

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2015**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

**Annual Financial Report
For the Year Ended June 30, 2015**

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INTRODUCTORY SECTION

- **List of Officials**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Board of Directors

For the Year Ended June 30, 2015

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

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Hidden Valley Lake Community Services District, Middletown, California (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1N to the financial statements, in 2015, the District implemented, if applicable, Governmental Accounting Standards Board (GASB) Statement Nos. 68, 69, and 71. The implementation of GASB 68 and 71 resulted in the restatement of beginning net position for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

As described in Note 8B, the net pension liability is measured as of June 30, 2014, and the pension expense is for the measurement period of 2013-14. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell, CPAs
Yuba City, California
December 17, 2015

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

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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. Readers are encouraged to consider the information presented here in conjunction with the Annual Financial Statements.

Overview of the Financial Statements

The financial section of this report consists of five parts.

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

Financial Highlights

Entity-wide:

- The District’s total net position was \$3,863,954 as of June 30, 2015. Of this total, \$2,885,565 was net investment in capital assets.
- The District’s total revenues include operating program revenues of \$3,194,501, and general revenues of \$141,309 for a total of \$3,335,810.
- District expenses were \$3,698,149.

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

Government Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private sector business. The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements

A “fund” is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two proprietary funds: Sewer Operations and Water Operations. The fund financial statements can be found on pages 9 through 14 of this report. Proprietary funds distinguish operating revenues and expenses from non-operating items.

Notes to Financial Statements

The notes provide additional information that is essential to fully understanding the data provided in the financial statements. The notes to the financial statements can be found on pages 15 through 35 of this report.

Table 1
Condensed Statement of Net Position
June 30,

	Total	
	2015	2014
Assets:		
Current and other assets	\$ 2,593,880	\$ 3,185,173
Capital assets	9,266,625	10,145,963
Total Assets	11,860,505	13,331,136
Deferred Outflows of Resources:		
Pension adjustments	169,935	-
Total Deferred Outflows of Resources	169,935	-
Liabilities:		
Current and other liabilities	210,422	183,238
Long-term liabilities	7,740,087	7,959,899
Total Liabilities	7,950,509	8,143,137
Deferred Inflows of Resources:		
Pension adjustments	215,977	-
Total Deferred Inflows of Resources	215,977	-
Net Position:		
Net investment in capital assets	2,885,565	2,581,226
Restricted	1,247,875	1,971,067
Unrestricted	(269,486)	635,706
Total Net Position	\$ 3,863,954	\$ 5,187,999

Net position represents the difference between the District's resources and its obligations. At June 30, 2015, a portion of the District's total net position, -7%, reflects the unrestricted net position. Unrestricted net position is considered the residual component of net position, meaning they are not restricted or a part of the net investment in capital assets. Additionally, the District had 20.13% of its net position restricted for debt service and 12.16% restricted for capital facilities. Finally, 74.68% of the District's net position represents the net investment in capital assets. These capital assets are used by the District to provide services to citizens. Additional capital asset information can be found in the Capital Assets and Debt Administration section of this MD&A.

Table 2
Condensed Statement of Activities
For the Year Ended June 30,

	Total	
	2015	2014
Program Revenues:		
Charges for services	\$ 2,288,816	\$ 2,353,992
Operating grants and contributions	905,685	865,927
Total Program Revenues	<u>3,194,501</u>	<u>3,219,919</u>
General Revenues:		
Interest and investment earnings	3,503	5,976
Miscellaneous	137,806	129,641
Total General Revenues	<u>141,309</u>	<u>135,617</u>
Total Revenues	<u>3,335,810</u>	<u>3,355,536</u>
Program Expenses:		
Sewer	2,297,037	2,401,922
Water	1,401,112	1,529,640
Total Expenses	<u>3,698,149</u>	<u>3,931,562</u>
Change in net position	<u>(362,339)</u>	<u>(576,026)</u>
Net Position - Beginning	5,187,999	5,764,025
Cumulative effect of change in accounting principal	(961,706)	-
Net Position - Beginning, Restated	<u>4,226,293</u>	<u>5,764,025</u>
Net Position - Ending	<u>\$ 3,863,954</u>	<u>\$ 5,187,999</u>

Capital Asset Administration

The District's net capital assets decreased from \$10,145,963 to \$9,266,625 for the year ended June 30, 2015. The total decrease was \$878,538 including additions and adjustment to capital assets of \$63,626 and additions to accumulated depreciation of \$942,164. Details of the capital asset transactions can be found on pages 23 and 24, Note 4.

Debt Administration

The District's long-term debt was for the infrastructure of water lines, sewer lines, pump stations and processing plant. At year end June 30, 2015, the long-term debt decreased from \$7,959,899 to \$7,740,087 due to payments. Details of the debt outstanding can be found on pages 25 and 26, Note 6.

Economic Factors and Next Year's Budget

The effects of slow economic recovery are being addressed through a comprehensive rate study and five year plan to increase water and sewer use charges. For fiscal year 2014/2015, Hidden Valley Lake Community Services District had only four new water connections and two new sewer connections. This is consistent with numbers throughout the economic downturn. Although the housing market appears to have stabilized, new construction remains slow.

