

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**FINANCIAL STATEMENTS**

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





**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE  
(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 22 – Oakhurst & Sunnydale (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 22 – Oakhurst & Sunnydale 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 22 – OAKHURST & SUNNYDALE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

**ASSETS**

Current Assets:

Cash and investments	\$	1,953,818
Cash and investments - restricted		1,081,860
Accounts receivable		93,494
Interest receivable		7,126
Taxes receivable		1,056
Total Current Assets		3,137,354

Non-Current Assets:

Long term receivables		7,143,112
Capital assets:		
Land		840,944
Construction in progress		17,552
Depreciable assets		30,049,094
Accumulated depreciation		(7,702,258)
Total Non-Current Assets		30,348,444

Total Assets		33,485,798
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**LIABILITIES**

Current Liabilities:

Accounts payable		59,079
Interest payable		143,768
Deposits from others		3,454
Due to County of Madera		147,758
Unearned revenue		7,938
Bonds payable, current portion		134,900
Certificates of participation, current portion		96,500
Total Current Liabilities		593,397

Non-Current Liabilities:

Bonds payable		6,942,100
Certificates of participation		4,871,930
Total Non-Current Liabilities		11,814,030

Total Liabilities		12,407,427
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**NET POSITION**

Net Investment in capital assets		11,159,902
Restricted for debt service		1,081,860
Unrestricted		8,836,609

Total Net Position		\$ 21,078,371
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The notes to the basic financial statements are an integral part of this statement.

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE  
(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	\$ 1,495,771
Other revenues	<u>9,447</u>
Total Operating Revenues	<u>1,505,218</u>
Operating Expenses:	
Services and supplies	216,376
Maintenance	354,306
Insurance	15,141
Utilities	155,799
Depreciation	<u>586,965</u>
Total Operating Expenses	<u>1,328,587</u>
Operating Income (Loss)	<u>176,631</u>
Non-Operating Revenue (Expenses):	
Taxes	85,747
Investment income	19,550
Intergovernmental	634
Interest and fiscal charges	<u>(481,377)</u>
Total Non-Operating Revenue (Expenses)	<u>(375,446)</u>
Income (Loss) Before Contributions	(198,815)
Capital contributions	<u>501,857</u>
Change in Net Position	303,042
Net Position, Beginning of Year	<u>20,775,329</u>
Net Position, End of Year	<u>\$ 21,078,371</u>

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

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE  
(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	\$ 1,794,628
Cash paid to suppliers	<u>(1,658,087)</u>
Net cash provided (used) by operating activities	<u>136,541</u>
Cash flows from noncapital financing activities:	
Taxes	168,686
Operating grants	<u>634</u>
Net cash provided (used) by noncapital financing activities	<u>169,320</u>
Cash flows from capital and related financing activities:	
Capital contributions	501,857
Acquisition and construction of capital assets	(359,768)
Principal paid on capital debt	(218,800)
Interest paid on capital debt	(484,080)
Proceeds from borrowing	<u>126,709</u>
Net cash provided (used) by capital and related financing activities	<u>(434,082)</u>
Cash flows from investing activities:	
Interest on investments	<u>17,109</u>
Net cash provided (used) by investing activities	<u>17,109</u>
Net increase (decrease) in cash and cash equivalents	(111,112)
Cash and cash equivalents, beginning of the year	<u>3,146,790</u>
Cash and cash equivalents, end of the year	<u>\$ 3,035,678</u>
 <b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>	
Cash and Investments per Statement of Net Position	\$ 1,953,818
Restricted Cash and Investments per Statement of Net Position	<u>1,081,860</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 3,035,678</u>

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

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE  
(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)	\$ 176,631
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	586,965
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	(36,024)
Decrease/(Increase) in due from other governments	331,425
Increase/(Decrease) in accounts payable	(988,446)
Increase/(Decrease) in due to County of Madera	73,252
Increase/(Decrease) in due to other governments	(1,271)
Increase/(Decrease) in deposits from others	1,029
Increase/(Decrease) in unearned revenues	<u>(7,020)</u>
Net cash provided (used) by operating activities	<u>\$ 136,541</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 22 – OAKHURST & SUNNYDALE  
(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 22 - Oakhurst & Sunnydale** (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 in Madera County Supervisorial District 5 in the community of Oakhurst. The district was formed on April 5, 1966 by Resolution No. 66-74 and provides sewer services for 1,583.3 improved units and 476.9 standby units. The funding for the sewer system operations is derived from charges for sewer services. In addition to the charges for sewer services, the District receives property taxes to cover operating expenses of the District. The District also receives assessments to cover debt service payments.

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 22 – OAKHURST & SUNNYDALE  
(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 fees charged for sewer 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 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
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.

