

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2019 AND 2018**



CLAcconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position June 30, 2019.....	3
Statement of Activities June 30, 2019	4
Balance Sheet – Governmental Funds June 30, 2019	5
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund for the Year Ended June 30, 2019	6
Statement of Net Position June 30, 2018.....	7
Statement of Activities June 30, 2018	8
Balance Sheet – Governmental Funds June 30, 2018	9
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund the Year Ended June 30, 2018.....	10
Statements of Net Position – Proprietary Fund June 30, 2019 and 2018.....	11
Statements of Revenues, Expenses, and Change in Net Position – Proprietary Fund for the Years Ended June 30, 2019 and 2018.....	12
Statements of Cash Flows – Proprietary Fund for the Years Ended June 30, 2019 and 2018	13
Notes to the Basic Financial Statements.....	14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual 2019	23
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual 2018	24



INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Madera County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Maintenance District 58 – Sierra Highlands (District), a component unit of the County of Madera, California as of and for the years ended June 30, 2019 and 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and each major fund of Maintenance District 58 – Sierra Highlands as of June 30, 2019 and 2018, 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 23-24 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 the 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 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.



CliftonLarsonAllen LLP

Roseville, California
March 27, 2020

BASIC FINANCIAL STATEMENTS

THIS PAGE IS LEFT BLANK INTENTIONALLY.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 74,615	\$ 19,653	\$ 94,268
Accounts receivable	--	1,572	1,572
Interest receivable	257	77	334
Due from County of Madera	--	2	2
Capital assets, not being depreciated:			
Land	163,827	29,167	192,994
Capital assets being depreciated, net:			
Water and sewer systems	--	53,446	53,446
	<u>238,699</u>	<u>103,917</u>	<u>342,616</u>
Total assets			
Liabilities			
Accounts payable	73	746	819
Deposits from others	--	450	450
Due to County of Madera	182	4,824	5,006
Unearned revenue	--	434	434
	<u>255</u>	<u>6,454</u>	<u>6,709</u>
Total liabilities			
Net Position			
Investment in capital assets	163,827	82,613	246,440
Restricted for road maintenance	74,617	--	74,617
Unrestricted	--	14,850	14,850
	<u>\$ 238,444</u>	<u>\$ 97,463</u>	<u>\$ 335,907</u>
Total net position			

The notes to the financial statements are an integral part of this statement
(3)

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental Activities					
Road maintenance	\$ 2,348	\$ 10,142	\$ 7,794	\$ --	\$ 7,794
Total governmental activities	<u>2,348</u>	<u>10,142</u>	<u>7,794</u>	<u>--</u>	<u>7,794</u>
Business-type Activities					
Water	31,872	22,028	--	(9,844)	(9,844)
Total business-type activities	<u>31,872</u>	<u>22,028</u>	<u>--</u>	<u>(9,844)</u>	<u>(9,844)</u>
Total primary government	<u>\$ 34,220</u>	<u>\$ 32,170</u>	7,794	(9,844)	(2,050)
General revenue:					
Investment earnings			1,175	384	1,559
Total general revenues			<u>1,175</u>	<u>384</u>	<u>1,559</u>
Changes in net position			8,969	(9,460)	(491)
Net position - beginning			<u>229,475</u>	<u>106,923</u>	<u>336,398</u>
Net position - ending			<u>\$ 238,444</u>	<u>\$ 97,463</u>	<u>\$ 335,907</u>

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

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019**

	<u>Road Maintenance</u>
Assets	
Cash	\$ 74,615
Interest receivable	257
Total assets	<u>\$ 74,872</u>
 Liabilities	
Accounts payable	\$ 73
Due to County of Madera	182
Total liabilities	<u>255</u>
 Fund Balances	
Restricted for:	
Road maintenance	<u>74,617</u>
Total fund balances	<u>74,617</u>
 Total liabilities and fund balances	<u>\$ 74,872</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - governmental fund	\$ 74,617
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	<u>163,827</u>
Net position of governmental activities	<u>\$ 238,444</u>

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(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, 2019**

	<u>Road Maintenance</u>
Revenues	
Assesments	\$ 10,142
Investment earnings	<u>1,175</u>
Total revenues	<u>11,317</u>
Expenditures	
Road maintenance:	
General and administrative	738
Maintenance - roads	590
Insurance	<u>1,020</u>
Total expenditures	<u>2,348</u>
Net change in fund balances	8,969
Fund balances - beginning	<u>65,648</u>
Fund balances - ending	<u>\$ 74,617</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - governmental fund	\$ 8,969
Governmental funds report capital outlay 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>\$ 8,969</u>