Requests for Information

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

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Basic Financial Statements

- **Government-Wide Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2015

	<u>Business-Type Activities</u>
ASSETS	
Cash and investments	\$ 2,041,738
Receivables:	
Accounts (net of allowance)	321,934
Assessments	55,068
Delinquent assessments	71,494
Prepaid costs	103,646
Capital assets:	
Non-depreciable assets	605,586
Depreciable assets, net of depreciation	8,661,039
Total capital assets	<u>9,266,625</u>
Total Assets	<u>11,860,505</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension adjustment	<u>169,935</u>
Total Deferred Outflows of Resources	<u>169,935</u>
LIABILITIES	
Accounts payable	71,899
Salaries and benefits payable	33,064
Interest payable	105,459
Long-term liabilities:	
Due within one year	255,533
Due in more than one year	<u>7,484,554</u>
Total Liabilities	<u>7,950,509</u>
DEFERRED INFLOWS OF RESOURCES	
Pension adjustment	<u>215,977</u>
Total Deferred Inflows of Resources	<u>215,977</u>
NET POSITION	
Net investment in capital assets	2,885,565
Restricted for debt service	777,927
Restricted for capital facilities	469,948
Unrestricted	<u>(269,486)</u>
Total Net Position	<u><u>\$ 3,863,954</u></u>

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Business-type activities:					
Sewer	\$ 2,297,037	\$ 1,023,633	\$ 905,685	\$ -	\$ (367,719)
Water	1,401,112	1,265,183	-	-	(135,929)
Total Business-Type Activities	<u>3,698,149</u>	<u>2,288,816</u>	<u>905,685</u>	<u>-</u>	<u>(503,648)</u>
Total	<u>\$ 3,698,149</u>	<u>\$ 2,288,816</u>	<u>\$ 905,685</u>	<u>\$ -</u>	<u>(503,648)</u>
General revenues:					
				3,503	
Interest and investment earnings				137,806	
Miscellaneous				<u>137,806</u>	
Total General Revenues				<u>141,309</u>	
Change in Net Position				<u>(362,339)</u>	
Net Position - Beginning				5,187,999	
Cumulative effect of a change in accounting principle				<u>(961,706)</u>	
Net Position - Beginning, Restated				<u>4,226,293</u>	
Net Position - Ending				<u>\$ 3,863,954</u>	

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

Basic Financial Statements

- **Fund Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
Enterprise Funds
June 30, 2015

	Sewer Operations	Water Operations	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ 1,729,026	\$ 312,712	\$ 2,041,738
Receivables:			
Accounts (net of allowance)	141,947	179,987	321,934
Assessments	55,068	-	55,068
Prepaid costs	51,823	51,823	103,646
Due from other funds	-	65,134	65,134
	1,977,864	609,656	2,587,520
Total Current Assets			
Noncurrent Assets:			
Advances to other funds	366,085	-	366,085
Delinquent assessments receivable	71,494	-	71,494
Capital assets, net	5,359,344	3,907,281	9,266,625
	5,796,923	3,907,281	9,704,204
Total Noncurrent Assets			
	7,774,787	4,516,937	12,291,724
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Pension adjustments	81,285	88,650	169,935
	81,285	88,650	169,935
Total Deferred Outflows of Resources			

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
Enterprise Funds
June 30, 2015

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Totals</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	17,793	54,106	71,899
Salaries and benefits payable	15,613	17,451	33,064
Interest payable	74,971	30,488	105,459
Due to other funds	-	65,134	65,134
Compensated absences	14,875	16,397	31,272
Bonds	117,000	-	117,000
Loans	-	92,761	92,761
Certificates of participation	14,500	-	14,500
Total Current Liabilities	<u>254,752</u>	<u>276,337</u>	<u>531,089</u>
Noncurrent Liabilities:			
Advances from other funds	25,085	341,000	366,085
Compensated absences	4,320	4,762	9,082
Bonds	3,567,000	-	3,567,000
Loans	-	2,009,799	2,009,799
Certificates of participation	580,000	-	580,000
Net pension liability	420,988	459,132	880,120
Net OPEB obligation	198,368	240,185	438,553
Total Noncurrent Liabilities	<u>4,795,761</u>	<u>3,054,878</u>	<u>7,850,639</u>
Total Liabilities	<u>5,050,513</u>	<u>3,331,215</u>	<u>8,381,728</u>
DEFERRED INFLOWS OF RESOURCES			
Pension adjustments	103,308	112,669	215,977
Total Deferred Inflows of Resources	<u>103,308</u>	<u>112,669</u>	<u>215,977</u>
NET POSITION			
Net investment in capital assets	1,080,844	1,804,721	2,885,565
Restricted for debt service	607,493	170,434	777,927
Restricted for capital facilities	463,931	6,017	469,948
Unrestricted	549,983	(819,469)	(269,486)
Total Net Position	<u>\$ 2,702,251</u>	<u>\$ 1,161,703</u>	<u>\$ 3,863,954</u>

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

Continued (Page 2 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses,
And Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2015

	Sewer Operations	Water Operations	Totals
OPERATING REVENUES			
Assessments	\$ 905,685	\$ -	\$ 905,685
Permits and inspections	24,234	-	24,234
Charges for services	999,399	1,265,183	2,264,582
Miscellaneous	107,001	30,805	137,806
Total Operating Revenues	2,036,319	1,295,988	3,332,307
OPERATING EXPENSES			
Salaries and benefits	627,504	723,176	1,350,680
Insurance	66,502	(5,576)	60,926
Office expenses	19,407	19,631	39,038
Contract services	60,376	-	60,376
Continuing education	10,683	9,679	20,362
Dues and subscriptions	3,780	14,752	18,532
Postage	1,342	1,342	2,684
Repairs and maintenance	97,119	77,767	174,886
Gas, fuel and oil	9,203	9,203	18,406
Supplies	14,196	1,425	15,621
Professional services	115,810	220,431	336,241
Travel	516	3,167	3,683
Telephone	7,133	7,133	14,266
Power	18,537	147,205	165,742
Depreciation	926,232	15,932	942,164
Other operating	38,770	4,193	42,963
Office and safety equipment	5,346	5,435	10,781
Director's compensation	-	1,434	1,434
Environmental monitoring	33,063	17,456	50,519
Water conservation	-	8,693	8,693
Water rights	-	18,480	18,480
Annual operating fees	1,632	25,164	26,796
Total Operating Expenses	2,057,151	1,326,122	3,383,273
Operating Income (Loss)	(20,832)	(30,134)	(50,966)

