

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

FINANCIAL STATEMENTS

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

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

JUNE 30, 2016

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Report of Independent Auditors

To the Board of Supervisors
Madera County

Report on the Financial Statements

We have audited the accompanying financial statements of the Maintenance District 01 – Hidden Lake Estates (District), a component unit of the County of Madera, California as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller’s *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maintenance District 01 – Hidden Lake Estates as of June 30, 2016, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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



Fresno, California
December 4, 2017

BASIC FINANCIAL STATEMENTS

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**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

ASSETS

Current Assets:

Cash and investments	\$	126,038
Accounts receivable		42,364
Interest receivable		296
Taxes receivable		52
Due from other governments		<u>31,622</u>
 Total Current Assets		 <u>200,372</u>

Non-Current Assets:

Capital assets:

Land		24,015
Land under roads		144,576
Construction in progress		112,692
Depreciable assets		449,562
Accumulated depreciation		<u>(299,192)</u>
 Total Non-Current Assets		 <u>431,653</u>

Total Assets		<u>632,025</u>
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LIABILITIES

Current Liabilities:

Accounts payable		20,892
Interest payable		584
Due to County of Madera		31,291
Unearned revenue		1,285
Notes payable		<u>18,730</u>
 Total Current Liabilities		 <u>72,782</u>

Non-Current Liabilities:

Notes payable		<u>95,935</u>
 Total Non-Current Liabilities		 <u>95,935</u>
 Total Liabilities		 <u>168,717</u>

NET POSITION

Net investment in capital assets		316,988
Unrestricted		<u>146,320</u>
 Total Net Position	\$	 <u><u>463,308</u></u>

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

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Operating Revenues:	
Charges for services	\$ 88,054
Other revenues	<u>251</u>
Total Operating Revenues	<u>88,305</u>
Operating Expenses:	
Services and supplies	12,585
Maintenance	83,299
Insurance	1,362
Utilities	11,551
Depreciation	<u>5,257</u>
Total Operating Expenses	<u>114,054</u>
Operating Income (Loss)	(25,749)
Non-Operating Revenue (Expenses):	
Taxes	30,044
Capital grants	94,289
Investment earnings	891
Interest expense	<u>(7,196)</u>
Total Non-Operating Revenue (Expenses)	<u>118,028</u>
Change in Net Position	92,279
Net Position, Beginning of Year	<u>371,029</u>
Net Position, End of Year	<u><u>\$ 463,308</u></u>

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

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 88,189
Cash paid to suppliers	<u>(73,263)</u>
Net cash provided (used) by operating activities	<u>14,926</u>
Cash flows from noncapital financing activities:	
Taxes	<u>30,175</u>
Net cash provided (used) by noncapital financing activities	<u>30,175</u>
Cash flows from capital and related financing activities:	
Capital grants	68,991
Acquisition and construction of capital assets	(112,692)
Principal payments on notes payable	(12,857)
Proceeds from borrowing	16,169
Interest payments	<u>(7,281)</u>
Net cash provided (used) by capital and related financing activities	<u>(47,670)</u>
Cash flows from investing activities:	
Interest on investments	<u>794</u>
Net cash provided (used) by investing activities	<u>794</u>
Net increase (decrease) in cash and cash equivalents	(1,775)
Cash and cash equivalents, beginning of the year	<u>127,813</u>
Cash and cash equivalents, end of the year	<u>\$ 126,038</u>

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

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

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

Operating income (loss)	\$ (25,749)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	5,257
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	(1,251)
Increase/(Decrease) in accounts payable	17,401
Increase/(Decrease) in due to County of Madera	18,133
Increase/(Decrease) in due to unearned revenue	1,285
Increase/(Decrease) in deposits from others	<u>(150)</u>
Net cash provided (used) by operating activities	<u>\$ 14,926</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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**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the **MD 01 - Hidden Lake** (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 for a residential development encompassing approximately 166 acres. The District is located on the northwestern shore of Millerton Lake off of Road 216. The District was formed on August 13, 1963 by Resolution No. 63-338. The Hidden Lakes water system serves 49 improved units and 159 standby units. The system has an annual water allocation of 200 acres feet of surface water from Millerton Lake. Raw water is pumped from the lake bottom 2,350 linear feet and 247 vertical feet to a treatment plant by two stationary 150 gpm submersible pumps. The water is then treated by a conventional filtration package surface water treatment plant built in 1986. Treated water is pumped into a 110,000 gallon storage tank and from there; system pressure is maintained by gravity. In addition to the storage, the distribution system consists of two pressure zones, 19,715 feet of cement lined steel water mains, consumer service lines and meters. The current water rates for improved lots was set by Resolution No. 2011-195 and are based on a tiered structure with an annual Consumer Price Index adjustment. The base rate is billed annually and included within the property tax bill. The meters are read quarterly with any excess use charges billed separately in February.

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.

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 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Receivables

Receivables consist of property taxes, fees charged for water services, special assessment for water services, 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. Special Assessment

Secured and unsecured special assessments are levied in July each year. Special assessments become a lien against the property as of January 1 of each year. Secured special assessments are payable in two installments which are due November 1 and February 1. Unsecured special assessments are due on August 31. All special assessment 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 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 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.

