

**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**



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**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Madera County

Report on the Financial Statements

We have audited the accompanying financial statements of Maintenance District 85 – Valeta (District), a component unit of the County of Madera, California as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 85 – Valeta as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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



CliftonLarsonAllen LLP

Roseville, California
March 26, 2020

BASIC FINANCIAL STATEMENTS

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**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Current assets		
Cash	\$ 23,066	\$ 26,635
Accounts receivable	7,982	6,952
Interest receivable	81	118
Due from County of Madera	2	--
Total current assets	31,131	33,705
Noncurrent assets		
Land	4,340	4,340
Depreciable assets	86,255	86,255
Accumulated Depreciation	(55,726)	(53,327)
Total noncurrent assets	34,869	37,268
Total assets	66,000	70,973
Liabilities		
Current liabilities		
Accounts payable	2,512	289
Interest payable	50	139
Deposits from others	150	150
Due to County of Madera	11,211	5,186
Unearned revenue	--	135
Advances from County of Madera	4,560	4,426
Total current liabilities	18,483	10,325
Non-Current liabilities		
Advance from County of Madera	3,403	7,964
Total non-current liabilities	3,403	7,964
Total liabilities	21,886	18,289
Net Position		
Net investment in capital assets	28,958	26,930
Unrestricted	15,156	25,754
Total net position	\$ 44,114	\$ 52,684

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

**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Operating Revenues:		
Charges for services	\$ 32,525	\$ 32,492
Total operating revenues	32,525	32,492
Operating Expenses:		
Services and supplies	7,558	4,918
Repairs and maintenance	21,872	14,112
Insurance	238	128
Utilities	9,311	7,554
Depreciation	2,399	2,398
Total operating expenses	41,378	29,110
Operating income (loss)	(8,853)	3,382
Nonoperating Revenue:		
Investment income	402	474
Investment and fiscal charges	(119)	(253)
Total nonoperating revenue	283	221
Change in net position	(8,570)	3,603
Net position - beginning of year	52,684	49,081
Net position - end of year	\$ 44,114	\$ 52,684

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

**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$ 31,358	\$ 31,217
Payments to suppliers	(30,731)	(35,642)
Net cash provided (used) by operating activities	627	(4,425)
Cash flows from capital & related financing activities:		
Interest paid on capital related debt	(208)	(340)
Payment of advance from County of Madera	(4,427)	(4,294)
Net cash provided (used) by capital & related financing activities	(4,635)	(4,634)
Cash flows from investing activities:		
Interest received	439	456
Net cash provided (used) by investing activities	439	456
Net increase (decrease) in cash and cash equivalents	(3,569)	(8,603)
Cash and cash equivalents, beginning of year	26,635	35,238
Cash and cash equivalents, end of year	\$ 23,066	\$ 26,635
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (8,853)	\$ 3,382
Adjustments to reconcile operating income (loss) to cash flows from operating activities:		
Depreciation	2,398	2,398
Changes in assets and liabilities:		
Decrease/(increase) in accounts receivable	(1,030)	(1,410)
Decrease/(increase) in due from County of Madera	(2)	--
Increase/(decrease) in accounts payable	2,224	279
Increase/(decrease) in due to County of Madera	6,025	(9,209)
Increase/(decrease) in unearned revenues	(135)	135
Net Cash Provided (Used) by Operating Activities	\$ 627	\$ (4,425)

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the **MD 85 - Valeta** (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 20 improved units and 1 standby unit. A 50 year-old well is the only source of water for the District. The well now produces about 40 gpm after deepening, re-casing and equipping the well in August, 2009. There are no consumer water meters or fire hydrants. The District is located west of the City of Chowchilla on State Highway 233 and Avenue 23 ½ in Madera County Supervisorial District 2. The District was formed on December 14, 1993 by Resolution No. 93-370 and provides water service to a residential development. The funding for water system operations is derived from charges for water services. On May 22, 2018, water and sewer rates were increased by Resolution No. 2018-072 based on the result of the rate study. In addition to the charges for water services, the District also receives assessments 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 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 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers the cash held in the County Treasury, its only investments, to be cash and cash equivalents.

E. Receivables

Receivables consist of fees charged for water services, 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.

F. Assessments

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

G. 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>
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.

H. 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, 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.”

**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position (Continued)

When both restricted and unrestricted resources are available for use, unrestricted resources are used only after the restricted resources are depleted.

