

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

FINANCIAL STATEMENTS

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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 02 – Bass Lake / Wishon Cove (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 02 – Bass Lake / Wishon Cove 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 21 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 02 – BASS LAKE / WISHON COVE
(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	\$ 116,002	\$ 770,822	\$ 886,824
Cash and investments - restricted	-	4,751,536	4,751,536
Accounts receivable, net	3	1,275	1,278
Interest receivable	272	12,963	13,235
Capital assets, not being depreciated			
Land	3,600	42,117	45,717
Land under roads	121,361	-	121,361
Construction in progress	-	888,416	888,416
Capital assets being depreciated, net			
Water and sewer systems	-	852,757	852,757
Equipment	-	11,752	11,752
Total Assets	241,238	7,331,638	7,572,876
LIABILITIES			
Accounts payable	-	147,054	147,054
Deposits from others	-	300	300
Due to County of Madera	-	126,370	126,370
Unearned revenue	-	3,164	3,164
Total Liabilities	-	276,888	276,888
NET POSITION			
Net investment in capital assets	124,961	1,795,042	1,920,003
Restricted for:			
Road maintenance	116,277	-	116,277
Capital improvements	-	4,745,887	4,745,887
Debt service	-	5,649	5,649
Unrestricted	-	508,172	508,172
Total Net Position	\$ 241,238	\$ 7,054,750	\$ 7,295,988

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Road maintenance	\$ 3,391	\$ 9,606	\$ -	\$ -	\$ 6,215	\$ -	\$ 6,215
Total governmental activities	<u>3,391</u>	<u>9,606</u>	<u>-</u>	<u>-</u>	<u>6,215</u>	<u>-</u>	<u>6,215</u>
Business-Type Activities:							
Sewer	597,242	713,693	24,230	669,197	-	809,878	809,878
Water	51,704	68,211	-	-	-	16,507	16,507
Total business-type activities	<u>648,946</u>	<u>781,904</u>	<u>24,230</u>	<u>669,197</u>	<u>-</u>	<u>826,385</u>	<u>826,385</u>
Total primary government	<u>\$ 652,337</u>	<u>\$ 791,510</u>	<u>\$ 24,230</u>	<u>\$ 669,197</u>	<u>6,215</u>	<u>826,385</u>	<u>832,600</u>
			General revenues:				
			Investment earnings		762	36,205	36,967
			Total general revenues		<u>762</u>	<u>36,205</u>	<u>36,967</u>
			Changes in net position		6,977	862,590	869,567
			Net position - beginning		<u>234,261</u>	<u>6,192,160</u>	<u>6,426,421</u>
			Net position - ending		<u>\$ 241,238</u>	<u>\$ 7,054,750</u>	<u>\$ 7,295,988</u>

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	SA 2B & 2D Road Maintenance
ASSETS	
Cash and investments	\$ 116,002
Accounts receivable	3
Interest receivable	<u>272</u>
Total Assets	<u>\$ 116,277</u>
FUND BALANCE	
Restricted for road maintenance	<u>\$ 116,277</u>
Total Fund Balance	<u>116,277</u>
Total Liabilities and Fund Balance	<u>\$ 116,277</u>

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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	\$ 116,277
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>124,961</u>
Net position of governmental activities	<u>\$ 241,238</u>

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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**

	<u>SA 2B & 2D Road Maintenance</u>
REVENUES	
Assessments	\$ 9,607
Investment earnings	<u>762</u>
Total revenues	<u>10,369</u>
EXPENDITURES	
Current:	
Road maintenance:	
Maintenance - roads	3,236
Insurance	<u>156</u>
Total Expenditures	<u>3,392</u>
Net change in fund balances	6,977
Fund balance - beginning	<u>109,300</u>
Fund balance - ending	<u><u>\$ 116,277</u></u>

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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	\$ 6,977
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>\$ 6,977</u>

