

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

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2013**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2013**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Board of Directors**

**For the Year Ended June 30, 2013**

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

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, 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, Middletown, California (District), as of and for the year ended June 30, 2013, 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.

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1M to the financial statements, in 2013, the District implemented Governmental Accounting Standards Board (GASB) Statements No. 60, 61, 62, 63 and 66 and implemented GASB 65 in advance during the fiscal year 2013. Among these new GASB Statements, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, have significant impact over Hidden Valley Lake Community Services District's financial statements. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

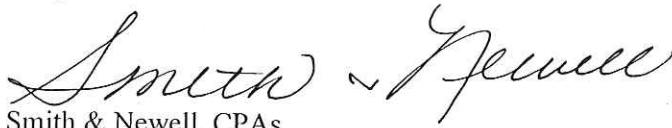
The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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.

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, 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 5, 2014 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 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 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 5, 2014

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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, 2013**

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, 2013. Readers are encouraged to consider the information presented here in conjunction with the Annual Financial Statements.

**Overview of the Financial Statements**

The financial section of this report consists of five parts.

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

**Financial Highlights**

**Entity-wide:**

- The District's total net position was \$5,764,025 as of June 30, 2013. Of this total, \$2,399,137 was the net investment in capital assets.
- The District's total revenues include operating program revenues of \$3,466,045, and general revenues of \$182,702 for a total of \$3,648,747.
- District expenses were \$3,859,500.

The Basic Financial Statements for the District are presented as "Government Wide" and Enterprise Fund financial statements.

**Government Wide Financial Statements**

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. The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund Financial Statements**

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 four proprietary funds: Sewer Operations, Water Operations, Flood Control, and FEMA. The fund financial statements can be found on pages 9 through 14 of this report. Proprietary funds distinguish operating revenues and expenses from non-operating items.

**Notes to Financial Statements**

The notes provide additional information that is essential to fully understanding the data provided in the financial statements. The notes to the financial statements can be found on pages 15 through 32 of this report.

## Statement of Net Position

	Total	
	2013	2012
<b>Assets</b>		
Current and other assets	\$ 3,880,664	\$ 4,603,089
Capital assets	11,119,685	12,201,754
Total Assets	15,000,349	16,804,843
<b>Liabilities</b>		
Current and other liabilities	1,090,386	1,210,619
Noncurrent liabilities	8,145,938	9,619,446
Total Liabilities	9,236,324	10,830,065
<b>Net Position</b>		
Net investment in capital assets	2,399,137	1,790,380
Restricted for debt service	1,969,278	2,717,704
Restricted for capital facilities	481,752	435,228
Unrestricted	913,858	1,031,466
Total Net Position	\$ 5,764,025	\$ 5,974,778

Net position represents the difference between the District's resources and its obligations. At June 30, 2013, a significant portion of the District's total net position, 16%, reflects the unrestricted net position. Unrestricted net position is considered the residual component of net position, meaning they are not restricted or a part of the net investment in capital assets. Additionally, the District had 34% of its net position restricted for debt service and 8% restricted for capital facilities. Finally, 42% of the District's net position represents the net investment in capital assets. These capital assets are used by the District to provide services to citizens. Additional capital asset information can be found in the Capital Assets and Debt Administration section of this MD&A.

## Statement of Changes in Net Position

	Total	
	2013	2012
<b>Program Revenues</b>		
Charges for service	\$ 2,350,368	\$ 2,196,958
Operating grants and contributions	1,115,677	1,107,054
Capital grants and contributions	-	872,192
Total Program Revenues	3,466,045	4,176,204
<b>General Revenues</b>		
Interest and investment earnings	23,788	8,439
Miscellaneous	158,914	140,322
Total General Revenues	182,702	148,761
Total Revenues	3,648,747	4,324,965
<b>Program Expenses</b>		
Sewer	2,312,754	2,269,110
Water	1,532,804	1,535,911
Flood Control	1,468	5,723
FEMA	12,474	-
Total Program Expenses	3,859,500	3,810,744
Change in Net Position	(210,753)	514,221
Total Net Position - Beginning	5,974,778	5,460,557
Total Net Position - Ending	\$ 5,764,025	\$ 5,974,778

### **Capital Asset Administration**

The District's net capital assets decreased from \$12,201,754 to \$11,119,685 for the year ended June 30, 2013. The total decrease was \$1,082,069 including additions and adjustment to capital assets of \$187,488 and additions to accumulated depreciation of \$1,269,557. Details of the capital asset transactions can be found on page 24, Note 4.

### **Debt Administration**

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, 2013 the long-term debt decreased from \$10,625,508 to \$9,019,600 due to payments. Details of the debt outstanding can be found on pages 25 through 27, Note 6.

### **Economic Factors and Next Year's Budget**

National and local foreclosures continue to flood the market affecting projected revenues. For fiscal year 2012/2013, Hidden Valley Lake Community Services District had only three new water connections and three new sewer connections (compared to one water and one sewer hookup for 2011-2012, two water and one sewer hookup in 2010/2011, two water and two sewer hookups in 2009/2010, and three water and three sewer hookups in 2008/2009). Foreclosures are expected to continue through calendar year 2013 and beyond.

### **Requests for Information**

This financial report is designed to provide a general overview of the finances of the District. This report does not reflect the overall finances of operations. For that information, please refer to the separate audit reports. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hidden Valley Lake Community Services District, 19400 Hartman Road, Hidden Valley Lake, CA 95467.

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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, 2013**

	<u>Business-Type Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 3,178,105
Receivables:	
Accounts	401,529
Interest	1,452
Assessments	241,560
Delinquent assessments	5,298
Prepaid costs	52,720
Capital assets:	
Non-depreciable assets	603,050
Depreciable assets, net of depreciation	10,516,635
Total capital assets	<u>11,119,685</u>
<b>Total Assets</b>	<u>15,000,349</u>
<b>LIABILITIES</b>	
Accounts payable	70,569
Salaries and benefits payable	18,798
Interest payable	127,357
Long-term liabilities:	
Due within one year	873,662
Due in more than one year	8,145,938
<b>Total Liabilities</b>	<u>9,236,324</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,399,137
Restricted for debt service	1,969,278
Restricted for capital facilities	481,752
Unrestricted	<u>913,858</u>
<b>Total Net Position</b>	<u><u>\$ 5,764,025</u></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, 2013**