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 64,837	\$ 22,858	\$ 87,695
Accounts receivable	674	1,794	2,468
Interest receivable	293	100	393
Capital assets, not being depreciated:			
Land	163,827	29,167	192,994
Capital assets being depreciated, net:			
Water and sewer systems	--	57,348	57,348
	<u>229,631</u>	<u>111,267</u>	<u>340,898</u>
Total assets			
Liabilities			
Accounts payable	5	371	376
Deposits from others	--	450	450
Due to County of Madera	151	2,977	3,128
Unearned revenue	--	546	546
	<u>156</u>	<u>4,344</u>	<u>4,500</u>
Total liabilities			
Net Position			
Investment in capital assets	163,827	86,515	250,342
Restricted for road maintenance	65,648	--	65,648
Unrestricted	--	20,408	20,408
	<u>\$ 229,475</u>	<u>\$ 106,923</u>	<u>\$ 336,398</u>
Total net position			

The notes to the financial statements are an integral part of this statement
(7)

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental Activities					
Road maintenance	\$ 1,858	\$ 10,494	\$ 8,636	\$ --	\$ 8,636
Total governmental activities	<u>1,858</u>	<u>10,494</u>	<u>8,636</u>	<u>--</u>	<u>8,636</u>
Business-type Activities					
Water	23,973	20,990	--	(2,983)	(2,983)
Total business-type activities	<u>23,973</u>	<u>20,990</u>	<u>--</u>	<u>(2,983)</u>	<u>(2,983)</u>
Total primary government	<u>\$ 25,831</u>	<u>\$ 31,484</u>	<u>8,636</u>	<u>(2,983)</u>	<u>5,653</u>
General revenue:					
Investment earnings			889	352	1,241
Total general revenues			<u>889</u>	<u>352</u>	<u>1,241</u>
Changes in net position			9,525	(2,631)	6,894
Net position - beginning			<u>219,950</u>	<u>109,554</u>	<u>329,504</u>
Net position - ending			<u>\$ 229,475</u>	<u>\$ 106,923</u>	<u>\$ 336,398</u>

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

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

	Road Maintenance
Assets	
Cash	\$ 64,837
Accounts receivable	674
Interest receivable	293
Total assets	\$ 65,804
Liabilities	
Accounts payable	\$ 5
Due to County of Madera	151
Total liabilities	156
Fund Balances	
Restricted for:	
Road maintenance	65,648
Total fund balances	65,648
Total liabilities and fund balances	\$ 65,804

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

Fund balances - governmental fund	\$ 65,648
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	163,827
Net position of governmental activities	\$ 229,475

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(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, 2018**

	Road Maintenance
Revenues	
Assesments	\$ 10,494
Investment earnings	889
Total revenues	11,383
Expenditures	
Road maintenance:	
General and administrative	156
Maintenance - roads	730
Insurance	972
Total expenditures	1,858
Net change in fund balances	9,525
Fund balances - beginning	56,123
Fund balances - ending	\$ 65,648

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

Net change in fund balance - governmental fund	\$ 9,525
--	----------

Governmental funds report capital outlay 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.

Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 9,525</div>
---	---

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

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENTS OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Current assets		
Cash	\$ 19,653	\$ 22,858
Accounts receivable	1,572	1,794
Interest receivable	77	100
Due from County of Madera	2	--
Total current assets	21,304	24,752
Non-current assets		
Land	29,167	29,167
Depreciable assets	181,405	181,405
Accumulated Depreciation	(127,959)	(124,057)
Total noncurrent assets	82,613	86,515
Total assets	103,917	111,267
Liabilities		
Current liabilities		
Accounts payable	746	371
Deposits from others	450	450
Due to County of Madera	4,824	2,977
Unearned revenue	434	546
Total current liabilities	6,454	4,344
Total liabilities	6,454	4,344
Net Position		
Investment in capital assets	82,613	86,515
Unrestricted	14,850	20,408
Total net position	\$ 97,463	\$ 106,923

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

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Operating Revenues		
Charges for services	\$ 22,028	\$ 20,990
Total operating revenues	22,028	20,990
Operating Expenses		
Services and supplies	13,437	5,633
Maintenance	9,016	10,264
Insurance	2,342	707
Utilities	3,175	3,468
Depreciation	3,902	3,901
Total operating expenses	31,872	23,973
Operating Income (Loss)	(9,844)	(2,983)
Non-Operating Revenues (Expenses)		
Investment income	384	352
Total non-operating revenue(expenses)	384	352
Change in net position	(9,460)	(2,631)
Net position - beginning	106,923	109,554
Net position - ending	\$ 97,463	\$ 106,923

