

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**



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**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)  
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YEARS ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Madera County

### Report on the Financial Statements

We have audited the accompanying financial statements of Service Area 16 - Sumner Hill (District), a component unit of the County of Madera, California as of and for the year ended June 30, 2019, 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.

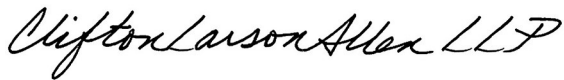
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Service Area 16 - Sumner Hill as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



**CliftonLarsonAllen LLP**

Roseville, California  
March 31, 2020

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

**Assets**

Current assets	
Cash	\$ 217,104
Accounts receivable	15,168
Interest receivable	727
Due from County of Madera	4
Total current assets	<u>233,003</u>
Noncurrent assets	
Land	3,600
Infrastructure	718,876
Accumulated Depreciation	<u>(489,747)</u>
Total noncurrent assets	<u>232,729</u>
Total assets	<u>465,732</u>

**Liabilities**

Current liabilities	
Accounts payable	19,318
Interest payable	10,657
Deposits from others	600
Due to County of Madera	86,357
Unearned revenue	<u>4,624</u>
Total current liabilities	<u>121,556</u>
Non-Current liabilities	
Advances from County of Madera	<u>220,259</u>
Total non-current liabilities	<u>220,259</u>
Total liabilities	<u>341,815</u>

**Net Position**

Net investment in capital assets	232,729
Unrestricted	<u>(108,812)</u>
Total net position	<u>\$ 123,917</u>

See accompanying Notes to Basic Financial Statements.

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Operating Revenues:</b>	
Charges for services	\$ 155,727
Other revenues	50
Total operating revenues	<u>155,777</u>
<b>Operating Expenses:</b>	
Services and supplies	147,445
Repairs and maintenance	138,887
Insurance	4,411
Utilities	36,772
Depreciation	14,170
Total operating expenses	<u>341,685</u>
Operating income (loss)	(185,908)
<b>Nonoperating Revenue:</b>	
Interest income	3,443
Interest and fiscal charges	(7,016)
Total nonoperating revenue	<u>(3,573)</u>
Loss before capital contributions	(189,481)
Capital Contributions	<u>223,230</u>
Change in net position	33,749
Net position - beginning of year	<u>90,168</u>
Net position - end of year	<u>\$ 123,917</u>

See accompanying Notes to Basic Financial Statements.

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Cash Flows From Operating Activities:</b>	
Receipts from customers	\$ 151,524
Payments to suppliers	(349,534)
Net Cash Provided (Used) by Operating Activities	<u>(198,010)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Contributions from property owners	223,230
Net Cash Provided by Capital and Related Financing Activities	<u>223,230</u>
<b>Cash Flows From Investing Activities:</b>	
Interest received	3,539
Net Cash Provided by Investing Activities	<u>3,539</u>
<b>Net Increase in Cash and Cash Equivalents</b>	28,759
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>188,345</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 217,104</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (185,908)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:	
Depreciation	14,170
Changes in assets and liabilities:	
Decrease/(increase) in accounts receivable	(3,886)
Decrease/(increase) in due from County of Madera	53
Increase/(decrease) in accounts payable	14,782
Increase/(decrease) in due to County of Madera	(36,801)
Increase/(decrease) in unearned revenues	(420)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ (198,010)</u></u>

See accompanying Notes to Basic Financial Statements.



**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

The basic financial statements of the **SA 16 - Sumner Hill** (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 residential water service and a community sewer leach field to a small residential community. The District is located off County Road 204 at Killarney Drive in Madera County. The District was formed on November 15, 1983 by Board Resolution 84-13.

The Sumner Hill Water System provides residential water service to 41 improved units and 8 standby units. The service area also provides a community sewer leach field to 41 improved units and 8 standby units. The water and sewer rates were last set on May 13, 2014 by Resolution 2014-070, which created a tiered structure and include an annual Consumer Price Index adjustment. The following table shows the rates in effect during fiscal year ended June 30, 2019 are shown below.

