

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023**

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

**Annual Financial Report
For the Year Ended June 30, 2023**

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INTRODUCTORY SECTION

- **List of Officials**

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

List of Officials

For the Year Ended June 30, 2023

Board of Directors

Claude Brown	President
Sean Millerick	Vice President
Jim Freeman	Director
Jim Lieberman	Director
Gary Graves	Director

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements**Opinions**

We have audited the accompanying financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District, California (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

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 is the responsibility of management and, 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.

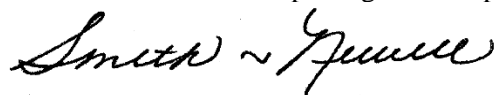
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and combining fund financial statements but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
January 20, 2024

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Introduction

This section of the Annual Financial Report contains a narrative overview and analysis of the Hidden Valley Lake Community Services District (District) financial activities for the year ended June 30, 2023.

The Management's Discussion and Analysis (MD&A) is a required section of the District's Annual Financial Report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity. Readers are encouraged to consider the information presented here in conjunction with the Annual Financial Statements.

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

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2023, were as follows:

- The Statement of Net Position indicates that total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$4,359,161. Unrestricted net position represents (\$384,920) and net investment in capital assets was at \$1,848,945. The remaining restricted amounts were \$1,029,901 for debt service and \$1,865,235 for capital facilities.
- Total net position increased \$1,126,440 (35%) in fiscal year 2022/23 compared to an 82% increase, \$1,452,579 in fiscal year 2021/22.
- Total assets increased 6% from \$11,029,713 in fiscal year 2021/22 to \$11,730,132 in fiscal year 2022/23, due to the capital improvement projects of installation of an additional 388 new automated water meters and remaining inventory for installation, utility vehicle and heavy equipment.
- The District recorded deferred outflows of resources at \$1,023,454 an increase of \$494,552 (94%) and deferred inflows of resources at \$1,023,108, a decrease of \$199,940 (16%), which record the different components required by GASB 68 and 75 for pension and OPEB accounting and reporting. Deferred outflows of resources are technically not assets but increase net position similar to an asset and deferred inflows of resources are technically not liabilities but decrease net position similar to liabilities. See Note 1N on page 23 in the "Notes to Basic Financial Statements" for a definition of deferred inflows and outflows of resources.
- Total liabilities increased 4% from \$7,102,846 in fiscal year 2021/22 to \$7,371,317 in fiscal year 2022/23. Current liabilities increased \$23,392 from \$551,820 to \$575,212 while non-current liabilities increased \$245,079 from \$6,551,026 to \$6,796,105.
- Total program and general revenues increased by \$297,375 (6%) from fiscal year 2021/22.
- Total operating expenses increased by \$748,848 (18%) from fiscal year 2021/22, commensurate with planned infrastructure improvements.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Overview of the Financial Statements

The financial section of this report consists of six parts.

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

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

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

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

Financial Statements and Notes

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

A "fund" is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

The District has two proprietary funds: Sewer Operations and Water Operations. Proprietary funds distinguish operating revenues and expenses from non-operating items.

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

Net Position

**Table 1
Summary of Net Position
June 30, 2023 and 2022**

	Enterprise Funds			
	2023	2022	Dollar Change	Percent Change
Assets				
Current and other assets	\$ 5,598,497	\$ 4,794,326	\$ 804,171	17%
Non current assets	6,131,635	6,235,387	(103,752)	-2%
Total Assets	<u>11,730,132</u>	<u>11,029,713</u>	<u>700,419</u>	<u>6%</u>
Deferred Outflows of Resources				
Deferred pension adjustments	804,304	305,652	498,652	163%
Deferred OPEB adjustments	219,150	223,250	(4,100)	-2%
Total Deferred Outflows of Resources	<u>1,023,454</u>	<u>528,902</u>	<u>494,552</u>	<u>94%</u>
Liabilities				
Current liabilities	575,212	551,820	23,392	4%
Noncurrent liabilities	6,796,105	6,551,026	245,079	4%
Total Liabilities	<u>7,371,317</u>	<u>7,102,846</u>	<u>268,471</u>	<u>4%</u>
Deferred Inflows of Resources				
Deferred pension adjustments	124,364	783,916	(659,552)	-84%
Deferred OPEB adjustments	898,744	439,132	459,612	105%
Total Deferred Inflows of Resources	<u>1,023,108</u>	<u>1,223,048</u>	<u>(199,940)</u>	<u>-16%</u>
Net Position				
Net investment in capital assets	1,848,945	1,600,520	248,425	16%
Restricted				
Debt Service	1,029,901	985,684	44,217	4%
Capital Facilities	1,865,235	486,967	1,378,268	283%
Unrestricted	(384,920)	159,550	(544,470)	-341%
Total Net Position	<u>\$ 4,359,161</u>	<u>\$ 3,232,721</u>	<u>\$ 1,126,440</u>	<u>35%</u>

Net position increased by \$1,126,440 (35%) in fiscal year 2022/23 as described below:

- Total assets increased by \$700,419 due to water mainline infrastructure improvements, vehicle, and equipment purchases.
- Deferred outflows of resources increased by \$494,552 mainly due to the pension obligation.
- Current liabilities (obligations due within 12 months) increased by \$23,392 (4%).

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

- Non-current (long-term) liabilities increased by \$245,079 (4%). Long-term liabilities are reduced each year as each series on the outstanding debt principal amounts are paid back to the bondholders. Additional information can be found starting on page 28, Note 5 Long-Term Liabilities.
- There was a decrease of \$199,940 in deferred inflows due to updated actuarial assumptions used to calculate the net pension and OPEB liability and related deferred inflows. See Note 8 Pension Plan page 32-36 and Note 9 Other Post Employment Benefits (OPEB) page 37-39.
- The largest portion of the District's net position reflects its investment in capital assets (e.g. land, sewer & water lines and improvements, buildings, machinery, equipment, and vehicles) net of outstanding debt. The District uses these capital assets to provide services for the residents and businesses in its service area.
- Although the District's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used or sold to liquidate District liabilities. The remaining balance of the unrestricted net position may be used to meet the District's ongoing obligations to its customers and creditors. The net position also included restricted assets required by various debt agreements restricting revenues pledged to repay debt and restricted assets for capital facilities.

Revenues, Expenses, and Change in Net Position Statement Analysis

**Table 2
Summary of Changes in Net Position
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022**

	Enterprise Funds			
	2023	2022	Dollar	Percent
Operating Revenues				
Charges for Services	\$ 5,016,402	\$ 4,675,145	\$ 341,257	7%
Assessments	258,177	262,834	(4,657)	-2%
Permits and Inspections	47,565	116,165	(68,600)	-59%
Miscellaneous	180,788	151,413	29,375	19%
Total Operating Revenues	<u>5,502,932</u>	<u>5,205,557</u>	<u>297,375</u>	<u>6%</u>
Operating Expenses				
Sewer	2,278,135	2,042,519	235,616	12%
Water	2,513,898	2,005,941	507,957	25%
Flood	6,635	1,360	5,275	388%
Total Operating Expenses	<u>4,798,668</u>	<u>4,049,820</u>	<u>748,848</u>	<u>18%</u>
Operating Income (Loss)	<u>704,264</u>	<u>1,155,737</u>	<u>(451,473)</u>	<u>-39%</u>
Non-Operating Revenues (Expenses)				
Interest Income	21,371	3,401	17,970	528%
Intergovernmental	527,463	389,539	137,924	100%
Gain on sale of assets	16,098	59,982	(43,884)	100%
Debt Interest	(142,756)	(156,080)	13,324	-9%
Total Non-Operating Revenues (Expenses)	<u>422,176</u>	<u>296,842</u>	<u>125,334</u>	<u>42%</u>
Income (Loss) Before Transfers	1,126,440	1,452,579	(326,139)	-22%
Transfers In	6,635	76,360	(69,725)	-91%
Transfers Out	<u>(6,635)</u>	<u>(76,360)</u>	<u>69,725</u>	<u>100%</u>
Change in Net Position	1,126,440	1,452,579	(326,139)	-22%
Net Position - Beginning of Year	<u>3,232,721</u>	<u>1,780,142</u>	<u>1,452,579</u>	<u>82%</u>
Net Position - End of Year	<u>\$ 4,359,161</u>	<u>\$ 3,232,721</u>	<u>\$ 1,126,440</u>	<u>35%</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

The Statement of Revenues, Expenses, and Changes in Net Position reflects the District's operating and non-operating revenues by major sources, operating and non-operating expenses by categories and capital contributions.