**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 22 – OAKHURST & SUNNYDALE  
(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	\$1,953,818
Cash and investments – restricted	<u>1,081,860</u>
Total cash and investments	<u>\$3,035,678</u>

The District's cash and investments consisted of the following as of June 30, 2016:

Deposits held with County of Madera Investment Pool	\$3,035,678
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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 22 – OAKHURST & SUNNYDALE  
(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	\$ 840,944	\$ -	\$ -	\$ 840,944
Construction in progress	<u>6,274,150</u>	<u>610,515</u>	<u>(6,867,113)</u>	<u>17,552</u>
Total capital assets, not being depreciated	<u>7,115,094</u>	<u>610,515</u>	<u>(6,867,113)</u>	<u>858,496</u>
Capital assets, being depreciated:				
Sewer systems	22,793,002	6,616,365	-	29,409,367
Equipment	<u>639,727</u>	<u>-</u>	<u>-</u>	<u>639,727</u>
Total capital assets, being depreciated	<u>23,432,729</u>	<u>6,616,365</u>	<u>-</u>	<u>30,049,094</u>
Less accumulated depreciation for:				
Sewer systems	(6,896,372)	(536,379)	-	(7,432,751)
Equipment	<u>(218,921)</u>	<u>(50,586)</u>	<u>-</u>	<u>(269,507)</u>
Total accumulated depreciation	<u>(7,115,293)</u>	<u>(586,965)</u>	<u>-</u>	<u>(7,702,258)</u>
Total capital assets being depreciated, net	<u>16,317,436</u>	<u>6,029,400</u>	<u>-</u>	<u>22,346,836</u>
Total capital assets, net	<u>\$ 23,432,530</u>	<u>\$ 6,639,915</u>	<u>\$ (6,867,113)</u>	<u>\$ 23,205,332</u>

Depreciation expense of \$586,965 was charged to the District.

**NOTE 4: RELATED PARTY TRANSACTIONS**

The District's property taxes and 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 \$147,758.

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

**NOTE 5: LONG-TERM LIABILITIES**

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Limited Obligation Improvement Bonds, Series 2004 A & B	\$ 7,202,500	\$ -	\$ (125,500)	\$ 7,077,000	\$ 134,900
Certificate of Participation Series, 2004-C - Oakhurst Wastewater Facility Project	2,220,730	-	(47,300)	2,173,430	49,500
Certificate of Participation - 2014 Wastewater System Improvement Project	<u>2,841,000</u>	<u>-</u>	<u>(46,000)</u>	<u>2,795,000</u>	<u>47,000</u>
Total	<u>\$ 12,264,230</u>	<u>\$ -</u>	<u>\$ (218,800)</u>	<u>\$ 12,045,430</u>	<u>\$ 231,400</u>

**Limited Obligation Improvement Bonds, Series 2004 A & B**

The District issued a limited obligation improvement bonds, Series 2004 A & B on March 24, 2004 for the Oakhurst Wastewater Facilities Project. The original issue amount was \$8,471,064. The bonds mature in year 2044. The interest rate is 4.5%. Annual principal installments range from \$134,900 to \$423,500. The District pledged a portion of special assessments revenue to repay the bonds. The outstanding principal balance at June 30, 2016 is \$7,077,000.

**Certificate of Participation Series, 2004-C (Oakhurst Wastewater Facility Project)**

On March 24, 2004, the District issued a \$3,091,782 Certificates of Participation for the Oakhurst Wastewater Facilities Project. The Certificate of Participation mature in year 2044. The interest rate is 4.5%. Annual principal installments range from \$49,500 to \$91,600. The outstanding principal balance at June 30, 2016 is \$2,173,430.

**Certificate of Participation - 2014 Wastewater System Improvement Project**

On June 17, 2014, the District issued a \$2,886,000 Certificates of Participation for the Wastewater System Improvement Project. The Certificate of Participation mature on June 1, 2054. The interest rate is 2.25%. Annual principal installments range from \$47,000 to \$108,000. The outstanding principal balance at June 30, 2016 is \$2,795,000.

As of June 30, 2016, annual debt service requirements of the District to maturity are as follows:

Year ending June 30,	Limited Obligation Improvement Bonds, Series 2004 A & B	
	Principal	Interest
2017	\$ 134,900	\$ 315,430
2018	141,000	309,222
2019	147,300	302,735
2020	154,000	295,956
2021	160,900	288,871
2022-2026	919,400	1,326,442
2027-2031	1,143,100	1,095,203
2032-2036	1,427,700	807,221
2037-2041	1,779,200	447,858
2042-2044	<u>1,069,500</u>	<u>62,654</u>
	<u>\$ 7,077,000</u>	<u>\$ 5,251,592</u>

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

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

Year ending June 30,	Certificate of Participation Series, 2004-C Oakhurst Wastewater Facility Project	
	Principal	Interest
	2017	\$ 49,500
2018	51,700	94,414
2019	54,000	92,035
2020	56,400	89,551
2021	59,000	86,955
2022-2026	337,100	391,550
2027-2031	420,200	306,677
2032-2036	523,500	200,920
2037-2041	622,030	69,823
	\$ 2,173,430	\$ 1,428,616

Year ending June 30,	Certificate of Participation - 2014 Wastewater System Improvement Project	
	Principal	Interest
2017	\$ 47,000	\$ 62,888
2018	48,000	61,830
2019	49,000	60,750
2020	51,000	59,648
2021	52,000	58,500
2022-2026	277,000	274,477
2027-2031	309,000	241,920
2032-2036	346,000	205,493
2037-2041	387,000	164,767
2042-2046	431,000	119,273
2047-2051	482,000	68,603
2052-2054	316,000	14,333
	\$ 2,795,000	\$ 1,392,482

**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.