**Monthly Water Rates - Active Units**

Up to 10,000 cubic feet (cf)	\$	138.11
10,0001 cf -20,000 cf (Rate per cf)	\$	0.03
20,000 cf and greater (Rate per cf)	\$	0.06

**Monthly Water Rates- Standby Units** \$ 37.50

**Accumulated Capital Outlay (ACO) Monthly Charge - All Units** \$ 85.00

**Monthly Sewer Rates - All Units** \$ 36.34

The Board of Supervisors is the governing body of the District. The District is considered a blended component unit of the County of Madera and is reported as an enterprise fund in the County of Madera financial statements. The financial statements included in this report are intended to present the financial position and results of operations of only the District. They are not intended to present the financial position or results of operations of the County of Madera taken as a whole.

**B. Basis of Presentation and Method of Accounting**

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.

The District accounts for its activities as a single enterprise fund. 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

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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. 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 fees charged for water and sewer services and interest from the County of Madera. The Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

**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. 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.

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**F. Capital Assets** (Continued)

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
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.

**G. Net Position**

Net position is classified in the following three components:

- 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 does not meet the definition of “net investment in capital assets” or “restricted net position.”

When both restricted and unrestricted resources are available for use, unrestricted resources are used only after the restricted resources are depleted.

**H. 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.

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments at June 30, 2019 is classified in the financial statements as follows:

Cash and Investments held in County Treasury	<u>\$ 217,104</u>
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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, 2019, 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 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3: CAPITAL ASSETS**

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

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 3,600	\$ --	\$ --	\$ 3,600
Total capital assets, not being depreciated	3,600	--	--	3,600
Capital assets, being depreciated:				
Water & sewer systems	718,876	--	--	718,876
Total capital assets, being depreciated	718,876	--	--	718,876
Less accumulated depreciation for:				
Water & sewer systems	(475,577)	(14,170)	--	(489,747)
Total accumulated depreciation	(475,577)	(14,170)	--	(489,747)
Total capital assets, being depreciated, net	243,299	(14,170)	--	229,129
Total capital assets, net	<u>\$ 246,899</u>	<u>\$ (14,170)</u>	<u>\$ --</u>	<u>\$ 232,729</u>

**NOTE 4: RELATED PARTY TRANSACTIONS**

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 following amounts was due to the County of Madera for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Amounts due to County of Madera	\$ 123,158	\$ 86,537	\$ (123,158)	\$ 86,537
	<u>\$ 123,158</u>	<u>\$ 86,537</u>	<u>\$ (123,158)</u>	<u>\$ 86,537</u>

**NOTE 5: ADVANCES FROM COUNTY OF MADERA**

The following is a summary of the advances from the County of Madera for the year-ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Advances from County of Madera	\$ 185,000	\$ --	\$ --	\$ 185,000
Advances from County of Madera	35,259	--	--	35,259
	<u>\$ 220,259</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 220,259</u>

**SERVICE AREA 16 – SUMNER HILL  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5: ADVANCES FROM COUNTY OF MADERA – (Continued)**

The District obtained a \$50,000 loan from the County of Madera on June 26, 2016 to help fund the District's operations. The loan is to be repaid with interest at the County of Madera treasury pool rate plus 50 basis points as soon as funds are available from the District. Interest will be accrued on the unpaid principal balance until loan is paid in full.

The District obtained a \$15,000 loan from the County of Madera on June 20, 2017 to help fund the District's operations. The loan is to be repaid with interest at the County of Madera treasury pool rate plus 50 basis points as soon as funds are available from the District. Interest will be accrued on the unpaid principal balance until loan is paid in full.

The District obtained a \$120,000 loan from the County of Madera on June 29, 2018 to help fund the District's operations. The loan is to be repaid with interest at the County of Madera treasury pool rate plus 50 basis points as soon as funds are available from the District. Interest will be accrued on the unpaid principal balance until loan is paid in full.

The District has been advanced funds from the County in the amount of \$35,259. The advance is unsecured, noninterest bearing, and is due on demand. The County does not anticipate demanding repayment in the next fiscal year; therefore, the balance has been shown as a noncurrent liability on the statement of net position.

The District intends to pay back these advances through future cash flow at the current established rate, however, future rate increases may be necessary in order to fulfill the obligation.

**NOTE 7: 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.