

**HIDDEN VALLEY LAKE  
COMMUNITY SERVICES DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Annual Financial Report  
For the Year Ended June 30, 2018**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**List of Officials**

**For the Year Ended June 30, 2018**

**Board of Directors**

Jim Lieberman. .... President  
Carolyn Graham. .... Vice President  
Linda Herndon. .... Director  
Jim Freeman. .... Director  
Judy Mirbegian..... Director

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## **FINANCIAL SECTION**

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Combining Fund Statements**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hidden Valley Lake Community Services District  
Hidden Valley Lake, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Hidden Valley Lake Community Services District, California (District), as of and for the year ended June 30, 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditor's 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 auditor considers 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 opinions.

To the Board of Directors  
Hidden Valley Lake Community Services District  
Hidden Valley Lake, California

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1P to the financial statements, in 2017-18 the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, District Pension Plan - Schedule of Proportionate Share of the Net Pension Liability, District Pension Plan - Schedule of Contributions, Notes to District Pension Plan, District OPEB Plan - Schedule of Changes in the Net OPEB Liability and Related Ratios, District OPEB Plan - Schedule of Contributions and Notes to District OPEB Plan as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors  
Hidden Valley Lake Community Services District  
Hidden Valley Lake, California

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
February 7, 2019

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**Management's Discussion and Analysis  
(Unaudited)**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Introduction**

This section of the Annual Financial Report contains a narrative overview and analysis of the Hidden Valley Lake Community Services District (District) financial activities for the year ended June 30, 2018.

The Management's Discussion and Analysis (MD&A) is a required section of the District's Annual Financial Report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity. Readers are encouraged to consider the information presented here in conjunction with the Annual Financial Statements.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing. The annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2018 were as follows:

- The Statement of Net Position indicates that total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1,529,314. Unrestricted net position represents (\$629,173), and net investment in capital assets was at \$853,972. The remaining restricted amounts were \$860,060 for debt service and \$444,455 for capital facilities.
- Total net position decreased \$486,528 (24%) in fiscal year 2017/18 compared to a decrease of \$408,094 (17%) in fiscal year 2016/17.
- Total assets decreased 4% from \$10,236,745 in fiscal year 2016/17 to \$9,851,860 in fiscal year 2017/18.
- Total liabilities increased 1% from \$8,508,004 in fiscal year 2016/17 to \$8,585,310 in fiscal year 2017/18.
- The District recorded deferred outflows of resources of \$424,591, a decrease of \$10,289, and deferred inflows of resources of \$161,827, an increase of \$14,048, in order to record the different components required by GASB 68 and GASB 75 for pension and OPEB accounting and reporting. Deferred outflows of resources are technically not assets but increase net position similar to an asset and deferred inflows of resources are technically not liabilities but decrease net position similar to liabilities. See Note 1N in the notes to financial statements for a definition of deferred inflows and outflows of resources.
- Total program and general revenues decreased by \$199,343 (5%) mainly due to 2017 Storm Emergency funding received in FY 2016/17.
- Total expenses decreased \$607,512 (14%) from prior year. The decrease was due to \$106,789 in Sewer and Water operating and maintenance expenses, and a decrease of \$714,301 in response expenses related to the 2017 Storm Emergency.

## Overview of the Financial Statements

The financial section of this report consists of five parts.

- Independent Auditor's Report
- Management Discussion and Analysis (Unaudited)
- Basic Financial Statements, which include: Government-Wide Financial Statements and Fund Financial Statements
- Notes to Basic Financial Statements
- Required Supplementary Information (Unaudited)
- Supplementary Information, which includes Combining Fund Statements

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the District, presenting an aggregate view of the District's finances. The basic financial statements also include notes explaining pertinent information in the financial statements and provide more detailed data.

The Basic Financial Statements for the District are presented as "Government-Wide" and Proprietary or Enterprise fund financial statements. The chart below provides an overview of the major features of the financial statements.

Chart A Major Features of Hidden Valley Lake Community Services District Government-wide and Fund Financial Statements		
	Government-wide Statements	Fund Statements Proprietary Funds
<b>Scope</b>	Entire District government	Activities the District water and wastewater systems operated similar to private businesses.
<b>Required financial statements</b>	Statement of net position  Statement of activities	Statement of net position  Statement of revenues expenses, and changes in net position  Statement of cash flows
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Financial Statements and Notes

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

A "fund" is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has three proprietary funds: Sewer Operations, Water Operations and Flood Control. Proprietary funds distinguish operating revenues and expenses from non-operating items.

The notes provide additional information that is essential to fully understanding the data provided in the financial statements. Below are summaries and comparisons of the fund financial statements.

**Table 1**  
**Summary of Net Position**  
**June 30, 2018 and 2017**

	<b>Business Type Activities</b>			
	<b>2018</b>	<b>2017</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Assets</b>				
Current and other assets	\$ 3,268,219	\$ 3,242,806	\$ 25,413	1%
Non current assets	6,583,641	6,993,939	(410,298)	-6%
Total Assets	<u>9,851,860</u>	<u>10,236,745</u>	<u>(384,885)</u>	<u>-4%</u>
<b>Deferred outflows of resources</b>				
Deferred Pension adjustments	390,998	434,880	(43,882)	-10%
Deferred OPEB adjustments	33,593	-	33,593	100%
Total Deferred Outflows of Resources	<u>424,591</u>	<u>434,880</u>	<u>(10,289)</u>	<u>-2%</u>
<b>Liabilities</b>				
Current liabilities	498,705	915,283	(416,578)	-46%
Non current liabilities	8,086,605	7,592,721	493,884	7%
Total Liabilities	<u>8,585,310</u>	<u>8,508,004</u>	<u>77,306</u>	<u>1%</u>
<b>Deferred inflows of resources</b>				
Deferred Pension adjustments	78,587	147,779	69,192	47%
Deferred OPEB adjustments	83,240	-	(83,240)	-100%
Total Deferred Inflows of Resources	<u>161,827</u>	<u>147,779</u>	<u>(14,048)</u>	<u>-10%</u>
<b>Net Position</b>				
Net Investment in capital assets	853,972	981,176	(127,204)	-13%
Restricted				
Debt Service	860,060	810,391	49,669	6%
Capital Facilities	444,455	303,083	141,372	47%
Unrestricted	(629,173)	(78,808)	(550,365)	698%
Total Net Position	<u>\$ 1,529,314</u>	<u>\$ 2,015,842</u>	<u>\$ (486,528)</u>	<u>-24%</u>

Net position decreased by \$486,528 to \$1,529,314 from FY 2016/17 to FY 2017/18 as described below:

Total assets and deferred outflows decreased by \$395,174. Current assets increased by \$25,413. Capital assets decreased by \$410,298 due to depreciation.

Current liabilities (obligations due within 12 months) decreased by \$416,578. The net decrease was due primarily to a decrease in accounts payable of \$430,740 for related storm emergency costs owed to the County in FY 2016/17.

Non-current (long-term) liabilities increased by \$493,884 as a result of an FY 2017/18 increase in net pension liability of \$183,688 and OPEB liability of \$594,990 and decrease in debt principal of \$283,095. Long-term liabilities are reduced each year as each series on the outstanding debt principal amounts are paid back to the bondholders. Additional information on the District's non-current liabilities can be found in Note 6 Long-Term Liabilities.

The largest portion of the District's net position reflects its investment in capital assets (e.g. land, sewer & water lines and improvements, buildings, machinery, equipment, and vehicles) net of outstanding debt. The District uses these capital assets to provide services for the residents and businesses in its service area. Although the District's investment in its capital assets is reported net of debt, it should be noted that the

resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used or sold to liquidate District liabilities. The remaining balance of the unrestricted net position may be used to meet the District's ongoing obligations to its customers and creditors. The net position also included restricted assets required by various debt agreements restricting revenues pledged to repay debt and restricted assets for capital facilities.

## Revenues, Expenses, and Change in Net Position Statement Analysis

**Table 2**  
**Summary of Changes in Net Position**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

	<b>Business Type Activities</b>			
	<b>2018</b>	<b>2017</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 2,945,567	\$ 2,779,431	\$ 166,136	6%
Assessments	283,863	247,437	36,426	15%
Permits and Inspections	54,548	39,023	15,525	40%
Miscellaneous	121,598	154,065	(32,467)	-21%
Total Operating Revenues	<u>3,405,576</u>	<u>3,219,956</u>	<u>185,620</u>	<u>6%</u>
<b>Operating Expenses</b>				
Sewer	1,885,637	2,013,504	(127,867)	-6%
Water	1,644,685	1,404,399	240,286	17%
Flood	1,109	-	1,109	-
Total Operating Expenses	<u>3,531,431</u>	<u>3,417,903</u>	<u>113,528</u>	<u>3%</u>
Operating Income (Loss)	(125,855)	(197,947)	72,092	-36%
<b>Non-Operating Revenues (Expenses)</b>				
Use of Money	17,910	11,411	6,499	57%
Debt Interest	(196,387)	(203,125)	6,738	-3%
Total Non-Operating Revenues (Expenses)	<u>(178,477)</u>	<u>(191,714)</u>	<u>13,237</u>	<u>-7%</u>
<b>Change in Net Position before Special Items &amp; Transfers</b>	(304,332)	(389,661)	85,329	-22%
Proceeds for 2017 Storms Emergency Response & Repairs	304,407	695,868	(391,461)	-56%
Expenses for 2017 Storms Emergency Response & Repairs	-	(714,301)	714,301	-100%
Cummulative effect of change in accounting principle	<u>(486,603)</u>	<u>-</u>	<u>(486,603)</u>	<u>0%</u>
<b>Change in Net Position</b>	(486,528)	(408,094)	(78,434)	19%
<b>Net Position - Beginning of Year</b>	2,015,842	2,423,936	(408,094)	-17%
<b>Net Position - End of Year</b>	<u>\$ 1,529,314</u>	<u>\$ 2,015,842</u>	<u>\$ (486,528)</u>	<u>-24%</u>

The statement of revenues, expenses, and changes in net position reflects the District's operating and non-operating revenues by major sources, operating and non-operating expenses by categories and capital contributions.