<u>Functions/Programs:</u>	Program Revenues			Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business- Type Activities	
Business-type activities:					
Sewer	\$ 2,312,754	\$ 1,039,433	\$ 1,115,677	\$ -	\$ (157,644)
Water	1,532,804	1,310,935	-	-	(221,869)
Flood Control	1,468	-	-	-	(1,468)
FEMA	12,474	-	-	-	(12,474)
<b>Total Business-Type Activities</b>	<b>3,859,500</b>	<b>2,350,368</b>	<b>1,115,677</b>	<b>-</b>	<b>(393,455)</b>
<b>Total</b>	<b>\$ 3,859,500</b>	<b>\$ 2,350,368</b>	<b>\$ 1,115,677</b>	<b>\$ -</b>	<b>(393,455)</b>
<b>General revenues:</b>					
Interest and investment earnings					23,788
Miscellaneous					158,914
<b>Total General Revenues</b>					<b>182,702</b>
<b>Change in Net Position</b>					<b>(210,753)</b>
<b>Net Position - Beginning</b>					<b>5,974,778</b>
<b>Net Position - Ending</b>					<b>\$ 5,764,025</b>

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, 2013**

	Sewer Operations	Water Operations	Flood Control	FEMA	Totals
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ 2,687,393	\$ 442,570	\$ -	\$ 48,142	\$ 3,178,105
Receivables:					
Accounts	168,367	233,162	-	-	401,529
Interest	1,122	330	-	-	1,452
Assessments	241,560	-	-	-	241,560
Due from other funds	542,928	2,422	-	-	545,350
Prepaid costs	25,053	27,667	-	-	52,720
<b>Total Current Assets</b>	<b>3,666,423</b>	<b>706,151</b>	<b>-</b>	<b>48,142</b>	<b>4,420,716</b>
Noncurrent Assets:					
Advances to other funds	366,085	-	-	-	366,085
Delinquent assessments receivable	5,298	-	-	-	5,298
Capital assets, net	7,046,575	4,071,649	1,461	-	11,119,685
<b>Total Noncurrent Assets</b>	<b>7,417,958</b>	<b>4,071,649</b>	<b>1,461</b>	<b>-</b>	<b>11,491,068</b>
<b>Total Assets</b>	<b>11,084,381</b>	<b>4,777,800</b>	<b>1,461</b>	<b>48,142</b>	<b>15,911,784</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	25,089	45,454	26	-	70,569
Salaries and benefits payable	9,898	8,899	1	-	18,798
Interest payable	94,594	32,763	-	-	127,357
Due to other funds	540,507	-	4,843	-	545,350
Compensated absences	14,888	13,308	-	-	28,196
Bonds	105,000	-	-	-	105,000
Loans	639,839	86,627	-	-	726,466
Certificates of participation	14,000	-	-	-	14,000
<b>Total Current Liabilities</b>	<b>1,443,815</b>	<b>187,051</b>	<b>4,870</b>	<b>-</b>	<b>1,635,736</b>
Noncurrent Liabilities:					
Advances from other funds	25,085	341,000	-	-	366,085
Compensated absences	4,586	3,720	-	-	8,306
Bonds	4,125,000	-	-	-	4,125,000
Loans	949,380	2,192,202	-	-	3,141,582
Certificates of participation	608,500	-	-	-	608,500
Net OPEB obligation	109,225	153,325	-	-	262,550
<b>Total Noncurrent Liabilities</b>	<b>5,821,776</b>	<b>2,690,247</b>	<b>-</b>	<b>-</b>	<b>8,512,023</b>
<b>Total Liabilities</b>	<b>7,265,591</b>	<b>2,877,298</b>	<b>4,870</b>	<b>-</b>	<b>10,147,759</b>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**Enterprise Funds**  
**June 30, 2013**

<b>NET POSITION</b>	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
Net investment in capital assets	604,856	1,792,820	1,461	-	2,399,137
Restricted for debt service	1,794,348	174,930	-	-	1,969,278
Restricted for capital facilities	425,159	56,593	-	-	481,752
Unrestricted	994,427	(123,841)	(4,870)	48,142	913,858
<b>Total Net Position</b>	<u>\$ 3,818,790</u>	<u>\$ 1,900,502</u>	<u>\$ (3,409)</u>	<u>\$ 48,142</u>	<u>\$ 5,764,025</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Statement of Revenues, Expenses**

**And Changes in Net Position**

**Enterprise Funds**

**For the Year Ended June 30, 2013**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>					
Assessments	\$ 1,115,677	\$ -	\$ -	\$ -	\$ 1,115,677
Permits and inspections	36,058	-	-	-	36,058
Charges for services	1,003,375	1,310,935	-	-	2,314,310
Miscellaneous	133,734	25,180	-	-	158,914
<b>Total Operating Revenues</b>	<u>2,288,844</u>	<u>1,336,115</u>	<u>-</u>	<u>-</u>	<u>3,624,959</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	566,024	589,560	347	-	1,155,931
Insurance	8,937	11,047	-	-	19,984
Office expenses	15,446	15,637	-	-	31,083
Contract services	56,381	-	-	-	56,381
Continuing education	9,245	9,933	-	-	19,178
Dues and subscriptions	5,670	16,159	-	-	21,829
Postage	1,796	1,796	-	-	3,592
Repairs and maintenance	89,236	82,501	12	-	171,749
Gas, fuel and oil	13,271	12,599	-	-	25,870
Supplies	11,548	3,391	-	-	14,939
Professional services	78,661	227,088	-	-	305,749
Travel	698	1,968	-	-	2,666
Telephone	11,295	11,289	-	-	22,584
Power	17,172	166,963	940	-	185,075
Depreciation	1,037,295	232,093	169	-	1,269,557
Other operating	824	811	-	12,474	14,109
Office and safety equipment	5,669	2,612	-	-	8,281
Director's compensation	-	1,307	-	-	1,307
Environmental monitoring	35,078	10,902	-	-	45,980
Water conservation	-	9,600	-	-	9,600
Water rights	-	15,265	-	-	15,265
Annual operating fees	2,846	29,305	-	-	32,151
<b>Total Operating Expenses</b>	<u>1,967,092</u>	<u>1,451,826</u>	<u>1,468</u>	<u>12,474</u>	<u>3,432,860</u>
<b>Operating Income (Loss)</b>	<u>321,752</u>	<u>(115,711)</u>	<u>(1,468)</u>	<u>(12,474)</u>	<u>192,099</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Enterprise Funds**  
**For the Year Ended June 30, 2013**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	22,575	1,189	(1)	25	23,788
Interest expense	(345,662)	(80,978)	-	-	(426,640)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(323,087)</u>	<u>(79,789)</u>	<u>(1)</u>	<u>25</u>	<u>(402,852)</u>
<b>Income (Loss) Before Transfers</b>	(1,335)	(195,500)	(1,469)	(12,449)	(210,753)
Transfers in	1,725,368	173,018	-	-	1,898,386
Transfers out	(1,725,368)	(173,018)	-	-	(1,898,386)
<b>Change in Net Position</b>	(1,335)	(195,500)	(1,469)	(12,449)	(210,753)
<b>Total Net Position - Beginning</b>	<u>3,820,125</u>	<u>2,096,002</u>	<u>(1,940)</u>	<u>60,591</u>	<u>5,974,778</u>
<b>Total Net Position - Ending</b>	<u>\$ 3,818,790</u>	<u>\$ 1,900,502</u>	<u>\$ (3,409)</u>	<u>\$ 48,142</u>	<u>\$ 5,764,025</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Statement of Cash Flows**

