

**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**JUNE 30, 2021**

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**INSERT REPORT OF INDEPENDENT AUDITORS**

**INSERT REPORT OF INDEPENDENT AUDITORS**

## BASIC FINANCIAL STATEMENTS

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**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF NET POSITION  
JUNE 30, 2021**

**ASSETS**

Current Assets:

Cash and investments	\$	266,677
Cash and investments - restricted		174,729
Accounts receivable		44,174
Interest receivable		503
Due from other governments		4,234
Total Current Assets		490,317

Non-Current Assets:

Long term receivables		472,325
Capital assets:		
Land		66,324
Depreciable assets		2,481,073
Accumulated depreciation		(1,484,997)
Total Non-Current Assets		1,534,725
Total Assets		2,025,042

**LIABILITIES**

Current Liabilities:

Accounts payable		2,615
Interest payable		15,840
Deposits from others		16,200
Due to County of Madera		52,438
Unearned revenue		9,147
Bonds payable, current portion		8,410
Certificate of participation, current portion		3,920
Total Current Liabilities		108,570

Non-Current Liabilities:

Bonds payable		288,370
Certificate of participation		134,300
Advance from County of Madera		209,958
Total Non-Current Liabilities		632,628
Total Liabilities		741,198

**NET POSITION**

Net investment in capital assets		627,400
Restricted for debt service		174,729
Unrestricted		481,715
Total Net Position	\$	1,283,844

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

**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

Operating Revenues:	
Charges for services	\$ 351,760
Other revenues	316
Total Operating Revenues	<u>352,076</u>
Operating Expenses:	
Services and supplies	76,448
Maintenance	156,488
Insurance	17,128
Utilities	70,757
Depreciation	<u>67,763</u>
Total Operating Expenses	<u>388,584</u>
Operating Income (Loss)	<u>(36,508)</u>
Non-Operating Revenue (Expenses):	
Taxes	64,766
Assessments	27,767
Investment income	1,598
Intergovernmental	4,234
Interest and fiscal charges	<u>(19,776)</u>
Total Non-Operating Revenue (Expenses)	<u>78,589</u>
Change in Net Position	42,081
Net Position, Beginning of Year	<u>1,241,763</u>
Net Position, End of Year	<u>\$ 1,283,844</u>

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



**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 354,215
Cash paid to suppliers	<u>(340,835)</u>
Net cash provided by (used for) operating activities	<u>13,380</u>
Cash flows from noncapital financing activities:	
Taxes	<u>64,766</u>
Net cash provided by (used for) noncapital financing activities	<u>64,766</u>
Cash flows from capital and related financing activities:	
Assessments	40,618
Principal paid on capital debt	(11,830)
Interest paid on capital debt	<u>(18,739)</u>
Net cash provided by (used for) capital and related financing activities	<u>10,049</u>
Cash flows from investing activities:	
Investment income received	<u>1,804</u>
Net cash provided by (used for) investing activities	<u>1,804</u>
Net increase (decrease) in cash and investments	89,999
Cash and investments, beginning of the year	<u>351,407</u>
Cash and investments, end of the year	<u>\$ 441,406</u>
 <b>Reconciliation of Cash and Investments to the Statement of Net Position</b>	
Cash and Investments per Statement of Net Position	\$ 266,677
Restricted Cash and Investments per Statement of Net Position	<u>174,729</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 441,406</u>

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

**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

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

Operating income (loss)	\$ (36,508)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	67,763
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	2,154
Decrease/(Increase) in due from County of Madera	11
Increase/(Decrease) in accounts payable	986
Increase/(Decrease) in due to County of Madera	(21,000)
Increase/(Decrease) in deposits from others	(450)
Increase/(Decrease) in unearned revenue	<u>424</u>
Net cash provided by (used for) operating activities	<u>\$ 13,380</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 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

The basic financial statements of the **SA 01 – Indian Lakes** (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 3 miles south of Coarsegold and east of Highway 41 on County Road 417 in Madera County Supervisorial District 5. The District was formed on June 19, 1996 by Resolution No. 66-168.

The District provides water service to 477.5 improved units and 40 standby units. The system consists of three wells with a combined production of approximately 550 gallons per minute, an iron and manganese removal plant, a 750,000 gallon storage tank, boost pumps, a hydro pneumatic distribution, and distribution mains and fire hydrants. The funding for the water system operations is derived from charges for water services. On October 10, 2017, water rates were increased by Resolution No. 2017-134 based on the result of the rate study. In addition to the charges for water services, the District also receives property taxes to cover operating expenses of the District.

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, a Statement of Revenues, Expenses, and Change 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 Change 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.

**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**D. Receivables**

Receivables consist of fees charged for water services, property taxes, assessments, 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. Property Taxes/Assessments**

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

**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.

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>
Water Systems	15-65 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 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.

**SERVICE AREA 01 – INDIAN LAKES  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**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.

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments at June 30, 2021 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$ 266,677
Cash and investments – restricted	<u>174,729</u>
Total cash and investments	<u>\$ 441,406</u>

The District's cash and investments consisted of the following as of June 30, 2021:

Deposits held with County of Madera Investment Pool	\$ 441,406
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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, 2021, 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 Annual Comprehensive 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.

**SERVICE AREA 01 – INDIAN LAKES  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$ 66,324	\$ -	\$ -	\$ 66,324
Total capital assets, not being depreciated	66,324	-	-	66,324
Capital assets, being depreciated:				
Water system	2,387,475	-	-	2,387,475
Equipment	93,598	-	-	93,598
Total capital assets, being depreciated	2,481,073	-	-	2,481,073
Less accumulated depreciation for:				
Water system	(1,358,312)	(58,403)	-	(1,416,715)
Equipment	(58,922)	(9,360)	-	(68,282)
Total accumulated depreciation	(1,417,234)	(67,763)	-	(1,484,997)
Total capital assets being depreciated, net	1,063,839	(67,763)	-	996,076
Total capital assets, net	<u>\$ 1,130,163</u>	<u>\$ (67,763)</u>	<u>\$ -</u>	<u>\$ 1,062,400</u>

Depreciation expense of \$67,763 was charged to the District.

