

**MAINTENANCE DISTRICT 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2018**

**MAINTENANCE DISTRICT 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

JUNE 30, 2018

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BASIC FINANCIAL STATEMENTS

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**MAINTENANCE DISTRICT 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Current Assets:

Cash and investments	\$ 114,181
Accounts receivable	6,461
Interest receivable	<u>501</u>
Total Current Assets	<u>121,143</u>

Non-Current Assets:

Capital assets:

Land	34,928
Depreciable assets	3,889,667
Accumulated depreciation	<u>(52,476)</u>
Total Non-Current Assets	<u>3,872,119</u>

Total Assets	<u>3,993,262</u>
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LIABILITIES

Current Liabilities:

Accounts payable	4,744
Interest payable	9,951
Deposits from others	883
Due to County of Madera	10,024
Unearned revenue	237
Advance from County of Madera, current	<u>80,000</u>
Total Current Liabilities	<u>105,839</u>

Non-Current Liabilities:

Advance from County of Madera	<u>2,947</u>
Total Non-Current Liabilities	<u>2,947</u>

Total Liabilities	<u>108,786</u>
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NET POSITION

Net investment in capital assets	3,792,119
Unrestricted	<u>92,357</u>
Total Net Position	<u>\$ 3,884,476</u>

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

**MAINTENANCE DISTRICT 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

Operating Revenues:	
Charges for services	\$ 32,110
	<u>32,110</u>
Total Operating Revenues	<u>32,110</u>
Operating Expenses:	
Services and supplies	11,737
Maintenance	13,800
Insurance	813
Utilities	4,175
Depreciation	16,193
	<u>46,718</u>
Total Operating Expenses	<u>46,718</u>
Operating Income (Loss)	<u>(14,608)</u>
Non-Operating Revenue (Expenses):	
Investment income	4,346
Interest and fiscal charges	(8,236)
	<u>(3,890)</u>
Total Non-Operating Revenue (Expenses)	<u>(3,890)</u>
Income (Loss) Before Contributions	(18,498)
Capital contributions	<u>72,428</u>
Change in Net Position	53,930
Net Position, Beginning of Year	<u>3,830,546</u>
Net Position, End of Year	<u>\$ 3,884,476</u>

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

**MAINTENANCE DISTRICT 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 29,675
Cash paid to suppliers	<u>(29,857)</u>
Net cash provided (used) by operating activities	<u>(182)</u>
Cash flows from capital and related financing activities:	
Capital contributions	291,112
Acquisition and construction of capital assets	(304,903)
Principal paid on capital debt	(329,600)
Interest paid on capital debt	<u>(6,035)</u>
Net cash provided (used) by capital and related financing activities	<u>(349,426)</u>
Cash flows from investing activities:	
Interest on investments	<u>5,113</u>
Net cash provided (used) by investing activities	<u>5,113</u>
Net increase (decrease) in cash and cash equivalents	(344,495)
Cash and cash equivalents, beginning of the year	<u>458,676</u>
Cash and cash equivalents, end of the year	<u><u>\$ 114,181</u></u>

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

Operating income (loss)	\$ (14,608)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	16,193
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	(2,361)
Increase/(Decrease) in accounts payable	668
Increase/(Decrease) in unearned revenues	<u>(74)</u>
Net cash provided (used) by operating activities	<u><u>\$ (182)</u></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 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the **MD 43 - Miami Creek Knolls** (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 to a small residential development. The District is located between the communities of Ahwahnee and Oakhurst off State Route 49 at Lauri Lane in Madera County. The District was formed on February 6, 1990 by Board Resolution 90-020. The Miami Creek Knolls Water System serves 26 improved units. The water is furnished by the District's one active well and an intertie with Maintenance District 60, Dillon Estates. This new well is temporarily piped into MD60's storage tank. From there water is supplied to the distribution system which conveys water to MD-43. The water rates were last set on November 5, 2007 by Resolution No. 2007-240 with an annual Consumer Price Index adjustment. The current rate for improved lots is \$101.33 per month. The District also receives grant funding to cover the water system consolidation project costs.

The Board of Supervisors is the governing body of the District. The District is considered a blended component unit of the County of Madera and is reported as an enterprise fund in the County of Madera financial statements. The financial statements included in this report are intended to present the financial position and results of operations of only the District. They are not intended to present the financial position or results of operations of the County of Madera taken as a whole.

B. Basis of Presentation and Method of Accounting

Proprietary fund financial statements include a Statement of Net Position and a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The District accounts for its activities as a single enterprise fund. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. The principal operating revenues of the District are charges for services. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All other expenses are reported as non-operating expenses.