The District's \$1,126,440 (35%) change in net position during fiscal year 2022/23 was characterized as follows:

- Total operating revenues increased by \$297,375 (6%) mainly due to increases in the Sewer and Water service charges allocated for future Capital Projects. Assessments collected from the County of Lake remain consistent while the Permits and Inspection revenues decreased by \$68,600 due to a decrease in housing construction.
- Total operating expenses increased 18% from the prior fiscal year due to the capital improvement projects.
- Overall, this year’s revenue and expenses are consistent as the planned capital improvement projects are underway.

Capital Asset Administration

**Table 3
Capital Assets (Net of Depreciation)
June 30, 2023 and 2022**

	Business-Type Activities			
	2023	2022	Dollar Change	Percent Change
Land (not depreciated)	\$ 607,918	\$ 607,918	\$ -	0%
Structures and improvements	1,687,715	1,802,484	(114,769)	-6%
Equipment, vehicles and machinery	693,695	651,332	42,363	7%
Right to use leased equipment	8,493	12,413	(3,920)	0%
Infrastructure	3,014,014	3,030,301	(16,287)	-1%
Total	\$ 6,011,835	\$ 6,104,448	\$ (92,613)	-2%

The District’s net capital assets decreased 2% from \$6,104,448 to \$6,011,835 for the year ended June 30, 2023. The total decrease of \$(92,613) is mainly due to depreciation. Details of the capital asset activities can be found on page 27, Note 3.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Debt Administration

**Table 4
Outstanding Long-Term Liabilities and Debt (net of debt discounts/premiums)
June 30, 2023 and 2022**

	Business-Type Activities			
	2023	2022	Dollar Change	Percent Change
Liabilities				
Compensated Absences	\$ 37,464	\$ 34,319	\$ 3,145	9%
Total Liabilities	37,464	34,319	3,145	9%
Debt				
Bonds	2,426,371	2,627,634	(201,263)	-8%
Loans	1,263,511	1,381,370	(117,859)	-9%
Certificates of Participation	464,500	482,500	(18,000)	-4%
Leases	8,508	12,423	(3,915)	0%
Total Debt	4,162,890	4,503,927	(341,037)	-8%
Total Long-Term Liabilities and Debt	\$ 4,200,354	\$ 4,538,246	\$ (337,892)	-7%

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, 2023, the long-term debt decreased 7% from \$4,538,246 to \$4,200,354. Details of the debt outstanding can be found on pages 28 through 31, Notes 5 and 6.

Economic Factors and Budget

Despite enduring extreme weather events such as drought and intense rains, the District is experiencing water and sewer use revenues that meet the rising demands of operational expenses as well as improvements to infrastructure and is following the path developed in the 5-year rate study conducted by NBS in 2020. Finalized and enacted on January 1, 2021, a five-year schedule of rate increases to cover the newly calculated cost of service through June 30, 2025. A portion of revenues will continue to be allocated to Capital Improvements that will improve the District’s Net Capital Asset position.

The epidemiological events of the last few years have also been challenging, to say the least. A few positive changes, however, can be attributed to the multi-year experience. As is likely the case for most businesses and individuals of this nation, new protective measures have been implemented to enhance the safety of our employees and ratepayers.

Average water consumption has plateaued, but the annual number of new connections has slowed. This speaks to the strong demand of the existing customer base and the robust availability of the Coyote Valley Basin. While expenditures have marginally increased, revenue is increasing at a higher rate. Grant funding is a key factor in the progress of the District’s capital improvement projects.

Requests for Information

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

Basic Financial Statements

- **Government-Wide Financial Statements**

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2023

	Business-Type Activities
ASSETS	
Cash and investments	\$ 4,126,747
Investments with fiscal agent	148,836
Receivables:	
Accounts (net of allowance)	864,911
Assessments	82,355
Delinquent assessments	119,800
Interest	5,087
Prepaid costs	80,300
Inventory	290,261
Capital assets:	
Non-depreciable	607,918
Depreciable, net	5,403,917
Total capital assets	<u>6,011,835</u>
Total Assets	<u>11,730,132</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	804,304
Deferred OPEB adjustments	219,150
Total Deferred Outflows of Resources	<u>1,023,454</u>
LIABILITIES	
Accounts payable	118,297
Salaries and benefits payable	26,665
Interest payable	49,551
Long-term liabilities:	
Due within one year	380,699
Due in more than one year	3,819,655
Net pension liability	1,845,298
Net OPEB liability	1,131,152
Total Liabilities	<u>7,371,317</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	124,364
Deferred OPEB adjustments	898,744
Total Deferred Inflows of Resources	<u>1,023,108</u>
NET POSITION	
Net investment in capital assets	1,848,945
Restricted for debt service	1,029,901
Restricted for capital facilities	1,865,235
Unrestricted	(384,920)
Total Net Position	<u>\$ 4,359,161</u>

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

**Statement of Activities
For the Year Ended June 30, 2023**

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Total Business-Type Activities</u>
Business-type activities:					
Sewer	\$ 2,374,518	\$ 2,088,879	\$ 785,640	\$ -	\$ 500,001
Water	2,560,271	2,975,088	-	-	414,817
Flood control	6,635	-	-	-	(6,635)
Total Business-Type Activities	4,941,424	5,063,967	785,640	-	908,183
Total	\$ 4,941,424	\$ 5,063,967	\$ 785,640	\$ -	908,183
General revenues:					
Interest and investment earnings					21,371
Miscellaneous					180,788
Gain on disposal of capital assets					16,098
Total General Revenues					218,257
Change in Net Position					1,126,440
Net Position - Beginning					3,232,721
Net Position - Ending					\$ 4,359,161

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

Basic Financial Statements

- **Fund Financial Statements**

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
Enterprise Funds
June 30, 2023

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
ASSETS				
Current Assets:				
Cash and investments	\$ 1,702,205	\$ 2,424,542	\$ -	\$ 4,126,747
Investments with fiscal agent	148,836	-	-	148,836
Receivables:				
Accounts (net of allowance)	231,059	633,852	-	864,911
Assessments	82,355	-	-	82,355
Interest	2,594	2,493	-	5,087
Prepaid costs	40,150	40,150	-	80,300
Inventory	-	290,261	-	290,261
Total Current Assets	2,207,199	3,391,298	-	5,598,497
Noncurrent Assets:				
Delinquent assessments receivable	119,800	-	-	119,800
Capital assets, net	2,740,657	3,271,178	-	6,011,835
Total Noncurrent Assets	2,860,457	3,271,178	-	6,131,635
Total Assets	5,067,656	6,662,476	-	11,730,132
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension adjustments	402,152	402,152	-	804,304
Deferred OPEB adjustments	109,575	109,575	-	219,150
Total Deferred Outflows of Resources	511,727	511,727	-	1,023,454
LIABILITIES				
Current Liabilities:				
Accounts payable	22,612	95,685	-	118,297
Salaries and benefits payable	13,931	12,734	-	26,665
Interest payable	31,229	18,322	-	49,551
Compensated absences	14,026	14,026	-	28,052
Lease payable	1,962	1,962	-	3,924
Bonds payable	208,263	-	-	208,263
Loans payable	-	121,960	-	121,960
Certificates of participation	18,500	-	-	18,500
Total Current Liabilities	310,523	264,689	-	575,212

