

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

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

**JUNE 30, 2020**

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## BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION  
JUNE 30, 2020**

**ASSETS**

Current Assets:

Cash and investments	\$	9,017
Accounts receivable		5,928
Interest receivable		19
Due from County of Madera		2,528
Total Current Assets		17,492

Non-Current Assets:

Capital assets:

Land		3,282
Depreciable assets		86,255
Accumulated depreciation		(58,124)
Total Non-Current Assets		31,413

Total Assets		48,905
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**LIABILITIES**

Current Liabilities:

Accounts payable		2,221
Deposits from others		300
Due to County of Madera		20,834
Unearned revenue		141
Total Current Liabilities		23,496

Non-Current Liabilities:

Advances from County of Madera		3,403
Total Non-Current Liabilities		3,403

Total Liabilities		26,899
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**NET POSITION**

Net investment in capital assets		31,413
Unrestricted		(9,407)

Total Net Position	\$	22,006
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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)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2020**

Operating Revenues:	
Charges for services	\$ 31,704
Total Operating Revenues	<u>31,704</u>
Operating Expenses:	
Services and supplies	10,083
Maintenance	31,146
Insurance	258
Utilities	9,026
Depreciation	<u>2,398</u>
Total Operating Expenses	<u>52,911</u>
Operating Income (Loss)	<u>(21,207)</u>
Non-Operating Revenue (Expenses):	
Investment income	182
Interest and fiscal charges	<u>(25)</u>
Total Non-Operating Revenue (Expenses)	<u>157</u>
Change in Net Position	(21,050)
Net Position, Beginning of Year, Restated	<u>43,056</u>
Net Position, End of Year	<u><u>\$ 22,006</u></u>

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)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 31,523
Cash paid to suppliers	<u>(41,181)</u>
Net cash provided by (used for) operating activities	<u>(9,658)</u>
Cash flows from capital and related financing activities:	
Payment of Advance from County of Madera	(4,560)
Interest paid on capital debt	<u>(75)</u>
Net cash provided by (used for) capital and related financing activities	<u>(4,635)</u>
Cash flows from investing activities:	
Interest on investments	<u>244</u>
Net cash provided by (used for) investing activities	<u>244</u>
Net increase (decrease) in cash and cash equivalents	(14,049)
Cash and cash equivalents, beginning of the year	<u>23,066</u>
Cash and cash equivalents, end of the year	<u>\$ 9,017</u>

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

Operating income (loss)	\$ (21,207)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	2,398
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	2,054
Decrease/(Increase) in due from County of Madera	(2,526)
Increase/(Decrease) in accounts payable	(291)
Increase/(Decrease) in due to County of Madera	9,623
Increase/(Decrease) in deposits from others	150
Increase/(Decrease) in unearned revenues	<u>141</u>
Net cash provided by (used for) operating activities	<u>\$ (9,658)</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 85 – VALETA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. 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.

**E. 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 receivables 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, 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 85 – VALETA  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020 are classified in the financial statements as follows:

Cash and investments – unrestricted	\$9,017
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The District's cash and investments consisted of the following as of June 30, 2020:

Deposits held with County of Madera Investment Pool	\$9,017
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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, 2020, 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 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 85 – VALETA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019 (Restated)	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 3,282	\$ -	\$ -	\$ 3,282
Total capital assets, not being depreciated	<u>3,282</u>	<u>-</u>	<u>-</u>	<u>3,282</u>
Capital assets, being depreciated:				
Water systems	<u>86,255</u>	<u>-</u>	<u>-</u>	<u>86,255</u>
Total capital assets, being depreciated	<u>86,255</u>	<u>-</u>	<u>-</u>	<u>86,255</u>
Less accumulated depreciation for:				
Water systems	<u>(55,726)</u>	<u>(2,398)</u>	<u>-</u>	<u>(58,124)</u>
Total accumulated depreciation	<u>(55,726)</u>	<u>(2,398)</u>	<u>-</u>	<u>(58,124)</u>
Total capital assets being depreciated, net	<u>30,529</u>	<u>(2,398)</u>	<u>-</u>	<u>28,131</u>
Total capital assets, net	<u>\$ 33,811</u>	<u>\$ (2,398)</u>	<u>\$ -</u>	<u>\$ 31,413</u>

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

**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 amount due to the County of Madera as of June 30, 2020 is \$20,834.

**MAINTENANCE DISTRICT 85 – VALETA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5: ADVANCE FROM COUNTY OF MADERA**

The following is a summary of the advances from the County of Madera for the year-ended June 30, 2020:

	Balance			Balance		Due Within
	July 1, 2019	Additions	Deletions	June 30, 2020	One Year	
Advance from County of Madera - FY04/05	\$ 1,351	\$ -	\$ -	\$ 1,351	\$ -	
Advance from County of Madera - FY08/09	2,052	-	-	2,052	-	
Advance from County of Madera - FY09/10	4,560	-	(4,560)	-	-	
<b>Total</b>	<u>\$ 7,963</u>	<u>\$ -</u>	<u>\$ (4,560)</u>	<u>\$ 3,403</u>	<u>\$ -</u>	

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 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.

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 District paid off this advance during the fiscal year.

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.

**NOTE 7: RESTATEMENT OF BEGINNING NET POSITION**

The beginning net position was overstated by \$1,058 due to land belonging to the Maintenance District No. 95 being reported as belonging to the District. There was no effect on the change in net position for the year ended June 30, 2019.

	Net investment in capital assets	Unrestricted	Total
Net position at June 30, 2019, as previously stated	\$ 28,958	\$ 15,156	\$ 44,114
Land adjustments	(1,058)	-	(1,058)
Net position at June 30, 2019, as restated	<u>\$ 27,900</u>	<u>\$ 15,156</u>	<u>\$ 43,056</u>