The District's (\$486,528) change in net position during FY 2017/18 was as follows:

- Total operating revenues increased by \$185,620. Total service charges and sewer assessments increased by a net of \$202,562 as a result of a scheduled increase in the sewer and water service charges. Total non-operating revenues and special items decreased by \$150,527 mainly due to a change in accounting principle.
- Operating expenses increased by \$113,528. The most significant changes in expenses from FY 2016/17 to FY 2017/18 were increases in operating and maintenance expenses from salaries and benefits, professional services and depreciation.

- The Special Items relate to the 2017 Storms emergency response costs of \$714,301. An estimated 97% of the costs will be reimbursed by the Federal and State FEMA/OES programs.

### Capital Asset Administration

**Table 3**  
**Capital Assets (Net of Depreciation)**  
**June 30, 2018 and 2017**

	Business Type Activities			
	2018	2017	Dollar Change	Percent Change
Land (not depreciated)	\$ 607,918	\$ 607,918	\$ -	0%
Structures and improvements	2,281,668	2,402,757	(121,089)	-5%
Equipment, vehicles and machinery	221,810	293,811	(72,001)	-25%
Infrastructure	3,472,244	3,689,453	(217,209)	-6%
<b>Total</b>	<b>\$ 6,583,640</b>	<b>\$ 6,993,939</b>	<b>\$ (410,299)</b>	<b>-6%</b>

The District's net capital assets decreased from \$6,993,939 to \$6,583,640 for the year ended June 30, 2018. The total decrease was \$410,299 with no additions to capital assets. Details of the capital asset transactions can be found on page 28, Note 4.

### Debt Administration

**Table 4**  
**Outstanding Long-Term Liabilities and Debt (net of debt discounts/premiums)**  
**June 30, 2018 and 2017**

	Business Type Activities			
	2018	2017	Dollar Change	Percent Change
<b>Liabilities</b>				
Compensated Absences	\$ 54,712	\$ 40,436	\$ 14,276	35%
<b>Total Liabilities</b>	<b>54,712</b>	<b>40,436</b>	<b>14,276</b>	<b>35%</b>
<b>Debt</b>				
Bonds	3,365,688	3,533,953	(168,265)	-5%
Loans	1,814,480	1,913,810	(99,330)	-5%
Certificates of Participation	549,500	565,000	(15,500)	-3%
<b>Total Debt</b>	<b>5,729,668</b>	<b>6,012,763</b>	<b>(283,095)</b>	<b>-5%</b>
<b>Total Long-Term Liabilities and Debt</b>	<b>\$ 5,784,380</b>	<b>\$ 6,053,199</b>	<b>\$ (268,819)</b>	<b>-4%</b>

The District's long-term debt was for the infrastructure of water lines, sewer lines, pump stations and processing plant. At year end June 30, 2018, the long-term debt decreased from \$6,053,199 to \$5,784,380 due to payments and changes in compensated absences. The increase in compensated absences is due to adjustments made in calculation of the liability and current and long-term allocation. Details of the debt outstanding can be found on pages 29 through 31, Note 6.

### Economic Factors and Next Year's Budget

For fiscal year 2017/2018, Hidden Valley Lake Community Services District had two (2) new residential water connection and three (3) new residential sewer connection. This is consistent with numbers throughout the economic downturn. Although the housing market appears to have stabilized, new construction is nonexistent due to the meter moratorium imposed by the State of California. The

prior fiscal year was marred by several rain and flooding events which greatly increased operational costs in the sewer fund due to (Infiltration and Intrusion). The cost to haul and treat the sewer and rain water that hydraulically overloaded the system is anticipated to be offset by the remaining receipt of \$294,982 in FEMA/OES assistance.

As we move into the 2018/19 fiscal year, the effects of a slow economic recovery are being addressed through a comprehensive rate study beginning November 2017. The plan is to increase water, sewer and recycled water use charges to provide for increased operational costs, replacement of aging infrastructure and build up the Capital Improvement and Reserve Funds in both the water and sewer enterprise funds. Additionally, the District replaced water meters with AMI enabled meters during the 2017/18 fiscal year to reduce costs of meter reading, improve monitoring of water use and recover lost revenue due to misreads and leaks.

### **Requests for Information**

This financial report is designed to provide citizens, customers, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Kirk Cloyd, General Manager, Hidden Valley Lake Community Services District, 19400 Hartmann Road, Hidden Valley Lake, CA 95467, 707-987-9201, [kcloyd@hvlcsd.org](mailto:kcloyd@hvlcsd.org) [www.hvlcsd.org](http://www.hvlcsd.org)

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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# HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

## Statement of Net Position

June 30, 2018

	<b>Business-Type Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 2,330,569
Investments with fiscal agent	175,948
Receivables:	
Accounts (net of allowance)	299,185
Assessments	21,281
Delinquent assessments	100,475
Intergovernmental	294,982
Interest	4,628
Prepaid costs	41,152
Capital assets:	
Non-depreciable assets	607,918
Depreciable assets, net of depreciation	5,975,722
Total capital assets	<u>6,583,640</u>
<b>Total Assets</b>	<u>9,851,860</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension adjustments	390,998
Deferred OPEB adjustments	<u>33,593</u>
<b>Total Deferred Outflows of Resources</b>	<u>424,591</u>
<b>LIABILITIES</b>	
Accounts payable	68,426
Salaries and benefits payable	35,687
Interest payable	71,113
Long-term liabilities:	
Due within one year	323,479
Due in more than one year	5,460,901
Net pension liability	1,466,045
Net OPEB liability	<u>1,159,659</u>
<b>Total Liabilities</b>	<u>8,585,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension adjustments	78,587
Deferred OPEB adjustments	<u>83,240</u>
<b>Total Deferred Inflows of Resources</b>	<u>161,827</u>
<b>NET POSITION</b>	
Net investment in capital assets	853,972
Restricted for debt service	860,060
Restricted for capital facilities	444,455
Unrestricted	<u>(629,173)</u>
<b>Total Net Position</b>	<u>\$ 1,529,314</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Total Business-Type Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b><u>Functions/Programs:</u></b>					
Business-type activities:					
Sewer	\$ 2,016,864	\$ 1,242,727	\$ 283,863	\$ -	\$ (490,274)
Water	1,709,845	1,757,388	-	-	47,543
Flood control	1,109	-	-	-	(1,109)
<b>Total Business-Type Activities</b>	<u>3,727,818</u>	<u>3,000,115</u>	<u>283,863</u>	<u>-</u>	<u>(443,840)</u>
<b>Total</b>	<u>\$ 3,727,818</u>	<u>\$ 3,000,115</u>	<u>\$ 283,863</u>	<u>\$ -</u>	<u>(443,840)</u>
<b>General revenues:</b>					
Interest and investment earnings					17,910
Miscellaneous					121,598
Special items:					
2017 storms emergency response and repair proceeds					304,407
<b>Total General Revenues and Special Items</b>					<u>443,915</u>
<b>Change in Net Position</b>					<u>75</u>
<b>Net Position - Beginning</b>					2,015,842
Cumulative effect of a change in accounting principle					(486,603)
<b>Net Position - Beginning, restated</b>					<u>1,529,239</u>
<b>Net Position - Ending</b>					<u>\$ 1,529,314</u>

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

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**Enterprise Funds**  
**June 30, 2018**

	<b>Sewer Operations</b>	<b>Water Operations</b>	<b>Flood Control</b>	<b>Totals</b>
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 1,664,188	\$ 663,490	\$ 2,891	\$ 2,330,569
Investments with fiscal agent	175,948	-	-	175,948
Receivables:				
Accounts (net of allowance)	105,112	194,073	-	299,185
Assessments	21,281	-	-	21,281
Intergovernmental	294,982	-	-	294,982
Interest	3,261	1,367	-	4,628
Prepaid costs	20,489	20,663	-	41,152
<b>Total Current Assets</b>	<b>2,285,261</b>	<b>879,593</b>	<b>2,891</b>	<b>3,167,745</b>
Noncurrent Assets:				
Advances to other funds	90,000	-	-	90,000
Delinquent assessments receivable	100,475	-	-	100,475
Capital assets, net	3,153,530	3,430,110	-	6,583,640
<b>Total Noncurrent Assets</b>	<b>3,344,005</b>	<b>3,430,110</b>	<b>-</b>	<b>6,774,115</b>
<b>Total Assets</b>	<b>5,629,266</b>	<b>4,309,703</b>	<b>2,891</b>	<b>9,941,860</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension adjustments	191,743	199,255	-	390,998
Deferred OPEB adjustments	15,638	17,955	-	33,593
<b>Total Deferred Outflows of Resources</b>	<b>207,381</b>	<b>217,210</b>	<b>-</b>	<b>424,591</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	41,282	27,144	-	68,426
Salaries and benefits payable	16,970	18,717	-	35,687
Interest payable	44,803	26,310	-	71,113
Compensated absences	16,857	12,572	-	29,429
Bonds	175,263	-	-	175,263
Loans	-	102,787	-	102,787
Certificates of participation	16,000	-	-	16,000
<b>Total Current Liabilities</b>	<b>311,175</b>	<b>187,530</b>	<b>-</b>	<b>498,705</b>

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

Continued (Page 1 of 2)

