

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**JUNE 30, 2020**

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## BASIC FINANCIAL STATEMENTS

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**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

**ASSETS**

Current Assets:

Cash and investments	\$ 5,507
Accounts receivable	8,438
Interest receivable	9
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Total Current Assets	13,954

Non-Current Assets:

Capital assets:

Land	1,000
Depreciable assets	220,823
Accumulated depreciation	(157,782)
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Total Non-Current Assets 64,041

Total Assets 77,995

**LIABILITIES**

Current Liabilities:

Accounts payable	2,570
Interest payable	1,343
Deposits from others	300
Due to County of Madera	34,284
Unearned revenue	114
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Total Current Liabilities 38,611

Non-Current Liabilities:

Advances from County of Madera 43,441

Total Non-Current Liabilities 43,441

Total Liabilities 82,052

**NET POSITION**

Net investment in capital assets 64,041  
Unrestricted (68,098)

Total Net Position \$ (4,057)

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

Operating Revenues:	
Charges for services	\$ 31,475
	<u>31,475</u>
Total Operating Revenues	<u>31,475</u>
Operating Expenses:	
Services and supplies	11,906
Maintenance	28,152
Insurance	786
Utilities	4,096
Depreciation	5,230
	<u>50,170</u>
Total Operating Expenses	<u>50,170</u>
Operating Income (Loss)	<u>(18,695)</u>
Non-Operating Revenue (Expenses):	
Investment income	100
Interest and fiscal charges	178
	<u>278</u>
Total Non-Operating Revenue (Expenses)	<u>278</u>
Change in Net Position	(18,417)
Net Position, Beginning of Year	<u>14,360</u>
Net Position, End of Year	<u>\$ (4,057)</u>

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 29,199
Cash paid to suppliers	<u>(47,281)</u>
Net cash provided by (used for) operating activities	<u>(18,082)</u>
Cash flows from investing activities:	
Interest on investments	<u>170</u>
Net cash provided by (used for) investing activities	<u>170</u>
Net increase (decrease) in cash and cash equivalents	(17,912)
Cash and cash equivalents, beginning of the year	<u>23,419</u>
Cash and cash equivalents, end of the year	<u><u>\$ 5,507</u></u>

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

Operating income (loss)	\$ (18,695)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	5,230
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	(2,390)
Decrease/(Increase) in due from County of Madera	1
Increase/(Decrease) in accounts payable	(417)
Increase/(Decrease) in due to County of Madera	(1,924)
Increase/(Decrease) in unearned revenues	<u>113</u>
Net cash provided (used) by operating activities	<u><u>\$ (18,082)</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS



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**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

The basic financial statements of the **MD 36 - Eastin Arcola** (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District provides water service and septic maintenance for residential lots and commercial property. The District is located about eight miles south of the City of Madera at Avenue 8 ½ and Road 29 ½. The District was formed on July 13, 1982 by Resolution No. 82-370. The Eastin Arcola Water System provides water service to 26.50 improved units and 2 standby units. The District also provides septic maintenance to 16 improved units and 2 standby units. The water rates and septic maintenance rates were last set on March 24, 2009 by Resolution No. 2009-087 and are based on a flat rate structure with an Annual Consumer Price Index adjustment. On October 10, 2017, water and sewer rates were increased by Resolution 2017-135 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 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 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.

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**D. Receivables**

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

**E. 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	15-65 years
Structures and Improvements	30-50 years
Equipment	3-20 years

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

**F. 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, 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.”

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

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**G. 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, 2020 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$5,507
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The District's cash and investments consisted of the following as of June 30, 2020:

Deposits held with County of Madera Investment Pool	\$5,507
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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, 2020, 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 and 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 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020, was as follows:

	<b>Total</b>			Balance June 30, 2020
	Balance July 1, 2019	Additions	Deletions	
Capital assets, not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total capital assets, not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital assets, being depreciated:				
Water and sewer systems	220,823	-	-	220,823
Total capital assets, being depreciated	<u>220,823</u>	<u>-</u>	<u>-</u>	<u>220,823</u>
Less accumulated depreciation for:				
Water and sewer systems	(152,552)	(5,230)	-	(157,782)
Total accumulated depreciation	<u>(152,552)</u>	<u>(5,230)</u>	<u>-</u>	<u>(157,782)</u>
Total capital assets being depreciated, net	<u>68,271</u>	<u>(5,230)</u>	<u>-</u>	<u>63,041</u>
Total capital assets, net	<u>\$ 69,271</u>	<u>\$ (5,230)</u>	<u>\$ -</u>	<u>\$ 64,041</u>

Depreciation expense of \$5,230 was charged to the District.

	<b>Water</b>			Balance June 30, 2020
	Balance July 1, 2019	Additions	Deletions	
Capital assets, not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total capital assets, not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital assets, being depreciated:				
Water systems	145,113	-	-	145,113
Total capital assets, being depreciated	<u>145,113</u>	<u>-</u>	<u>-</u>	<u>145,113</u>
Less accumulated depreciation for:				
Water systems	(76,842)	(5,230)	-	(82,072)
Total accumulated depreciation	<u>(76,842)</u>	<u>(5,230)</u>	<u>-</u>	<u>(82,072)</u>
Total capital assets being depreciated, net	<u>68,271</u>	<u>(5,230)</u>	<u>-</u>	<u>63,041</u>
Total capital assets, net	<u>\$ 69,271</u>	<u>\$ (5,230)</u>	<u>\$ -</u>	<u>\$ 64,041</u>

Depreciation expense of \$5,230 was charged to the water service function of the District.