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
Enterprise Funds
June 30, 2023

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
LIABILITIES (CONTINUED)				
Noncurrent Liabilities:				
Compensated absences	4,706	4,706	-	9,412
Lease payable	2,292	2,292	-	4,584
Bonds payable	2,218,108	-	-	2,218,108
Loans payable	-	1,141,551	-	1,141,551
Certificates of participation	446,000	-	-	446,000
Net pension liability	922,649	922,649	-	1,845,298
Net OPEB liability	565,576	565,576	-	1,131,152
Total Noncurrent Liabilities	4,159,331	2,636,774	-	6,796,105
Total Liabilities	4,469,854	2,901,463	-	7,371,317
DEFERRED INFLOWS OF RESOURCES				
Deferred pension adjustments	62,182	62,182	-	124,364
Deferred OPEB adjustments	449,372	449,372	-	898,744
Total Deferred Inflows of Resources	511,554	511,554	-	1,023,108
NET POSITION				
Net investment in capital assets	(154,468)	2,003,413	-	1,848,945
Restricted for debt service	845,280	184,621	-	1,029,901
Restricted for capital facilities	215,062	1,650,173	-	1,865,235
Unrestricted	(307,899)	(77,021)	-	(384,920)
Total Net Position	\$ 597,975	\$ 3,761,186	\$ -	\$ 4,359,161

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

Continued (Page 2 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenses and Changes in Net Position Enterprise Funds For the Year Ended June 30, 2023

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
OPERATING REVENUES				
Assessments	\$ 258,177	\$ -	\$ -	\$ 258,177
Permits and inspections	47,565	-	-	47,565
Charges for services	2,041,314	2,975,088	-	5,016,402
Miscellaneous	114,539	66,249	-	180,788
Total Operating Revenues	2,461,595	3,041,337	-	5,502,932
OPERATING EXPENSES				
Salaries and benefits	906,941	885,336	-	1,792,277
Insurance	114,390	114,657	-	229,047
Office expenses	36,564	37,809	-	74,373
Continuing education	7,087	5,910	-	12,997
Dues and subscriptions	13,509	30,782	-	44,291
Postage	8,146	8,240	-	16,386
Repairs and maintenance	201,192	156,901	-	358,093
Gas, fuel and oil	20,555	20,554	-	41,109
Supplies	86,671	6,681	-	93,352
Professional services	189,670	126,081	-	315,751
Rents and leases	4,966	6,264	-	11,230
Travel	9,501	10,859	-	20,360
Telephone	16,765	16,765	-	33,530
Power	116,494	186,181	6,635	309,310
Other utilities	3,335	3,335	-	6,670
Depreciation	361,999	251,235	-	613,234
Other operating	3,309	6,467	-	9,776
Office and safety equipment	7,772	6,994	-	14,766
Director's compensation	3,230	3,229	-	6,459
Environmental monitoring	54,410	13,576	-	67,986
Water conservation	-	247	-	247
Water rights	-	1,164	-	1,164
Disaster mitigation	21,824	22,194	-	44,018
Rains 2023	1,080	-	-	1,080
Reliable water supply	-	561,898	-	561,898
Regulatory compliance	64,757	7,321	-	72,078
Annual operating fees	23,968	23,218	-	47,186
Total Operating Expenses	2,278,135	2,513,898	6,635	4,798,668
Operating Income (Loss)	183,460	527,439	(6,635)	704,264
NON-OPERATING REVENUES (EXPENSES)				
Interest income	12,996	8,375	-	21,371
Intergovernmental revenues	107,934	419,529	-	527,463
Gain on sale of assets	8,049	8,049	-	16,098
Interest expense	(96,383)	(46,373)	-	(142,756)
Total Non-Operating Revenues (Expenses)	32,596	389,580	-	422,176
Income (Loss) Before Transfers	216,056	917,019	(6,635)	1,126,440

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses
and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2023

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Totals</u>
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	
Transfers in	-	-	6,635	6,635
Transfers out	(6,635)	-	-	(6,635)
Change in Net Position	209,421	917,019	-	1,126,440
Total Net Position - Beginning	388,554	2,844,167	-	3,232,721
Total Net Position - Ending	<u>\$ 597,975</u>	<u>\$ 3,761,186</u>	<u>\$ -</u>	<u>\$ 4,359,161</u>

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

Continued (Page 2 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2023

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,424,405	\$ 2,770,339	\$ -	\$ 5,194,744
Cash paid to suppliers	(1,036,358)	(1,432,684)	(6,635)	(2,475,677)
Cash paid to employees	(976,990)	(956,485)	-	(1,933,475)
Net Cash Provided (Used) by Operating Activities	411,057	381,170	(6,635)	785,592
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants received	107,934	419,529	-	527,463
Transfers in from other funds	-	-	6,635	6,635
Transfers out to other funds	(6,635)	-	-	(6,635)
Net Cash Provided (Used) by Noncapital Financing Activities	101,299	419,529	6,635	527,463
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(276,642)	(243,980)	-	(520,622)
Proceeds from the sale of capital assets	8,049	8,049	-	16,098
Principal paid on debt	(221,221)	(119,816)	-	(341,037)
Interest paid on debt	(100,943)	(48,082)	-	(149,025)
Net Cash Provided (Used) by Capital and Related Financing Activities	(590,757)	(403,829)	-	(994,586)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	11,360	6,164	-	17,524
Net Cash Provided (Used) by Investing Activities	11,360	6,164	-	17,524
Net Increase (Decrease) in Cash and Cash Equivalents	(67,041)	403,034	-	335,993
Balances - Beginning	1,918,082	2,021,508	-	3,939,590
Balances - Ending	\$ 1,851,041	\$ 2,424,542	\$ -	\$ 4,275,583

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2023

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Totals</u>
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 183,460	\$ 527,439	\$ (6,635)	\$ 704,264
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	361,999	251,235	-	613,234
Decrease (increase) in:				
Accounts receivable	(11,107)	(270,998)	-	(282,105)
Assessments receivable	(26,083)	-	-	(26,083)
Prepaid costs	(22,608)	(22,608)	-	(45,216)
Inventory	-	(99,788)	-	(99,788)
Pension adjustment - deferred outflows	(249,326)	(249,326)	-	(498,652)
OPEB adjustment - deferred outflows	2,050	2,050	-	4,100
Increase (decrease) in:				
Accounts payable	(4,555)	67,039	-	62,484
Salaries and benefits payable	(21,877)	(22,977)	-	(44,854)
Compensated absences	1,573	1,573	-	3,146
Net pension liability	513,712	513,712	-	1,027,424
Net OPEB liability	(216,211)	(216,211)	-	(432,422)
Pension adjustment - deferred inflows	(329,776)	(329,776)	-	(659,552)
OPEB adjustment - deferred inflows	229,806	229,806	-	459,612
Net Cash Provided (Used) by Operating Activities	<u>\$ 411,057</u>	<u>\$ 381,170</u>	<u>\$ (6,635)</u>	<u>\$ 785,592</u>

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

Continued (Page 2 of 2)

Basic Financial Statements

- **Notes to Basic Financial Statements**

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Component Units

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.

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

Joint Agencies

The District is a member of the Special District Risk Management Authority (SDRMA). SDRMA is a joint powers authority organized for the purpose of providing coverage protection, risk management services, claims management as well as safety and loss prevention programs for its members. SDRMA is composed of member agencies and is governed by a board of directors appointed by the members. Complete audited financial statements can be obtained from SDRMA's office at 1112 I Street, Suite 300, Sacramento, CA 95814. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The District reports the following major proprietary funds:

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

C. Basis of Accounting and Measurement Focus

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

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

E. Investments

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

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

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

F. Receivables

Receivables consist mainly of user fees, interest, intergovernmental, assessments, and delinquent assessments. 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.

G. Other Assets

Inventory

Inventories are stated at average cost (first-in, first-out basis) for the proprietary funds. Inventory recorded by the proprietary funds includes meters and meter boxes and are recorded as expenses at the time the inventory is consumed.

