

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**FINANCIAL STATEMENTS**

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

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE  
(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 01 – HIDDEN LAKE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

**STATEMENT OF NET POSITION  
JUNE 30, 2021**

**ASSETS**

Current Assets:

Cash and investments	\$	84,864
Accounts receivable		33,906
Interest receivable		144
Due from other governments		<u>1,760</u>

Total Current Assets		<u>120,674</u>
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Non-Current Assets:

Capital assets:

Land		51,343
Land under roads		144,576
Construction in progress		576,805
Depreciable assets		449,561
Accumulated depreciation		<u>(322,606)</u>

Total Non-Current Assets		<u>899,679</u>
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Total Assets		<u>1,020,353</u>
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**LIABILITIES**

Current Liabilities:

Accounts payable		2,895
Interest payable		6,841
Deposits from others		1,500
Due to County of Madera		137,663
Unearned revenue		1,522
Notes payable		<u>9,921</u>

Total Current Liabilities		<u>160,342</u>
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Non-Current Liabilities:

Advances from County of Madera		<u>287,000</u>
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Total Non-Current Liabilities		<u>287,000</u>
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Total Liabilities		<u>447,342</u>
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**NET POSITION**

Net investment in capital assets		889,758
Unrestricted		<u>(316,747)</u>

Total Net Position		<u>\$ 573,011</u>
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The notes to the basic financial statements are an integral part of this statement.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE  
(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	\$ 90,157
Other revenues	<u>100</u>
Total Operating Revenues	<u>90,257</u>
Operating Expenses:	
Services and supplies	36,901
Maintenance	154,374
Insurance	4,934
Utilities	15,831
Depreciation	<u>4,683</u>
Total Operating Expenses	<u>216,723</u>
Operating Income (Loss)	<u>(126,466)</u>
Non-Operating Revenue (Expenses):	
Taxes	35,358
Investment income	5
Operating grants	23,981
Capital grants	8,176
Interest expense	<u>(6,603)</u>
Total Non-Operating Revenue (Expenses)	<u>60,917</u>
Change in Net Position	(65,549)
Net Position, Beginning of Year	<u>638,560</u>
Net Position, End of Year	<u>\$ 573,011</u>

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

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE  
(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	\$ 96,578
Cash paid to suppliers	<u>(199,138)</u>
Net cash provided by (used for) operating activities	<u>(102,560)</u>
Cash flows from noncapital financing activities:	
Taxes received	35,358
Operating grants	23,981
Advances from County of Madera	<u>165,000</u>
Net cash provided by (used for) noncapital financing activities	<u>224,339</u>
Cash flows from capital and related financing activities:	
Capital grants	9,519
Short-term note from County of Madera	(350,000)
Acquisition and construction of capital assets	(10,520)
Principal payments on notes payable	(18,830)
Interest payments	<u>(17,994)</u>
Net cash provided by (used for) capital and related financing activities	<u>(387,825)</u>
Cash flows from investing activities:	
Investment income received	<u>481</u>
Net cash provided by (used for) investing activities	<u>481</u>
Net increase (decrease) in cash and investments	(265,565)
Cash and investments, beginning of the year	<u>350,429</u>
Cash and investments, end of the year	<u><u>\$ 84,864</u></u>

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

Operating income (loss)	\$ (126,466)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	4,683
Changes in operating assets and liabilities:	
Decrease/(Increase) in accounts receivable	6,315
Increase/(Decrease) in accounts payable	(6,355)
Increase/(Decrease) in due to County of Madera	19,257
Increase/(Decrease) in due to unearned revenue	<u>6</u>
Net cash provided by (used for) operating activities	<u><u>\$ (102,560)</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 01 – HIDDEN LAKE  
(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 01 - Hidden Lake** (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 for a residential development encompassing approximately 166 acres. The District is located on the northwestern shore of Millerton Lake off of Road 216. The District was formed on August 13, 1963 by Resolution No. 63-338. The Hidden Lakes water system serves 48 improved units and 153 standby units. The system has an annual water allocation of 200 acres feet of surface water from Millerton Lake. Raw water is pumped from the lake bottom 2,350 linear feet and 247 vertical feet to a treatment plant by two stationary 150 gpm submersible pumps. The water is then treated by a conventional filtration package surface water treatment plant built in 1986. Treated water is pumped into a 110,000 gallon storage tank and from there; system pressure is maintained by gravity. In addition to the storage, the distribution system consists of two pressure zones, 19,715 feet of cement lined steel water mains, consumer service lines and meters. The current water rates for improved lots was set by Resolution No. 2011-195 and are based on a tiered structure with an annual Consumer Price Index adjustment. The base rate is billed annually and included within the property tax bill. The meters are read quarterly with any excess use charges billed separately in February.

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.

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 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 01 – HIDDEN LAKE  
(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 property taxes, fees charged for water services, special assessment 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. Special Assessment**

Secured and unsecured special assessments are levied in July each year. Special assessments become a lien against the property as of January 1 of each year. Secured special assessments are payable in two installments which are due November 1 and February 1. Unsecured special assessments are due on August 31. All special assessment 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>
Infrastructure	20-50 years
Water Systems	15-65 years
Structures and Improvements	30-50 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, 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 01 – HIDDEN LAKE  
(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	\$84,864
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The District's cash and investments consisted of the following as of June 30, 2021:

Deposits held with County of Madera Investment Pool	\$84,864
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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 01 – HIDDEN LAKE  
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**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 June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land	\$51,343	\$ -	\$ -	\$ 51,343
Land under roads	144,576	-	-	144,576
Construction In progress	<u>566,285</u>	<u>10,520</u>	<u>-</u>	<u>576,805</u>
Total capital assets, not being depreciated	<u>762,204</u>	<u>10,520</u>	<u>-</u>	<u>772,724</u>
Capital assets, being depreciated:				
Infrastructure	86,997	-	-	86,997
Water systems	<u>362,564</u>	<u>-</u>	<u>-</u>	<u>362,564</u>
Total capital assets, being depreciated	<u>449,561</u>	<u>-</u>	<u>-</u>	<u>449,561</u>
Less accumulated depreciation for:				
Infrastructure	(86,997)	-	-	(86,997)
Water systems	<u>(230,926)</u>	<u>(4,683)</u>	<u>-</u>	<u>(235,609)</u>
Total accumulated depreciation	<u>(317,923)</u>	<u>(4,683)</u>	<u>-</u>	<u>(322,606)</u>
Total capital assets being depreciated, net	<u>131,638</u>	<u>(4,683)</u>	<u>-</u>	<u>126,955</u>
Total capital assets, net	<u>\$ 893,842</u>	<u>\$ 5,837</u>	<u>\$ -</u>	<u>\$ 899,679</u>

Depreciation expense of \$4,683 was charged to the water service function of the District.

**NOTE 4: RELATED PARTY TRANSACTIONS**

The District's special 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 \$155,489.

The amount due to the County of Madera as of June 30, 2021 is \$137,663.

See additional information on short-term notes payable and advances from the County of Madera at notes 5 and 6, respectively.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

**NOTE 5: SHORT-TERM NOTES**

The District obtained a \$350,000 Grant Anticipation Note (the Note) from the County on August 10, 2018 to provide a short term cash advance for the District's planning and feasibility study for the potential replacement or expansion of the surface water treatment plant and storage tank. The Note is to be repaid with interest at the County of Madera treasury pool rate plus 50 basis points and matures one year after the issuance date. Principal and interest are due at maturity. The District paid off this Note on July 22, 2020. Total interest expense on the Note for the year ended June 30, 2021 was \$661.

**NOTE 6: LONG-TERM LIABILITIES**

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

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
CSCDA Note Payable	\$ 28,751	\$ -	\$ (18,830)	\$ 9,921	\$ 9,921
Advance from County of Madera	<u>122,000</u>	<u>165,000</u>	<u>-</u>	<u>287,000</u>	<u>-</u>
Total	<u>\$ 150,751</u>	<u>\$ 165,000</u>	<u>\$ (18,830)</u>	<u>\$ 296,921</u>	<u>\$ 9,921</u>

**California Statewide Communities Development Authority (CSCDA) Note Payable**

On July 1, 1993 the District entered into a direct borrowing contract with the California Statewide Community Development Authority (CSCDA) to refinance \$249,191 in a previously outstanding loan for a project within the District. The term of this loan is 28 years, maturing on January 1, 2021 with a stated interest rate of 7.125%. Semi-annual payments of \$10,274 are due on December 1<sup>st</sup> and June 1<sup>st</sup> of each year. The loan contains provisions that if the County is unable to make payment, outstanding amounts are due immediately. The loan also contains a subjective acceleration clause that allows the CSCDA 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. Principal and interest are repaid by charging property owners within the geographical boundaries of the district. As of June 30, 2021 the outstanding balance on this loan is \$9,921.

The debt service requirements for the District's notes payable are as follows:

Year ending June 30,	<u>CSCDA Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	<u>\$ 9,921</u>	<u>\$ 354</u>
Total	<u>\$ 9,921</u>	<u>\$ 354</u>

Total interest expense for the year ended June 30, 2021 was \$1,607.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6: LONG-TERM LIABILITIES (Continued)**

Advance from County of Madera

The District obtained a \$50,000 loan for the water division, from the County of Madera on June 26, 2018 to help fund the District's daily operations. The loan is to be repaid with interest at the County of Madera Treasury pool rate, plus 50 basis points, as soon as funds are available from the District. Interest will be accrued on the unpaid principal balance until loan is paid in full. As of June 30, 2021 the outstanding balance on this loan is \$50,000.

The District obtained a \$72,000 loan for the water division, from the County of Madera on June 20, 2019 to help fund the District's daily operations. The loan is to be repaid with interest at the County of Madera Treasury pool rate, plus 50 basis points, as soon as funds are available from the District. Interest will be accrued on the unpaid principal balance until loan is paid in full. As of June 30, 2021 the outstanding balance on this loan is \$72,000.

The District obtained a \$165,000 loan for the water division, from the County of Madera on August 3, 2020 to help fund the District's daily operations. The loan is to be repaid with interest at the County of Madera Treasury pool rate, plus 50 basis points, as soon as funds are available from the District. Interest will be accrued on the unpaid principal balance until loan is paid in full. As of June 30, 2021 the outstanding balance on this loan is \$165,000.

Total interest expense for the year ended June 30, 2021 was \$4,335.

**NOTE 7: 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.

**NOTE 8: 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.

Construction Commitments

At June 30, 2021, the District had a commitment for the water system improvement project. The remaining construction committed is \$123,095.

**MAINTENANCE DISTRICT 01 – HIDDEN LAKE  
(A COMPONENT UNIT OF THE COUNTY OF MADERA, CALIFORNIA)**

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

**NOTE 9: SUBSEQUENT EVENTS**

Advance From County of Madera

The District obtained a \$82,000 loan for the water division, from the County of Madera on July 13, 2021 to help pay for the direct maintenance of the water system. The loan is to be repaid with an interest rate of 1% within 60 months.