**Enterprise Funds**

**For the Year Ended June 30, 2013**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,244,770	\$ 1,318,627	\$ -	\$ -	\$ 3,563,397
Cash paid to suppliers	(376,361)	(636,682)	(927)	(12,474)	(1,026,444)
Cash paid to employees	(526,039)	(541,234)	(347)	-	(1,067,620)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,342,370</u>	<u>140,711</u>	<u>(1,274)</u>	<u>(12,474)</u>	<u>1,469,333</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	1,712,634	173,018	-	-	1,885,652
Transfers to other funds	(1,712,634)	(173,018)	-	-	(1,885,652)
Interfund loans made	(2,217,340)	(637)	-	-	(2,217,977)
Interfund loans received	2,216,703	-	1,274	-	2,217,977
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(637)</u>	<u>(637)</u>	<u>1,274</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on debt	(1,082,349)	(83,714)	-	-	(1,166,063)
Interest paid on debt	(346,596)	(82,095)	-	-	(428,691)
Miscellaneous adjustments to capital assets	359	-	-	-	359
Acquisition of capital assets	(181,046)	(6,801)	-	-	(187,847)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,609,632)</u>	<u>(172,610)</u>	<u>-</u>	<u>-</u>	<u>(1,782,242)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	22,882	1,045	-	25	23,952
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>22,882</u>	<u>1,045</u>	<u>-</u>	<u>25</u>	<u>23,952</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(245,017)	(31,491)	-	(12,449)	(288,957)
<b>Balances - Beginning</b>	<u>2,932,410</u>	<u>474,061</u>	<u>-</u>	<u>60,591</u>	<u>3,467,062</u>
<b>Balances - Ending</b>	<u>\$ 2,687,393</u>	<u>\$ 442,570</u>	<u>\$ -</u>	<u>\$ 48,142</u>	<u>\$ 3,178,105</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2013**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME</b>					
<b>(LOSS) TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 321,752	\$ (115,711)	\$ (1,468)	\$ (12,474)	\$ 192,099
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation/amortization	1,037,295	232,093	169	-	1,269,557
Decrease (increase) in:					
Accounts receivable	810	(16,774)	-	-	(15,964)
Assessments receivable	(44,884)	-	-	-	(44,884)
Prepaid costs	(16,145)	(16,649)	-	-	(32,794)
Increase (decrease) in:					
Accounts payable	3,557	10,140	25	-	13,722
Salaries and benefits payable	2,413	980	-	-	3,393
Unearned revenue	-	(714)	-	-	(714)
Compensated absences payable	(1,733)	(2,678)	-	-	(4,411)
Net OPEB obligation	39,305	50,024	-	-	89,329
 <b>Net Cash Provided (Used) by Operating Activities</b>	 <u>\$ 1,342,370</u>	 <u>\$ 140,711</u>	 <u>\$ (1,274)</u>	 <u>\$ (12,474)</u>	 <u>\$ 1,469,333</u>

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



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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, 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Hidden Valley Lake Community Services District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### A. Reporting Entity

The 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.

Reporting for component units on the District's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the District's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the 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.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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

**A. Reporting Entity (Continued)**

**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 pool's 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 1481 River Park Drive, Suite 110, Sacramento, CA 95815. 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.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information about the combined operations of the 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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 on a basis of a series of sub-funds consolidated into four major proprietary funds which account for the total water and sewer operations as well as Flood Control and FEMA. 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.

# HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2013

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

#### B. Basis of Presentation (Continued)

##### Fund Financial Statements (Continued)

- The Flood Control fund is an enterprise fund used to account for activity related to flood control activities.
- The FEMA fund is an enterprise fund used to account for activity related to FEMA revenues and expenditures.

#### 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 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 nonoperating 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 nonoperating revenues and expenses.

#### D. Cash, Cash Equivalents, and Investments

The District pools cash and investments of all funds except for imprest cash. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

Investments are reported in the accompanying statements of net position at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

For purposes of the accompanying Statement of Cash Flows, the District considers all highly liquid investments with original maturity of three months or less and amounts held in the District's investment pool, to be cash equivalents.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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

**E. Receivables**

Receivables for business-type activities and proprietary funds consist mainly of user fees, assessments, and interest. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

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

**F. 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 reflects costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

**G. 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 estimated fair market 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 life. 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.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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

**H. 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.

**I. 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 expenditures or 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 expenditures or 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.

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

**J. 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.

**K. 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/expenditure) until then. At June 30, 2013, the District did not have any deferred outflows of resources.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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

**K. 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. At June 30, 2013, the District did not have any deferred inflows of resources.

**L. 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.

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

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable to Hidden Valley Lake Community Services District, in the current financial statements.

**Statement No. 60**, Accounting and Financial Reporting for Service Concession Arrangements. This statement improves financial reporting by addressing issues related to service concession arrangements.

**Statement No. 61**, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The statement clarifies the reporting of equity interest in legally separate organizations and requires the primary government to report its equity interest in a component unit as an asset.

**Statement No. 62**, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement improves reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

**Statement No. 63**, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

**Statement No. 65**, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**Statement No. 66**, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62. This statement improved accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statements No. 54 and No. 62.



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2013**

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

**A. Deficit Net Position**

The following enterprise funds had deficit net position at June 30, 2013:

Sewer Operations:	
1995-2 Bond Redemption	\$3,469,878
State Revolving Fund	\$1,528,236
USDA Solar Loan	\$ 633,284
Water Operations:	
CIEDB Loan Redemption	\$2,450,259

Most of these deficits will be eliminated in future years through loan and bond repayment.

**NOTE 3: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2013, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 600
Deposits (less outstanding checks)	<u>1,624,455</u>
Total Cash	<u>1,625,055</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>1,553,050</u>
Total Investments	<u>1,553,050</u>
Total Cash and Investments	<u>\$ 3,178,105</u>

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amount in checking accounts, money market accounts and certificates of deposit) was \$1,624,455 and the bank balance was \$1,668,806. 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. The first \$250,000 of the District's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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

**C. Investments**

The investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the investment policy is more restrictive than state law. Under the provisions of the District's investment policy the District may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies

**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. Any investments that mature more than five years from the date of purchase cannot occur without prior approval of the Board of Directors.

