

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

FINANCIAL STATEMENTS

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

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

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

ASSETS

Current Assets:

Cash and investments	\$ 8,613
Accounts receivable	8,258
Interest receivable	10
Due from other governments	<u>2,606</u>
Total Current Assets	<u>19,487</u>

Non-Current Assets:

Capital assets:

Land	3,282
Depreciable assets	86,255
Accumulated depreciation	<u>(60,522)</u>
Total Non-Current Assets	<u>29,015</u>

Total Assets	<u>48,502</u>
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LIABILITIES

Current Liabilities:

Accounts payable	54
Deposits from others	300
Due to County of Madera	20,239
Unearned revenue	<u>69</u>
Total Current Liabilities	<u>20,662</u>

Non-Current Liabilities:

Advances from County of Madera	<u>3,403</u>
Total Non-Current Liabilities	<u>3,403</u>

Total Liabilities	<u>24,065</u>
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NET POSITION

Net investment in capital assets	29,015
Unrestricted	<u>(4,578)</u>

Total Net Position	<u>\$ 24,437</u>
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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, 2021**

Operating Revenues:	
Charges for services	\$ 37,280
Other revenues	<u>25</u>
Total Operating Revenues	<u>37,305</u>
Operating Expenses:	
Services and supplies	4,684
Maintenance	19,928
Insurance	247
Utilities	10,239
Depreciation	<u>2,398</u>
Total Operating Expenses	<u>37,496</u>
Operating Income (Loss)	<u>(191)</u>
Non-Operating Revenue (Expenses):	
Investment income	16
Intergovernmental	<u>2,606</u>
Total Non-Operating Revenue (Expenses)	<u>2,622</u>
Change in Net Position	2,431
Net Position, Beginning of Year	<u>22,006</u>
Net Position, End of Year	<u>\$ 24,437</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, 2021**

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 37,431
Cash paid to suppliers	<u>(37,860)</u>
Net cash provided by (used for) operating activities	<u>(429)</u>
Cash flows from investing activities:	
Investment income received	<u>25</u>
Net cash provided by (used for) investing activities	<u>25</u>
Net increase (decrease) in cash and cash equivalents	(404)
Cash and cash equivalents, beginning of the year	<u>9,017</u>
Cash and cash equivalents, end of the year	<u><u>\$ 8,613</u></u>

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

Operating income (loss)	\$ (191)
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	(2,330)
Decrease/(Increase) in due from County of Madera	2,528
Increase/(Decrease) in accounts payable	(2,167)
Increase/(Decrease) in due to County of Madera	(595)
Increase/(Decrease) in unearned revenues	<u>(72)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (3,035)</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 85 – VALETA
(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 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, 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, 2021**

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 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.

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, 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	\$8,613
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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	\$8,613
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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 85 – VALETA
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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 July 1, 2020	Additions	Deletions	Balance June 30, 2021
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	86,255	-	-	86,255
Total capital assets, being depreciated	<u>86,255</u>	<u>-</u>	<u>-</u>	<u>86,255</u>
Less accumulated depreciation for:				
Water systems	(58,124)	(2,398)	-	(60,522)
Total accumulated depreciation	<u>(58,124)</u>	<u>(2,398)</u>	<u>-</u>	<u>(60,522)</u>
Total capital assets being depreciated, net	<u>28,131</u>	<u>(2,398)</u>	<u>-</u>	<u>25,733</u>
Total capital assets, net	<u>\$ 31,413</u>	<u>\$ (2,398)</u>	<u>\$ -</u>	<u>\$ 29,015</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. Total expenses to the County of Madera for the year ended June 30, 2021 were \$14,539.

The amount due to the County of Madera as of June 30, 2021 is \$20,239.

See additional information on advances from the County of Madera at Note 5.

**MAINTENANCE DISTRICT 85 – VALETA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021:

	Balance			Balance		Due Within
	July 1, 2020	Additions	Deletions	June 30, 2021	One Year	
Advance from County of Madera - FY04/05	\$ 1,351	\$ -	\$ -	\$ 1,351	\$ -	
Advance from County of Madera - FY08/09	2,052	-	-	2,052	-	
Total	\$ 3,403	\$ -	\$ -	\$ 3,403	\$ -	

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.

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 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 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.

NOTE 8: SUBSEQUENT EVENTS

Grant Anticipation Note

The District obtained a \$400,000 Grant Anticipation Note (the Note) from the County of Madera Treasurer on January 25, 2022 to provide cash advance for the work relating to the evaluation of alternatives to mitigate water quality issues and provide a backup source for the District. The Note is payable no later than 36 months after the date of issue and is payable from funding through the State Water Resources Control Board. Interest shall be paid at the rate equal to the rate earned by funds invested in the Madera County Treasurer in the "pooled investment account" on the last quarter calculated plus 50 base points (.50% of 1 percent). Annual interest will be calculated and invoiced on May 1st of each year and the scheduled annual payment will be paid on or before June 30th of each year.