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**Enterprise Funds**  
**June 30, 2018**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>Totals</u>
<b>LIABILITIES (CONTINUED)</b>				
Noncurrent Liabilities:				
Advances from other funds	-	90,000	-	90,000
Compensated absences	14,482	10,801	-	25,283
Bonds	3,190,425	-	-	3,190,425
Loans	-	1,711,693	-	1,711,693
Certificates of participation	533,500	-	-	533,500
Net pension liability	716,814	749,231	-	1,466,045
Net OPEB liability	518,717	640,942	-	1,159,659
<b>Total Noncurrent Liabilities</b>	<u>4,973,938</u>	<u>3,202,667</u>	<u>-</u>	<u>8,176,605</u>
<b>Total Liabilities</b>	<u>5,285,113</u>	<u>3,390,197</u>	<u>-</u>	<u>8,675,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension adjustments	39,399	39,188	-	78,587
Deferred OPEB adjustments	41,911	41,329	-	83,240
<b>Total Deferred Inflows of Resources</b>	<u>81,310</u>	<u>80,517</u>	<u>-</u>	<u>161,827</u>
<b>NET POSITION</b>				
Net investment in capital assets	(761,658)	1,615,630	-	853,972
Restricted for debt service	685,016	175,044	-	860,060
Restricted for capital facilities	327,178	117,277	-	444,455
Unrestricted	219,688	(851,752)	2,891	(629,173)
<b>Total Net Position</b>	<u>\$ 470,224</u>	<u>\$ 1,056,199</u>	<u>\$ 2,891</u>	<u>\$ 1,529,314</u>

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

Continued (Page 2 of 2)

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Enterprise Funds**  
**For the Year Ended June 30, 2018**

	<b>Sewer Operations</b>	<b>Water Operations</b>	<b>Flood Control</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>				
Assessments	\$ 283,863	\$ -	\$ -	\$ 283,863
Permits and inspections	54,548	-	-	54,548
Charges for services	1,188,179	1,757,388	-	2,945,567
Miscellaneous	69,231	52,367	-	121,598
<b>Total Operating Revenues</b>	<b>1,595,821</b>	<b>1,809,755</b>	<b>-</b>	<b>3,405,576</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	779,541	853,545	-	1,633,086
Insurance	72,888	23,794	-	96,682
Office expenses	24,660	24,647	-	49,307
Continuing education	7,170	5,239	-	12,409
Dues and subscriptions	7,448	27,125	-	34,573
Postage	7,206	7,206	-	14,412
Repairs and maintenance	152,666	163,089	-	315,755
Gas, fuel and oil	9,155	7,769	-	16,924
Supplies	35,285	7,482	-	42,767
Professional services	133,090	98,450	-	231,540
Rents and leases	22,242	-	-	22,242
Travel	1,660	1,605	-	3,265
Telephone	10,809	10,809	-	21,618
Power	82,631	140,256	1,109	223,996
Other utilities	2,245	2,244	-	4,489
Depreciation	227,334	182,965	-	410,299
Other operating	249,922	479	-	250,401
Office and safety equipment	7,066	4,320	-	11,386
Director's compensation	-	2,002	-	2,002
Environmental monitoring	32,250	16,052	-	48,302
Risk management	18,647	18,647	-	37,294
Water conservation	-	7,221	-	7,221
Water rights	-	8,509	-	8,509
Annual operating fees	1,722	31,230	-	32,952
<b>Total Operating Expenses</b>	<b>1,885,637</b>	<b>1,644,685</b>	<b>1,109</b>	<b>3,531,431</b>
<b>Operating Income (Loss)</b>	<b>(289,816)</b>	<b>165,070</b>	<b>(1,109)</b>	<b>(125,855)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	13,794	4,116	-	17,910
Interest expense	(131,227)	(65,160)	-	(196,387)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>(117,433)</b>	<b>(61,044)</b>	<b>-</b>	<b>(178,477)</b>
<b>Income (Loss) Before Special Items and Transfers</b>	<b>(407,249)</b>	<b>104,026</b>	<b>(1,109)</b>	<b>(304,332)</b>

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

Continued (Page 1 of 2)

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Enterprise Funds**  
**For the Year Ended June 30, 2018**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>Totals</u>
<b>NON-OPERATING REVENUES (EXPENSES) (CONTINUED)</b>				
Proceeds for the 2017 storms emergency response and repair	304,407	-	-	304,407
Transfers in	221,097	-	4,000	225,097
Transfers out	<u>(216,371)</u>	<u>(8,726)</u>	<u>-</u>	<u>(225,097)</u>
<b>Change in Net Position</b>	<u>(98,116)</u>	<u>95,300</u>	<u>2,891</u>	<u>75</u>
<b>Total Net Position - Beginning</b>	783,769	1,232,073	-	2,015,842
Cumulative effect of a change in accounting principle	<u>(215,429)</u>	<u>(271,174)</u>	<u>-</u>	<u>(486,603)</u>
<b>Total Net Position - Beginning, Restated</b>	<u>568,340</u>	<u>960,899</u>	<u>-</u>	<u>1,529,239</u>
<b>Total Net Position - Ending</b>	<u>\$ 470,224</u>	<u>\$ 1,056,199</u>	<u>\$ 2,891</u>	<u>\$ 1,529,314</u>

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

Continued (Page 2 of 2)



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Statement of Cash Flows**

**Enterprise Funds**

**For the Year Ended June 30, 2018**

	<b>Sewer Operations</b>	<b>Water Operations</b>	<b>Flood Control</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,576,368	\$ 1,779,284	\$ -	\$ 3,355,652
Cash paid to suppliers	(1,319,483)	(619,647)	(1,109)	(1,940,239)
Cash paid to employees	(611,144)	(688,321)	-	(1,299,465)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(354,259)</b>	<b>471,316</b>	<b>(1,109)</b>	<b>115,948</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Special project amounts paid	705,293	-	-	705,293
Interfund loan repayments received	366,085	(341,000)	-	25,085
Interfund loan repayments made	(126,085)	191,000	-	64,915
Interfund loans made	(90,000)	-	-	(90,000)
Transfer in from other funds	221,097	(8,726)	4,000	216,371
Transfer out to other funds	(216,371)	-	-	(216,371)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>860,019</b>	<b>(158,726)</b>	<b>4,000</b>	<b>705,293</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on debt	(183,763)	(99,330)	-	(283,093)
Interest paid on debt	(133,218)	(66,600)	-	(199,818)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(316,981)</b>	<b>(165,930)</b>	<b>-</b>	<b>(482,911)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	12,095	3,405	-	15,500
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>12,095</b>	<b>3,405</b>	<b>-</b>	<b>15,500</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>200,874</b>	<b>150,065</b>	<b>2,891</b>	<b>353,830</b>
<b>Balances - Beginning</b>	<b>1,639,262</b>	<b>513,425</b>	<b>-</b>	<b>2,152,687</b>
<b>Balances - Ending</b>	<b>\$ 1,840,136</b>	<b>\$ 663,490</b>	<b>\$ 2,891</b>	<b>\$ 2,506,517</b>

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

Continued (Page 1 of 2)

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2018**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (289,816)	\$ 165,070	\$ (1,109)	\$ (125,855)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	227,334	182,965	-	410,299
Decrease (increase) in:				
Accounts receivable	(27,405)	(35,332)	-	(62,737)
Assessments receivable	6,738	-	-	6,738
Taxes receivable	1,214	4,861	-	6,075
Prepaid costs	(9,982)	(10,156)	-	(20,138)
Pension adjustment - deferred outflows	21,941	21,941	-	43,882
OPEB adjustment - deferred outflows	(15,638)	(17,955)	-	(33,593)
Increase (decrease) in:				
Accounts payable	(430,739)	(1,316)	-	(432,055)
Salaries and benefits payable	(1,383)	4,516	-	3,133
Compensated absences payable	11,021	3,055	-	14,076
Net pension liability	91,844	91,844	-	183,688
Net OPEB liability	53,297	55,090	-	108,387
Pension adjustment - deferred inflows	(34,596)	(34,596)	-	(69,192)
OPEB adjustment - deferred inflows	41,911	41,329	-	83,240
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (354,259)</u>	<u>\$ 471,316</u>	<u>\$ (1,109)</u>	<u>\$ 115,948</u>

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

Continued (Page 2 of 2)

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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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# **HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

## **Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Hidden Valley Lake Community Services District is a public corporation formed in 1984 under the provisions of the Community Services District Law, Division 3 of Title 6 (commencing with Section 61000) of the Government Code of the State of California. The District was formed for the purposes of providing for the collection of sewage, waste and storm water of the District and of its residents as well as the supply of water to the residents of the District. On January 1, 1993, Stonehouse Mutual Water Company merged with Hidden Valley Lake Community Services District. Stonehouse Mutual Water Company was a mutual water company which had been organized in June 1968 to provide water and sewer services to the owners of Hidden Valley Lake Association lots. The merger was approved by the shareholders with authorization to transfer all assets and liabilities to the District as of December 31, 1992, and dissolve Stonehouse Mutual Water Company. Notification was received from the Franchise Tax Board that the Certificate of Dissolution was filed as a conditional dissolution on January 21, 1993. Upon the issuance of a Tax Clearance Certificate by the Franchise Tax Board, the corporation was dissolved.

The activities of the District are governed by a Board of Directors, each of whom is elected to office for a term of four years by the registered voters of the District.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

#### **Component Units**

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

#### **Joint Agencies**

The District is a participant in the Special District Risk Management Authority (SDRMA), which is a joint powers agency organized for the purpose of pooled joint-protection coverage to member entities. SDRMA operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and pool purchases excess insurance for members. Complete audited financial statements of SDRMA can be obtained at 1112 I Street, Suite 300, Sacramento, CA 95814. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2018**

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

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information on all the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements present the business-type activities of the District, which rely to a significant extent on assessments and fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the District's business-type activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipients of goods and services offered by the program and (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, are presented instead as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the District funds. Funds are organized into the proprietary fund type. The operations of the District are organized as a series of sub-funds consolidated into two major proprietary funds which account for the total water and sewer operations. An emphasis is placed on major funds within the proprietary category; each is displayed in a separate column.