As of June 30, 2013, the District had the following investments, all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Local Agency Investment Fund (LAIF)	Variable	\$ 1,553,050	\$ -	\$ 1,553,050	-
Total		\$ 1,553,050	\$ -	\$ 1,553,050	-

**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. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase. Presented below is the minimum rating required (where applicable) by the District's investment policy, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Moody's Rating	% of Portfolio
LAIF	N/A	Unrated	Unrated	100.00%
Total				100.00%

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2013**

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

**C. Investments (Continued)**

Custodial Credit Risk for Investments- 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 of its managed investments be held in the name of the District 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.

**D. Investment in External Investment Pools**

Investment in Local Agency Investment Fund - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designed by State statute.

Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the District's position in the pool is the same as the value of the pooled shares. At June 30, 2013 the District's investment position in LAIF was \$1,553,050. The total amount invested by all public agencies in LAIF on that day was \$58,828,474,533. Of that amount, 98.04% is invested in non-derivative financial products and 1.96% in structured notes and asset-backed securities.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 603,050	\$ -	\$ -	\$ 603,050
Total Capital Assets, Not Being Depreciated	<u>603,050</u>	<u>-</u>	<u>-</u>	<u>603,050</u>
Capital Assets, Being Depreciated:				
Structures and improvements	4,108,053	-	( 45,267)	4,062,786
Equipment	1,217,115	175,335	44,908	1,437,358
Infrastructure	<u>25,167,677</u>	<u>12,512</u>	<u>-</u>	<u>25,180,189</u>
Total Capital Assets, Being Depreciated	<u>30,492,845</u>	<u>187,847</u>	<u>( 359)</u>	<u>30,680,333</u>
Less Accumulated Depreciation for:				
Structures and improvements	( 818,537)	( 146,962)	31,816	( 933,683)
Equipment	( 1,086,056)	( 62,662)	( 31,816)	( 1,180,534)
Infrastructure	<u>( 16,989,548)</u>	<u>( 1,059,933)</u>	<u>-</u>	<u>( 18,049,481)</u>
Total Accumulated Depreciation	<u>( 18,894,141)</u>	<u>( 1,269,557)</u>	<u>-</u>	<u>( 20,163,698)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,598,704</u>	<u>( 1,081,710)</u>	<u>( 359)</u>	<u>10,516,635</u>
Total Capital Assets, Net	<u>\$ 12,201,754</u>	<u>(\$ 1,081,710)</u>	<u>(\$ 359)</u>	<u>\$ 11,119,685</u>

**Depreciation**

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

Sewer	\$ 1,037,295
Water	232,093
Flood Control	<u>169</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 1,269,557</u>

**NOTE 5: INTERFUND TRANSACTIONS**

**Due To/From Other Funds**

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due to and due from balances as of June 30, 2013:

	<u>Due from</u> <u>Other funds</u>	<u>Due to</u> <u>Other funds</u>
Sewer Operations	\$ 542,928	\$ 540,507
Water Operations	2,422	-
Flood Control	<u>-</u>	<u>4,843</u>
Total	<u>\$ 545,350</u>	<u>\$ 545,350</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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

**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, 2013:

	Advances to Other funds	Advances from Other funds
Sewer Operations	\$ 366,085	\$ 25,085
Water Operations	-	341,000
Total	\$ 366,085	\$ 366,085

**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, 2013:

	Transfer In	Transfer Out
Sewer Operations	\$ 1,725,368	\$ 1,725,368
Water Operations	173,018	173,018
Total	\$ 1,898,386	\$ 1,898,386

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

Type of Indebtedness	Balance July 1, 2012	Additions	Adjustments/ Retirements	Balance June 30, 2013	Amounts Due Within One Year
Bonds	\$ 4,853,763	\$ -	(\$ 623,763)	\$ 4,230,000	\$ 105,000
Loans	4,917,611	-	( 1,049,563)	3,868,048	726,466
Certificates of Participation	640,000	-	( 17,500)	622,500	14,000
Compensated Absences	40,913	36,054	( 40,465)	36,502	28,196
Net OPEB Obligation	173,221	100,848	( 11,519)	262,550	-
Total Long-Term Liabilities	\$ 10,625,508	\$ 136,902	(\$ 1,742,810)	\$ 9,019,600	\$ 873,662

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2013

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2013, are as follows:

Bonds:

Improvements Bonds Series 1995-2 issued August 16, 1995 in the amount of \$5,500,000, payable in annual installments of \$11,000-\$311,000 with an interest rate of 5.50% and maturity on September 2, 2034. The bonds were used to finance improvements to the sewer system.

\$ 4,230,000

Total Bonds

4,230,000

Loans:

State Water Resources Control Board Loan issued November 28, 1994 in the amount of \$9,994,334, payable in annual installments of \$144,721-\$667,611 with an interest rate of 3.00% and maturity on May 1, 2016. The loan was used to finance the construction of a sewer treatment system.

1,589,218

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.

2,278,830

Total Loans

3,868,048

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 Certificate of Participation was used to finance the sewer system solar project.

622,500

Total Certificates of Participation

622,500

Total

\$ 8,720,548

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2013**

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

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 and net OPEB obligation, which is reported in Note 9.

Year Ended June 30	Bonds		
	Principal	Interest	Total
2014	\$ 105,000	\$ 229,763	\$ 334,763
2015	111,000	223,822	334,822
2016	117,000	217,553	334,553
2017	123,000	210,952	333,952
2018	130,000	203,995	333,995
2019-2023	771,000	900,928	1,671,928
2024-2028	987,000	598,312	1,585,312
2029-2033	1,282,000	348,645	1,630,645
2034-2035	604,000	33,715	637,715
Total	<u>\$ 4,230,000</u>	<u>\$ 2,967,685</u>	<u>\$ 7,197,685</u>

Year Ended June 30	Loans		
	Principal	Interest	Total
2014	\$ 726,466	\$ 126,980	\$ 853,446
2015	748,675	104,770	853,445
2016	383,107	81,879	464,986
2017	95,990	69,941	165,931
2018	99,330	66,601	165,931
2019-2023	550,969	278,683	829,652
2024-2028	653,746	175,906	829,652
2029-2032	609,765	53,958	663,723
Total	<u>\$ 3,868,048</u>	<u>\$ 958,718</u>	<u>\$ 4,826,766</u>

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2014	\$ 14,000	\$ 18,465	\$ 32,465
2015	14,000	18,045	32,045
2016	14,500	17,617	32,117
2017	15,000	17,175	32,175
2018	15,500	16,718	32,218
2019-2023	85,000	76,200	161,200
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	<u>\$ 622,500</u>	<u>\$ 308,903</u>	<u>\$ 931,403</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 7: NET POSITION**

The government-wide financial 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 is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**NOTE 8: EMPLOYEES' RETIREMENT PLAN**

**A. Plan Description**

The Hidden Valley Community Services District contributes to the California Public Employees Retirement System (PERS), an cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS' annual financial report may be obtained from their executive office - 400 Q Street, Lincoln Plaza East, Sacramento, CA 95811.

