.

The District reports the following major proprietary funds:

- The SA 05 – *Sewer Bond* fund is used to account for all financial resources of the District relating to sewer bond repayment.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Change in Fund Balance. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Change in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual of accounting, revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded in the accounting period in which the liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the "measureable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the Balance Sheet and revenue is recognized.

The District's revenues consist of assessments and revenue from use of money and property. Program expenses are defined as those expenses directly related to providing road maintenance services.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, reconciliation is necessary to explain the adjustments needed to transform the fund-based financial statements into the government-wide presentation.

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Method of Accounting (Continued)

Proprietary Fund Financial Statements

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.

D. Receivables

Receivables consist of interest and assessments from the County of Madera and fees charged for sewer services.

E. Assessments

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and similar items), are reported in the Statement of Net Position in the government-wide financial statements. 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
Sewer Systems	16-65 years
Structures and Improvements	30-50 years
Equipment	3-20 years

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

G. Budget

The District's budget is prepared on the modified accrual basis of accounting consistent with GAAP. The proposed budget is the spending authority from July until budget hearings are held the end of August and the County of Madera Board of Supervisors formally adopts the budget in early September. Once approved, the Board of Supervisors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Unencumbered appropriation for annual budgeted funds lapses at fiscal year-end.

Revenues are budgeted by source. Expenditures are budgeted by objects as follows: services and supplies, other charges, and capital outlay. This constitutes the legal level of control. Expenditures may not exceed appropriations for travel, transportation and education. Budget revisions between object levels, for travel, transportation, and education, or specific capital outlays are subject to final approval by Board of Supervisors. Revisions less than \$5,000 within the object levels (excluding transportation, travel & education and specific capital outlays) can be approved by the County Administrative Officer. There were no revisions to the budget made throughout the year.

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position and Fund Balances

Government-Wide Financial Statements

In the government-wide financial statements, net position is classified in the following:

- Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This category represents all other net position of the District, that do not meet the definition of “net investment in capital assets” or “restricted net position.”

Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in governmental fund financial statements are as follows:

- Nonspendable Fund Balance – includes amounts that are not in a spendable form (such as inventories or prepaid amounts, and long-term loans and notes receivable) or are legally or contractually required to be maintained intact (such as principal of a permanent fund).
- Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by external parties (such as creditor, grant providers, or contributors) or by law.
- Committed Fund Balance – includes amounts that can be used only for the specific purpose determined by the County of Madera Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action. The formal action must occur prior to the end of the reporting period. The amount which will be subject to the constraint may be determined in the subsequent period.
- Assigned Fund Balance – is comprised of amounts intended to be used by the governmental entity for specific purposes that are neither restricted nor committed. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board delegates the authority. Assigned fund balance can be used to eliminate a projected budgetary deficit in the subsequent year’s budget.
- Unassigned Fund Balance - is the residual classification for the District and includes all amounts not contained in the other classification. Unassigned amounts are technically available for any purposes.

The Board of Supervisor establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution or an ordinance. This can be done through the adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by committed, assigned and unassigned resources as they are needed.

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$ 50,378
Cash and investments – restricted	<u>13,714</u>
Total cash and investments	<u>\$ 64,092</u>

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

Deposits held with County of Madera Investment Pool	\$ 64,092
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Risk Disclosure

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

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

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

Fair Value Measurements

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

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

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

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 3: CAPITAL ASSETS

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

Governmental Activities

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 5,310	\$ -	\$ -	\$ 5,310
Land under roads	<u>75,325</u>	<u>-</u>	<u>-</u>	<u>75,325</u>
Total capital assets, not being depreciated	<u>80,635</u>	<u>-</u>	<u>-</u>	<u>80,635</u>
Capital assets, being depreciated:				
Infrastructure	<u>36,443</u>	<u>-</u>	<u>-</u>	<u>36,443</u>
Total capital assets, being depreciated	<u>36,443</u>	<u>-</u>	<u>-</u>	<u>36,443</u>
Less accumulated depreciation for:				
Infrastructure	<u>(36,443)</u>	<u>-</u>	<u>-</u>	<u>(36,443)</u>
Total accumulated depreciation	<u>(36,443)</u>	<u>-</u>	<u>-</u>	<u>(36,443)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 80,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,635</u>