The District reports the following major proprietary funds:

- The Sewer Operations fund is an enterprise fund used to account for activity related to providing customers with sewer service and billing for service provided by the District.
- The Water Operations fund is an enterprise fund used to account for activity related to providing customers with water service and billing for service provided by the District.

**C. Basis of Accounting and Measurement Focus**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include revenue from grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

**D. Cash and Cash Equivalents**

For purposes of the accompanying Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased, including investments with fiscal agent, to be cash equivalents.

**E. Investments**

The District pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Investment transactions are recorded on the trade date. The fair value of investments is determined annually. Investments in nonparticipating interest-earning investment contracts are reported at cost; short term investments are reported at amortized cost, investments in the State of California Local Agency Investment Fund, an external pool, are reported at amortized cost which approximates fair value, and the fair value of all other investments are obtained by using quotations obtained from independent published sources or by the safekeeping institution. The fair value represents the amount the District could reasonably expect to receive for an investment in a current sale between a willing buyer and seller.

Income from pooled investments is allocated to the individual funds based on the fund or participant's average daily cash balance at quarter end in relation to the total pool investments. Income from non-pooled investments is recorded based on the specific investments held by the fund.

**F. Receivables**

Receivables consist mainly of user fees, assessments, and delinquent assessments. Although Management believes all assessments are ultimately collectible because they are collected with property taxes, management has established an allowance for doubtful accounts of \$430 for the Sewer Operations fund and \$0 for the Water Operations fund. Accounts receivables are stated net of these amounts.

Assessments receivable are recognized when billed. Assessments receivable shown in the financial statements include only those assessments currently due or delinquent.

**G. Other Assets**

**Inventory**

Inventory items are recorded as expenses at the time inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

**Prepaid Costs**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

**H. Capital Assets**

Capital assets, including public domain (infrastructure such as roads, bridges, sidewalks, sewer and similar items) are defined by the District as assets with a cost of \$1,000 or more. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are valued at their acquisition value at the time of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-30 years
Structures and Improvements	5-30 years
Infrastructure	20-75 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. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is to be included in the results of operations.

**I. Assessment Revenue**

The District levies special assessments on the property owners within the District boundaries. The special assessments are collected along with property taxes by the County of Lake.

Lake County assesses properties, bills, collects, and distributes the assessments to the District.

Assessments are due in two installments (secured roll) on November 1 and March 12 and become delinquent after December 10 and April 10, respectively.

**J. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenses in the reimbursing fund and reductions to expenses in the reimbursed fund.



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

**J. Interfund Transactions (Continued)**

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

**K. Compensated Absences**

The District's policy regarding compensated absences is to permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends.

**L. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**M. Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. These items relate to the outflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

**N. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These items relate to the inflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

**O. 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.

**P. Implementation of Governmental Accounting Standards Board Statements (GASB)**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

**Statement No. 75**, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

**Statement No. 81**, Irrevocable Split-Interest Agreements. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

**Statement No. 85**, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

**Statement No. 86**, Certain Debt Extinguishment Issues. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Restatement of Net Position**

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the District reports these changes as restatements of beginning net position. During the current year, a prior period adjustment was made to reflect the prior period costs related to implementing the net OPEB liability as required by GASB Statement No. 75.

The impact of the restatement on the net position of the government-wide financial statements as previously reported is presented below:

	<u>Business-Type Activities</u>
Net Position, June 30, 2017, as previously reported	\$ 2,015,842
Adjustment associated with:	
Net OPEB Liability Adjustment	( 486,603)
Total Adjustments	( 486,603)
Net Position, July 1, 2017, as restated	<u>\$ 1,529,239</u>

The impact of the restatement on the net position of the fund financial statements as previously reported is presented below:

	<u>Sewer Operations</u>	<u>Water Operations</u>
Net Position, June 30, 2017, as previously reported	\$ 783,771	\$ 1,232,072
Adjustment associated with:		
Net OPEB Liability Adjustment	( 215,429)	( 271,174)
Total Adjustments	( 215,429)	( 271,174)
Net Position, July 1, 2017, as restated	<u>\$ 568,342</u>	<u>\$ 960,898</u>

**B. Deficit Net Position**

The sub-funds within the following enterprise funds had deficit net position at June 30, 2018:

Sewer Operations:	
1995-2 Bond Redemption	\$ 2,711,932
USDA Solar Loan	476,341
Water Operations:	
CIEDB Loan Redemption	\$ 1,825,788

These deficits will be eliminated in future years through loan and bond repayment.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 3: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2018, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$        600
Deposits (less outstanding checks)	<u>1,353,893</u>
Total Cash	<u>1,354,493</u>
Investments:	
Investments with fiscal agent	175,948
Local Agency Investment Fund (LAIF)	<u>976,076</u>
Total Investments	<u>1,152,024</u>
Total Cash and Investments	<u>\$ 2,506,517</u>

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was \$1,353,893, and the bank balance was \$1,384,622. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$600.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

**C. Investments**

Investments are selected based on safety, liquidity and yield. The District's investment policy is more restrictive than the California Government Code. Under the provisions of the District's investment policy and the California Government Code, the District may invest or deposit in the following:

- Repurchase Agreements
- Local Agency Investment Fund (LAIF)
- U.S. Treasury Bonds/Notes/Bills
- U.S. Government Agency Obligations
- Bankers' Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit
- Time Certificates of Deposit
- Reverse Repurchase Agreements

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in its self regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2018, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments by Fair Value Level</b>				
Money Market Mutual Funds	\$ 175,948	\$ 175,948	\$ -	\$ -
Total Investments Measured at Fair Value	175,948	<u>\$ 175,948</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments in External Investment Pool</b>				
LAIF	<u>976,076</u>			
Total Investments	<u>\$ 1,152,024</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations.

As of June 30, 2018, the District had the following investments, all of which had a maturity of 5 years or less:

<u>Investment Type</u>	<u>Interest Rates</u>	<u>Maturities</u>		<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
		<u>0-1 year</u>	<u>1-5 years</u>		
<b>Pooled Investments</b>					
LAIF	Variable	\$ 976,076	\$ -	\$ 976,076	-
Total Pooled Investments		<u>976,076</u>	<u>-</u>	<u>976,076</u>	<u>-</u>
<b>Investments Held by Fiscal Agents</b>					
Money Market Mutual Funds	Variable	175,948	-	175,948	-
Total Investments Held by Fiscal Agents		<u>175,948</u>	<u>-</u>	<u>175,948</u>	<u>-</u>
Total Investments		<u>\$ 1,152,024</u>	<u>\$ -</u>	<u>\$ 1,152,024</u>	<u>-</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard &amp; Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Money Market Mutual Funds	A	AAAm	Aaa-mf	15.27%
LAIF	N/A	Unrated	Unrated	84.73%
Total				<u>100.00%</u>

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk, the District's investment policy requires that all securities owned by the District shall be held in safekeeping by a third party bank trust department.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's investment policy contains limitations on the amount that can be invested in any one issuer. All investments of the District were pooled with the State of California Local Agency Investment Fund, which holds a diversified portfolio of high quality investments, or held by fiscal agents.

**D. Investment in External Investment Pool**

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2018, the District's investment in LAIF valued at amortized cost was \$976,076 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$88.8 billion. Of that amount, 97.33 percent is invested in non-derivative financial products and 2.67 percent in structured notes and asset-backed securities.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 4: CAPITAL ASSETS**

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 607,918	\$ -	\$ -	\$ 607,918
Total Capital Assets, Not Being Depreciated	<u>607,918</u>	<u>-</u>	<u>-</u>	<u>607,918</u>
Capital Assets, Being Depreciated:				
Structures and improvements	3,811,950	-	-	3,811,950
Equipment	1,745,985	-	-	1,745,985
Infrastructure	<u>25,967,744</u>	<u>-</u>	<u>-</u>	<u>25,967,744</u>
Total Capital Assets, Being Depreciated	<u>31,525,679</u>	<u>-</u>	<u>-</u>	<u>31,525,679</u>
Less Accumulated Depreciation for:				
Structures and improvements	( 1,409,193)	( 121,089)	-	( 1,530,282)
Equipment	( 1,452,174)	( 72,001)	-	( 1,524,175)
Infrastructure	<u>( 22,278,291)</u>	<u>( 217,209)</u>	<u>-</u>	<u>( 22,495,500)</u>
Total Accumulated Depreciation	<u>( 25,139,658)</u>	<u>( 410,299)</u>	<u>-</u>	<u>( 25,549,957)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,386,021</u>	<u>( 410,299)</u>	<u>-</u>	<u>5,975,722</u>
Total Capital Assets, Net	<u>\$ 6,993,939</u>	<u>(\$ 410,299)</u>	<u>\$ -</u>	<u>\$ 6,583,640</u>

**Depreciation**

Depreciation expense was charged to the business-type functions as follows:

Sewer Operations	\$ 227,334
Water Operations	<u>182,965</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 410,299</u>

**NOTE 5: INTERFUND TRANSACTIONS**

**Advances To/From Other Funds**

Advances to/from other funds are non-current interfund loans. The following are advances to/from other funds as of June 30, 2018:

	<u>Advances To</u> <u>Other funds</u>	<u>Advances From</u> <u>Other funds</u>
Sewer Operations	\$ 90,000	\$ -
Water Operations	<u>-</u>	<u>90,000</u>
Total	<u>\$ 90,000</u>	<u>\$ 90,000</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)**

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various District operations and re-allocations of special revenues. The following are interfund transfers for the fiscal year ended June 30, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>
Sewer Operations	\$ 221,097	\$ 216,371
Water Operations	-	8,726
Flood Control	<u>4,000</u>	<u>-</u>
Total	<u>\$ 225,097</u>	<u>\$ 225,097</u>

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ 3,500,000	\$	(\$ 166,000)	\$ 3,334,000	\$ 173,000
Unamortized Premium	<u>33,953</u>	<u>-</u>	<u>( 2,265)</u>	<u>31,688</u>	<u>2,263</u>
Bonds, net	3,533,953	-	( 168,265)	3,365,688	175,263
Loans	1,913,810	-	( 99,330)	1,814,480	102,787
Certificates of Participation	565,000	-	( 15,500)	549,500	16,000
Compensated Absences	<u>40,436</u>	<u>41,559</u>	<u>( 27,283)</u>	<u>54,712</u>	<u>29,429</u>
Total Business-Type Activities	<u>\$ 6,053,199</u>	<u>\$ 41,559</u>	<u>(\$ 310,378)</u>	<u>\$ 5,784,380</u>	<u>\$ 323,479</u>

Individual issues of debt payable outstanding at June 30, 2018, are as follows:

**Bonds:**

Sewer System Reassessment District No. 1 Limited Obligation Refunding Improvement Bonds Series 2016, issued March 9, 2016 in the amount of \$3,650,000, payable in annual installments of \$150,000-\$280,000 with an interest rate of 3.25-3.50% and maturity on September 2, 2032. The bonds were used to refund the Improvement Bonds Series 1995-2 which were used to finance improvements to the sewer system.