**B. Funding Policy**

Participants are required to contribute 8 percent of their annual covered salary. The District is required to contribute the actuarial determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2012/2013 was 19.001% percent for miscellaneous employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS. The District's contributions for the years ending June 30, 2013, 2012 and 2011 were \$114,531, \$110,075, and \$85,195 respectively, which equaled the required contributions each year.



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2013**

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

**A. 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), which covers both active and retired members. Spouses are also covered throughout the retiree's life. The District pays 50 percent of the healthcare premiums for all retirees.

**B. Funding Policy**

The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the District's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The District has elected not to establish an irrevocable trust at this time. The District Board reserves the authority to review and amend this funding policy annually.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 101,777
Interest on Net OPEB Obligation	8,661
Adjustment to Annual Required Contribution	( 9,590)
Annual OPEB Cost	100,848
Contributions Made	( 11,519)
Increase in Net OPEB Obligation	89,329
Net OPEB Obligation - Beginning of Year	<u>173,221</u>
Net OPEB Obligation - End of Year	<u>\$ 262,550</u>

# HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2013

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

#### C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2013 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 68,400	17.32%	\$ 109,804
June 30, 2012	71,867	14.12%	173,221
June 30, 2013	100,848	11.42%	262,550

#### D. Funding Status and Funding Progress

As of July 1, 2012, the actuarial accrued liability (AAL) for benefits was \$815,015, all of which was unfunded. The covered payroll (annual payroll of employees covered by the plan) was \$585,598 and the ratio of the UAAL to the covered payroll was 139.18 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as supplementary information following the notes to the financial statements presents multi-year trend information (as it becomes available) about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 63, or at the first subsequent year in which the member would qualify for benefits.

Mortality - Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website ([www.cdc.gov](http://www.cdc.gov)). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2013**

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

**E. Actuarial Methods and Assumptions (Continued)**

Turnover - The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate - Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 3.5%.

Health insurance premiums - 2013 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Payroll increase - Changes in the payroll for current employees are expected to increase at a rate of approximately 1% annually.

Discount rate - The calculation uses an annual discount rate of 5%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method - The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was twenty-nine years.

**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, 2013**

**NOTE 11: OTHER INFORMATION**

**A. Subsequent Event**

Management has evaluated events subsequent to June 30, 2013 through February 5, 2014, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information  
(Unaudited)**

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2013**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Schedule of Funding Progress - Other Postemployment Benefits (OPEB) provides a consolidated snapshot of the District's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to 100% funded status, the better position it will be in to meet all of its future liabilities.

The table below shows a two year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the District Other Postemployment Benefit Plan. As additional years are available, a three-year trend analysis will be presented.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2011	\$ -	\$ 1,240,847	\$ 1,240,847	0.00%	\$ 874,882	141.83%
July 1, 2012	-	815,015	815,015	0.00%	585,598	139.18%

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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, 2013**

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ (128,797)	\$ 744,527	\$ 372,463	\$ 507,234
Receivables:				
Accounts	153,521	-	-	14,846
Interest	-	481	33	107
Assessments	-	87,827	58,094	95,639
Due from other funds	2,422	-	540,506	-
Prepaid costs	25,053	-	-	-
<b>Total Current Assets</b>	<b>52,199</b>	<b>832,835</b>	<b>971,096</b>	<b>617,826</b>
Noncurrent Assets:				
Advances to other funds	25,085	-	-	-
Delinquent assessments receivable	-	3,151	2,147	-
Capital assets, net	7,046,575	-	-	-
<b>Total Noncurrent Assets</b>	<b>7,071,660</b>	<b>3,151</b>	<b>2,147</b>	<b>-</b>
<b>Total Assets</b>	<b>7,123,859</b>	<b>835,986</b>	<b>973,243</b>	<b>617,826</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	25,089	-	-	-
Salaries and benefits payable	9,898	-	-	-
Interest payable	109	75,864	-	7,837
Due to other funds	-	-	-	540,507
Compensated absences	14,888	-	-	-
Bonds	-	105,000	-	-
Loans	-	-	-	639,839
Certificates of participation	-	-	-	-
<b>Total Current Liabilities</b>	<b>49,984</b>	<b>180,864</b>	<b>-</b>	<b>1,188,183</b>
Noncurrent Liabilities:				
Advances from other funds	-	-	-	8,499
Compensated absences	4,586	-	-	-
Bonds	-	4,125,000	-	-
Loans	-	-	-	949,380
Certificates of participation	-	-	-	-
Net OPEB obligation	109,225	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>113,811</b>	<b>4,125,000</b>	<b>-</b>	<b>957,879</b>
<b>Total Liabilities</b>	<b>163,795</b>	<b>4,305,864</b>	<b>-</b>	<b>2,146,062</b>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
\$ -	\$ 441,513	\$ 398,042	\$ 58,292	\$ 148,027	\$ 146,092	\$ 2,687,393
-	-	-	-	-	-	168,367
-	232	184	-	19	66	1,122
-	-	-	-	-	-	241,560
-	-	-	-	-	-	542,928
-	-	-	-	-	-	25,053
-	441,745	398,226	58,292	148,046	146,158	3,666,423
-	-	-	-	-	341,000	366,085
-	-	-	-	-	-	5,298
-	-	-	-	-	-	7,046,575
-	-	-	-	-	341,000	7,417,958
-	441,745	398,226	58,292	148,046	487,158	11,084,381
-	-	-	-	-	-	25,089
-	-	-	-	-	-	9,898
10,784	-	-	-	-	-	94,594
-	-	-	-	-	-	540,507
-	-	-	-	-	-	14,888
-	-	-	-	-	-	105,000
-	-	-	-	-	-	639,839
14,000	-	-	-	-	-	14,000
24,784	-	-	-	-	-	1,443,815
-	16,586	-	-	-	-	25,085
-	-	-	-	-	-	4,586
-	-	-	-	-	-	4,125,000
-	-	-	-	-	-	949,380
608,500	-	-	-	-	-	608,500
-	-	-	-	-	-	109,225
608,500	16,586	-	-	-	-	5,821,776
633,284	16,586	-	-	-	-	7,265,591

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Sewer Operations**  
**June 30, 2013**

<b>NET POSITION</b>	<b>Sewer</b>	<b>1995-2 Bond Redemption</b>	<b>1995-3 Bond Redemption</b>	<b>State Revolving Fund</b>
Net investment in capital assets	7,046,575	(4,230,000)	-	(1,589,219)
Restricted for debt service	-	760,122	973,243	60,983
Restricted for capital facilities	-	-	-	-
Unrestricted	(86,511)	-	-	-
<b>Total Net Position</b>	<b>\$ 6,960,064</b>	<b>\$ (3,469,878)</b>	<b>\$ 973,243</b>	<b>\$ (1,528,236)</b>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
(622,500)	-	-	-	-	-	604,856
-	-	-	-	-	-	1,794,348
-	425,159	-	-	-	-	425,159
<u>(10,784)</u>	<u>-</u>	<u>398,226</u>	<u>58,292</u>	<u>148,046</u>	<u>487,158</u>	<u>994,427</u>
<u>\$ (633,284)</u>	<u>\$ 425,159</u>	<u>\$ 398,226</u>	<u>\$ 58,292</u>	<u>\$ 148,046</u>	<u>\$ 487,158</u>	<u>\$ 3,818,790</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, 2013**