Prepaid Costs

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5 to 30 years
Structures and improvements	5 to 30 years
Infrastructure	20 to 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 included in the results of operations.

I. Assessment Revenue

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

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

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

J. Interfund Transactions

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

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

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Interfund Transactions (Continued)

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

K. Compensated Absences

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

L. Pension

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

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 2021 to June 30, 2022

M. Other Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources

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

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

O. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

Statement No. 91, Conduit Debt Obligations. This statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.

Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The definition and uniform guidance will result in greater consistency in practice.

Statement No. 99, Omnibus 2022. This statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Future Accounting Pronouncements

The following GASB Statements will be implemented, if applicable, in future financial statements:

Statement No. 99 “Omnibus 2022” The requirements of this statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 100 “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62” The requirements of this statement are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 101 “Compensated Absences” The requirements of this statement are effective for fiscal years beginning after December 15, 2023. (FY 24/25)

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2023, the District’s cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 600
Deposits (less outstanding checks)	<u>3,486,140</u>
Total Cash	<u>3,486,740</u>
Investments:	
Investments with fiscal agent	148,836
Local Agency Investment Fund (LAIF)	<u>640,007</u>
Total Investments	<u>788,843</u>
Total Cash and Investments	<u>\$ 4,275,583</u>

B. Cash

At year end, the carrying amount of the District’s cash deposits (including amounts in checking and money market accounts) was \$3,486,140, and the bank balance was \$3,556,561. 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, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

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

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

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

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

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

At June 30, 2023, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Money market mutual funds	\$ 148,836	\$ 148,836	\$ -	\$ -
Total Investments Measured at Fair Value	148,836	<u>\$ 148,836</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
LAIF	<u>640,007</u>			
Total Investments	<u>\$ 788,843</u>			

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

As of June 30, 2023, the District had the following investments, all of which had a maturity of 5 years or less:

<u>Investment Type</u>	<u>Interest Rates</u>	<u>Maturities</u>		<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
		<u>0-1 year</u>	<u>1-5 years</u>		
Investments Held by Fiscal Agents					
Money market mutual funds	Variable	\$ 148,836	\$ -	\$ 148,836	-
Total Investments Held by Fiscal Agents		<u>148,836</u>	<u>-</u>	<u>148,836</u>	<u>-</u>
Pooled Investments					
LAIF	Variable	<u>640,007</u>	<u>-</u>	<u>640,007</u>	<u>-</u>
Total Pooled Investments		<u>640,007</u>	<u>-</u>	<u>640,007</u>	<u>-</u>
Total Investments		<u>\$ 788,843</u>	<u>\$ -</u>	<u>\$ 788,843</u>	<u>-</u>

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Money Market Mutual Funds	A	AAAm	Aaa-mf	18.87%
LAIF	N/A	Unrated	Unrated	<u>81.13%</u>
Total				<u>100.00%</u>

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

D. Investment in External Investment Pool

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2023, the District's investment in LAIF valued at amortized cost was \$640,007 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$178.4 billion. Of that amount, 97.22 percent is invested in non-derivative financial products and 2.78 percent in structured notes and asset-backed securities.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Retirements/ Adjustments	Balance June 30, 2023
Capital Assets, Not Being Depreciated				
Land	\$ 607,918	\$ -	\$ -	\$ 607,918
Total Capital Assets, Not Being Depreciated	<u>607,918</u>	<u>-</u>	<u>-</u>	<u>607,918</u>
Capital Assets, Being Depreciated				
Structures and improvements	3,815,292	3,647	2,704	3,821,643
Equipment	2,467,733	301,890	(504)	2,764,582
Right to use leased equipment	16,333	-	-	16,333
Infrastructure	26,354,954	215,124	(60,647)	26,509,431
Total Capital Assets, Being Depreciated	<u>32,654,312</u>	<u>520,661</u>	<u>(62,984)</u>	<u>33,111,989</u>
Less Accumulated Depreciation For:				
Structures and improvements	(2,012,808)	(121,120)	-	(2,133,928)
Equipment	(1,816,401)	(317,431)	62,945	(2,070,887)
Right to use leased equipment	(3,920)	(3,920)	-	(7,840)
Infrastructure	(23,324,653)	(170,764)	-	(23,495,417)
Total Accumulated Depreciation	<u>(27,157,782)</u>	<u>(613,235)</u>	<u>62,945</u>	<u>(27,708,072)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,496,530</u>	<u>(92,574)</u>	<u>(39)</u>	<u>5,403,917</u>
Total Capital Assets, Net	<u>\$ 6,104,448</u>	<u>(\$ 92,574)</u>	<u>(\$ 39)</u>	<u>\$ 6,011,835</u>

Depreciation

Depreciation expense was charged to operations as follows:

Sewer Operations	\$ 361,999
Water Operations	<u>251,236</u>
Total Depreciation Expense	<u>\$ 613,235</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 4: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, and subsidies of various District operations. The following are interfund transfers for the fiscal year ended June 30, 2023:

	Transfers In	Transfers Out
Sewer Operations	\$ -	\$ 6,635
Flood Control	6,635	-
Total	\$ 6,635	\$ 6,635

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

Type of Indebtedness	Balance July 1, 2022	Additions	Adjustments/ Retirements	Balance June 30, 2023	Amounts Due Within One Year
Bonds	\$ 3,605,000	\$ -	(\$ 199,000)	\$ 2,406,000	\$ 206,000
Unamortized premium	22,634	-	(2,263)	20,371	2,264
Bonds, net	2,627,634	-	(201,263)	2,426,371	208,264
Direct borrowing loans	1,381,370	-	(117,859)	1,263,511	121,960
Direct borrowing certificates of participation	482,500	-	(18,000)	464,500	18,500
Leases	12,423	-	(3,915)	8,508	3,923
Compensated absences	34,319	47,692	(244,547)	37,464	28,052
Total Business-Type Activities	\$ 4,538,246	\$ 47,692	(\$ 385,584)	\$ 4,200,354	\$ 380,699

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2023, are as follows:

Business-Type Activities

Bonds:

Sewer System Reassessment District No. 1 Limited Obligation Refunding Improvement Bonds Series 2016, issued March 9, 2016 in the amount of \$3,650,000, payable in annual installments of \$150,000-\$280,000 with an interest rate of 3.25-3.50% and maturity on September 2, 2032. The bonds were used to refund the Improvement Bonds Series 1995-2 which were used to finance improvements to the sewer system. The bonds are secured by a pledge of reassessment revenues. \$ 2,406,000

Total Bonds 2,406,000

Loans from Direct Borrowings:

California Infrastructure and Economic Development Bank direct borrowing Loan, issued June 24, 2002 in the amount of \$3,000,000, payable in annual installments of \$61,530 to \$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. Net system revenues and all amounts in the enterprise fund are pledged as collateral for the debt. In the event of default, the District agrees to pay accrued interest plus the principal of all unpaid installments under the related agreement. 1,263,511

Total Loans from Direct Borrowings 1,263,511

Certificates of Participation from Direct Borrowings:

2012 Series direct borrowing Certificates of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012, in the amount of \$640,000, payable in annual installments of \$14,000 to \$31,500 with an interest rate of 3.00% and maturity on August 1, 2041. The certificates of participation were used to finance the sewer system solar project. Net revenues are pledged as collateral for debt. In the event of default, the District agrees to pay accrued interest plus the principal of all unpaid installments under the related agreement. 464,500

Total Certificates of Participation from Direct Borrowings 464,500

Total Business-Type Activities \$ 4,134,011

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2023

NOTE 5: 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 leases which are reported in Note 6.