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses,
And Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2015

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Totals</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	2,842	661	3,503
Interest expense	<u>(239,886)</u>	<u>(74,990)</u>	<u>(314,876)</u>
Total Non-Operating Revenue (Expenses)	<u>(237,044)</u>	<u>(74,329)</u>	<u>(311,373)</u>
Income (Loss) Before Transfers	(257,876)	(104,463)	(362,339)
Transfers in	388,859	7,987	396,846
Transfers out	<u>(388,859)</u>	<u>(7,987)</u>	<u>(396,846)</u>
Change in Net Position	<u>(257,876)</u>	<u>(104,463)</u>	<u>(362,339)</u>
Total Net Position - Beginning	3,420,140	1,767,859	5,187,999
Cumulative effect of a change in accounting principle	<u>(460,013)</u>	<u>(501,693)</u>	<u>(961,706)</u>
Total Net Position - Beginning, Restated	<u>2,960,127</u>	<u>1,266,166</u>	<u>4,226,293</u>
Total Net Position - Ending	<u>\$ 2,702,251</u>	<u>\$ 1,161,703</u>	<u>\$ 3,863,954</u>

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

Continued (Page 2 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2015

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,106,599	\$ 1,326,136	\$ 3,432,735
Cash paid to suppliers	(511,672)	(590,336)	(1,102,008)
Cash paid to employees	(601,564)	(692,961)	(1,294,525)
Net Cash Provided (Used) by Operating Activities	<u>993,363</u>	<u>42,839</u>	<u>1,036,202</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	388,859	7,987	396,846
Transfers to other funds	(388,859)	(7,987)	(396,846)
Interfund loans received	-	65,134	65,134
Interfund loans made	-	(65,134)	(65,134)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on debt	(1,094,035)	(89,642)	(1,183,677)
Interest paid on debt	(251,219)	(76,289)	(327,508)
Acquisition of capital assets	(54,839)	(7,987)	(62,826)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,400,093)</u>	<u>(173,918)</u>	<u>(1,574,011)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,842	661	3,503
Net Cash Provided (Used) by Investing Activities	<u>2,842</u>	<u>661</u>	<u>3,503</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(403,888)	(130,418)	(534,306)
Balances - Beginning	<u>2,132,914</u>	<u>443,130</u>	<u>2,576,044</u>
Balances - Ending	<u>\$ 1,729,026</u>	<u>\$ 312,712</u>	<u>\$ 2,041,738</u>

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2015

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (20,832)	\$ (30,134)	\$ (50,966)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	926,232	15,932	942,164
Decrease (increase) in:			
Accounts receivable	50,392	30,149	80,541
Assessments receivable	19,888	-	19,888
Prepaid costs	(21,721)	(21,721)	(43,442)
Pension adjustment - deferred outflows	(16,990)	(18,530)	(35,520)
Increase (decrease) in:			
Accounts payable	13,464	18,399	31,863
Salaries and benefits payable	3,142	4,811	7,953
Compensated absences payable	(2,717)	(1,094)	(3,811)
Net pension liability	(103,320)	(112,681)	(216,001)
Net OPEB obligation	42,517	45,039	87,556
Pension adjustment - deferred inflows	103,308	112,669	215,977
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 993,363</u>	 <u>\$ 42,839</u>	 <u>\$ 1,036,202</u>

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

Continued (Page 2 of 2)

Basic Financial Statements

- **Notes to Basic Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Component Units

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

Joint Agencies

The District is a participant in the Special District Risk Management Authority (SDRMA), which is a joint powers agency organized for the purpose of pooled joint-protection coverage to member entities. SDRMA operates public entity pool's for auto and general liability coverage, plus workers compensation and errors and omissions coverage and pool purchases excess insurance for members. Complete audited financial statements of SDRMA can be obtained at 1481 River Park Drive, Suite 110, Sacramento, CA 95815. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

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 about the combined operations of the District. Eliminations have been made to minimize the double counting of internal activities. These statements present the business-type activities of the District, which rely to a significant extent on assessments and fees charged to external parties.

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

Fund Financial Statements

The fund financial statements provide information about the District funds. Funds are organized into the proprietary fund type. The operations of the District are organized as a series of sub-funds consolidated into four 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 grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash, Cash Equivalents, and Investments

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

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

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

E. Receivables

Receivables consist mainly of user fees, assessments, and delinquent assessments. Although Management believes all assessments are ultimately collective because they are collected with property taxes, management has established an allowance for doubtful accounts of \$759 for the Sewer Operations fund, and \$635 for the Water Operations fund. Accounts receivables are stated net of these amounts.

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

F. Other Assets

Inventory

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

Prepaid Costs

Certain payments to vendors reflects costs applicable to future accounting periods and are recorded as prepaid items. 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

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

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-30 years
Structures and Improvements	5-30 years
Infrastructure	20-75 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is to be included in the results of operations.

H. Assessment Revenue

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

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

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

I. Interfund Transactions

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

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

Services provided or used, deemed to be at market or near market rates, are treated as revenues and 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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.

J. Compensated Absences

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

K. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

L. 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 one item that qualifies for reporting in this category. This item relates to the pension adjustments and is 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 one item that qualifies for reporting in this category. This item relates to the pension adjustments and is reportable on the Statement of Net Position.

M. 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.

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Implementation of Governmental Accounting Standards Board Statements (GASB) (Continued)

Statement No. 68, Accounting and Financial Reporting for Pensions. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provisions of Statement No. 68.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Restatement of Net Position

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the District reports these changes as restatements of beginning net position. During the current year a prior period adjustment was made to reflect the prior period costs related to implementing the net pension liability as required by GASB Statement No. 68.