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
<b>OPERATING REVENUES</b>				
Assessments	\$ -	\$ 340,426	\$ 219,541	\$ 555,710
Permits and inspections	8,698	-	-	-
Charges for services	1,003,375	-	-	-
Miscellaneous	25,352	17,739	11,811	-
<b>Total Operating Revenues</b>	<b>1,037,425</b>	<b>358,165</b>	<b>231,352</b>	<b>555,710</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	566,024	-	-	-
Insurance	8,937	-	-	-
Office expenses	15,446	-	-	-
Contract services	45,498	-	-	-
Continuing education	9,245	-	-	-
Dues and subscriptions	5,670	-	-	-
Postage	1,796	-	-	-
Repairs and maintenance	89,236	-	-	-
Gas, fuel and oil	13,271	-	-	-
Supplies	11,548	-	-	-
Professional services	78,661	-	-	-
Travel	698	-	-	-
Telephone	11,295	-	-	-
Power	17,172	-	-	-
Depreciation	1,037,295	-	-	-
Other operating	824	-	-	-
Office and safety equipment	5,669	-	-	-
Environmental monitoring	35,078	-	-	-
Annual operating fees	2,846	-	-	-
<b>Total Operating Expenses</b>	<b>1,956,209</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating Income (Loss)</b>	<b>(918,784)</b>	<b>358,165</b>	<b>231,352</b>	<b>555,710</b>



USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,115,677
-	27,360	-	-	-	-	36,058
-	-	-	-	-	-	1,003,375
-	-	-	58,126	20,706	-	133,734
-	27,360	-	58,126	20,706	-	2,288,844
-	-	-	-	-	-	566,024
-	-	-	-	-	-	8,937
-	-	-	-	-	-	15,446
-	-	-	-	10,883	-	56,381
-	-	-	-	-	-	9,245
-	-	-	-	-	-	5,670
-	-	-	-	-	-	1,796
-	-	-	-	-	-	89,236
-	-	-	-	-	-	13,271
-	-	-	-	-	-	11,548
-	-	-	-	-	-	78,661
-	-	-	-	-	-	698
-	-	-	-	-	-	11,295
-	-	-	-	-	-	17,172
-	-	-	-	-	-	1,037,295
-	-	-	-	-	-	824
-	-	-	-	-	-	5,669
-	-	-	-	-	-	35,078
-	-	-	-	-	-	2,846
-	-	-	-	10,883	-	1,967,092
-	27,360	-	58,126	9,823	-	321,752

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Sewer Operations**  
**For the Year Ended June 30, 2013**

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	(67)	2,434	16,393	985
Interest expense	-	(233,597)	(18,367)	(71,889)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(67)</u>	<u>(231,163)</u>	<u>(1,974)</u>	<u>(70,904)</u>
<b>Income (Loss) before Transfers</b>	(918,851)	127,002	229,378	484,806
Transfers in	12,734	-	-	-
Transfers out	(200,441)	-	-	-
<b>Change in Net Position</b>	(1,106,558)	127,002	229,378	484,806
<b>Total Net Position - Beginning</b>	<u>8,066,622</u>	<u>(3,596,880)</u>	<u>743,865</u>	<u>(2,013,042)</u>
<b>Total Net Position - Ending</b>	<u>\$ 6,960,064</u>	<u>\$ (3,469,878)</u>	<u>\$ 973,243</u>	<u>\$ (1,528,236)</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
- (21,809)	1,571 -	1,032 -	(192) -	231 -	188 -	22,575 (345,662)
(21,809)	1,571	1,032	(192)	231	188	(323,087)
(21,809)	28,931	1,032	57,934	10,054	188	(1,335)
36,438 (1,512,193)	- -	- -	1,676,196 (12,734)	- -	- -	1,725,368 (1,725,368)
(1,497,564)	28,931	1,032	1,721,396	10,054	188	(1,335)
864,280	396,228	397,194	(1,663,104)	137,992	486,970	3,820,125
<u>\$ (633,284)</u>	<u>\$ 425,159</u>	<u>\$ 398,226</u>	<u>\$ 58,292</u>	<u>\$ 148,046</u>	<u>\$ 487,158</u>	<u>\$ 3,818,790</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Sewer Operations**  
**For the Year Ended June 30, 2013**

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,038,235	\$ 338,090	\$ 218,009	\$ 544,244
Cash paid to suppliers	(365,478)	-	-	-
Cash paid to employees	(526,039)	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>146,718</u>	<u>338,090</u>	<u>218,009</u>	<u>544,244</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(200,441)	-	-	-
Interfund loans made	(637)	-	(540,506)	-
Interfund loans received	-	-	-	540,506
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(201,078)</u>	<u>-</u>	<u>(540,506)</u>	<u>540,506</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on debt	-	(99,000)	-	(965,849)
Interest paid on debt	109	(235,373)	(15,743)	(76,652)
Miscellaneous adjustments to capital assets	-	-	-	-
Acquisition of capital assets	(181,046)	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(180,937)</u>	<u>(334,373)</u>	<u>(15,743)</u>	<u>(1,042,501)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	(60)	2,216	16,458	882
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(60)</u>	<u>2,216</u>	<u>16,458</u>	<u>882</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(235,357)	5,933	(321,782)	43,131
<b>Balances - Beginning</b>	<u>106,560</u>	<u>738,594</u>	<u>694,245</u>	<u>464,103</u>
<b>Balances - Ending</b>	<u>\$ (128,797)</u>	<u>\$ 744,527</u>	<u>\$ 372,463</u>	<u>\$ 507,234</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ 27,360	\$ -	\$ 58,126	\$ 20,706	\$ -	\$ 2,244,770
-	-	-	-	(10,883)	-	(376,361)
-	-	-	-	-	-	(526,039)
-	27,360	-	58,126	9,823	-	1,342,370
36,438	-	-	1,676,196	-	-	1,712,634
(1,512,193)	-	-	-	-	-	(1,712,634)
-	-	-	(1,676,197)	-	-	(2,217,340)
1,512,192	-	164,005	-	-	-	2,216,703
36,437	-	164,005	(1)	-	-	(637)
(17,500)	-	-	-	-	-	(1,082,349)
(18,937)	-	-	-	-	-	(346,596)
-	-	-	359	-	-	359
-	-	-	-	-	-	(181,046)
(36,437)	-	-	359	-	-	(1,609,632)
-	1,878	1,079	(192)	236	385	22,882
-	1,878	1,079	(192)	236	385	22,882
-	29,238	165,084	58,292	10,059	385	(245,017)
-	412,275	232,958	-	137,968	145,707	2,932,410
\$ -	\$ 441,513	\$ 398,042	\$ 58,292	\$ 148,027	\$ 146,092	\$ 2,687,393