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

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Cash Flows From Operating Activities:		
Receipts from customers	\$ 22,136	\$ 19,953
Payments to suppliers	<u>(25,748)</u>	<u>(21,022)</u>
Net Cash Provided (Used) by Operating Activities	<u>(3,612)</u>	<u>(1,069)</u>
Cash Flows From Investing Activities:		
Interest received	<u>407</u>	<u>317</u>
Net Cash Provided (Used) by Investing Activities	<u>407</u>	<u>317</u>
Net Increase in Cash and Cash Equivalents	(3,205)	(752)
Cash and Cash Equivalents, Beginning of Year	<u>22,858</u>	<u>23,610</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 19,653</u></u>	<u><u>\$ 22,858</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (9,844)	\$ (2,983)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:		
Depreciation	3,902	3,901
Changes in assets and liabilities:		
Decrease/(increase) in accounts receivable	222	(1,301)
Decrease/(increase) in due from County of Madera	(2)	--
Increase/(decrease) in accounts payable	375	124
Increase/(decrease) in due to County of Madera	1,847	(1,074)
Increase/(decrease) in deposits from others	--	150
Increase/(decrease) in unearned revenues	<u>(112)</u>	<u>114</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (3,612)</u></u>	<u><u>\$ (1,069)</u></u>

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

THIS PAGE IS LEFT BLANK INTENTIONALLY.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the **MD 58 – Sierra Highlands** (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 is located 4 miles northwest of North Fork and accessed south from County Road 223. The District was formed on November 19, 1991 by Resolution No. 91-345 and is approximately 439 acres in size.

The District provides road maintenance to approximately 32 parcels served by 1.19 miles of paved roads and 2.50 miles of unpaved roads. When the District was formed a direct assessment of \$100 per parcel per year for road maintenance was approved. On July 22, 2014 by Resolution No. 2014-112, the assessments were increased for road maintenance to \$300 for each parcel within the District. Every year thereafter this amount will be adjusted to reflect the inflation impact based on the Engineering News Record Construction Cost index using the twenty city average.

The District also provides water service to a small residential development. The Sierra Highlands water system serves 25 improved units and 4 standby units. The water is furnished by the District's hard rock well with a production of 80 gallons per minute that pumps to supply a storage tank with a capacity of 65,000 gallons. The system also contains a 900 gallon hydro-pneumatic tank and single 5 hp 75 gpm boost pump. The water is distributed through 9,555 feet of 2¼, 4 and 6 inch PVC water mains. There are consumer meters and three fire hydrants. The water rates were last set on September 10, 2013 by Resolution No. 2013-143 with an annual Consumer Price Index adjustment. On March 5, 2019, water rates were increased by Resolution No. 2019-027 based on the result of the rate study.

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.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 the charges for services category.

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 *MD 58 – Road Maintenance* fund is used to account for all financial resources of the District relating to the maintenance of the paved and unpaved roads within the District.

The District reports the following major proprietary funds:

- The *MD 58 – 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.

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.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements (Continued)

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. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers the cash held in the County Treasury, its only investments, to be cash and cash equivalents.

E. Receivables

Receivables consist of interest from the County of Madera, special assessment for road maintenance, and fees charged for water services. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 acquisition value on the date donated.

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

<u>Depreciable Asset</u>	<u>Estimated Life</u>
Infrastructure	20-50 years
Water Systems	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.

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 at 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.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 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 Supervisors 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.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2019 and 2018 are classified in the financial statements as follows:

	2019	2018
Cash and investments - unrestricted	\$ 94,268	\$ 87,695
	\$ 94,268	\$ 87,695

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, 2019 and 2018, 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.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Governmental Activities			Balance June 30, 2019
	Balance July 1, 2018	Additions	Retirements	
Capital assets, not being depreciated:				
Land	\$ 163,827	\$ --	\$ --	\$ 163,827
Total capital assets, not being depreciated	163,827	--	--	163,827
Capital assets, being depreciated:				
Infrastructure	99,293	--	--	99,293
Total capital assets, being depreciated	99,293	--	--	99,293
Less accumulated depreciation for:				
Infrastructure	(99,293)	--	--	(99,293)
Total accumulated depreciation	(99,293)	--	--	(99,293)
Total capital assets, being depreciated, net	--	--	--	--
Total capital assets, net	<u>\$ 163,827</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 163,827</u>