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

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Business-Type Activities</u>
Net Position, June 30, 2014, as previously reported	\$ 3,420,140	\$ 1,767,859	\$ 5,187,999
Adjustment associated with:			
Net Pension Liability Adjustment	<u>(460,013)</u>	<u>(501,693)</u>	<u>(961,706)</u>
Total Adjustments	<u>(460,013)</u>	<u>(501,693)</u>	<u>(961,706)</u>
Net Position, July 1, 2014, as restated	<u>\$ 2,960,127</u>	<u>\$ 1,266,166</u>	<u>\$ 4,226,293</u>

B. Deficit Net Position

The sub-funds within the following enterprise funds had deficit net position at June 30, 2015:

Sewer Operations:		
1995-2 Bond Redemption		\$ 3,125,873
USDA Solar Loan		\$ 524,319
Water Operations:		
CIEDB Loan Redemption		\$ 2,299,170

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2015, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 600
Deposits (less outstanding checks)	<u>888,212</u>
Total Cash	<u>888,812</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>1,152,926</u>
Total Investments	<u>1,152,926</u>
Total Cash and Investments	<u>\$ 2,041,738</u>

B. Cash

At year end, the carrying amount of the District's cash deposits (including amount in checking accounts, money market accounts and certificates of deposit) was \$888,212 and the bank balance was \$894,216. 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.

C. Investments

The District has an investment policy, the purpose of which is to establish guidelines to assure the investment of all of its surplus funds with the Local Agency Investment Fund, administered by the Treasurer of the State of California, to assure in priority order; Safety, Liquidity and Yield with minimum risk and administrative cost. Upon a positive vote by the Board, the District may invest in other securities and instruments as noted below.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

- Repurchase Agreements
- Local Agency Investment Fund
- 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

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations. Any investments that mature more than five years from the date of purchase cannot occur without prior approval of the Board of Directors.

As of June 30, 2015, the District had the following investments, all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Local Agency Investment Fund (LAIF)	Variable	\$ 1,152,926	\$ -	\$ 1,152,926	-
Total		<u>\$ 1,152,926</u>	<u>\$ -</u>	<u>\$ 1,152,926</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. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase. Presented below is the minimum rating required (where applicable) by the District's investment policy, and the actual rating as of year end for each investment type.

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's investment policy contains limitations on the amount that can be invested in any one issuer.

D. Investment in External Investment Pools

Investment in Local Agency Investment Fund - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designed by State statute. Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the District's position in the pool is the same as the value of the pooled shares. At June 30, 2015 the District's investment position in LAIF was \$1,152,926. The total amount invested by all public agencies in LAIF on that day was \$69,606,487,716. Of that amount, 97.92% is invested in non-derivative financial products and 2.08% in structured notes and asset-backed securities.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Adjustments	Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Land	\$ 603,050	\$ 2,536	\$ -	\$ 605,586
Total Capital Assets, Not Being Depreciated	<u>603,050</u>	<u>2,536</u>	<u>-</u>	<u>605,586</u>
Capital Assets, Being Depreciated:				
Structures and improvements	4,062,786	-	(37,152)	4,025,634
Equipment	1,640,359	42,511	(13,563)	1,669,307
Infrastructure	<u>25,256,428</u>	<u>17,422</u>	<u>37,383</u>	<u>25,311,233</u>
Total Capital Assets, Being Depreciated	<u>30,959,573</u>	<u>59,933</u>	<u>(13,332)</u>	<u>31,006,174</u>
Less Accumulated Depreciation for:				
Structures and improvements	(1,070,518)	(178,445)	(140,028)	(1,388,991)
Equipment	(1,253,806)	(31,197)	153,601	(1,131,402)
Infrastructure	<u>(19,092,336)</u>	<u>(732,522)</u>	<u>116</u>	<u>(19,824,742)</u>
Total Accumulated Depreciation	<u>(21,416,660)</u>	<u>(942,164)</u>	<u>13,689</u>	<u>(22,345,135)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,542,913</u>	<u>(882,231)</u>	<u>357</u>	<u>8,661,039</u>
Total Capital Assets, Net	<u>\$ 10,145,963</u>	<u>(\$ 879,695)</u>	<u>\$ 357</u>	<u>\$ 9,266,625</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation

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

Sewer	\$ 926,232
Water	<u>15,932</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 942,164</u>

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2015:

	<u>Due From Other funds</u>	<u>Due To Other funds</u>
Water Operations	\$ 65,134	\$ 65,134
Total	<u>\$ 65,134</u>	<u>\$ 65,134</u>

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans. The following are advances to/from other funds as of June 30, 2015:

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

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various District operations and re-allocations of special revenues. The following are interfund transfers for the fiscal year ended June 30, 2015:

	<u>Transfer In</u>	<u>Transfer Out</u>
Sewer Operations	\$ 388,859	\$ 388,859
Water Operations	<u>7,987</u>	<u>7,987</u>
Total	<u>\$ 396,846</u>	<u>\$ 396,846</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ 4,125,000	\$ -	(\$ 441,000)	\$ 3,684,000	\$ 117,000
Loans	2,831,237	-	(728,677)	2,102,560	92,761
Certificates of Participation	608,500	-	(14,000)	594,500	14,500
Compensated Absences	44,165	46,853	(50,664)	40,354	31,272
Net Pension Liability	-	1,096,121*	(216,001)	880,120	-
Net OPEB Obligation	<u>350,997</u>	<u>87,556</u>	<u>-</u>	<u>438,553</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 7,959,899</u>	<u>\$ 1,230,530</u>	<u>(\$ 1,450,342)</u>	<u>\$ 7,740,087</u>	<u>\$ 255,533</u>

*In accordance with GASB 68, the net pension liability is recorded as a prior period adjustment of net position. The adjustment to long-term liabilities is the total adjustment less the adjustments to deferred outflows and deferred inflows.