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Sewer Operations**  
**For the Year Ended June 30, 2013**

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (918,784)	\$ 358,165	\$ 231,352	\$ 555,710
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amoritization	1,037,295	-	-	-
Decrease (increase) in:				
Accounts receivable	810	-	-	-
Assessments receivable	-	(20,075)	(13,343)	(11,466)
Prepaid costs	(16,145)	-	-	-
Increase (decrease) in:				
Accounts payable	3,557	-	-	-
Salaries and benefits payable	2,413	-	-	-
Compensated absences payable	(1,733)	-	-	-
Net OPEB obligation	39,305	-	-	-
 <b>Net Cash Provided (Used) by Operating Activities</b>	 <u>\$ 146,718</u>	 <u>\$ 338,090</u>	 <u>\$ 218,009</u>	 <u>\$ 544,244</u>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
\$ -	\$ 27,360	\$ -	\$ 58,126	\$ 9,823	\$ -	\$ 321,752
-	-	-	-	-	-	1,037,295
-	-	-	-	-	-	810
-	-	-	-	-	-	(44,884)
-	-	-	-	-	-	(16,145)
-	-	-	-	-	-	3,557
-	-	-	-	-	-	2,413
-	-	-	-	-	-	(1,733)
-	-	-	-	-	-	39,305
<u>\$ -</u>	<u>\$ 27,360</u>	<u>\$ -</u>	<u>\$ 58,126</u>	<u>\$ 9,823</u>	<u>\$ -</u>	<u>\$ 1,342,370</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Water Operations**  
**June 30, 2013**

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ 193,941	\$ 1,333	\$ 190,738	\$ 56,558	\$ 442,570
Receivables:					
Accounts	233,162	-	-	-	233,162
Interest	161	-	134	35	330
Due from other funds	2,422	-	-	-	2,422
Prepaid costs	27,667	-	-	-	27,667
<b>Total Current Assets</b>	<b>457,353</b>	<b>1,333</b>	<b>190,872</b>	<b>56,593</b>	<b>706,151</b>
Noncurrent Assets:					
Capital assets, net	4,071,649	-	-	-	4,071,649
<b>Total Noncurrent Assets</b>	<b>4,071,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,071,649</b>
<b>Total Assets</b>	<b>4,529,002</b>	<b>1,333</b>	<b>190,872</b>	<b>56,593</b>	<b>4,777,800</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	45,454	-	-	-	45,454
Salaries and benefits payable	8,899	-	-	-	8,899
Interest payable	-	32,763	-	-	32,763
Compensated absences	13,308	-	-	-	13,308
Loans	-	86,627	-	-	86,627
<b>Total Current Liabilities</b>	<b>67,661</b>	<b>119,390</b>	<b>-</b>	<b>-</b>	<b>187,051</b>
Noncurrent Liabilities:					
Advances from other funds	201,000	140,000	-	-	341,000
Compensated absences	3,720	-	-	-	3,720
Loans	-	2,192,202	-	-	2,192,202
Net OPEB obligation	153,325	-	-	-	153,325
<b>Total Noncurrent Liabilities</b>	<b>358,045</b>	<b>2,332,202</b>	<b>-</b>	<b>-</b>	<b>2,690,247</b>
<b>Total Liabilities</b>	<b>425,706</b>	<b>2,451,592</b>	<b>-</b>	<b>-</b>	<b>2,877,298</b>
<b>NET POSITION</b>					
Net investment in capital assets	4,071,649	(2,278,829)	-	-	1,792,820
Restricted for debt service	-	-	174,930	-	174,930
Restricted for capital facilities	-	-	-	56,593	56,593
Unrestricted	31,647	(171,430)	15,942	-	(123,841)
<b>Total Net Position</b>	<b>\$ 4,103,296</b>	<b>\$ (2,450,259)</b>	<b>\$ 190,872</b>	<b>\$ 56,593</b>	<b>\$ 1,900,502</b>



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Water Operations**  
**For the Year Ended June 30, 2013**

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,293,435	\$ -	\$ -	\$ 17,500	\$ 1,310,935
Miscellaneous	25,180	-	-	-	25,180
<b>Total Operating Revenues</b>	<b>1,318,615</b>	<b>-</b>	<b>-</b>	<b>17,500</b>	<b>1,336,115</b>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	589,560	-	-	-	589,560
Insurance	11,047	-	-	-	11,047
Office expenses	15,637	-	-	-	15,637
Continuing education	9,933	-	-	-	9,933
Dues and subscriptions	16,159	-	-	-	16,159
Postage	1,796	-	-	-	1,796
Repairs and maintenance	82,501	-	-	-	82,501
Gas, fuel and oil	12,599	-	-	-	12,599
Supplies	3,391	-	-	-	3,391
Professional services	227,088	-	-	-	227,088
Travel	1,968	-	-	-	1,968
Telephone	11,289	-	-	-	11,289
Power	166,963	-	-	-	166,963
Depreciation	232,093	-	-	-	232,093
Other operating	811	-	-	-	811
Office and safety equipment	2,612	-	-	-	2,612
Director's compensation	1,307	-	-	-	1,307
Environmental monitoring	10,902	-	-	-	10,902
Water conservation	9,600	-	-	-	9,600
Water rights	15,265	-	-	-	15,265
Annual operating fees	22,217	7,088	-	-	29,305
<b>Total Operating Expenses</b>	<b>1,444,738</b>	<b>7,088</b>	<b>-</b>	<b>-</b>	<b>1,451,826</b>
<b>Operating Income (Loss)</b>	<b>(126,123)</b>	<b>(7,088)</b>	<b>-</b>	<b>17,500</b>	<b>(115,711)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	811	(322)	607	93	1,189
Interest expense	-	(80,978)	-	-	(80,978)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>811</b>	<b>(81,300)</b>	<b>607</b>	<b>93</b>	<b>(79,789)</b>
<b>Income (Loss) before Transfers</b>	<b>(125,312)</b>	<b>(88,388)</b>	<b>607</b>	<b>17,593</b>	<b>(195,500)</b>
Transfers in	-	173,018	-	-	173,018
Transfers out	(173,018)	-	-	-	(173,018)
<b>Change in Net Position</b>	<b>(298,330)</b>	<b>84,630</b>	<b>607</b>	<b>17,593</b>	<b>(195,500)</b>
<b>Total Net Position - Beginning</b>	<b>4,401,626</b>	<b>(2,534,889)</b>	<b>190,265</b>	<b>39,000</b>	<b>2,096,002</b>
<b>Total Net Position - Ending</b>	<b>\$ 4,103,296</b>	<b>\$ (2,450,259)</b>	<b>\$ 190,872</b>	<b>\$ 56,593</b>	<b>\$ 1,900,502</b>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Water Operations**  
**For the Year Ended June 30, 2013**