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	Enterprise Funds		
	SA 2A	SA 2B & 2C	
	Sewer	Water	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 697,523	\$ 73,299	\$ 770,822
Cash and investments - restricted	4,751,536	-	4,751,536
Accounts receivable, net	250	1,025	1,275
Interest receivable	12,791	172	12,963
Total Current Assets	5,462,100	74,496	5,536,596
Non-Current Assets:			
Capital assets:			
Land	42,117	-	42,117
Construction in progress	888,416	-	888,416
Depreciable assets	5,649,327	75,728	5,725,055
Accumulated depreciation	(4,808,623)	(51,923)	(4,860,546)
Total Non-Current Assets	1,771,237	23,805	1,795,042
Total Assets	7,233,337	98,301	7,331,638
LIABILITIES			
Current Liabilities:			
Accounts payable	146,031	1,023	147,054
Deposits from others	-	300	300
Due to County of Madera	116,108	10,262	126,370
Unearned revenue	2,455	709	3,164
Total Current Liabilities	264,594	12,294	276,888
Total Liabilities	264,594	12,294	276,888
NET POSITION			
Net investment in capital assets	1,771,237	23,805	1,795,042
Restricted for:			
Capital improvements	4,745,887	-	4,745,887
Debt service	5,649	-	5,649
Unrestricted	445,970	62,202	508,172
Total Net Position	\$ 6,968,743	\$ 86,007	\$ 7,054,750

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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 Funds		
	SA 2A	SA 2B & 2C	
	Sewer	Water	Total
Operating Revenues:			
Charges for services	\$ 706,880	\$ 67,723	\$ 774,603
Other revenues	6,813	488	7,301
Total Operating Revenues	713,693	68,211	781,904
Operating Expenses:			
Services and supplies	141,618	11,915	153,533
Maintenance	270,842	30,928	301,770
Insurance	17,078	85	17,163
Utilities	113,795	6,815	120,610
Depreciation	53,909	1,961	55,870
Total Operating Expenses	597,242	51,704	648,946
Operating Income (Loss)	116,451	16,507	132,958
Non-Operating Revenue (Expenses):			
Investment income	35,731	474	36,205
Other non-operating revenues	24,230	-	24,230
Total Non-Operating Revenue (Expenses)	59,961	474	60,435
Income (Loss) Before Contributions	176,412	16,981	193,393
Capital contributions	669,197	-	669,197
Change in Net Position	845,609	16,981	862,590
Net Position, Beginning of Year	6,123,134	69,026	6,192,160
Net Position, End of Year	\$ 6,968,743	\$ 86,007	\$ 7,054,750

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

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

	Enterprise Funds		
	SA 2A	SA 2B & 2C	
	Sewer	Water	Total
Cash flows from operating activities:			
Cash receipts from customers and users	\$ 725,304	\$ 80,814	\$ 806,118
Cash paid to suppliers	<u>(421,055)</u>	<u>(46,438)</u>	<u>(467,493)</u>
Net cash provided (used) by operating activities	<u>304,249</u>	<u>34,376</u>	<u>338,625</u>
Cash flows from noncapital financing activities:			
Other non-operating revenues	<u>24,230</u>	<u>-</u>	<u>24,230</u>
Net cash provided (used) by noncapital financing activities	<u>24,230</u>	<u>-</u>	<u>24,230</u>
Cash flows from capital and related financing activities:			
Capital improvement assessments	669,197	-	669,197
Acquisition and construction of capital assets	<u>(495,937)</u>	<u>-</u>	<u>(495,937)</u>
Net cash provided (used) by capital and related financing activities	<u>173,260</u>	<u>-</u>	<u>173,260</u>
Cash flows from investing activities:			
Interest on investments	<u>30,593</u>	<u>362</u>	<u>30,955</u>
Net cash provided (used) by investing activities	<u>30,593</u>	<u>362</u>	<u>30,955</u>
Net increase (decrease) in cash and cash equivalents	532,332	34,738	567,070
Cash and cash equivalents, beginning of the year	<u>4,916,727</u>	<u>38,561</u>	<u>4,955,288</u>
Cash and cash equivalents, end of the year	<u>\$ 5,449,059</u>	<u>\$ 73,299</u>	<u>\$ 5,522,358</u>

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

Operating income (loss)	\$ 116,451	\$ 16,507	\$ 132,958
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	53,909	1,961	55,870
Changes in operating assets and liabilities:			
Decrease/(Increase) in accounts receivable	8,938	12,244	21,182
Decrease/(Increase) in due from County of Madera	718	-	718
Increase/(Decrease) in accounts payable	71,444	162	71,606
Increase/(Decrease) in due to County of Madera	50,834	3,143	53,977
Increase/(Decrease) in deposits from others	(300)	150	(150)
Increase/(Decrease) in unearned revenues	<u>2,255</u>	<u>209</u>	<u>2,464</u>
Net cash provided (used) by operating activities	<u>\$ 304,249</u>	<u>\$ 34,376</u>	<u>\$ 338,625</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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 02 – Bass Lake / Wishon Cove** (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