Individual issues of debt payable outstanding at June 30, 2015, are as follows:

Bonds:

Improvements Bonds Series 1995-2 issued August 16, 1995 in the amount of \$5,500,000, payable in annual installments of \$11,000-\$311,000 with an interest rate of 5.50% and maturity on September 2, 2034. The bonds were used to finance improvements to the sewer system.	<u>\$ 3,684,000</u>
Total Bonds	<u>3,684,000</u>

Loans:

California Infrastructure and Economic Development Bank Loan issued June 24, 2002 in the amount of \$3,000,000, payable in annual installments of \$61,530-\$160,350 with an interest rate of 3.48% and maturity on February 1, 2032. The loan was used to finance the expansion and upgrade of the water system.	<u>2,102,560</u>
Total Loans	<u>2,102,560</u>

Certificates of Participation:

2012 Series Certificate of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012 in the amount of \$640,000 payable in annual installments of \$14,000 to \$31,500 with an interest rate of 3.00% and maturity on August 1, 2041. The Certificate of Participation was used to finance the sewer system solar project.	<u>594,500</u>
Total Certificates of Participation	<u>594,500</u>
Total	<u>\$ 6,381,060</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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

Year Ended June 30	Bonds		
	Principal	Interest	Total
2016	\$ 117,000	\$ 199,441	\$ 316,441
2017	123,000	192,841	315,841
2018	130,000	185,884	315,884
2019	137,000	178,541	315,541
2020	145,000	170,786	315,786
2021-2025	851,000	721,215	1,572,215
2026-2030	1,102,000	455,043	1,557,043
2031-2034	<u>1,079,000</u>	<u>120,282</u>	<u>1,199,282</u>
Total	<u>\$ 3,684,000</u>	<u>\$ 2,224,033</u>	<u>\$ 5,908,033</u>

Year Ended June 30	Loans		
	Principal	Interest	Total
2016	\$ 92,762	\$ 73,169	\$ 165,931
2017	95,990	69,941	165,931
2018	99,330	66,601	165,931
2019	102,787	63,144	165,931
2020	106,364	59,567	165,931
2021-2025	589,984	239,669	829,653
2026-2030	700,039	129,613	829,652
2031-2032	<u>315,304</u>	<u>16,554</u>	<u>331,858</u>
Total	<u>\$ 2,102,560</u>	<u>\$ 718,258</u>	<u>\$ 2,820,818</u>

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2016	\$ 14,500	\$ 17,617	\$ 32,117
2017	15,000	17,175	32,175
2018	15,500	16,718	32,218
2019	16,000	16,245	32,245
2020	16,500	15,758	32,258
2021-2025	90,000	70,950	160,950
2026-2030	104,000	56,445	160,445
2031-2035	121,000	39,570	160,570
2036-2040	140,000	20,040	160,040
2041-2042	<u>62,000</u>	<u>1,875</u>	<u>63,875</u>
Total	<u>\$ 594,500</u>	<u>\$ 272,393</u>	<u>\$ 866,893</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 7: NET POSITION

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

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

Net Position Flow Assumption

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

Plan Description

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

Effective January 1, 2013, the District added retirement tiers for the Miscellaneous Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District’s retirement costs. As of the valuation date there were no Miscellaneous PEPRA employees.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 8: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plans (Continued)

Summary of Plans and Eligible Participants

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

Benefits Provided

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

Each Plan's specific provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 55	50-55	1.426% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	50-62	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 all Plans are 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	21.929%	8.000%	0.000%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 8: PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 134,415	\$ -

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, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	<u>Proportion June 30, 2013</u>	<u>Proportion June 30, 2014</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous	.01360%	.01414%	(.00054)%

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 880,120
Total Net Pension Liability	<u>\$ 880,120</u>

For the year ended June 30, 2015, the District recognized pension expense of (\$96,887). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 132,131	\$ -
Differences between projected and actual earnings on pension plan investments	-	(211,106)
Difference between District contributions and proportionate share of contributions	37,804	-
Adjustment due to differences in proportions	<u>-</u>	<u>(4,871)</u>
Total	<u>\$ 169,935</u>	<u>(\$ 215,977)</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 8: PENSION PLAN (CONTINUED)

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

\$132,131 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	
2016	(\$ 41,016)
2017	(41,016)
2018	(43,366)
Thereafter	<u>(52,775)</u>
Total	<u><u>(\$ 178,173)</u></u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% to 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS membership data for all funds

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 8: PENSION PLAN (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of asset. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

NOTE 8: PENSION PLAN (CONTINUED)

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

Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

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

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

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

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

	1% Decrease	Discount Rate	1% Increase
Miscellaneous	\$ 1,404,604	\$ 880,120	\$ 444,848

Pension Plan Fiduciary Net Position

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

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The District provides a defined benefit healthcare plan (the "Retiree Health Plan") for eligible employees. The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through Special District Risk Management Authority (SDRMA), which covers both active and retired members. Spouses are also covered throughout the retiree's life. The District pays 50 percent of the healthcare premiums for all retirees.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

B. Funding Policy

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

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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

Annual Required Contribution	\$ 101,776
Interest on Net OPEB Obligation	17,550
Adjustment to Annual Required Contribution	<u>(19,431)</u>
Annual OPEB Cost	99,895
Contributions Made	<u>(12,339)</u>
Increase in Net OPEB Obligation	87,556
Net OPEB Obligation - Beginning of Year	<u>350,997</u>
Net OPEB Obligation - End of Year	<u><u>\$ 438,553</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2015 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 100,848	11.42%	\$ 262,550
June 30, 2014	100,368	11.88%	350,997
June 30, 2015	99,895	12.35%	438,553

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

D. Funding Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

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

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

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

E. Actuarial Methods and Assumptions (Continued)

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

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

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

NOTE 10: RISK MANAGEMENT

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

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

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

NOTE 11: OTHER INFORMATION

A. Subsequent Event

Management has evaluated events subsequent to June 30, 2015 through December 17, 2015, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015
Last 10 Years*