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.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$126,038
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The District's cash and investments consisted of the following as of June 30, 2016:

Deposits held with County of Madera Investment Pool	\$126,038
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Risk Disclosure

Required disclosures for the District's deposit and investment risks for the cash held in the County of Madera Treasury at June 30, 2016, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Refer to County of Madera's financial statements

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County of Madera's Comprehensive Annual Financial Report and may be obtained by contacting the County Auditor-Controller's Office at 200 W. 4th Street – Madera, CA 93637.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The District's cash investments in the County of Madera Investment Pool are carried at fair value. County of Madera invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, County of Madera Investment Pool is not an investment type that can be categorized in any particular level in the fair value hierarchy.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 3: CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 24,015	\$ -	\$ -	\$ 24,015
Land under roads	144,576	-	-	144,576
Construction In progress	<u>-</u>	<u>112,692</u>	<u>-</u>	<u>112,692</u>
Total capital assets, not being depreciated	<u>168,591</u>	<u>112,692</u>	<u>-</u>	<u>281,283</u>
Capital assets, being depreciated:				
Infrastructure	86,997	-	-	86,997
Water systems	<u>362,565</u>	<u>-</u>	<u>-</u>	<u>362,565</u>
Total capital assets, being depreciated	<u>449,562</u>	<u>-</u>	<u>-</u>	<u>449,562</u>
Less accumulated depreciation for:				
Infrastructure	(86,997)	-	-	(86,997)
Water systems	<u>(206,938)</u>	<u>(5,257)</u>	<u>-</u>	<u>(212,195)</u>
Total accumulated depreciation	<u>(293,935)</u>	<u>(5,257)</u>	<u>-</u>	<u>(299,192)</u>
Total capital assets being depreciated, net	<u>155,627</u>	<u>(5,257)</u>	<u>-</u>	<u>150,370</u>
Total capital assets, net	<u>\$ 324,218</u>	<u>\$ 107,435</u>	<u>\$ -</u>	<u>\$ 431,653</u>

Depreciation expense of \$5,257 was charged to the water service function of the District.

NOTE 4: RELATED PARTY TRANSACTIONS

The District's special assessments are levied and collected through County of Madera Assessor and Treasurer-Tax Collector departments. The District contracts with the County of Madera to provide certain maintenance services. The District's accounting and clerical functions are performed by County personnel. County of Madera charges the District for administrative costs incurred.

The amount due to the County of Madera as of June 30, 2016 is \$31,291.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 5: NOTES PAYABLE

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

	Balance			Balance		Due Within
	July 1, 2015	Additions	Deletions	June 30, 2016	One Year	
CSCDA Note Payable	\$ 105,440	\$ -	\$ (13,268)	\$ 92,172	\$	14,231
SWRCB Note Payable	-	22,493	-	22,493	\$	4,499
Total	\$ 105,440	\$ 22,493	\$ (13,268)	\$ 114,665	\$	18,730

California Statewide Communities Development Authority (CSCDA) Note Payable

On July 1, 1993 the District entered into a loan agreement with the California Statewide Communities Development Authority to refinance \$249,191 in a previously outstanding loan. The term of this loan is 28 years, maturing on January 1, 2021 with a stated interest rate of 7.125%. Semi-annual payments of \$10,274.51 are due on December 1st and June 1st of each year. As of June 30, 2016 the outstanding balance on this loan is \$92,172.

State Water Resources Control Board (SWRCB) Note Payable

On May 24, 2013 the District entered into a funding agreement with the State Water Resources Control Board for a planning loan and grant under the Safe Drinking Water State Revolving Fund Law of 1997. The loan component of this funding agreement provides for a loan not to exceed \$26,000. The term of this loan is 5 years at a stated interest rate of 0%. The District has drawn \$22,493 from the loan as of June 30, 2016. Payments are due semi-annually July 1st and January 1st of each year. The repayment period is to commence on July 1, 2016. As of June 30, 2016 the outstanding balance on this loan is \$22,493.

The debt service requirements for the District's notes payable are as follows:

Year ending June 30,	<u>CSCDA Note Payable</u>		<u>SWRCB Note Payable</u>	
	Principal	Interest	Principal	Interest
2017	\$ 14,231	\$ 6,318	\$ 4,499	\$ -
2018	15,263	5,286	4,499	-
2019	16,370	4,179	4,499	-
2020	17,557	2,992	4,499	-
2021	18,830	1,719	4,497	-
2022	9,921	695	-	-
	<u>\$ 92,172</u>	<u>\$ 21,189</u>	<u>\$ 22,493</u>	<u>\$ -</u>

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.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

NOTE 7: COMMITMENTS AND CONTINGENCIES

Grants

The District participates in a State grant program subject to financial and compliance audits by the grantor or their representatives. The amount, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time. However, management does not believe that audit disallowances, if any, would have a significant effect on the financial position of the District.

Construction Commitments

At June 30, 2016, the District had a commitment for the water system improvement project. The remaining construction committed is \$357,173.