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 1,301,127	\$ -	\$ -	\$ 17,500	\$ 1,318,627
Cash paid to suppliers	(629,594)	(7,088)	-	-	(636,682)
Cash paid to employees	(541,234)	-	-	-	(541,234)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>130,299</u>	<u>(7,088)</u>	<u>-</u>	<u>17,500</u>	<u>140,711</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	173,018	-	-	173,018
Transfers to other funds	(173,018)	-	-	-	(173,018)
Interfund loans made	(637)	-	-	-	(637)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(173,655)</u>	<u>173,018</u>	<u>-</u>	<u>-</u>	<u>(637)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on debt	-	(83,714)	-	-	(83,714)
Interest paid on debt	-	(82,095)	-	-	(82,095)
Acquisition of capital assets	(6,801)	-	-	-	(6,801)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(6,801)</u>	<u>(165,809)</u>	<u>-</u>	<u>-</u>	<u>(172,610)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	667	(322)	642	58	1,045
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>667</u>	<u>(322)</u>	<u>642</u>	<u>58</u>	<u>1,045</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(49,490)	(201)	642	17,558	(31,491)
<b>Balances - Beginning</b>	<u>243,431</u>	<u>1,534</u>	<u>190,096</u>	<u>39,000</u>	<u>474,061</u>
<b>Balances - Ending</b>	<u>\$ 193,941</u>	<u>\$ 1,333</u>	<u>\$ 190,738</u>	<u>\$ 56,558</u>	<u>\$ 442,570</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Water Operations**  
**For the Year Ended June 30, 2013**

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
<b>RECONCILIATION OF OPERATING INCOME</b>					
<b>(LOSS) TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (126,123)	\$ (7,088)	\$ -	\$ 17,500	\$ (115,711)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation/amortization	232,093	-	-	-	232,093
Decrease (increase) in:					
Accounts receivable	(16,774)	-	-	-	(16,774)
Prepaid costs	(16,649)	-	-	-	(16,649)
Increase (decrease) in:					
Accounts payable	10,140	-	-	-	10,140
Salaries and benefits payable	980	-	-	-	980
Unearned revenue	(714)	-	-	-	(714)
Compensated absences payable	(2,678)	-	-	-	(2,678)
Net OPEB obligation	50,024	-	-	-	50,024
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 130,299</u>	<u>\$ (7,088)</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 140,711</u>

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## **OTHER REPORT AND SCHEDULES**

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

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, 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 business-type activities and each major fund of Hidden Valley Lake Community Services District, Middletown, California (District) as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 5, 2014.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies. (13-FS-01, 13-FS-02 and 13-FS-03)

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, 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.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 5, 2014



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2013**

**13-FS-01 Account Balances (Significant Deficiency)**

**Condition**

During our audit, we noted that various balance sheet accounts had not been adjusted to reflect current year end balances. This is a repeat of a prior year finding.

**Cause**

We noted that assessments receivable and bonds payable were not adjusted as necessary to accurately reflect current balances.

**Criteria**

Generally accepted accounting principles require that account balances be adjusted as necessary to reflect current balances.

**Effect of Condition**

Accounts were not properly adjusted prior to the start of the annual audit.

**Recommendation**

We recommend that the District reconcile and adjust account balances in a timely manner.

**Corrective Action Plan**

We will implement in 2013-14.

**13-FS-02 CIEDB Debt Service Coverage (Significant Deficiency)**

**Condition**

We noted that the Water enterprise fund debt service coverage calculation as required by the California Infrastructure and Economic Development Bank for the fiscal year ended June 30, 2013 did not meet the requirements of section 5.06(b) of the loan document. This is a repeat of a prior year finding.

**Cause**

The District has been unable to increase revenues adequate to produce a net system revenue equal to 110 percent of the annual debt service.

**Criteria**

The California Infrastructure and Economic Development Bank loan requirements require that system revenues meet the requirement so that revenues are in an amount sufficient to be at least equal to 110 percent of the annual debt service.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2013**

**13-FS-02 CIEDB Debt Service Coverage (Significant Deficiency) (Continued)**

**Effect of Condition**

The District was required to establish a water rate stabilization account within the Water enterprise fund in the amount of \$201,000 to comply with the requirements of section 5.06(b).

**Recommendation**

We recommend that the District analyze options to ensure full compliance with the loan requirements of the California Infrastructure and Economic Development Bank.

**Corrective Action Plan**

The District is contemplating a rate increase during 2014-15.

**13-FS-03 Subsequent Collections (Significant Deficiency)**

**Condition**

Subsequent to the audit fieldwork we became aware that collections received after the end of the fiscal year had not been deposited in a timely manner to the District bank accounts.

**Cause**

The District received collections which were filed in a folder and were not deposited.

**Criteria**

Good internal control requires that all collections be deposited in a timely manner to the District bank account.

**Effect of Condition**

Monies had been received by the District had not been deposited in a timely manner. The risk of errors or irregularities is increased when all deposits are not deposited timely.

**Recommendation**

We recommend that all collections be receipted and deposited in a timely manner to the District bank account.

**Corrective Action Plan**

The District will implement immediately.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2013**

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
12-FS-01	<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>Not Implemented</p>
12-FS-02	<p><b>Fund Equity Reserves</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District review the collection of connection fees in prior years and determine an appropriate carryover balance.</p> <p><b>Status</b></p> <p>Implemented</p>
12-FS-03	<p><b>CIEDB Debt Service Coverage</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District analyze options to ensure full compliance with the loan requirements of the California Infrastructure and Economic Development Bank.</p> <p><b>Status</b></p> <p>Not Implemented</p>
12-FS-04	<p><b>Year End Closing Process</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District develop more sufficient procedures for year-end closing processes and produce critical schedules and source documents in a timely manner so as to not delay the financial reporting of the District.</p> <p><b>Status</b></p> <p>Implemented</p>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2013**

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
12-SA-01	<p><b>U.S. Department of Agriculture</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District establish internal controls to ensure it complies with the requirements of the Davis-Bacon Act. We further recommend that the District obtain certified weekly payrolls for the project to determine if Federal prevailing wages were paid.</p> <p><b>Status</b></p> <p>Not Applicable in 2012/2013</p>
12-SA-02	<p><b>U.S. Department of Agriculture</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District only claim reimbursement from grant expenses based on actual amounts expended.</p> <p><b>Status</b></p> <p>Not Applicable in 2012/2013</p>