

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

FINANCIAL STATEMENTS

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

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

JUNE 30, 2021

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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, 2021**

ASSETS

Current Assets:

Cash and investments	\$ 978,862
Cash and investments - restricted	1,156,135
Accounts receivable	153,032
Interest receivable	605
Due from other governments	36,724
Total Current Assets	2,325,358

Non-Current Assets:

Long term receivables	6,412,669
Capital assets:	
Land	840,944
Depreciable assets	33,820,515
Accumulated depreciation	(11,069,293)
Total Non-Current Assets	30,004,835

Total Assets	32,330,193
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LIABILITIES

Current Liabilities:

Accounts payable	174,503
Interest payable	123,236
Retention payable	176,189
Deposits from others	11,697
Due to County of Madera	107,836
Unearned revenue	4,483
Bonds payable, current portion	154,000
Certificates of participation, current portion	114,600
Total Current Liabilities	866,544

Non-Current Liabilities:

Bonds payable	5,840,400
Certificates of participation	4,336,230
Total Non-Current Liabilities	10,176,630

Total Liabilities	11,043,174
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NET POSITION

Net investment in capital assets	12,820,393
Restricted for debt service	1,156,135
Unrestricted	7,310,491

Total Net Position	\$ 21,287,019
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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 CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Operating Revenues:	
Charges for services	\$ 1,173,284
Other revenues	<u>5,121</u>
Total Operating Revenues	<u>1,178,405</u>
Operating Expenses:	
Services and supplies	332,300
Maintenance	472,077
Insurance	34,837
Utilities	166,843
Depreciation	<u>751,681</u>
Total Operating Expenses	<u>1,757,738</u>
Operating Income (Loss)	<u>(579,333)</u>
Non-Operating Revenue (Expenses):	
Taxes	106,658
Assessments	328,582
Investment income	6,170
Rental income	36,724
Interest and fiscal charges	<u>(415,325)</u>
Total Non-Operating Revenue (Expenses)	<u>62,809</u>
Change in Net Position	(516,524)
Net Position, Beginning of Year	<u>21,803,543</u>
Net Position, End of Year	<u>\$ 21,287,019</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, 2021**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 1,216,317
Cash paid to suppliers	<u>(1,558,238)</u>
Net cash provided by (used for) operating activities	<u>(341,921)</u>
Cash flows from noncapital financing activities:	
Taxes received	<u>106,658</u>
Net cash provided by (used for) noncapital financing activities	<u>106,658</u>
Cash flows from capital and related financing activities:	
Assessments received	486,209
Acquisition and construction of capital assets	(184,230)
Principal paid on capital debt	(258,300)
Interest paid on capital debt	<u>(418,517)</u>
Net cash provided by (used for) capital and related financing activities	<u>(374,838)</u>
Cash flows from investing activities:	
Investment income received	11,118
Rental payment received	<u>36,724</u>
Net cash provided by (used for) investing activities	<u>47,842</u>
Net increase (decrease) in cash and investments	(562,259)
Cash and investments, beginning of the year	<u>2,697,256</u>
Cash and investments, end of the year	<u>\$ 2,134,997</u>
 Reconciliation of Cash and Investments to the Statement of Net Position	
Cash and Investments per Statement of Net Position	\$ 978,862
Restricted Cash and Investments per Statement of Net Position	<u>1,156,135</u>
Total Cash and Investments per Statement of Net Position	<u>\$ 2,134,997</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, 2021**

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

Operating income (loss)	\$ (579,333)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	751,681
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	31,400
Decrease/(Increase) in due from other governments	(31,532)
Decrease/(Increase) in due from County of Madera	41,008
Increase/(Decrease) in accounts payable	(417,254)
Increase/(Decrease) in due to County of Madera	(129,092)
Increase/(Decrease) in due to other governments	(5,835)
Increase/(Decrease) in deposits from others	201
Increase/(Decrease) in unearned revenues	<u>(3,165)</u>
Net cash provided by (used for) operating activities	<u>\$ (341,921)</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, 2021**

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 1,678.60 improved units and 523.49 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, 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.

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE
(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 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 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>
Sewer 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.

**MAINTENANCE DISTRICT 22 – OAKHURST & SUNNYDALE
(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	\$ 978.862
Cash and investments – restricted	<u>1,156,135</u>
Total cash and investments	<u>\$2,134,997</u>

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

Deposits held with County of Madera Investment Pool	<u>\$2,134,997</u>
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Risk Disclosure

Required disclosures for the District's deposit and investment risks for the cash held in the County of Madera Treasury at June 30, 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.