C. Cash and Investments

Cash and investments shown in the Statement of Net Position represent the District's share of the County of Madera's cash and investment pool. Interest earnings from this pool are transferred to the District on a quarterly basis based on the District's average daily balance. The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

**MAINTENANCE DISTRICT 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Receivables

Receivables consist of fees charged 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. 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	16-65 years
Structures and Improvements	30-50 years
Equipment	3-20 years

The District's construction in progress is related to the water system consolidation project between the District and Maintenance District 60. Total project cost is approximately \$4.1 million and the total cost incurred to date is \$3,849,356. The District received a \$3,581,000 construction grant award from the Health and Human Services Agency California Department of Public Health to help fund this project. The project is completed in this fiscal year.

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

F. Net Position

Net position is classified in the following three components:

- Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted – This category presents external restrictions imposed by creditors, grantors, contributors 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 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2018 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$114,181
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The District's cash and investments consisted of the following as of June 30, 2018:

Deposits held with County of Madera Investment Pool	\$114,181
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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, 2018, 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 43 – MIAMI CREEK KNOLLS
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 34,928	\$ -	\$ -	\$ 34,928
Construction in progress	3,836,969	12,387	(3,849,356)	-
Total capital assets, not being depreciated	<u>3,871,897</u>	<u>12,387</u>	<u>(3,849,356)</u>	<u>34,928</u>
Capital assets, being depreciated:				
Water systems	40,311	3,849,356	-	3,889,667
Total capital assets, being depreciated	<u>40,311</u>	<u>3,849,356</u>	<u>-</u>	<u>3,889,667</u>
Less accumulated depreciation for:				
Water systems	(36,283)	(16,193)	-	(52,476)
Total accumulated depreciation	<u>(36,283)</u>	<u>(16,193)</u>	<u>-</u>	<u>(52,476)</u>
Total capital assets being depreciated, net	<u>4,028</u>	<u>3,833,163</u>	<u>-</u>	<u>3,837,191</u>
Total capital assets, net	<u>\$ 3,875,925</u>	<u>\$ 3,845,550</u>	<u>\$ (3,849,356)</u>	<u>\$ 3,872,119</u>

Depreciation expense of \$16,193 was charged to the water service function of the District.

NOTE 4: DUE TO COUNTY OF MADERA

The District contracts with the County of Madera to provide certain services to the District. The District's accounting and clerical functions are performed by County personnel. The County of Madera charges the District for administrative costs incurred. The amount due to the County of Madera as of June 30, 2018 for services received was \$10,024.

NOTE 5: ADVANCE FROM COUNTY OF MADERA

The following is a summary of the advance from the County of Madera for the year-ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Grant Anticipation Note 2013-series	\$ 80,000	\$ -	\$ -	\$ 80,000	\$ 80,000
Advances from County of Madera	2,947	-	-	2,947	-
Grant Anticipation Note 2017-series	<u>329,600</u>	<u>-</u>	<u>(329,600)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 412,547</u>	<u>\$ -</u>	<u>\$ (329,600)</u>	<u>\$ 82,947</u>	<u>\$ 80,000</u>

**MAINTENANCE DISTRICT 43 – MIAMI CREEK KNOLLS
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: ADVANCE FROM COUNTY OF MADERA (Continued)

In fiscal year 2013-14, the County of Madera approved an advance amount not to exceed \$500,000 to assist with the cash flow needs related to a capital improvement project, of which the District drew upon \$80,000 of the funds. The advance was due on January 1, 2017. The outstanding balance of the loan advance as of June 30, 2018 was \$80,000. The District intends to pay back this advance through future cash flow at the current established rate, however, future rate increases may be necessary in order to fulfill the obligation.

The District has been advanced funds from the County in the amount of \$2,947. 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 balance has been shown as a noncurrent liability on the statement of net position.

In fiscal year 2016-17, the County of Madera approved an advance amount of \$329,600 to assist with the cash flow needs related to a capital improvement project, and was due on June 6, 2018. The District repaid the loan advance of \$329,600 to the County on June 28, 2018.

NOTE 6: INSURANCE AND RISK OF LOSS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. Because the District does not have employees, it is not exposed to injuries to employees. The District's officers are officials of the County, and therefore coverage for general liability and errors and omissions is provided under the County's program. This program is self-insured to a level of \$100,000, after which excess coverage is obtained through participation in the CSAC Excess Insurance Authority (EIA). Disclosure of complete information on risk management can be found in the County of Madera Comprehensive Annual Financial Report.

NOTE 7: 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.