\$ 3,334,000

Total Bonds

3,334,000

**Loans:**

California Infrastructure and Economic Development Bank Loan, issued June 24, 2002 in the amount of \$3,000,000, payable in annual installments of \$61,530-\$160,350 with an interest rate of 3.48% and maturity on February 1, 2032. The loan was used to finance the expansion and upgrade of the water system.

1,814,480

Total Loans

1,814,480



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

Certificates of Participation:

2012 Series Certificate of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012, in the amount of \$640,000, payable in annual installments of \$14,000 to \$31,500 with an interest rate of 3.00% and maturity on August 1, 2041. The certificates of participation were used to finance the sewer system solar project.

	<u>549,500</u>
Total Certificates of Participation	<u>549,500</u>
Total	<u>\$ 5,697,980</u>

Following is a schedule of debt payment requirements of business-type activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities, net pension liability which is reported in Note 8, and net OPEB liability, which is reported in Note 9.

Year Ended June 30	Bonds		
	Principal	Interest	Total
2019	\$ 173,000	\$ 110,992	\$ 283,992
2020	179,000	105,272	284,272
2021	185,000	99,357	284,357
2022	192,000	93,231	285,231
2023	199,000	86,728	285,728
2024-2028	1,100,000	325,555	1,425,555
2029-2033	<u>1,306,000</u>	<u>117,495</u>	<u>1,423,495</u>
Total	<u>\$ 3,334,000</u>	<u>\$ 938,630</u>	<u>\$ 4,272,630</u>

  

Year Ended June 30	Loans		
	Principal	Interest	Total
2019	\$ 102,787	\$ 63,143	\$ 165,930
2020	106,363	59,567	165,930
2021	110,065	55,865	165,930
2022	113,895	52,035	165,930
2023	117,859	48,071	165,930
2024-2028	653,746	175,906	829,652
2029-2032	<u>609,765</u>	<u>53,958</u>	<u>663,723</u>
Total	<u>\$ 1,814,480</u>	<u>\$ 508,545</u>	<u>\$ 2,323,025</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

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

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2019	\$ 16,000	\$ 16,245	\$ 32,245
2020	16,500	15,757	32,257
2021	17,000	15,255	32,255
2022	17,500	14,738	32,238
2023	18,000	14,205	32,205
2024-2028	98,000	62,505	160,505
2029-2033	114,000	46,620	160,620
2034-2038	132,000	28,200	160,200
2039-2042	120,500	7,358	127,858
Total	\$ 549,500	\$ 220,883	\$ 770,383

**NOTE 7: NET POSITION**

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**Net Position Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 8: PENSION PLAN**

**A. General Information about the Pension Plan**

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (Plan), cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Effective January 1, 2013, the District added a retirement tier for the Miscellaneous Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs. As of the valuation date there were no Miscellaneous PEPRA employees.

**Summary of Rate Tiers and Eligible Participants**

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous	Miscellaneous members hired before January 1, 2013

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.5% @ 55	50-55	1.426% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	50-62	1.000% to 2.500%

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 8: PENSION PLAN (CONTINUED)**

**A. General Information about the Pension Plan (Continued)**

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	10.110%	8.000%	0.000%
Miscellaneous PEPRA	6.533%	6.250%	0.000%

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 139,688	\$ -

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	<u>Proportion June 30, 2016</u>	<u>Proportion June 30, 2017</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	.01482%	.01478%	(0.0004%)

As of June 30, 2018, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 1,466,045
Total Net Pension Liability	<u>\$ 1,466,045</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 8: PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

For the year ended June 30, 2018 the District recognized pension expense of \$325,690. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 167,312	\$ -
Changes of assumptions	166,402	( 23,394)
Difference between expected and actual experience	2,472	( 26,239)
Differences between projected and actual earnings on pension plan investments	51,074	-
Difference between District contributions and proportionate share of contributions	3,738	-
Adjustment due to differences in proportions	<u>-</u>	<u>( 28,954)</u>
Total	<u>\$ 390,998</u>	<u>(\$ 78,587)</u>

\$167,312 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2019	\$ 1,428
2020	114,553
2021	69,419
2022	( 40,301)
Thereafter	<u>-</u>
Total	<u>\$ 145,099</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 8: PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by entry age and service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011 including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website.

**Change of Assumptions**

In fiscal year 2017-18, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The test revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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<sup>1</sup>The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB, for more details on this table, please refer to the 2014 experience study report.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 8: PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

**Discount Rate (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted effective on July 1, 2014.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-.90%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Miscellaneous	\$ 2,210,447	\$ 1,466,045	\$ 849,517

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 8: PENSION PLAN (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**A. General Information about the OPEB Plan**

**Plan Description**

The District provides a defined benefit healthcare plan (the "Retiree Health Plan") for eligible employees. The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through Special District Risk Management Authority (SDRMA) the District's group health insurance plan. The Board of Directors reserves the authority to review and amend the funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.

The coverage requires the employee to meet the following requirements:

- Satisfaction of requirements for retirement under CalPERS, and
- Retirement from the District having reached at least age 55 and completing a minimum of 5 years of service with the District.

**Benefits Provided**

The District provides the following benefits to qualifying retirees who elect to continue medical coverage offered by the District. The benefits continue for the retiree's lifetime:

- 50 percent of the medical premiums for retiree
- 50 percent of the medical premiums for the retiree's spouse, if covered, while the retiree is living.

A retiree may elect to cover eligible dependents other than a spouse, provided the retiree pays 100 percent of any additional premium for their coverage.

Coverage and/or the premium subsidy above are not available in retirement in these circumstances:

- For survivors, after the retiree's death (other than as available under COBRA)
- For retirees eligible for PERS retirement from the District but failing to satisfy the age and service requirements above
- For retirees who meet the age and service requirements but do not continue their medical coverage through the District



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**A. General Information about the OPEB Plan (Continued)**

**Benefits Provided (Continued)**

The 2018 monthly healthcare premium rates are shown below:

<b>SDRMA 2018 Rates Northern California</b>			
<b>Plan</b>	<b>Employee Only</b>	<b>Employee +1</b>	<b>Employee +2</b>
Blue Shield PPO Gold	\$ 814.98	\$ 1,630.98	\$ 2,117.52
Gold PPO Medicare	523.26	1,046.52	1,569.78

**Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>12</u>
	<u><u>16</u></u>

**B. Net OPEB Liability**

The District's net OPEB liability of \$1,159,659, was measured as of June 30, 2018, and was determined by the actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Funding method	Entry-Age Normal Cost, level percent of pay
Inflation	2.75 percent
Salary increases	3.25 percent per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
Discount rate	2.92 percent as of June 30, 2016 3.56 percent as of June 30, 2017
Healthcare cost trend rates	7.5 percent for 2019, decreasing .5 percent per year to an ultimate rate of 5.0 percent for 2024 and later years
General inflation rate	2.75 percent per year

The discount rate was based on the Fidelity Muni Go AA 20 Year Index.

Mortality rates were based on the mortality rates published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008 and then projected forward 6 years using MacLeod Watts Scale 2017 to year 2014.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**B. Net OPEB Liability (Continued)**

**Actuarial Assumptions and Other Inputs (Continued)**

All actuarial assumptions used in the June 30, 2018 valuation were based on the results of the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements.

**C. Changes in the Net OPEB Liability**

	<u>Net OPEB Liability</u>
Balance at June 30, 2017	\$ <u>1,072,269</u>
Changes for the year:	
Service cost	168,137
Interest	35,914
Changes of assumptions	( 95,664)
Benefit payments	<u>( 20,997)</u>
Net changes	<u>87,390</u>
Balance at June 30, 2018	\$ <u>1,159,659</u>

Changes of assumptions reflects a change in the discount rate from 2.92 percent as of June 30, 2016 to 3.56 percent as of June 30, 2017.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	<u>1% Decrease 2.56%</u>	<u>Current Rate 3.56%</u>	<u>1% Increase 4.56%</u>
Net OPEB Liability	\$ 1,358,578	\$ 1,159,659	\$ 1,001,246

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<u>Current Trend -1%</u>	<u>Current Trend</u>	<u>Current Trend +1%</u>
Net OPEB Liability	\$ 978,913	\$ 1,159,659	\$ 1,622,395

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$191,626. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	\$ 33,593	\$ -
Changes of assumptions	<u>-</u>	<u>( 83,240)</u>
Total	<u>\$ 33,593</u>	<u>(\$ 83,240)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended <u>June 30</u>	Recognized Net Deferred Outflows (Inflows) of Resources
2019	(\$ 12,424)
2020	( 12,424)
2021	( 12,424)
2022	( 12,424)
2023	( 12,424)
Thereafter	( 21,120)

**NOTE 10: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other municipalities to participate in the Special District Risk Authority Management (SDRMA) for general liability, vehicle liability, and errors and omissions purposes. SDRMA is a public entity risk pool which serves as a common risk management and insurance program. The District pays an annual premium to SDRMA for its insurance coverage. The agreements with SDRMA provide that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2018**

**NOTE 11: OTHER INFORMATION**

**A. Subsequent Event**

Management has evaluated events subsequent to June 30, 2018 through February 7, 2019, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**B. Federal Emergency Management Administration (FEMA)/Office of Emergency Services (OES)  
Application and Reimbursement Status for 2017 Storm Emergency**

In January and February 2017, there were storm events that resulted in emergency response costs and damage to infrastructure. A formal disaster emergency was declared by the District and County. The State and federal governments subsequently adopted an emergency declaration that provided for federal and State assistance in reimbursement of certain eligible costs incurred by the District. The District submitted several applications to FEMA/OES representatives.