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

**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	\$ 840,944	\$ -	\$ -	\$ 840,944
Construction in progress	3,389,586	351,868	(3,741,454)	-
Total capital assets, not being depreciated	<u>4,230,530</u>	<u>351,868</u>	<u>(3,741,454)</u>	<u>840,944</u>
Capital assets, being depreciated:				
Sewer systems	29,439,334	3,741,454	-	33,180,788
Equipment	639,727	-	-	639,727
Total capital assets, being depreciated	<u>30,079,061</u>	<u>3,741,454</u>	<u>-</u>	<u>33,820,515</u>
Less accumulated depreciation for:				
Sewer systems	(9,853,546)	(713,567)	-	(10,567,113)
Equipment	(464,066)	(38,114)	-	(502,180)
Total accumulated depreciation	<u>(10,317,612)</u>	<u>(751,681)</u>	<u>-</u>	<u>(11,069,293)</u>
Total capital assets being depreciated, net	<u>19,761,449</u>	<u>2,989,773</u>	<u>-</u>	<u>22,751,222</u>
Total capital assets, net	<u>\$ 23,991,979</u>	<u>\$ 3,341,641</u>	<u>\$ (3,741,454)</u>	<u>\$ 23,592,166</u>

Depreciation expense of \$751,681 was charged to the sewer function of 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. Total expenses to the County of Madera for the year ended June 30, 2021 were \$528,701.

The amount due to the County of Madera as of June 30, 2021 is \$107,836.

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

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

NOTE 5: LONG-TERM LIABILITIES

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Limited Obligation Improvement Bonds, Series 2004 A & B	\$ 6,141,700	\$ -	\$ (147,300)	\$ 5,994,400	\$ 154,000
Certificate of Participation Series, 2004-C - Oakhurst Wastewater Facility Project	1,961,830	-	(59,000)	1,902,830	61,600
Certificate of Participation - 2014 Wastewater System Improvement Project	<u>2,600,000</u>	<u>-</u>	<u>(52,000)</u>	<u>2,548,000</u>	<u>53,000</u>
Total	<u>\$ 10,703,530</u>	<u>\$ -</u>	<u>\$ (258,300)</u>	<u>\$ 10,445,230</u>	<u>\$ 268,600</u>

Limited Obligation Improvement Bonds, Series 2004 A & B

The District issued in direct placement 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 \$141,000 to \$423,500. The District pledged a portion of special assessments revenue to repay the bonds. The outstanding principal balance at June 30, 2021 is \$5,994,400.

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, 2004-C (Oakhurst Wastewater Facility Project)

On March 24, 2004, the District entered into a \$3,091,782 direct borrowing contract with the United States Department of Agriculture Rural Development (USDA) for the Oakhurst Wastewater Facilities project within its district. The Certificate of Participation matures in year 2044. The interest rate is 4.5%. Annual principal installments range from \$54,000 to \$91,600. The outstanding principal balance at June 30, 2021 is \$1,902,830.

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.

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

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

NOTE 5: LONG-TERM LIABILITIES (Continued)

Certificate of Participation - 2014 Wastewater System Improvement Project

On June 17, 2014, the District entered into a \$2,886,000 direct borrowing contract with the United States Department of Agriculture Rural Development (USDA) for the Wastewater System Improvement project within its district. The Certificate of Participation matures on June 1, 2054. The interest rate is 2.25%. Annual principal installments range from \$49,000 to \$108,000. The outstanding principal balance at June 30, 2021 is \$2,548,000.

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.

As of June 30, 2021, 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
2022	\$ 154,000	\$ 266,283
2023	160,900	259,198
2024	168,100	251,796
2025	175,800	244,058
2026	183,600	235,971
2027-2031	1,049,600	1,045,283
2032-2036	1,307,900	782,287
2037-2041	1,630,100	451,851
2042-2044	1,164,400	80,131
	\$ 5,994,400	\$ 3,616,858

Total interest expense for the year ended June 30, 2021 was \$270,853.

Year ending June 30,	Certificate of Participation Series, 2004-C Oakhurst Wastewater Facility Project	
	Principal	Interest
2022	\$ 61,600	\$ 84,241
2023	64,400	81,406
2024	67,300	78,443
2025	70,300	75,347
2026	73,500	72,112
2027-2031	420,200	306,677
2032-2036	523,500	200,921
2037-2041	622,030	69,824
	\$ 1,902,830	\$ 968,971

Total interest expense for the year ended June 30, 2021 was \$86,070.

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

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

NOTE 5: LONG-TERM LIABILITIES (Continued)

Year ending June 30,	Certificate of Participation - 2014 Wastewater System Improvement Project	
	Principal	Interest
2022	\$ 53,000	\$ 57,330
2023	54,000	56,138
2024	55,000	54,923
2025	57,000	53,685
2026	58,000	52,402
2027-2031	309,000	241,920
2032-2036	346,000	205,492
2037-2041	387,000	164,767
2042-2046	431,000	119,272
2047-2051	482,000	68,603
2051-2055	316,000	14,333
	\$ 2,548,000	\$ 1,088,865

Total interest expense for the year ended June 30, 2021 was \$58,402.

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.