	Business-Type Activities			Balance June 30, 2019
	Balance July 1, 2018	Additions	Retirements	
Capital assets, not being depreciated:				
Land	\$ 29,167	\$ --	\$ --	\$ 29,167
Total capital assets, not being depreciated	29,167	--	--	29,167
Capital assets, being depreciated:				
Water systems	181,405	--	--	181,405
Total capital assets, being depreciated	181,405	--	--	181,405
Less accumulated depreciation for:				
Water systems	(124,057)	(3,902)	--	(127,959)
Total accumulated depreciation	(124,057)	(3,902)	--	(127,959)
Total capital assets, being depreciated, net	57,348	(3,902)	--	53,446
Total capital assets, net	<u>\$ 86,515</u>	<u>\$ (3,902)</u>	<u>\$ --</u>	<u>\$ 82,613</u>

Depreciation expense of \$3,902 was charged to the water function of the business-type activities.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3: CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2018 was as follows:

	Governmental Activities			Balance June 30, 2018
	Balance July 1, 2017	Additions	Retirements	
Capital assets, not being depreciated:				
Land	\$ 163,827	\$ --	\$ --	\$ 163,827
Total capital assets, not being depreciated	163,827	--	--	163,827
Capital assets, being depreciated:				
Infrastructure	99,293	--	--	99,293
Total capital assets, being depreciated	99,293	--	--	99,293
Less accumulated depreciation for:				
Infrastructure	(99,293)	--	--	(99,293)
Total accumulated depreciation	(99,293)	--	--	(99,293)
Total capital assets, being depreciated, net	--	--	--	--
Total capital assets, net	<u>\$ 163,827</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 163,827</u>
	Business-Type Activities			
	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 29,167	\$ --	\$ --	\$ 29,167
Total capital assets, not being depreciated	29,167	--	--	29,167
Capital assets, being depreciated:				
Water systems	181,405	--	--	181,405
Total capital assets, being depreciated	181,405	--	--	181,405
Less accumulated depreciation for:				
Water systems	(120,156)	(3,901)	--	(124,057)
Total accumulated depreciation	(120,156)	(3,901)	--	(124,057)
Total capital assets, being depreciated, net	61,249	(3,901)	--	57,348
Total capital assets, net	<u>\$ 90,416</u>	<u>\$ (3,901)</u>	<u>\$ --</u>	<u>\$ 86,515</u>

Depreciation expenses of \$3,901 was charged to the water function of the business-type activities.

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

The amounts due to the County of Madera as of June 30, 2019 and 2018 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Amounts due to County of Madera	\$ 3,128	\$ 5,006	\$ (3,128)	\$ 5,006
	\$ 3,128	\$ 5,006	\$ (3,128)	\$ 5,006

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Amounts due to County of Madera	\$ 4,051	\$ 3,128	\$ (4,051)	\$ 3,128
	\$ 4,051	\$ 3,128	\$ (4,051)	\$ 3,128

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 Comprehensive Annual Financial Report.

REQUIRED SUPPLEMENTARY INFORMATION

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/ Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assesments	\$ 9,500	\$ 9,500	\$ 10,142	\$ 642
Investment earnings	180	180	1,175	995
Total revenues	<u>9,680</u>	<u>9,680</u>	<u>11,317</u>	<u>1,637</u>
Expenditures				
Road maintenance:				
General and administrative	226	415	738	(323)
Maintenance - roads	70,000	70,000	590	69,410
Insurance	1,020	1,020	1,020	--
Appropriation for contingency	2,917	2,917	--	2,917
Total expenditures	<u>74,163</u>	<u>74,352</u>	<u>2,348</u>	<u>72,004</u>
Net change in fund balances	(64,483)	(64,672)	8,969	73,641
Fund balances - beginning	<u>65,648</u>	<u>65,648</u>	<u>65,648</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,165</u>	<u>\$ 976</u>	<u>\$ 74,617</u>	<u>\$ 73,641</u>

**MAINTENANCE DISTRICT 58 – SIERRA HIGHLANDS
(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, 2018**

	Budgeted Amounts		Actual	Variance w/ Final Budget
	Original	Final		
Revenues				
Assesments	\$ 9,500	\$ 9,500	\$ 10,494	\$ 994
Investment earnings	180	180	889	709
Total revenues	<u>9,680</u>	<u>9,680</u>	<u>11,383</u>	<u>1,703</u>
Expenditures				
Road maintenance:				
General and administrative	--	30	156	(126)
Maintenance - roads	60,000	60,000	730	59,270
Insurance	972	972	972	--
Appropriation for contingency	4,214	4,214	--	4,214
Total expenditures	<u>65,186</u>	<u>65,216</u>	<u>1,858</u>	<u>63,358</u>
Net change in fund balances	(55,506)	(55,536)	9,525	65,061
Fund balances - beginning	<u>56,123</u>	<u>56,123</u>	<u>56,123</u>	<u>--</u>
Fund balances - ending	<u>\$ 617</u>	<u>\$ 587</u>	<u>\$ 65,648</u>	<u>\$ 65,061</u>