FEMA/OES reviewed and approved the requests for reimbursement in October 2018, and the District recorded a receivable of \$294,982 as of June 30, 2018.

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**Required Supplementary Information  
(Unaudited)**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2018**  
**Last 10 Years\***

<b>Measurement Period</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>
<b>Miscellaneous Plan</b>				
Proportion of the net pension liability	0.01414%	0.01560%	0.01480%	0.01480%
Proportionate share of the net pension liability	\$ 880,120	\$ 1,071,015	\$ 1,282,357	\$ 1,466,045
Covered payroll	641,041	758,445	794,520	746,828
Proportionate share of the net pension liability as a percentage of covered payroll	137.30%	141.21%	161.40%	196.30%
Plan fiduciary net position as a percentage of the total pension liability	77.74%	73.61%	71.62%	72.91%

\*The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only four years are shown.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2018**  
**Last 10 Years\***

<b>Fiscal Year</b>	<u><b>2014/2015</b></u>	<u><b>2015/2016</b></u>	<u><b>2016/2016</b></u>	<u><b>2017/2018</b></u>
<b>Miscellaneous Plan</b>				
Contractually required contribution (actuarially determined)	\$ 68,280	\$ 65,481	\$ 65,481	\$ 67,344
Contributions in relation to the actuarially determined contributions	<u>(146,425)</u>	<u>(154,320)</u>	<u>(154,320)</u>	<u>(166,813)</u>
Contribution deficiency (excess)	<u>\$ (78,145)</u>	<u>\$ (88,839)</u>	<u>\$ (88,839)</u>	<u>\$ (99,469)</u>
Covered payroll	758,445	794,520	746,828	773,598
Contributions as a percentage of covered payroll	18.37%	19.42%	20.66%	21.56%

\*The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only four years are shown.



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Notes to District Pension Plan**  
**For the Year Ended June 30, 2018**

**NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Change of assumptions: In 2017-18, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016-17, there were no changes. In 2015-16, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense).

**NOTE 2: SCHEDULE OF CONTRIBUTIONS**

Methods and assumptions used to determine the contribution rates were as follows:

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**District OPEB Plan**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2018**  
**Last 10 Years\***

<b>Fiscal Year</b>	<b>2017/18</b>
<b>Net OPEB Liability</b>	
Service Cost	\$ 168,137
Interest	35,914
Changes of assumptions	(95,664)
Benefit payments	<u>(20,997)</u>
<b>Net Change in Net OPEB Liability</b>	87,390
<b>Net OPEB Liability - Beginning</b>	<u>1,072,269</u>
<b>Net OPEB Liability - Ending</b>	<u><u>\$ 1,159,659</u></u>
Covered payroll	\$ 770,191
Net OPEB liability as a percentage of covered payroll	150.57%

\* The District implemented GASB 75 for fiscal year June 30, 2018, therefore only one year is shown.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**District OPEB Plan**  
**Note to District OPEB Plan**  
**For the Year Ended June 30, 2018**

**NOTE 1: SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

The Discount rate was changed to 2.92 percent as of June 30, 2016, to 3.56 percent as of June 30, 2017.

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## **Combining Fund Statements**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Sewer Operations**  
**June 30, 2018**

	Sewer	1995-2 Bond Redemption	State Revolving Fund	USDA Solar Loan
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 247,577	393,693	\$ -	\$ 80,027
Investments with fiscal agent	-	175,948	-	-
Receivables:				
Accounts (net of allowance)	105,112	-	-	-
Assessments	-	21,281	-	-
Intergovernmental	294,982	-	-	-
Interest	325	294	-	-
Prepaid costs	20,489	-	-	-
<b>Total Current Assets</b>	<b>668,485</b>	<b>591,216</b>	<b>-</b>	<b>80,027</b>
Noncurrent Assets:				
Advances to other funds	-	-	-	-
Delinquent assessments receivable	-	100,475	-	-
Capital assets, net	3,153,530	-	-	-
<b>Total Noncurrent Assets</b>	<b>3,153,530</b>	<b>100,475</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>3,822,015</b>	<b>691,691</b>	<b>-</b>	<b>80,027</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension adjustments	191,743	-	-	-
Deferred OPEB adjustments	15,638	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>207,381</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	41,282	-	-	-
Salaries and benefits payable	16,970	-	-	-
Interest payable	-	37,935	-	6,868
Compensated absences	16,857	-	-	-
Bonds	-	175,263	-	-
Certificates of participation	-	-	-	16,000
<b>Total Current Liabilities</b>	<b>75,109</b>	<b>213,198</b>	<b>-</b>	<b>22,868</b>
Noncurrent Liabilities:				
Compensated absences	14,482	-	-	-
Bonds	-	3,190,425	-	-
Certificates of participation	-	-	-	533,500
Net pension liability	716,814	-	-	-
Net OPEB liability	518,717	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>1,250,013</b>	<b>3,190,425</b>	<b>-</b>	<b>533,500</b>
<b>Total Liabilities</b>	<b>1,325,122</b>	<b>3,403,623</b>	<b>-</b>	<b>556,368</b>



<b>Wastewater Capital Facilities Reserved</b>	<b>Wastewater Capital Facilities Unreserved</b>	<b>USDA Reserve Fund</b>	<b>All Bonds Administration</b>	<b>All Bonds Assessment Revolving Fund</b>	<b>Total Sewer Operations</b>
\$ 325,929	\$ 287,126	\$ 31,260	\$ 28,717	\$ 269,859	\$ 1,664,188
-	-	-	-	-	175,948
-	-	-	-	-	105,112
-	-	-	-	-	21,281
-	-	-	-	-	294,982
1,249	1,262	-	131	-	3,261
-	-	-	-	-	20,489
<u>327,178</u>	<u>288,388</u>	<u>31,260</u>	<u>28,848</u>	<u>269,859</u>	<u>2,285,261</u>
-	-	-	-	90,000	90,000
-	-	-	-	-	100,475
-	-	-	-	-	3,153,530
-	-	-	-	90,000	3,344,005
<u>327,178</u>	<u>288,388</u>	<u>31,260</u>	<u>28,848</u>	<u>359,859</u>	<u>5,629,266</u>
-	-	-	-	-	191,743
-	-	-	-	-	15,638
-	-	-	-	-	207,381
-	-	-	-	-	41,282
-	-	-	-	-	16,970
-	-	-	-	-	44,803
-	-	-	-	-	16,857
-	-	-	-	-	175,263
-	-	-	-	-	16,000
-	-	-	-	-	311,175
-	-	-	-	-	14,482
-	-	-	-	-	3,190,425
-	-	-	-	-	533,500
-	-	-	-	-	716,814
-	-	-	-	-	518,717
-	-	-	-	-	4,973,938
-	-	-	-	-	5,285,113

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Sewer Operations**  
**June 30, 2018**

	<b>Sewer</b>	<b>1995-2 Bond Redemption</b>	<b>State Revolving Fund</b>	<b>USDA Solar Loan</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension adjustments	39,399	-	-	-
Deferred OPEB adjustments	41,911	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>81,310</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,153,530	(3,365,688)	-	(549,500)
Restricted for debt service	-	653,756	-	-
Restricted for capital facilities	-	-	-	-
Unrestricted	(530,566)	-	-	73,159
<b>Total Net Position</b>	<b>\$ 2,622,964</b>	<b>\$ (2,711,932)</b>	<b>\$ -</b>	<b>\$ (476,341)</b>

<b>Wastewater Capital Facilities Reserved</b>	<b>Wastewater Capital Facilities Unreserved</b>	<b>USDA Reserve Fund</b>	<b>All Bonds Administration</b>	<b>All Bonds Assessment Revolving Fund</b>	<b>Total Sewer Operations</b>
-	-	-	-	-	39,399
-	-	-	-	-	41,911
-	-	-	-	-	81,310
-	-	-	-	-	(761,658)
-	-	31,260	-	-	685,016
327,178	-	-	-	-	327,178
-	288,388	-	28,848	359,859	219,688
<u>\$ 327,178</u>	<u>\$ 288,388</u>	<u>\$ 31,260</u>	<u>\$ 28,848</u>	<u>\$ 359,859</u>	<u>\$ 470,224</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Sewer Operations**  
**For the Year Ended June 30, 2018**