Year Ended June 30	Bonds		
	Principal	Interest	Total
2024	\$ 206,000	\$ 79,843	\$ 285,843
2025	213,000	72,720	285,720
2026	219,000	65,376	284,376
2027	227,000	57,794	284,794
2028	235,000	49,823	284,823
2029-2033	<u>1,306,000</u>	<u>117,495</u>	<u>1,423,495</u>
Total	<u>\$ 2,406,000</u>	<u>\$ 443,051</u>	<u>\$ 2,849,051</u>

Year Ended June 30	Loans from Direct Borrowings		
	Principal	Interest	Total
2024	\$ 121,960	\$ 43,970	\$ 165,930
2025	126,204	39,726	165,930
2026	130,596	35,334	165,930
2027	135,141	30,789	165,930
2028	139,844	26,086	165,930
2029-2032	<u>609,765</u>	<u>53,958</u>	<u>663,723</u>
Total	<u>\$ 1,263,510</u>	<u>\$ 229,863</u>	<u>\$ 1,493,373</u>

Year Ended June 30	Certificates of Participation from Direct Borrowings		
	Principal	Interest	Total
2024	\$ 18,500	\$ 13,658	\$ 32,158
2025	19,000	13,095	32,095
2026	19,500	12,518	32,018
2027	20,000	11,925	31,925
2028	21,000	11,310	32,310
2029-2033	114,000	46,620	160,620
2034-2038	132,000	28,200	160,200
2039-2042	<u>120,500</u>	<u>7,358</u>	<u>127,858</u>
Total	<u>\$ 464,500</u>	<u>\$ 144,684</u>	<u>\$ 609,184</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 6: LEASES

The District has entered into certain lease agreements, which were required to be reported under GASB 87.

	Incremental Borrowing Rate	Present Value of Remaining Payments at June 30, 2023
Business-type activities	0.20%	\$ 8,508
Total		\$ 8,508

Equipment and related accumulated depreciation under capital leases are as follows:

	Business-type Activities
Equipment	\$ 16,333
Less: accumulated depreciation	(7,840)
Net Value	\$ 8,493

As of June 30, 2023, capital lease annual amortization is as follows:

Year Ended June 30	Business-type Activities
2024	\$ 3,936
2025	3,936
2026	656
Total Requirements	8,528
Less Interest	(20)
Present Value of Remaining Payments	\$ 8,508

NOTE 7: NET POSITION

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 7: NET POSITION (CONTINUED)

Net Position Flow Assumption

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

NOTE 8: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Effective January 1, 2013, the District added a retirement tier for the Miscellaneous Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs.

Summary of Rate of Tiers and Eligible Participants

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for Miscellaneous plan members if the membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 8: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Each Rate Tier's specific provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.5% @ 55	50-55	2.000% to 2.500%
Miscellaneous PEPRA	2.0% @ 62	52-67	1.000% to 2.500%

Contributions

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

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	12.210%	8.000%	0.000%
Miscellaneous PEPRA	7.470%	6.750%	0.000%

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 206,822	\$ -

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

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 8: PENSION PLAN (CONTINUED)

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

The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	<u>Proportion June 30, 2022</u>	<u>Proportion June 30, 2023</u>	<u>Change- Increase (Decrease)</u>
Miscellaneous	.04307%	.03944%	(.00363%)

As of June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ <u>1,845,298</u>
Total Net Pension Liability	\$ <u>1,845,298</u>

For the year ended June 30, 2023 the District recognized pension expense of \$100,967. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 223,591	\$ -
Change of assumptions	189,089	-
Difference between expected and actual experience	37,057	(24,819)
Difference between projected and actual earnings on pension plan investments	338,010	-
Difference between District contributions and proportionate share of contributions	-	(91,845)
Change in employer's proportion	<u>16,557</u>	<u>(7,700)</u>
Total	<u>\$ 804,304</u>	<u>(\$ 124,364)</u>

\$223,591 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2024	\$ 102,128
2025	91,230
2026	56,253
2027	206,738
Thereafter	<u>-</u>
Total	<u>\$ 456,349</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 8: PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Investment Rate of Return	6.90%
Inflation	2.30%
Salary Increases	Varies by entry-age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80 percent of Scale MP-2020 published by the Society of Actuaries. For more details, please refer to the CalPERS 2021 experience study that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long-term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 8: PENSION PLAN (CONTINUED)

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

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (1, 2)</u>
Global Equity – Cap-Weighted	30.0%	4.54%
Global Equity – Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0%)	(0.59%)
Total	<u>100.0%</u>	

(1) An expected price inflation of 2.30% used for this period

(2) Figures are based on the 2021 Asset Liability Management Study

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

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

	1% Decrease	Discount Rate	1% Increase
	<u>5.90%</u>	<u>6.90%</u>	<u>7.90%</u>
Miscellaneous	\$ 2,866,360	\$ 1,845,298	\$ 1,005,215

Pension Plan Fiduciary Net Position

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District provides a single-employer defined benefit healthcare plan (the “Retiree Health Plan”) for eligible employees. The Retiree Health Plan provides lifetime retiree medical coverage for eligible retirees through Special District Risk Management Authority (SDRMA) the District’s group health insurance plan. The Board of Directors reserves the authority to review and amend the funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District. As of the measurement date, no assets were accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

The coverage requires the employee to meet the following requirements:

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

Benefits Provided

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

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

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

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

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

The 2022 monthly healthcare premium rates are shown below:

SDRMA 2022 Rates Northern California			
Plan	Employee Only	Employee + 1	Employee +2
Blue Shield PPO Gold	\$ 990.86	\$ 1,981.72	\$ 2,575.00
Gold PPO Medicare	636.54	1,272.05	1,908.59

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

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

A. General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2023 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries entitled to but not receiving benefits	7
Inactive employees or beneficiaries currently receiving benefits	4
Active employees	<u>21</u>
Total	<u><u>32</u></u>

B. Net OPEB Liability

The District's net OPEB liability of \$1,131,152, was measured as of June 30, 2022, and was determined by the actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Funding method	Entry-Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets (\$0 as of the valuation date)
Salary increases	3.00% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between services years
Discount rate	1.92% as of June 30, 2021 and 3.69% as of June 30, 2022
Healthcare cost trend rates	5.8% for 2023, decreasing to an ultimate rate of 3.9% for 2076 and later years
General inflation rate	2.50% per year

Demographic actuarial assumptions used in the valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 2000 to 2019, except for a different basis used to project future mortality improvement. The representative mortality rates were those published by CalPERS adjusted to back out 15 years of Scale MP 2016 to central year 2015.

C. Changes in the Net OPEB Liability

	Net OPEB Liability
Balance at June 30, 2022	\$ <u>1,563,574</u>
Changes for the year:	
Service cost	157,571
Interest	32,785
Difference between expected and actual experience	(326,573)
Changes of assumptions	(269,003)
Benefit payments	<u>(27,202)</u>
Net changes	<u>(432,422)</u>
Balance at June 30, 2023	<u><u>\$ 1,131,152</u></u>

Changes of assumptions reflects a change in the discount rate from 1.92 percent to 3.69 percent.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

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

C. Changes in the Net OPEB Liability (Continued)

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

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

	1% Decrease 2.69%	Current Rate 3.69%	1% Increase 4.69%
Net OPEB liability	\$ 1,331,623	\$ 1,131,152	\$ 970,553

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

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

	Current Trend -1%	Current Trend	Current Trend +1%
Net OPEB Liability	\$ 946,730	\$ 1,131,152	\$ 1,369,016

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$86,021. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	\$ 54,911	\$ -
Changes of assumptions	164,239	(266,737)
Differences between expected and actual experience	-	(632,007)
Total	\$ 219,150	(\$ 898,744)

\$54,911 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30			
2024	(\$	104,155)	
2025	(100,427)	
2026	(91,258)	
2027	(94,771)	
2028	(105,534)	
Thereafter	(238,360)	
	(\$	734,505)	

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

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.

NOTE 11: OTHER INFORMATION

A. Subsequent Events

On October 17, 2023, the District entered into a bond purchase agreement with the Hidden Valley Lake Community Services District Public Finance Authority not to exceed \$5,000,000 to finance the acquisition and construction of certain existing improvements, betterments, renovations and expansions of facilities within its water system.