	2015
Miscellaneous Plan	
Proportion of the net pension liability	0.01414%
Proportionate share of the net pension liability	\$ 880,120
Covered employee payroll	641,041
Proportionate share of the net pension liability as a percentage of covered employee payroll	137.30%
Plan's fiduciary net position	3,073,394
Plan fiduciary net position as a percentage of the total pension liability	77.74%

* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only one year is shown.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2015
Last 10 Years*

	2015
Miscellaneous Plan	
Contractually required contribution (actuarially determined)	\$ 134,415
Contributions in relation to the actuarially determined contributions	(134,415)
Contribution deficiency (excess)	\$ -
Covered employee payroll	641,041
Contributions as a percentage of covered employee payroll	20.97%

* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only one year is shown.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
Notes to District Pension Plan
For the Year Ended June 30, 2015

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

There were no changes in assumptions or benefits in calculating the net pension liability.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

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

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remained amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, service and type of employment
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	57 years
Mortality	Derived using CalPERS membership data for all funds

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District OPEB Plan
Schedule of Funding Progress
For the Year Ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS

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

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

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

Combining Fund Statements

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2015

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>State Revolving Fund</u>	<u>USDA Solar Loan</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 67,113	\$ 536,527	\$ 10	\$ 77,612
Receivables:				
Accounts	141,947	-	-	-
Assessments	-	29,768	10,450	-
Prepaid costs	51,823	-	-	-
Total Current Assets	<u>260,883</u>	<u>566,295</u>	<u>10,460</u>	<u>77,612</u>
Noncurrent Assets:				
Advances to other funds	25,085	-	-	-
Delinquent assessments receivable	-	59,372	12,122	-
Capital assets, net	5,359,344	-	-	-
Total Noncurrent Assets	<u>5,384,429</u>	<u>59,372</u>	<u>12,122</u>	<u>-</u>
Total Assets	<u>5,645,312</u>	<u>625,667</u>	<u>22,582</u>	<u>77,612</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension adjustments	81,285	-	-	-
Total Deferred Outflows of Resources	<u>81,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	17,793	-	-	-
Salaries and benefits payable	15,613	-	-	-
Interest payable	-	67,540	-	7,431
Compensated absences	14,875	-	-	-
Bonds	-	117,000	-	-
Certificates of participation	-	-	-	14,500
Total Current Liabilities	<u>48,281</u>	<u>184,540</u>	<u>-</u>	<u>21,931</u>
Noncurrent Liabilities:				
Advances from other funds	-	-	8,499	-
Compensated absences	4,320	-	-	-
Bonds	-	3,567,000	-	-
Certificates of participation	-	-	-	580,000
Net pension liability	420,988	-	-	-
Net OPEB obligation	198,368	-	-	-
Total Noncurrent Liabilities	<u>623,676</u>	<u>3,567,000</u>	<u>8,499</u>	<u>580,000</u>
Total Liabilities	<u>671,957</u>	<u>3,751,540</u>	<u>8,499</u>	<u>601,931</u>
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments	103,308	-	-	-
Total Deferred Inflows of Resources	<u>103,308</u>	<u>-</u>	<u>-</u>	<u>-</u>

Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ 480,517	\$ 475,400	\$ 35,283	\$ 46,431	\$ 10,133	\$ 1,729,026
-	-	-	-	-	141,947
-	14,850	-	-	-	55,068
-	-	-	-	-	51,823
<u>480,517</u>	<u>490,250</u>	<u>35,283</u>	<u>46,431</u>	<u>10,133</u>	<u>1,977,864</u>
-	-	-	-	341,000	366,085
-	-	-	-	-	71,494
-	-	-	-	-	5,359,344
-	-	-	-	341,000	5,796,923
<u>480,517</u>	<u>490,250</u>	<u>35,283</u>	<u>46,431</u>	<u>351,133</u>	<u>7,774,787</u>
-	-	-	-	-	81,285
-	-	-	-	-	81,285
-	-	-	-	-	17,793
-	-	-	-	-	15,613
-	-	-	-	-	74,971
-	-	-	-	-	14,875
-	-	-	-	-	117,000
-	-	-	-	-	14,500
-	-	-	-	-	254,752
16,586	-	-	-	-	25,085
-	-	-	-	-	4,320
-	-	-	-	-	3,567,000
-	-	-	-	-	580,000
-	-	-	-	-	420,988
-	-	-	-	-	198,368
<u>16,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,795,761</u>
<u>16,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,050,513</u>
-	-	-	-	-	103,308
-	-	-	-	-	103,308

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2015

NET POSITION	Sewer	1995-2 Bond Redemption	State Revolving Fund	USDA Solar Loan
Net investment in capital assets	5,359,344	(3,684,000)	-	(594,500)
Restricted for debt service	-	558,127	14,083	-
Restricted for capital facilities	-	-	-	-
Unrestricted	(408,012)	-	-	70,181
Total Net Position	\$ 4,951,332	\$ (3,125,873)	\$ 14,083	\$ (524,319)

Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
-	-	-	-	-	1,080,844
-	-	35,283	-	-	607,493
463,931	-	-	-	-	463,931
-	490,250	-	46,431	351,133	549,983
<u>\$ 463,931</u>	<u>\$ 490,250</u>	<u>\$ 35,283</u>	<u>\$ 46,431</u>	<u>\$ 351,133</u>	<u>\$ 2,702,251</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, 2015