	Sewer	1995-2 Bond Redemption	State Revolving Fund	USDA Solar Loan
<b>OPERATING REVENUES</b>				
Assessments	\$ -	\$ 283,863	\$ -	\$ -
Permits and inspections	8,948	-	-	-
Charges for services	1,188,179	-	-	-
Miscellaneous	19,409	35,121	8,499	6,202
<b>Total Operating Revenues</b>	<b>1,216,536</b>	<b>318,984</b>	<b>8,499</b>	<b>6,202</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	779,541	-	-	-
Insurance	72,888	-	-	-
Office expenses	24,660	-	-	-
Continuing education	7,170	-	-	-
Dues and subscriptions	7,448	-	-	-
Postage	7,206	-	-	-
Repairs and maintenance	152,666	-	-	-
Gas, fuel and oil	9,155	-	-	-
Supplies	35,285	-	-	-
Professional services	123,881	1,983	-	-
Rents and leases	22,242	-	-	-
Travel	1,660	-	-	-
Telephone	10,809	-	-	-
Power	82,631	-	-	-
Other utilities	2,245	-	-	-
Depreciation	227,334	-	-	-
Other operating	249,922	-	-	-
Office and safety equipment	7,066	-	-	-
Environmental monitoring	32,250	-	-	-
Risk management	18,647	-	-	-
Annual operating fees	1,722	-	-	-
<b>Total Operating Expenses</b>	<b>1,876,428</b>	<b>1,983</b>	<b>-</b>	<b>-</b>
<b>Operating Income (Loss)</b>	<b>(659,892)</b>	<b>317,001</b>	<b>8,499</b>	<b>6,202</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	1,011	4,649	-	73
Interest expense	-	(114,703)	-	(16,524)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1,011</b>	<b>(110,054)</b>	<b>-</b>	<b>(16,451)</b>
<b>Income (Loss) Before Special Items and Transfers</b>	<b>(658,881)</b>	<b>206,947</b>	<b>8,499</b>	<b>(10,249)</b>
Proceeds for the 2017 storms emergency response and repair	304,407	-	-	-
Transfers in	159,629	-	-	-
Transfers out	(56,742)	-	-	-
<b>Change in Net Position</b>	<b>(251,587)</b>	<b>206,947</b>	<b>8,499</b>	<b>(10,249)</b>

<b>Wastewater Capital Facilities Reserved</b>	<b>Wastewater Capital Facilities Unreserved</b>	<b>USDA Reserve Fund</b>	<b>All Bonds Administration</b>	<b>All Bonds Assessment Revolving Fund</b>	<b>Total Sewer Operations</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,863
45,600	-	-	-	-	54,548
-	-	-	-	-	1,188,179
-	-	-	-	-	69,231
<hr/> 45,600	<hr/> -	<hr/> -	<hr/> -	<hr/> -	<hr/> 1,595,821
-	-	-	-	-	779,541
-	-	-	-	-	72,888
-	-	-	-	-	24,660
-	-	-	-	-	7,170
-	-	-	-	-	7,448
-	-	-	-	-	7,206
-	-	-	-	-	152,666
-	-	-	-	-	9,155
-	-	-	-	-	35,285
-	-	-	7,226	-	133,090
-	-	-	-	-	22,242
-	-	-	-	-	1,660
-	-	-	-	-	10,809
-	-	-	-	-	82,631
-	-	-	-	-	2,245
-	-	-	-	-	227,334
-	-	-	-	-	249,922
-	-	-	-	-	7,066
-	-	-	-	-	32,250
-	-	-	-	-	18,647
-	-	-	-	-	1,722
<hr/> -	<hr/> -	<hr/> -	<hr/> 7,226	<hr/> -	<hr/> 1,885,637
<hr/> 45,600	<hr/> -	<hr/> -	<hr/> (7,226)	<hr/> -	<hr/> (289,816)
3,769	3,870	24	398	-	13,794
-	-	-	-	-	(131,227)
<hr/> 3,769	<hr/> 3,870	<hr/> 24	<hr/> 398	<hr/> -	<hr/> (117,433)
49,369	3,870	24	(6,828)	-	(407,249)
-	-	-	-	-	304,407
-	52,742	-	-	8,726	221,097
(19,235)	(140,394)	-	-	-	(216,371)
<hr/> 30,134	<hr/> (83,782)	<hr/> 24	<hr/> (6,828)	<hr/> 8,726	<hr/> (98,116)

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Sewer Operations**  
**For the Year Ended June 30, 2018**

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>State Revolving Fund</u>	<u>USDA Solar Loan</u>
<b>Total Net Position - Beginning</b>	3,089,980	(2,918,879)	(8,499)	(466,092)
Cumulative effect of a change in accounting principle	(215,429)	-	-	-
<b>Total Net Position - Beginning, restated</b>	<u>2,874,551</u>	<u>(2,918,879)</u>	<u>(8,499)</u>	<u>(466,092)</u>
<b>Total Net Position - Ending</b>	<u>\$ 2,622,964</u>	<u>\$ (2,711,932)</u>	<u>\$ -</u>	<u>\$ (476,341)</u>

<b>Wastewater Capital Facilities Reserved</b>	<b>Wastewater Capital Facilities Unreserved</b>	<b>USDA Reserve Fund</b>	<b>All Bonds Administration</b>	<b>All Bonds Assessment Revolving Fund</b>	<b>Total Sewer Operations</b>
297,044	372,170	31,236	35,676	351,133	783,769
-	-	-	-	-	(215,429)
297,044	372,170	31,236	35,676	351,133	568,340
<u>\$ 327,178</u>	<u>\$ 288,388</u>	<u>\$ 31,260</u>	<u>\$ 28,848</u>	<u>\$ 359,859</u>	<u>\$ 470,224</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Sewer Operations**  
**For the Year Ended June 30, 2018**

	<b>Sewer</b>	<b>1995-2 Bond Redemption</b>	<b>State Revolving Fund</b>	<b>USDA Solar Loan</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,190,345	\$ 325,722	\$ 8,499	\$ 6,202
Cash paid to suppliers	(1,310,274)	(1,983)	-	-
Cash paid to employees	(611,144)	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(731,073)</b>	<b>323,739</b>	<b>8,499</b>	<b>6,202</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Special project amounts paid	705,293	-	-	-
Interfund loan repayments received	19,085	-	-	-
Interfund loan repayments made	-	-	(8,499)	-
Interfund loans made	-	-	-	-
Transfers in from other funds	159,629	-	-	-
Transfers out to other funds	(56,742)	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>827,265</b>	<b>-</b>	<b>(8,499)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on debt	-	(168,263)	-	(15,500)
Interest paid on debt	-	(116,500)	-	(16,718)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(284,763)</b>	<b>-</b>	<b>(32,218)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	842	4,494	-	73
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>842</b>	<b>4,494</b>	<b>-</b>	<b>73</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>97,034</b>	<b>43,470</b>	<b>-</b>	<b>(25,943)</b>
<b>Balances - Beginning</b>	<b>150,543</b>	<b>526,171</b>	<b>-</b>	<b>105,970</b>
<b>Balances - Ending</b>	<b>\$ 247,577</b>	<b>\$ 569,641</b>	<b>\$ -</b>	<b>\$ 80,027</b>



<b>Wastewater Capital Facilities Reserved</b>	<b>Wastewater Capital Facilities Unreserved</b>	<b>USDA Reserve Fund</b>	<b>All Bonds Administration</b>	<b>All Bonds Assessment Revolving Fund</b>	<b>Total Sewer Operations</b>
\$ 45,600	\$ -	\$ -	\$ -	\$ -	\$ 1,576,368
-	-	-	(7,226)	-	(1,319,483)
-	-	-	-	-	(611,144)
<u>45,600</u>	<u>-</u>	<u>-</u>	<u>(7,226)</u>	<u>-</u>	<u>(354,259)</u>
-	-	-	-	-	705,293
-	6,000	-	-	341,000	366,085
(16,586)	(101,000)	-	-	-	(126,085)
-	-	-	-	(90,000)	(90,000)
-	52,742	-	-	8,726	221,097
<u>(19,235)</u>	<u>(140,394)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216,371)</u>
<u>(35,821)</u>	<u>(182,652)</u>	<u>-</u>	<u>-</u>	<u>259,726</u>	<u>860,019</u>
-	-	-	-	-	(183,763)
-	-	-	-	-	(133,218)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(316,981)</u>
<u>3,119</u>	<u>3,213</u>	<u>24</u>	<u>330</u>	<u>-</u>	<u>12,095</u>
<u>3,119</u>	<u>3,213</u>	<u>24</u>	<u>330</u>	<u>-</u>	<u>12,095</u>
12,898	(179,439)	24	(6,896)	259,726	200,874
<u>313,031</u>	<u>466,565</u>	<u>31,236</u>	<u>35,613</u>	<u>10,133</u>	<u>1,639,262</u>
<u>\$ 325,929</u>	<u>\$ 287,126</u>	<u>\$ 31,260</u>	<u>\$ 28,717</u>	<u>\$ 269,859</u>	<u>\$ 1,840,136</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Sewer Operations**  
**For the Year Ended June 30, 2018**

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>State Revolving Fund</u>	<u>USDA Solar Loan</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (659,892)	\$ 317,001	\$ 8,499	\$ 6,202
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	227,334	-	-	-
Decrease (increase) in:				
Accounts receivable	(27,405)	-	-	-
Assessments receivable	-	6,738	-	-
Taxes receivable	1,214	-	-	-
Prepaid costs	(9,982)	-	-	-
Pension adjustment - deferred outflows	21,941	-	-	-
OPEB adjustment - deferred outflows	(15,638)	-	-	-
Increase (decrease) in:				
Accounts payable	(430,739)	-	-	-
Salaries and benefits payable	(1,383)	-	-	-
Compensated absences payable	11,021	-	-	-
Net pension liability	91,844	-	-	-
Net OPEB liability	53,297	-	-	-
Pension adjustment - deferred inflows	(34,596)	-	-	-
OPEB adjustment - deferred inflows	41,911	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (731,073)</u>	<u>\$ 323,739</u>	<u>\$ 8,499</u>	<u>\$ 6,202</u>