Management has evaluated events subsequent to June 30, 2023 through January 20, 2024, the date on which the financial statements were available for issuance. Management has determined no other subsequent events requiring disclosure have occurred.

**Required Supplementary Information
(Unaudited)**

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023
Last 10 Years*

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

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

<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>
0.03725%	0.03809%	0.03751%	0.04307%	0.03944%
\$ 1,403,810	\$ 1,525,450	\$ 1,582,280	\$ 817,874	\$ 1,845,298
773,598	858,574	784,205	851,369	999,422
181.47%	177.67%	201.77%	96.07%	184.64%
74.97%	74.75%	75.65%	88.06%	75.36%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2023
Last 10 Years*

Fiscal Year	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
Miscellaneous Plan				
Contractually required contributions (actuarially determined)	\$ 134,328	\$ 146,971	\$ 154,945	\$ 167,579
Contributions in relation to the actuarially determined contributions	<u>(134,328)</u>	<u>(146,971)</u>	<u>(154,945)</u>	<u>(167,579)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 758,445	\$ 794,520	\$ 746,828	\$ 773,598
Contributions as a percentage of covered payroll	18.37%	18.50%	20.75%	21.66%

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

<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>
\$ 196,316	\$ 209,290	\$ 184,404	\$ 206,822	\$ 223,591
<u>(196,316)</u>	<u>(209,290)</u>	<u>(184,404)</u>	<u>(206,822)</u>	<u>(223,591)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 858,574 22.87%	\$ 784,205 26.69%	\$ 851,369 21.66%	\$ 999,422 20.69%	\$ 1,021,003 21.90%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2023

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

Summary of Changes of Benefits or Assumptions

Benefit Changes: None

Changes of Assumptions: None

NOTE 2: SCHEDULE OF CONTRIBUTIONS

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

Valuation Date	June 30, 2021
Actuarial cost method	Individual Entry Age Normal (Pre-2019 basis), Level Dollar
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining amortization period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Discount rate	7.00%
Payroll Growth	2.75%
Inflation	2.50%
Salary increases	Varies based on entry age and service
Investment rate of return	7.00%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2023
Last 10 Years*

Fiscal Year	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Net OPEB Liability				
Service Cost	\$ 168,137	\$ 150,829	\$ 153,728	\$ 176,637
Interest	35,914	46,055	52,382	55,105
Differences between expected and actual experience	-	-	-	(521,254)
Changes of assumptions	(95,664)	(12,151)	118,430	6,626
Benefit payments	<u>(20,997)</u>	<u>(33,593)</u>	<u>(35,000)</u>	<u>(32,845)</u>
Net Change in Net OPEB Liability	87,390	151,140	289,540	(315,731)
Net OPEB Liability - Beginning	<u>1,072,269</u>	<u>1,159,659</u>	<u>1,310,799</u>	<u>1,600,339</u>
Net OPEB Liability - Ending	<u>\$ 1,159,659</u>	<u>\$ 1,310,799</u>	<u>\$ 1,600,339</u>	<u>\$ 1,284,608</u>
Covered-employee payroll	\$ 770,191	\$ 804,618	\$ 915,742	\$ 839,034
Net OPEB liability as a percentage of covered-employee payroll	150.57%	162.91%	174.76%	153.11%

* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only six years are shown.

<u>2021/2022</u>	<u>2022/2023</u>
\$ 134,517	\$ 157,571
34,433	32,785
-	(326,573)
134,336	(269,003)
<u>(24,320)</u>	<u>(27,202)</u>
278,966	(432,422)
<u>1,284,608</u>	<u>1,563,574</u>
<u>\$ 1,563,574</u>	<u>\$ 1,131,152</u>
\$ 937,333	\$ 1,027,052
166.81%	110.14%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District OPEB Plan
Note to District OPEB Plan
For the Year Ended June 30, 2023

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

The Discount rate was changed to 3.69 percent as of June 30, 2022, from 1.92 percent as of June 30, 2021.

Combining Fund Financial Statements

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2023

	Sewer	1995-2 Bond Redemption	USDA Solar Loan	Wastewater Capital Facilities Reserved
ASSETS				
Current Assets:				
Cash and investments	\$ 376,365	\$ 487,855	\$ 9,281	\$ 214,589
Investments with fiscal agent	-	148,836	-	-
Receivables:				
Accounts (net of allowance)	231,059	-	-	-
Assessments	-	82,355	-	-
Interest	587	763	7	473
Prepaid costs	40,150	-	-	-
Total Current Assets	648,161	719,809	9,288	215,062
Noncurrent Assets:				
Delinquent assessments receivable	-	119,800	-	-
Capital assets, net	2,740,657	-	-	-
Total Noncurrent Assets	2,740,657	119,800	-	-
Total Assets	3,388,818	839,609	9,288	215,062
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension adjustments	402,152	-	-	-
Deferred OPEB adjustments	109,575	-	-	-
Total Deferred Outflows of Resources	511,727	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts payable	22,612	-	-	-
Salaries and benefits payable	13,931	-	-	-
Interest payable	-	25,702	5,527	-
Compensated absences	14,026	-	-	-
Lease payable	1,962	-	-	-
Bonds payable	-	208,263	-	-
Certificates of participation	-	-	18,500	-
Total Current Liabilities	52,531	233,965	24,027	-
Noncurrent Liabilities:				
Compensated absences	4,706	-	-	-
Lease payable	2,292	-	-	-
Bonds payable	-	2,218,108	-	-
Certificates of participation	-	-	446,000	-
Net pension liability	922,649	-	-	-
Net OPEB liability	565,576	-	-	-
Total Noncurrent Liabilities	1,495,223	2,218,108	446,000	-
Total Liabilities	1,547,754	2,452,073	470,027	-

Continued (Page 1 of 2)

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
\$ 582,742	\$ 31,373	\$ 1,702,205
-	-	148,836
-	-	231,059
-	-	82,355
764	-	2,594
-	-	40,150
<u>583,506</u>	<u>31,373</u>	<u>2,207,199</u>
-	-	119,800
-	-	2,740,657
-	-	2,860,457
<u>583,506</u>	<u>31,373</u>	<u>5,067,656</u>
-	-	402,152
-	-	109,575
-	-	511,727
-	-	22,612
-	-	13,931
-	-	31,229
-	-	14,026
-	-	1,962
-	-	208,263
-	-	18,500
-	-	310,523
-	-	4,706
-	-	2,292
-	-	2,218,108
-	-	446,000
-	-	922,649
-	-	565,576
-	-	4,159,331
-	-	4,469,854

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2023

	Sewer	1995-2 Bond Redemption	USDA Solar Loan	Wastewater Capital Facilities Reserved
DEFERRED INFLOWS OF RESOURCES				
Deferred pension adjustments	62,182	-	-	-
Deferred OPEB adjustments	449,372	-	-	-
Total Deferred Inflows of Resources	511,554	-	-	-
NET POSITION				
Net investment in capital assets	2,736,403	(2,426,371)	(464,500)	-
Restricted for debt service	-	813,907	-	-
Restricted for capital facilities	-	-	-	215,062
Unrestricted	(895,166)	-	3,761	-
Total Net Position	\$ 1,841,237	\$ (1,612,464)	\$ (460,739)	\$ 215,062

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
-	-	62,182
-	-	449,372
-	-	511,554
-	-	(154,468)
-	31,373	845,280
-	-	215,062
583,506	-	(307,899)
<u>\$ 583,506</u>	<u>\$ 31,373</u>	<u>\$ 597,975</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, 2023