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3: CAPITAL ASSETS (Continued)**

	<b>Sewer</b>			Balance June 30, 2020
	Balance July 1, 2019	Additions	Deletions	
Capital assets, being depreciated:				
Sewer systems	\$ 75,710	\$ -	\$ -	\$ 75,710
Total capital assets, being depreciated	75,710	-	-	75,710
Less accumulated depreciation for:				
Sewer systems	(75,710)	-	-	(75,710)
Total accumulated depreciation	(75,710)	-	-	(75,710)
Total capital assets being depreciated, net	-	-	-	-
Total capital assets, net	\$ -	\$ -	\$ -	\$ -

**NOTE 4: RELATED PARTY TRANSACTIONS**

The District's property taxes 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, 2020 is \$34,284.

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

The following is a summary of the advance from the County of Madera for the year-ended June 30, 2020:

	Balance		Balance		Due Within One Year
	July 1, 2019	Additions	Deletions	June 30, 2020	
Advance from County of Madera - Water	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ -
Advance from County of Madera - Water	17,811	-	-	17,811	-
Advance from County of Madera - Sewer	5,630	-	-	5,630	-
Total	\$ 43,441	\$ -	\$ -	\$ 43,441	\$ -

The District obtained a \$3,000 loan from the County of Madera on June 26, 2016 to help fund the District's water operation. 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.

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

The District had obtained a \$17,000 loan from the County of Madera on June 20, 2017 to help fund the District's operation. 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 amounts of \$17,811 for water service function and \$5,630 for sewer service function. 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 balances have 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 new established rate approved on October 10, 2017 by Resolution 2017-135.

**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.

**NOTE 7: SUBSEQUENT EVENTS**

Advances From County of Madera

The District obtained a \$30,000 loan for the water division, from the County of Madera on August 25, 2020 to help fund the District's daily 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.

Coronavirus Disease (COVID-19)

On March 11, 2020 the World Health Organization declared the outbreak of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to Maintenance District 36, COVID-19 may impact the timing of receipts for utility and assessment billings. Management believes MD36 is taking appropriate actions to mitigate the potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

SUPPLEMENTARY INFORMATION



**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 2,730	\$ 2,777	\$ 5,507
Accounts receivable	7,510	928	8,438
Interest receivable	8	1	9
 Total Current Assets	 10,248	 3,706	 13,954
Non-Current Assets:			
Capital assets:			
Land	1,000	-	1,000
Depreciable assets	145,113	75,710	220,823
Accumulated depreciation	(82,072)	(75,710)	(157,782)
 Total Non-Current Assets	 64,041	 -	 64,041
 Total Assets	 74,289	 3,706	 77,995
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	2,570	-	2,570
Interest payable	1,343	-	1,343
Deposits from others	267	33	300
Due to County of Madera	34,284	-	34,284
Unearned revenue	101	13	114
 Total Current Liabilities	 38,565	 46	 38,611
Non-Current Liabilities:			
Advances from County of Madera	37,811	5,630	43,441
 Total Non-Current Liabilities	 37,811	 5,630	 43,441
 Total Liabilities	 76,376	 5,676	 82,052
<b>NET POSITION</b>			
Net investment in capital assets	64,041	-	64,041
Unrestricted	(66,128)	(1,970)	(68,098)
 Total Net Position	 \$ (2,087)	 \$ (1,970)	 \$ (4,057)

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Operating Revenues:			
Charges for services	\$ 27,867	\$ 3,608	\$ 31,475
Total Operating Revenues	27,867	3,608	31,475
Operating Expenses:			
Services and supplies	11,836	70	11,906
Maintenance	27,782	370	28,152
Insurance	601	185	786
Utilities	4,096	-	4,096
Depreciation	5,230	-	5,230
Total Operating Expenses	49,545	625	50,170
Operating Income (Loss)	(21,678)	2,983	(18,695)
Non-Operating Revenue (Expenses):			
Investment income	89	11	100
Interest and fiscal charges	178	-	178
Total Non-Operating Revenue (Expenses)	267	11	278
Change in Net Position	(21,411)	2,994	(18,417)
Net Position, Beginning of Year	19,324	(4,964)	14,360
Net Position, End of Year	\$ (2,087)	\$ (1,970)	\$ (4,057)

**MAINTENANCE DISTRICT 36 – EASTIN ARCOLA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Cash flows from operating activities:			
Cash receipts from customers and users	\$ 25,841	\$ 3,358	\$ 29,199
Cash paid to suppliers	<u>(43,208)</u>	<u>(4,073)</u>	<u>(47,281)</u>
Net cash provided by (used for) operating activities	<u>(17,367)</u>	<u>(715)</u>	<u>(18,082)</u>
Cash flows from investing activities:			
Interest on investments	<u>151</u>	<u>19</u>	<u>170</u>
Net cash provided by (used for) investing activities	<u>151</u>	<u>19</u>	<u>170</u>
Net increase (decrease) in cash and cash equivalents	(17,216)	(696)	(17,912)
Cash and cash equivalents, beginning of the year	<u>19,946</u>	<u>3,473</u>	<u>23,419</u>
Cash and cash equivalents, end of the year	<u>\$ 2,730</u>	<u>\$ 2,777</u>	<u>\$ 5,507</u>

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

Operating income (loss)	\$ (21,678)	\$ 2,983	\$ (18,695)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	5,230	-	5,230
Changes in operating assets and liabilities:			
Decrease/(Increase) in accounts receivable	(2,127)	(263)	(2,390)
Decrease/(Increase) in due from County of Madera	1	-	1
Increase/(Decrease) in accounts payable	1,888	(2,305)	(417)
Increase/(Decrease) in due to County of Madera	(781)	(1,143)	(1,924)
Increase/(Decrease) in unearned revenues	<u>100</u>	<u>13</u>	<u>113</u>
Net cash provided by (used for) operating activities	<u>\$ (17,367)</u>	<u>\$ (715)</u>	<u>\$ (18,082)</u>