<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
\$ 45,600	\$ -	\$ -	\$ (7,226)	\$ -	\$ (289,816)
-	-	-	-	-	227,334
-	-	-	-	-	(27,405)
-	-	-	-	-	6,738
-	-	-	-	-	1,214
-	-	-	-	-	(9,982)
-	-	-	-	-	21,941
-	-	-	-	-	(15,638)
-	-	-	-	-	(430,739)
-	-	-	-	-	(1,383)
-	-	-	-	-	11,021
-	-	-	-	-	91,844
-	-	-	-	-	53,297
-	-	-	-	-	(34,596)
-	-	-	-	-	41,911
<u>\$ 45,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,226)</u>	<u>\$ -</u>	<u>\$ (354,259)</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Water Operations**  
**June 30, 2018**

	<b>Water</b>	<b>CIEDB Loan Redemption</b>	<b>CIEDB Loan Reserve</b>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 304,926	\$ 78,853	\$ 174,217
Receivables:			
Accounts (net of allowance)	156,197	26,093	-
Interest	484	56	827
Prepaid costs	20,663	-	-
<b>Total Current Assets</b>	<b>482,270</b>	<b>105,002</b>	<b>175,044</b>
Noncurrent Assets:			
Capital assets, net	3,430,110	-	-
<b>Total Noncurrent Assets</b>	<b>3,430,110</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>3,912,380</b>	<b>105,002</b>	<b>175,044</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension adjustments	199,255	-	-
Deferred OPEB adjustments	17,955	-	-
<b>Total Deferred Outflows of Resources</b>	<b>217,210</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	27,144	-	-
Salaries and benefits payable	18,717	-	-
Interest payable	-	26,310	-
Compensated absences	12,572	-	-
Loans	-	102,787	-
<b>Total Current Liabilities</b>	<b>58,433</b>	<b>129,097</b>	<b>-</b>
Noncurrent Liabilities:			
Advances from other funds	-	90,000	-
Compensated absences	10,801	-	-
Loans	-	1,711,693	-
Net pension liability	749,231	-	-
Net OPEB obligation	640,942	-	-
<b>Total Noncurrent Liabilities</b>	<b>1,400,974</b>	<b>1,801,693</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,459,407</b>	<b>1,930,790</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension adjustments	39,188	-	-
Deferred OPEB adjustments	41,329	-	-
<b>Total Deferred Inflows of Resources</b>	<b>80,517</b>	<b>-</b>	<b>-</b>

<u>Water Capital Fund</u>	<u>Total Water Operations</u>
\$ 105,494	\$ 663,490
11,783	194,073
-	1,367
-	20,663
<u>117,277</u>	<u>879,593</u>
<u>-</u>	<u>3,430,110</u>
<u>-</u>	<u>3,430,110</u>
<u>117,277</u>	<u>4,309,703</u>
-	199,255
-	17,955
<u>-</u>	<u>217,210</u>
-	27,144
-	18,717
-	26,310
-	12,572
-	102,787
<u>-</u>	<u>187,530</u>
-	90,000
-	10,801
-	1,711,693
-	749,231
-	640,942
<u>-</u>	<u>3,202,667</u>
<u>-</u>	<u>3,390,197</u>
-	39,188
-	41,329
<u>-</u>	<u>80,517</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Water Operations**  
**June 30, 2018**

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,430,110	(1,814,480)	-
Restricted for debt service	-	-	175,044
Restricted for capital facilities	-	-	-
Unrestricted	(840,444)	(11,308)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Net Position</b>	<u>\$ 2,589,666</u>	<u>\$ (1,825,788)</u>	<u>\$ 175,044</u>

<b>Water Capital Fund</b>	<b>Total Water Operations</b>
-	1,615,630
-	175,044
117,277	117,277
-	(851,752)
<u>\$ 117,277</u>	<u>\$ 1,056,199</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Water Operations**  
**For the Year Ended June 30, 2018**

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,395,893	\$ 250,257	\$ -
Miscellaneous	52,367	-	-
<b>Total Operating Revenues</b>	<u>1,448,260</u>	<u>250,257</u>	<u>-</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	853,545	-	-
Insurance	23,794	-	-
Office expenses	24,647	-	-
Continuing education	5,239	-	-
Dues and subscriptions	27,125	-	-
Postage	7,206	-	-
Repairs and maintenance	163,089	-	-
Gas, fuel and oil	7,769	-	-
Supplies	7,482	-	-
Professional services	98,450	-	-
Travel	1,605	-	-
Telephone	10,809	-	-
Power	140,256	-	-
Other utilities	2,244	-	-
Depreciation	182,965	-	-
Other operating	479	-	-
Office and safety equipment	4,320	-	-
Director's compensation	2,002	-	-
Environmental monitoring	16,052	-	-
Risk management	18,647	-	-
Water conservation	7,221	-	-
Water rights	8,509	-	-
Annual operating fees	25,489	5,741	-
<b>Total Operating Expenses</b>	<u>1,638,944</u>	<u>5,741</u>	<u>-</u>
<b>Operating Income (Loss)</b>	<u>(190,684)</u>	<u>244,516</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	1,486	166	2,464
Interest expense	-	(65,160)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,486</u>	<u>(64,994)</u>	<u>2,464</u>
<b>Income (Loss) Before Transfers</b>	<u>(189,198)</u>	<u>179,522</u>	<u>2,464</u>
Transfers out	(8,726)	-	-
<b>Change in Net Position</b>	<u>(197,924)</u>	<u>179,522</u>	<u>2,464</u>
<b>Total Net Position - Beginning</b>	3,058,764	(2,005,310)	172,580
Cumulative effect of a change in accounting principle	(271,174)	-	-
<b>Total Net Position - Beginning, restated</b>	<u>2,787,590</u>	<u>(2,005,310)</u>	<u>172,580</u>
<b>Total Net Position - Ending</b>	<u>\$ 2,589,666</u>	<u>\$ (1,825,788)</u>	<u>\$ 175,044</u>



<b>Water Capital Fund</b>	<b>Total Water Operations</b>
\$ 111,238	\$ 1,757,388
-	52,367
<u>111,238</u>	<u>1,809,755</u>
-	853,545
-	23,794
-	24,647
-	5,239
-	27,125
-	7,206
-	163,089
-	7,769
-	7,482
-	98,450
-	1,605
-	10,809
-	140,256
-	2,244
-	182,965
-	479
-	4,320
-	2,002
-	16,052
-	18,647
-	7,221
-	8,509
-	31,230
<u>-</u>	<u>1,644,685</u>
<u>111,238</u>	<u>165,070</u>
-	4,116
<u>-</u>	<u>(65,160)</u>
<u>-</u>	<u>(61,044)</u>
111,238	104,026
<u>-</u>	<u>(8,726)</u>
<u>111,238</u>	<u>95,300</u>
6,039	1,232,073
<u>-</u>	<u>(271,174)</u>
<u>6,039</u>	<u>960,899</u>
<u>\$ 117,277</u>	<u>\$ 1,056,199</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Water Operations**  
**For the Year Ended June 30, 2018**

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,433,064	\$ 246,765	\$ -
Cash paid to suppliers	(613,906)	(5,741)	-
Cash paid to employees	(688,321)	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>130,837</u>	<u>241,024</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Interfund loan repayments paid	(201,000)	(140,000)	-
Interfund loan repayments received	94,961	90,000	-
Transfers out other funds	(8,726)	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(114,765)</u>	<u>(50,000)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on debt	-	(99,330)	-
Interest paid on debt	-	(66,600)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>-</u>	<u>(165,930)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	1,234	137	2,034
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>1,234</u>	<u>137</u>	<u>2,034</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	17,306	25,231	2,034
<b>Balances - Beginning</b>	<u>287,620</u>	<u>53,622</u>	<u>172,183</u>
<b>Balances - Ending</b>	<u>\$ 304,926</u>	<u>\$ 78,853</u>	<u>\$ 174,217</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (190,684)	\$ 244,516	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	182,965	-	-
Decrease (increase) in:			
Accounts receivable	(20,057)	(3,492)	-
Taxes receivable	4,861	-	-
Prepaid costs	(10,156)	-	-
Pension adjustment - deferred outflows	21,941	-	-
OPEB adjustment - deferred outflows	(17,955)	-	-
Increase (decrease) in:			
Accounts payable	(1,316)	-	-
Salaries and benefits payable	4,516	-	-
Compensated absences payable	3,055	-	-
Net pension liability	91,844	-	-
Net OPEB liability	55,090	-	-
Pension adjustment - deferred inflows	(34,596)	-	-
OPEB adjustment - deferred inflows	41,329	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 130,837</u>	<u>\$ 241,024</u>	<u>\$ -</u>

<b>Water Capital Fund</b>	<b>Total Water Operations</b>
\$ 99,455	\$ 1,779,284
-	(619,647)
-	(688,321)
99,455	471,316
-	(341,000)
6,039	191,000
-	(8,726)
6,039	(158,726)
-	(99,330)
-	(66,600)
-	(165,930)
-	3,405
-	3,405
105,494	150,065
-	513,425
\$ 105,494	\$ 663,490
\$ 111,238	\$ 165,070
-	182,965
(11,783)	(35,332)
-	4,861
-	(10,156)
-	21,941
-	(17,955)
-	(1,316)
-	4,516
-	3,055
-	91,844
-	55,090
-	(34,596)
-	41,329
\$ 99,455	\$ 471,316

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## **OTHER REPORT AND SCHEDULE**

- **Other Report**
- **Schedule of Prior Year Findings and Recommendations**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Hidden Valley Lake Community Services District  
Hidden Valley Lake, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District, California (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Hidden Valley Lake Community Services District  
Hidden Valley Lake, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell CPAs  
Yuba City, California  
February 7, 2019



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2018**

<u><b>Audit Reference</b></u>	<u><b>Status of Prior Year Audit Recommendation</b></u>
<b>2017-001</b>	<p><b>Account Balances</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District reconcile and adjust account balances in a timely manner.</p> <p><b>Status</b></p> <p>Implemented</p>

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