	Sewer	1995-2 Bond Redemption	USDA Solar Loan	Wastewater Capital Facilities Reserved
OPERATING REVENUES				
Assessments	\$ -	\$ 258,177	\$ -	\$ -
Permits and inspections	9,417	-	-	38,148
Charges for services	2,041,314	-	-	-
Miscellaneous	39,230	75,309	-	-
Total Operating Revenues	2,089,961	333,486	-	38,148
OPERATING EXPENSES				
Salaries and benefits	906,941	-	-	-
Insurance	114,390	-	-	-
Office expenses	36,564	-	-	-
Continuing education	7,087	-	-	-
Dues and subscriptions	13,509	-	-	-
Postage	8,146	-	-	-
Repairs and maintenance	201,192	-	-	-
Gas, fuel and oil	20,555	-	-	-
Supplies	86,671	-	-	-
Professional services	177,096	12,574	-	-
Rents and leases	4,966	-	-	-
Travel	9,501	-	-	-
Telephone	16,765	-	-	-
Power	116,494	-	-	-
Other utilities	3,335	-	-	-
Depreciation	361,999	-	-	-
Other operating	3,309	-	-	-
Office and safety equipment	7,772	-	-	-
Directors compensation	3,230	-	-	-
Environmental monitoring	54,410	-	-	-
Disaster mitigation	21,824	-	-	-
Rains 2023	1,080	-	-	-
Regulatory compliance	64,757	-	-	-
Annual operating fees	23,968	-	-	-
Total Operating Expenses	2,265,561	12,574	-	-
Operating Income (Loss)	(175,600)	320,912	-	38,148
NON-OPERATING REVENUES (EXPENSES)				
Interest income	2,011	6,938	27	1,397
Intergovernmental revenues	107,934	-	-	-
Gain on sale of assets	8,049	-	-	-
Interest expense	(10)	(82,393)	(13,980)	-
Total Non-Operating Revenues (Expenses)	117,984	(75,455)	(13,953)	1,397
Income (Loss) Before Transfers	(57,616)	245,457	(13,953)	39,545

Continued (Page 1 of 2)

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
\$ -	\$ -	\$ 258,177
-	-	47,565
-	-	2,041,314
-	-	114,539
-	-	2,461,595
-	-	906,941
-	-	114,390
-	-	36,564
-	-	7,087
-	-	13,509
-	-	8,146
-	-	201,192
-	-	20,555
-	-	86,671
-	-	189,670
-	-	4,966
-	-	9,501
-	-	16,765
-	-	116,494
-	-	3,335
-	-	361,999
-	-	3,309
-	-	7,772
-	-	3,230
-	-	54,410
-	-	21,824
-	-	1,080
-	-	64,757
-	-	23,968
-	-	2,278,135
-	-	183,460
2,600	23	12,996
-	-	107,934
-	-	8,049
-	-	(96,383)
2,600	23	32,596
2,600	23	216,056

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses
and Changes in Net Position
Sewer Operations
For the Year Ended June 30, 2023

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
Transfers in (out)	(38,840)	-	32,205	-
Change in Net Position	(96,456)	245,457	18,252	39,545
Total Net Position - Beginning	1,937,693	(1,857,921)	(478,991)	175,517
Total Net Position - Ending	<u>\$ 1,841,237</u>	<u>\$ (1,612,464)</u>	<u>\$ (460,739)</u>	<u>\$ 215,062</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
-	-	(6,635)
2,600	23	209,421
580,906	31,350	388,554
<u>\$ 583,506</u>	<u>\$ 31,373</u>	<u>\$ 597,975</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2023

	Sewer	1995-2 Bond Redemption	USDA Solar Loan	Wastewater Capital Facilities Reserved
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,078,854	\$ 307,403	\$ -	\$ 38,148
Cash paid to suppliers	(1,023,784)	(12,574)	-	-
Cash paid to employees	(976,990)	-	-	-
Net Cash Provided (Used) by Operating Activities	78,080	294,829	-	38,148
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants received	107,934	-	-	-
Transfer in (out) from/to other funds	(38,840)	-	32,205	-
Net Cash Provided (Used) by Noncapital Financing Activities	69,094	-	32,205	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(276,642)	-	-	-
Proceeds from sale of capital assets	8,049	-	-	-
Principal paid on debt	(1,958)	(201,263)	(18,000)	-
Interest paid on debt	(10)	(86,728)	(14,205)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(270,561)	(287,991)	(32,205)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,566	6,699	22	1,035
Net Cash Provided (Used) by Investing Activities	1,566	6,699	22	1,035
Net Increase (Decrease) in Cash and Cash Equivalents	(121,821)	13,537	22	39,183
Balances - Beginning	498,186	623,154	9,259	175,406
Balances - Ending	\$ 376,365	\$ 636,691	\$ 9,281	\$ 214,589

Continued (Page 1 of 2)

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
\$ -	\$ -	\$ 2,424,405
-	-	(1,036,358)
-	-	(976,990)
-	-	411,057
-	-	107,934
-	-	(6,635)
-	-	101,299
-	-	(276,642)
-	-	8,049
-	-	(221,221)
-	-	(100,943)
-	-	(590,757)
2,015	23	11,360
2,015	23	11,360
2,015	23	(67,041)
580,727	31,350	1,918,082
<u>\$ 582,742</u>	<u>\$ 31,373</u>	<u>\$ 1,851,041</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2023

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (175,600)	\$ 320,912	\$ -	\$ 38,148
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	361,999	-	-	-
Decrease (increase) in:				
Accounts receivable	(11,107)	-	-	-
Assessments receivable	-	(26,083)	-	-
Prepaid costs	(22,608)	-	-	-
Pension adjustment - deferred outflows	(249,326)	-	-	-
OPEB adjustment - deferred outflows	2,050	-	-	-
Increase (decrease) in:				
Accounts payable	(4,555)	-	-	-
Salaries and benefits payable	(21,877)	-	-	-
Compensated absences	1,573	-	-	-
Net pension liability	513,712	-	-	-
Net OPEB liability	(216,211)	-	-	-
Pension adjustment - deferred inflows	(329,776)	-	-	-
OPEB adjustment - deferred inflows	229,806	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 78,080</u>	<u>\$ 294,829</u>	<u>\$ -</u>	<u>\$ 38,148</u>

<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>Total Sewer Operations</u>
\$ -	\$ -	\$ 183,460
-	-	361,999
-	-	(11,107)
-	-	(26,083)
-	-	(22,608)
-	-	(249,326)
-	-	2,050
-	-	(4,555)
-	-	(21,877)
-	-	1,573
-	-	513,712
-	-	(216,211)
-	-	(329,776)
-	-	229,806
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,057</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2023

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 316,355	\$ 93,212	\$ 184,621
Receivables:			
Accounts (net of allowance)	633,852	-	-
Interest	921	1,572	-
Prepaid costs	40,150	-	-
Inventory	290,261	-	-
Total Current Assets	<u>1,281,539</u>	<u>94,784</u>	<u>184,621</u>
Noncurrent Assets:			
Capital assets, net	3,271,178	-	-
Total Noncurrent Assets	<u>3,271,178</u>	<u>-</u>	<u>-</u>
Total Assets	<u>4,552,717</u>	<u>94,784</u>	<u>184,621</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	402,152	-	-
Deferred OPEB adjustments	109,575	-	-
Total Deferred Outflows of Resources	<u>511,727</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	95,685	-	-
Salaries and benefits payable	12,734	-	-
Interest payable	-	18,322	-
Compensated absences	14,026	-	-
Lease payable	1,962	-	-
Loans payable	-	121,960	-
Total Current Liabilities	<u>124,407</u>	<u>140,282</u>	<u>-</u>
Noncurrent Liabilities:			
Compensated absences	4,706	-	-
Lease payable	2,292	-	-
Loans payable	-	1,141,551	-
Net pension liability	922,649	-	-
Net OPEB liability	565,576	-	-
Total Noncurrent Liabilities	<u>1,495,223</u>	<u>1,141,551</u>	<u>-</u>
Total Liabilities	<u>1,619,630</u>	<u>1,281,833</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension adjustments	62,182	-	-
Deferred OPEB adjustments	449,372	-	-
Total Deferred Inflows of Resources	<u>511,554</u>	<u>-</u>	<u>-</u>