**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. Total expenses to the County of Madera for the year ended June 30, 2021 is \$163,036.

The amount due to the County of Madera as of June 30, 2021 is \$52,438. See additional related party liabilities to the County of Madera in Note 5.



**SERVICE AREA 01 – INDIAN LAKES  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5: LONG-TERM LIABILITIES**

The following is a summary of the long-term liabilities for the year-ended June 30, 2021:

	Balance			Balance		Due Within
	July 1, 2020	Additions	Deletions	June 30, 2021	One Year	
Improvement Bonds, Series 2003	\$ 304,850	\$ -	\$ (8,070)	\$ 296,780	\$	8,410
Certificate of Participation, Series 2003-A	141,980	-	(3,760)	138,220		3,920
Advance from County of Madera	43,000	-	-	43,000		-
Advance from County of Madera	17,440	-	-	17,440		-
Advance from County of Madera	92,518	-	-	92,518		-
Advance from County of Madera	57,000	-	-	57,000		-
<b>Total</b>	<u>\$ 656,788</u>	<u>\$ -</u>	<u>\$ (11,830)</u>	<u>\$ 644,958</u>	<u>\$</u>	<u>12,330</u>

Improvement Bonds, Series 2003

On September 23, 2003, the District issued \$632,140 in direct placement improvement bonds with an interest rate of 4.25% payable semi-annually. The proceeds were used to improve the Indian Lakes Estates Water System facilities. The improvement bonds mature on September 2, 2042. Annual principal installments range from \$6,600 to \$29,200. The outstanding principal balance at June 30, 2021 is \$296,780.

Improvement bonds are supported by assessments for principal, interest, and handling charges placed as direct charges on current secured tax bills for property within the assessment/improvement area. The bonds contain a provision that, in the event of default, the outstanding principal balance and accrued interests shall become due and payable immediately. The bonds also contain a subjective acceleration clause that allows the USDA to accelerate payment of the entire principal amount to become immediately due if the County fails to perform any of the covenants, agreements or conditions on its part contained in the loan agreement.

Certificate of Participation, Series 2003-A (Indian Lakes Estates Water System - Water Project)

On September 23, 2003, the District entered into a direct borrowing contract of \$185,000 with the United States Department of Agriculture Rural Development (USDA) for the Indian Lakes Estates Water System facilities improvement project within its district. The Certificate of Participation has an interest rate of 4.25% payable semi-annually and matures on September 6, 2042. Annual principal installments range from \$1,930 to \$9,410. The outstanding principal balance at June 30, 2021 is \$138,220.

The loan document contains a provision which include acceleration clause that, upon default in the payments of any principal and accrued interest on the loan or in the performance of any covenant or agreement contained in the loan agreement, USDA may declare the entire principal amount then outstanding and accrued interest immediately due and payable. Principal and interest are repaid by charging property owners within the geographical boundaries of the district.

Advances from the County of Madera

The District obtained a \$43,000 loan from the County of Madera on June 26, 2016 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.

**SERVICE AREA 01 – INDIAN LAKES  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5: LONG-TERM LIABILITIES (Continued)**

Advances from the County of Madera (Continued)

The District obtained a \$17,440 loan from the County of Madera on May 31, 2016 to help pay for the water rate study. 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 \$92,518. 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 obtained a \$57,000 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 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.

As of June 30, 2021, annual debt service requirements of the District to maturity are as follows:

Year ending June 30,	Improvement Bonds, Series 2003	
	Principal	Interest
2022	8,410	12,434
2023	8,770	12,069
2024	9,150	11,689
2025	9,540	11,291
2026	9,950	10,877
2027-2031	56,400	47,536
2032-2036	69,460	34,210
2037-2041	85,540	17,799
2042-2045	39,560	1,700
	<u>\$ 296,780</u>	<u>\$ 159,605</u>

Year ending June 30,	Certificate of Participation, Series 2003-A	
	Principal	Interest
2022	3,920	5,791
2023	4,090	5,621
2024	4,260	5,443
2025	4,440	5,259
2026	4,630	5,066
2027-2031	26,280	22,137
2032-2036	32,350	15,930
2037-2041	39,830	8,287
2042-2045	18,420	791
	<u>\$ 138,220</u>	<u>\$ 74,325</u>

Total interest expense for the year ended June 30, 2021 was \$19,776.

**SERVICE AREA 01 – INDIAN LAKES  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**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 Public Risk Innovation, Solutions, and Management (PRISM). Disclosure of complete information on risk management can be found in the County of Madera Annual Comprehensive Financial Report.

**NOTE 7: SUBSEQUENT EVENTS**

Grant Anticipation Note

The District obtained a \$190,000 Grant Anticipation Note (the Note) from the County of Madera Treasurer on January 25, 2022 to provide cash advance for the District to pay for water meters and miscellaneous equipment. The Note is payable no later than 36 months after the date of issue and is payable from funding through the California Department of Water Resources Proposition 1 Round 1 Integrated Regional Water Management Implementation Grant. Interest shall be paid at the rate equal to the rate earned by funds invested in the Madera County Treasurer in the "pooled investment account" on the last quarter calculated plus 50 base points (.50% of 1 percent). Annual interest will be calculated and invoiced on May 1<sup>st</sup> of each year and the scheduled annual payment will be paid on or before June 30<sup>th</sup> of each year.