SA 2A (Bass Lake) provides sewer service for a resort area including both residential and commercial connections. SA 2A is located along Bass Lake's northeast and southeast shores in Madera County. The sewer district was formed on October 21, 1975 by Resolution No. 75-004. The funding for the sewer system operations comes from charges for sewer services and assessments. The sewer rates were last set on December 8, 2009 by Resolution No. 2009-363 and include an annual Consumer Price Index adjustment. An additional Accumulated Capital Outlay (ACO) assessment charge per sewer unit for both improved and standby units was approved on September 10, 2013 by Resolution 2013-140.

SA 2B & 2C (Wishon Cove) provides water service for PG&E's campground and private residents on Emory Lane and at SA 2C. SA 2B & 2C are located along Bass Lake's South Shore at County Road 222 and Emory Lane in Madera County. The water district was formed on April 12, 1994 by Resolution No. 94-155. The monthly rates for the water system were set in 1996.

SA 2B also provides road maintenance to approximately 33 parcels served by 0.70 miles of paved roads. The District is approximately 48 acres in size. When the District was formed a direct assessment of \$100 per parcel per year for road maintenance was approved.

SA 2D (Bass Lake Estates) provides road maintenance to approximately 61 parcels served by 0.80 miles of paved roads. The District was formed on January 3, 1995 by Resolution No. 95-5 and is approximately 20.39 acres in size. When the District was formed a direct assessment of \$100 per parcel per year for road maintenance was approved.

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.

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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)

Government-Wide Financial Statements (Continued)

Certain types of transactions are reported as program revenue for the District in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

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 2B & 2D – *Road Maintenance* fund is used to account for all financial resources of the District relating to the maintenance of the paved roads and the drainage lot within the District.

The District reports the following major proprietary funds:

- The SA 2A – *Sewer Operations & Maintenance* fund is used to account for all financial resources of the District relating to sewer services provided to the residential development of the District
- The SA 2B & 2C – *Water Operations & Maintenance* fund is used to account for all financial resources of the District relating to water services provided to the residential development of the District.

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.

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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)

Governmental Fund Financial Statements (Continued)

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.

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 and in the Balance Sheet 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 and water services.

E. Restricted Cash and Investments

Restricted cash and investments of \$4,751,536 consists of prepayments and assessments collected from property owners. \$4,745,887 of the total restricted cash and investments is restricted for the wastewater treatment plant and lift station projects and the remaining amount is restricted for debt service payments.

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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. 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.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and similar items), are reported in the Statement of Net Position. Capital assets are defined by the District as assets with a cost of more than \$5,000 for machinery and equipment and \$10,000 for the other categories of capital assets with an estimated useful life of more than one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

<u>Depreciable Asset</u>	<u>Estimated Life</u>
Infrastructure	20-50 years
Water and Sewer Systems	16-65 years
Equipment	3-20 years

The District's construction in progress is related to the wastewater treatment plant and lift system projects. The total project cost is approximately \$11.4 million and total cost incurred to date is \$888,416. The District will issue a \$6,780,000 revenue bonds to finance the projects and the remaining project costs is funded by the prepayments and assessments collected from property owners.

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

H. 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.

For the year ended June 30, 2016, no instances existed in which expenditures exceeded appropriations.

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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. 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 02 – BASS LAKE / WISHON COVE
(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)

J. 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	\$ 886,824
Cash and investments – restricted	<u>4,751,536</u>
Total cash and investments	<u>\$ 5,638,360</u>

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

Deposits held with County of Madera Investment Pool	\$ 5,638,360
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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 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 3: RECEIVABLES

At June 30, 2016, receivables of the District's major individual funds taken in aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	
	SA 2B & 2D		
	Road Maintenance	SA 2A Sewer	SA 2B & 2C Water
Accounts	\$ -	\$ -	\$ 1,023
Special assessments	3	279,999	2
Less: allowance for uncollectibles	-	(279,749)	-
 Total receivables, net	 <u>\$ 3</u>	 <u>\$ 250</u>	 <u>\$ 1,025</u>