I. 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, 2019 and 2018 are classified in the financial statements as follows:

	<u>2019</u>	<u>2018</u>
Cash and investments - unrestricted	\$ 23,066	\$ 26,635
	<u>\$ 23,066</u>	<u>\$ 26,635</u>

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, 2019 and 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 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Total			Balance June 30, 2019
	Balance July 1, 2018	Additions	Retirements	
Capital assets, not being depreciated:				
Land	\$ 4,340	\$ --	\$ --	\$ 4,340
Total capital assets, not being depreciated	4,340	--	--	4,340
Capital assets, being depreciated:				
Water systems	86,255	--	--	86,255
Total capital assets, being depreciated	86,255	--	--	86,255
Less accumulated depreciation for:				
Water systems	(53,327)	(2,399)	--	(55,726)
Total accumulated depreciation	(53,327)	(2,399)	--	(55,726)
Total capital assets, being depreciated, net	32,928	(2,399)	--	30,529
Total capital assets, net	\$ 37,268	\$ (2,399)	\$ --	\$ 34,869

Depreciation expense of \$2,399 was charged to the water service function of the District.

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

	Total			Balance June 30, 2018
	Balance July 1, 2017	Additions	Retirements	
Capital assets, not being depreciated:				
Land	\$ 4,820	\$ --	\$ (480)	\$ 4,340
Total capital assets, not being depreciated	4,820	--	(480)	4,340
Capital assets, being depreciated:				
Water systems	86,255	--	--	86,255
Total capital assets, being depreciated	86,255	--	--	86,255
Less accumulated depreciation for:				
Water systems	(50,929)	(2,398)	--	(53,327)
Total accumulated depreciation	(50,929)	(2,398)	--	(53,327)
Total capital assets, being depreciated, net	35,326	(2,398)	--	32,928
Total capital assets, net	\$ 40,146	\$ (2,398)	\$ (480)	\$ 37,268

Depreciation expense of \$2,398 was charged to the water service function of the District.

**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4: RELATED PARTY TRANSACTIONS

The District's 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. The County of Madera charges the District for administrative costs incurred.

The amounts due to the County of Madera as of June 30, 2019 and 2018 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Amounts due to County of Madera	\$ 5,186	\$ 11,211	\$ (5,186)	\$ 11,211
	\$ 5,186	\$ 11,211	\$ (5,186)	\$ 11,211

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Amounts due to County of Madera	\$ 14,395	\$ 5,186	\$ (14,395)	\$ 5,186
	\$ 14,395	\$ 5,186	\$ (14,395)	\$ 5,186

NOTE 5: ADVANCES FROM COUNTY OF MADERA

The following is a summary of the advances from the County of Madera for the year-ended June 30, 2019 and 2018:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019	Due Within One Year
Advance from County - FY04/05	\$ 1,351	\$ --	\$ --	\$ --	\$ 1,351	\$ --
Advance from County - FY08/09	2,052	--	--	--	2,052	--
Advance from County- FY09/10	10,338	--	(4,427)	--	4,560	4,560
Total	\$ 13,741	\$ --	\$ (4,427)	\$ --	\$ 7,963	\$ 4,560

	Balance July 1, 2017	Additions	Deletions	Reclassification	Balance June 30, 2018	Due Within One Year
Advance from County - FY04/05	\$ -	\$ --	\$ --	\$ 1,351	\$ 1,351	\$ --
Advance from County - FY08/09	2,052	--	--	--	2,052	--
Advance from County- FY09/10	14,632	--	(4,294)	(1,351)	8,987	4,426
Total	\$ 16,684	\$ --	\$ (4,294)	\$ --	\$ 12,390	\$ 4,426

**MAINTENANCE DISTRICT 85 – VALETA
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5: ADVANCES FROM COUNTY OF MADERA (Continued)

The District has been advanced funds from the County in the amounts of \$1,351 and \$2,052 during the fiscal year 2004/05 and fiscal year 2008/09, respectively. The advances are unsecured, noninterest bearing, and are due on demand. The County does not anticipate demanding repayment in the next fiscal year; therefore, the balances have been shown as noncurrent liabilities on the statement of net position.

On August 11, 2009, the County of Madera approved an advance of \$40,000 to the District to assist with cash flow needs for the purpose of deepening the well in the District. The advance is to be repaid with interest at the rate of 3% over a 10 year term. The balance outstanding at June 30, 2019 was \$4,560.

The District intends to pay back this amount through future cash flow at the new established rate approved on March 5, 2019 by Resolution No. 2019-028.

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.