Continued (Page 1 of 2)

Water Operations Reserve	Water Capital Fund	Total Water Operations
\$ 180,181	\$ 1,650,173	\$ 2,424,542
-	-	633,852
-	-	2,493
-	-	40,150
-	-	290,261
<u>180,181</u>	<u>1,650,173</u>	<u>3,391,298</u>
-	-	3,271,178
-	-	3,271,178
<u>180,181</u>	<u>1,650,173</u>	<u>6,662,476</u>
-	-	402,152
-	-	109,575
-	-	511,727
-	-	95,685
-	-	12,734
-	-	18,322
-	-	14,026
-	-	1,962
-	-	121,960
-	-	264,689
-	-	4,706
-	-	2,292
-	-	1,141,551
-	-	922,649
-	-	565,576
-	-	2,636,774
-	-	2,901,463
-	-	62,182
-	-	449,372
-	-	511,554

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2023

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
NET POSITION			
Net investment in capital assets	3,266,924	(1,263,511)	-
Restricted for debt service	-	-	184,621
Restricted for capital facilities	-	-	-
Unrestricted	(333,664)	76,462	-
Total Net Position	\$ 2,933,260	\$ (1,187,049)	\$ 184,621

<u>Water Operations Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
-	-	2,003,413
-	-	184,621
-	1,650,173	1,650,173
180,181	-	(77,021)
<u>\$ 180,181</u>	<u>\$ 1,650,173</u>	<u>\$ 3,761,186</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses
and Changes in Net Position
Water Operations
For the Year Ended June 30, 2023

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
OPERATING REVENUES			
Charges for services	\$ 2,938,540	\$ 36,548	\$ -
Miscellaneous	66,249	-	-
Total Operating Revenues	<u>3,004,789</u>	<u>36,548</u>	<u>-</u>
OPERATING EXPENSES			
Salaries and benefits	885,336	-	-
Insurance	114,657	-	-
Office expenses	37,809	-	-
Continuing education	5,910	-	-
Dues and subscriptions	30,782	-	-
Postage	8,240	-	-
Repairs and maintenance	156,901	-	-
Gas, fuel and oil	20,554	-	-
Rents and leases	6,264	-	-
Supplies	6,681	-	-
Professional services	126,081	-	-
Travel	10,859	-	-
Telephone	16,765	-	-
Power	186,181	-	-
Other utilities	3,335	-	-
Depreciation	251,235	-	-
Other operating	6,467	-	-
Office and safety equipment	6,994	-	-
Director's compensation	3,229	-	-
Environmental monitoring	13,576	-	-
Water conservation	247	-	-
Water rights	1,164	-	-
Disaster mitigation	22,194	-	-
Reliable water supply	561,898	-	-
Regulatory compliance	7,321	-	-
Annual operating fees	19,074	4,144	-
Total Operating Expenses	<u>2,509,754</u>	<u>4,144</u>	<u>-</u>
Operating Income (Loss)	<u>495,035</u>	<u>32,404</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	3,047	4,668	-
Intergovernmental revenue	419,529	-	-
Gain on sale of assets	8,049	-	-
Interest expense	(10)	(46,363)	-
Total Non-Operating Revenues (Expenses)	<u>430,615</u>	<u>(41,695)</u>	<u>-</u>
Income (Loss) Before Transfers	925,650	(9,291)	-
Transfers in (out)	(1,426,037)	87,842	-
Change in Net Position	(500,387)	78,551	-
Total Net Position - Beginning	<u>3,433,647</u>	<u>(1,265,600)</u>	<u>184,621</u>
Total Net Position - Ending	<u>\$ 2,933,260</u>	<u>\$ (1,187,049)</u>	<u>\$ 184,621</u>

Water Operating Reserve	Water Capital Fund	Total Water Operations
\$ -	\$ -	\$ 2,975,088
-	-	66,249
-	-	3,041,337
-	-	885,336
-	-	114,657
-	-	37,809
-	-	5,910
-	-	30,782
-	-	8,240
-	-	156,901
-	-	20,554
-	-	6,264
-	-	6,681
-	-	126,081
-	-	10,859
-	-	16,765
-	-	186,181
-	-	3,335
-	-	251,235
-	-	6,467
-	-	6,994
-	-	3,229
-	-	13,576
-	-	247
-	-	1,164
-	-	22,194
-	-	561,898
-	-	7,321
-	-	23,218
-	-	2,513,898
-	-	527,439
132	528	8,375
-	-	419,529
-	-	8,049
-	-	(46,373)
132	528	389,580
132	528	917,019
-	1,338,195	-
132	1,338,723	917,019
180,049	311,450	2,844,167
\$ 180,181	\$ 1,650,173	\$ 3,761,186

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Water Operations
For the Year Ended June 30, 2023

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,733,791	\$ 36,548	\$ -
Cash paid to suppliers	(1,428,540)	(4,144)	-
Cash paid to employees	(956,485)	-	-
Net Cash Provided (Used) by Operating Activities	<u>348,766</u>	<u>32,404</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants received	419,529	-	-
Transfers in (out) from/to other funds	(1,426,037)	87,842	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,006,508)</u>	<u>87,842</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(243,980)	-	-
Proceeds from sale of capital assets	8,049	-	-
Principal paid on debt	(1,957)	(117,859)	-
Interest paid on debt	(10)	(48,072)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(237,898)</u>	<u>(165,931)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,385	3,119	-
Net Cash Provided (Used) by Investing Activities	<u>2,385</u>	<u>3,119</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(893,255)	(42,566)	-
Balances - Beginning	<u>1,209,610</u>	<u>135,778</u>	<u>184,621</u>
Balances - Ending	<u>\$ 316,355</u>	<u>\$ 93,212</u>	<u>\$ 184,621</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 495,035	\$ 32,404	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	251,235	-	-
Decrease (increase) in:			
Accounts receivable	(270,998)	-	-
Prepaid costs	(22,608)	-	-
Inventory	(99,788)	-	-
Pension adjustment - deferred outflows	(249,326)	-	-
OPEB adjustment - deferred outflows	2,050	-	-
Increase (decrease) in:			
Accounts payable	67,039	-	-
Salaries and benefits payable	(22,977)	-	-
Compensated absences	1,573	-	-
Net pension liability	513,712	-	-
Net OPEB liability	(216,211)	-	-
Pension adjustment - deferred inflows	(329,776)	-	-
OPEB adjustment - deferred inflows	229,806	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 348,766</u>	<u>\$ 32,404</u>	<u>\$ -</u>

Water Operating Reserve	Water Capital Fund	Total Water Operations
\$ -	\$ -	\$ 2,770,339
-	-	(1,432,684)
-	-	(956,485)
-	-	381,170
-	-	419,529
-	1,338,195	-
-	1,338,195	419,529
-	-	(243,980)
-	-	8,049
-	-	(119,816)
-	-	(48,082)
-	-	(403,829)
132	528	6,164
132	528	6,164
132	1,338,723	403,034
180,049	311,450	2,021,508
<u>\$ 180,181</u>	<u>\$ 1,650,173</u>	<u>\$ 2,424,542</u>
\$ -	\$ -	\$ 527,439
-	-	251,235
-	-	(270,998)
-	-	(22,608)
-	-	(99,788)
-	-	(249,326)
-	-	2,050
-	-	67,039
-	-	(22,977)
-	-	1,573
-	-	513,712
-	-	(216,211)
-	-	(329,776)
-	-	229,806
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,170</u>

OTHER REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District, California (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

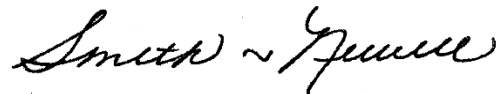
To the Board of Directors
Hidden Valley Lake Community Services District
Hidden Valley Lake, California

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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



Smith & Newell CPAs
Yuba City, California
January 20, 2024