NOTE 4: CAPITAL ASSETS

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

	Governmental Activities			Balance June 30, 2016
	Balance July 1, 2015	Additions	Deletions	
Capital assets, not being depreciated:				
Land	\$ 3,600	\$ -	\$ -	\$ 3,600
Land under roads	121,361	-	-	121,361
 Total capital assets, not being depreciated	 <u>124,961</u>	 <u>-</u>	 <u>-</u>	 <u>124,961</u>
Capital assets, being depreciated:				
Infrastructure	64,578	-	-	64,578
 Total capital assets, being depreciated	 <u>64,578</u>	 <u>-</u>	 <u>-</u>	 <u>64,578</u>
Less accumulated depreciation for:				
Infrastructure	(64,578)	-	-	(64,578)
 Total accumulated depreciation	 <u>(64,578)</u>	 <u>-</u>	 <u>-</u>	 <u>(64,578)</u>
 Total capital assets being depreciated, net	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total capital assets, net	 <u>\$ 124,961</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 124,961</u>

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 4: CAPITAL ASSETS (Continued)

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 42,117	\$ -	\$ -	\$ 42,117
Construction in progress	<u>392,479</u>	<u>495,937</u>	<u>-</u>	<u>888,416</u>
Total capital assets, not being depreciated	<u>434,596</u>	<u>495,937</u>	<u>-</u>	<u>930,533</u>
Capital assets, being depreciated:				
Water and sewer systems	5,570,949	-	-	5,570,949
Equipment	<u>154,106</u>	<u>-</u>	<u>-</u>	<u>154,106</u>
Total capital assets, being depreciated	<u>5,725,055</u>	<u>-</u>	<u>-</u>	<u>5,725,055</u>
Less accumulated depreciation for:				
Water and sewer systems	(4,664,177)	(54,015)	-	(4,718,192)
Equipment	<u>(140,499)</u>	<u>(1,855)</u>	<u>-</u>	<u>(142,354)</u>
Total accumulated depreciation	<u>(4,804,676)</u>	<u>(55,870)</u>	<u>-</u>	<u>(4,860,546)</u>
Total capital assets being depreciated, net	<u>920,379</u>	<u>(55,870)</u>	<u>-</u>	<u>864,509</u>
Total capital assets, net	<u>\$ 1,354,975</u>	<u>\$ 440,067</u>	<u>\$ -</u>	<u>\$ 1,795,042</u>

Depreciation expenses of \$53,909 and \$1,961 were charged to the sewer and water functions of the business-type activities, respectively.

NOTE 5: 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 \$126,370.

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.

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 7: COMMITMENTS AND CONTINGENCIES

Construction Commitments

At June 30, 2016, the District had two commitments for the wastewater treatment system and collection system lift system projects. The remaining construction committed totaled \$352,981.

NOTE 8: SUBSEQUENT EVENTS

Issuance of 2017 Wastewater Revenue Bonds (County Service Area 2A/2B)

On April 5, 2017, the District issued 2017 Wastewater Revenue Bonds (County Service Area 2A/2B) in an amount of \$6,780,000 to finance the CSA 2A/2B Bass Lake wastewater treatment plant and lift system construction costs and to pay costs of issuing such Bonds. These bonds will be repaid from amounts levied against the property owners benefited by this construction. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the District must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received.

Principal payments are due annually on December 30, commencing on December 30, 2017, with the final payment due on December 30, 2033. Interest payments are due on December 30 and June 30 of each year until the bonds are paid off. The interest rate is 3.5 percent.

REQUIRED SUPPLEMENTARY INFORMATION

**SERVICE AREA 02 – BASS LAKE / WISHON COVE
(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	\$ 9,000	\$ 9,000	\$ 9,607	\$ 607
Investment earnings	450	450	762	312
Total revenues	9,450	9,450	10,369	919
Expenditures:				
Road maintenance:				
Maintenance - roads	100,000	100,000	3,236	96,764
Insurance	156	156	156	-
Appropriation for contingency	17,754	17,754	-	17,754
Total expenditures	117,910	117,910	3,392	114,518
Net change in fund balance	(108,460)	(108,460)	6,977	115,437
Fund balance - beginning of year	109,300	109,300	109,300	-
Fund balance - end of year	\$ 840	\$ 840	\$ 116,277	\$ 115,437