Business-Type Activities

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, being depreciated:				
Sewer systems	<u>143,836</u>	<u>-</u>	<u>-</u>	<u>143,836</u>
Total capital assets, being depreciated	<u>143,836</u>	<u>-</u>	<u>-</u>	<u>143,836</u>
Less accumulated depreciation for:				
Sewer systems	<u>(113,630)</u>	<u>(2,237)</u>	<u>-</u>	<u>(115,867)</u>
Total accumulated depreciation	<u>(113,630)</u>	<u>(2,237)</u>	<u>-</u>	<u>(115,867)</u>
Total capital assets being depreciated, net	<u>30,206</u>	<u>(2,237)</u>	<u>-</u>	<u>27,969</u>
Total capital assets, net	<u>\$ 30,206</u>	<u>\$ (2,237)</u>	<u>\$ -</u>	<u>\$ 27,969</u>

Depreciation expenses of \$2,237 were charged to the sewer function of the business-type activities.

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 4: RELATED PARTY TRANSACTIONS

The District's assessments 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 maintenance services. The District's accounting and clerical functions are performed by County personnel. The County of Madera charges the District for administrative costs incurred.

The amount due to the County of Madera as of June 30, 2016 is \$581.

NOTE 5: LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
FmHA Loan	\$ 43,000	-	\$ (5,000)	\$ 38,000	\$ 6,000

FmHA Loan

On March 3, 1982, the District issued \$125,200 in bonds registered in the name of the Farmers Home Administration designated "Improvement Bond, County of Madera, Eastside Acres Sewer Assessment District, Series 1982-1". These bonds will be repaid from amounts levied against the property owners benefited by this sewer improvement. Those amounts, including interest, are pledged to pay the scheduled principal and interest payments on the bonds. The term of this bond is 39 years maturing on July 2, 2021 with a stated interest rate of 5%. Annual principal installments range from \$200 to \$7,000. Semi-annual interest payments are due on July 1st and January 1st of each year. As of June 30, 2016 the outstanding balance on these bonds is \$38,000.

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

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30,			
2017	\$ 6,000	\$ 1,750	\$ 7,750
2018	6,000	1,450	7,450
2019	6,000	1,150	7,150
2020	6,000	850	6,850
2021	7,000	525	7,525
Thereafter	7,000	175	7,175
	<u>\$ 38,000</u>	<u>\$ 5,900</u>	<u>\$ 43,900</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.

REQUIRED SUPPLEMENTARY INFORMATION

**SERVICE AREA 05 – EASTSIDE ACRES VILLAGE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Assessments	\$ 5,345	\$ 5,345	\$ 6,690	\$ 1,345
Intergovernmental Revenue	55	55	67	12
Investment earnings	222	222	341	119
	<u>5,622</u>	<u>5,622</u>	<u>7,098</u>	<u>1,476</u>
Total revenues				
Expenditures:				
Road maintenance:				
General and administrative	155	155	181	(26)
Maintenance - roads	30,000	30,000	1,884	28,116
Insurance	1,705	1,705	1,648	57
Utilities	3,250	3,250	3,349	(99)
Appropriation for contingency	49,025	49,025	-	49,025
	<u>84,135</u>	<u>84,135</u>	<u>7,062</u>	<u>77,073</u>
Total expenditures				
Excess (deficiency) of revenues over expendit	<u>(78,513)</u>	<u>(78,513)</u>	<u>36</u>	<u>78,549</u>
Net change in fund balance	(78,513)	(78,513)	36	78,549
Fund balance - beginning of year	<u>49,610</u>	<u>49,610</u>	<u>49,610</u>	<u>-</u>
Fund balance - end of year	<u>\$ (28,903)</u>	<u>\$ (28,903)</u>	<u>\$ 49,646</u>	<u>\$ 78,549</u>