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>State Revolving Fund</u>	<u>USDA Solar Loan</u>
OPERATING REVENUES				
Assessments	\$ -	\$ 348,677	\$ 535,668	\$ -
Permits and inspections	9,034	-	-	-
Charges for services	999,399	-	-	-
Miscellaneous	20,608	19,424	-	62,378
Total Operating Revenues	<u>1,029,041</u>	<u>368,101</u>	<u>535,668</u>	<u>62,378</u>
OPERATING EXPENSES				
Salaries and benefits	627,215	-	-	-
Insurance	66,502	-	-	-
Office expenses	19,407	-	-	-
Contract services	57,124	-	-	-
Continuing education	10,683	-	-	-
Dues and subscriptions	3,780	-	-	-
Postage	1,342	-	-	-
Repairs and maintenance	97,119	-	-	-
Gas, fuel and oil	9,203	-	-	-
Supplies	14,196	-	-	-
Professional services	115,810	-	-	-
Travel	516	-	-	-
Telephone	7,133	-	-	-
Power	18,537	-	-	-
Depreciation	926,232	-	-	-
Other operating	38,770	-	-	-
Office and safety equipment	5,346	-	-	-
Environmental monitoring	33,063	-	-	-
Annual operating fees	1,632	-	-	-
Total Operating Expenses	<u>2,053,610</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(1,024,569)</u>	<u>368,101</u>	<u>535,668</u>	<u>62,378</u>

Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ 21,340	\$ -	\$ -	\$ -	\$ 905,685
15,200	-	-	-	-	24,234
-	-	-	-	-	999,399
-	-	-	50	4,541	107,001
<u>15,200</u>	<u>21,340</u>	<u>-</u>	<u>50</u>	<u>4,541</u>	<u>2,036,319</u>
-	-	-	289	-	627,504
-	-	-	-	-	66,502
-	-	-	-	-	19,407
-	-	-	3,252	-	60,376
-	-	-	-	-	10,683
-	-	-	-	-	3,780
-	-	-	-	-	1,342
-	-	-	-	-	97,119
-	-	-	-	-	9,203
-	-	-	-	-	14,196
-	-	-	-	-	115,810
-	-	-	-	-	516
-	-	-	-	-	7,133
-	-	-	-	-	18,537
-	-	-	-	-	926,232
-	-	-	-	-	38,770
-	-	-	-	-	5,346
-	-	-	-	-	33,063
-	-	-	-	-	1,632
-	-	-	3,541	-	2,057,151
<u>15,200</u>	<u>21,340</u>	<u>-</u>	<u>(3,491)</u>	<u>4,541</u>	<u>(20,832)</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, 2015

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>State Revolving Fund</u>	<u>USDA Solar Loan</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	200	671	576	62
Interest expense	-	(206,653)	(15,363)	(17,870)
Total Non-Operating Revenue (Expenses)	<u>200</u>	<u>(205,982)</u>	<u>(14,787)</u>	<u>(17,808)</u>
Income (Loss) before Transfers	(1,024,369)	162,119	520,881	44,570
Transfers in	54,083	-	-	-
Transfers out	(400)	-	(329,786)	-
Change in Net Position	<u>(970,686)</u>	<u>162,119</u>	<u>191,095</u>	<u>44,570</u>
Total Net Position - Beginning	6,382,031	(3,287,992)	(177,012)	(568,889)
Cumulative effect of a change in accounting principle	(460,013)	-	-	-
Total Net Position - Beginning, Restated	<u>5,922,018</u>	<u>(3,287,992)</u>	<u>(177,012)</u>	<u>(568,889)</u>
Total Net Position - Ending	<u>\$ 4,951,332</u>	<u>\$ (3,125,873)</u>	<u>\$ 14,083</u>	<u>\$ (524,319)</u>

Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
875	306	33	69	50	2,842
-	-	-	-	-	(239,886)
875	306	33	69	50	(237,044)
16,075	21,646	33	(3,422)	4,591	(257,876)
-	334,776	-	-	-	388,859
-	(54,082)	-	-	(4,591)	(388,859)
16,075	302,340	33	(3,422)	-	(257,876)
447,856	187,910	35,250	49,853	351,133	3,420,140
-	-	-	-	-	(460,013)
447,856	187,910	35,250	49,853	351,133	2,960,127
<u>\$ 463,931</u>	<u>\$ 490,250</u>	<u>\$ 35,283</u>	<u>\$ 46,431</u>	<u>\$ 351,133</u>	<u>\$ 2,702,251</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2015

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>State Revolving Fund</u>	<u>USDA Solar Loan</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,036,510	\$ 401,005	\$ 580,425	\$ 62,378
Cash paid to suppliers	(508,420)	-	-	-
Cash paid to employees	(601,275)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(73,185)</u>	<u>401,005</u>	<u>580,425</u>	<u>62,378</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	54,083	-	-	-
Transfers to other funds	(400)	-	(329,786)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>53,683</u>	<u>-</u>	<u>(329,786)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	-	(441,000)	(639,035)	(14,000)
Interest paid on debt	-	(214,738)	(18,436)	(18,045)
Acquisition of capital assets	(54,839)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(54,839)</u>	<u>(655,738)</u>	<u>(657,471)</u>	<u>(32,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	200	671	576	62
Net Cash Provided (Used) by Investing Activities	<u>200</u>	<u>671</u>	<u>576</u>	<u>62</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(74,141)	(254,062)	(406,256)	30,395
Balances - Beginning	141,254	790,589	406,266	47,217
Balances - Ending	<u>\$ 67,113</u>	<u>\$ 536,527</u>	<u>\$ 10</u>	<u>\$ 77,612</u>

Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ 15,200	\$ 6,490	\$ -	\$ 50	\$ 4,541	\$ 2,106,599
-	-	-	(3,252)	-	(511,672)
-	-	-	(289)	-	(601,564)
<u>15,200</u>	<u>6,490</u>	<u>-</u>	<u>(3,491)</u>	<u>4,541</u>	<u>993,363</u>
-	334,776	-	-	-	388,859
-	(54,082)	-	-	(4,591)	(388,859)
-	<u>280,694</u>	<u>-</u>	<u>-</u>	<u>(4,591)</u>	<u>-</u>
-	-	-	-	-	(1,094,035)
-	-	-	-	-	(251,219)
-	-	-	-	-	(54,839)
-	-	-	-	-	<u>(1,400,093)</u>
<u>875</u>	<u>306</u>	<u>33</u>	<u>69</u>	<u>50</u>	<u>2,842</u>
<u>875</u>	<u>306</u>	<u>33</u>	<u>69</u>	<u>50</u>	<u>2,842</u>
16,075	287,490	33	(3,422)	-	(403,888)
<u>464,442</u>	<u>187,910</u>	<u>35,250</u>	<u>49,853</u>	<u>10,133</u>	<u>2,132,914</u>
<u>\$ 480,517</u>	<u>\$ 475,400</u>	<u>\$ 35,283</u>	<u>\$ 46,431</u>	<u>\$ 10,133</u>	<u>\$ 1,729,026</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2015

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>State Revolving Fund</u>	<u>USDA Solar Loan</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,024,569)	\$ 368,101	\$ 535,668	\$ 62,378
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amoritzation	926,232	-	-	-
Decrease (increase) in:				
Accounts receivable	7,469	-	42,923	-
Assessments receivable	-	32,904	1,834	-
Prepaid costs	(21,721)	-	-	-
Pension adjustment - deferred outflows	(16,990)	-	-	-
Increase (decrease) in:				
Accounts payable	13,464	-	-	-
Salaries and benefits payable	3,142	-	-	-
Compensated absences payable	(2,717)	-	-	-
Net pension liability	(103,320)	-	-	-
Net OPEB obligation	42,517	-	-	-
Pension adjustment - deferred inflows	103,308	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (73,185)</u>	<u>\$ 401,005</u>	<u>\$ 580,425</u>	<u>\$ 62,378</u>

<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
\$ 15,200	\$ 21,340	\$ -	\$ (3,491)	\$ 4,541	\$ (20,832)
-	-	-	-	-	926,232
-	-	-	-	-	50,392
-	(14,850)	-	-	-	19,888
-	-	-	-	-	(21,721)
-	-	-	-	-	(16,990)
-	-	-	-	-	13,464
-	-	-	-	-	3,142
-	-	-	-	-	(2,717)
-	-	-	-	-	(103,320)
-	-	-	-	-	42,517
-	-	-	-	-	103,308
<u>\$ 15,200</u>	<u>\$ 6,490</u>	<u>\$ -</u>	<u>\$ (3,491)</u>	<u>\$ 4,541</u>	<u>\$ 993,363</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2015

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
ASSETS					
Current Assets:					
Cash and investments	\$ 142,278	\$ -	\$ 170,434	\$ -	\$ 312,712
Receivables:					
Accounts	147,036	32,951	-	-	179,987
Prepaid costs	51,823	-	-	-	51,823
Due from other funds	59,095	-	-	6,039	65,134
Total Current Assets	400,232	32,951	170,434	6,039	609,656
Noncurrent Assets:					
Capital assets, net	3,907,281	-	-	-	3,907,281
Total Noncurrent Assets	3,907,281	-	-	-	3,907,281
Total Assets	4,307,513	32,951	170,434	6,039	4,516,937
DEFERRED OUTFLOWS OF RESOURCES					
Pension adjustments	88,650	-	-	-	88,650
Total Deferred Outflows of Resources	88,650	-	-	-	88,650
LIABILITIES					
Current Liabilities:					
Accounts payable	54,106	-	-	-	54,106
Salaries and benefits payable	17,451	-	-	-	17,451
Interest payable	-	30,488	-	-	30,488
Due to other funds	6,039	59,073	-	22	65,134
Compensated absences	16,397	-	-	-	16,397
Loans	-	92,761	-	-	92,761
Total Current Liabilities	93,993	182,322	-	22	276,337
Noncurrent Liabilities:					
Advances from other funds	201,000	140,000	-	-	341,000
Compensated absences	4,762	-	-	-	4,762
Loans	-	2,009,799	-	-	2,009,799
Net pension liability	459,132	-	-	-	459,132
Net OPEB obligation	240,185	-	-	-	240,185
Total Noncurrent Liabilities	905,079	2,149,799	-	-	3,054,878
Total Liabilities	999,072	2,332,121	-	22	3,331,215
DEFERRED INFLOWS OF RESOURCES					
Pension adjustments	112,669	-	-	-	112,669
Total Deferred Inflows of Resources	112,669	-	-	-	112,669

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2015

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
NET POSITION					
Net investment in capital assets	\$ 3,907,281	\$ (2,102,560)	\$ -	\$ -	\$ 1,804,721
Restricted for debt service	-	-	170,434	-	170,434
Restricted for capital facilities	-	-	-	6,017	6,017
Unrestricted	(622,859)	(196,610)	-	-	(819,469)
Total Net Position	<u>\$ 3,284,422</u>	<u>\$ (2,299,170)</u>	<u>\$ 170,434</u>	<u>\$ 6,017</u>	<u>\$ 1,161,703</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, 2015

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
OPERATING REVENUES					
Charges for services	\$ 1,038,482	\$ 226,701	\$ -	\$ -	\$ 1,265,183
Miscellaneous	30,805	-	-	-	30,805
Total Operating Revenues	1,069,287	226,701	-	-	1,295,988
OPERATING EXPENSES					
Salaries and benefits	723,176	-	-	-	723,176
Insurance	(5,576)	-	-	-	(5,576)
Office expenses	19,631	-	-	-	19,631
Continuing education	9,679	-	-	-	9,679
Dues and subscriptions	14,752	-	-	-	14,752
Postage	1,342	-	-	-	1,342
Repairs and maintenance	77,767	-	-	-	77,767
Gas, fuel and oil	9,203	-	-	-	9,203
Supplies	1,425	-	-	-	1,425
Professional services	220,431	-	-	-	220,431
Travel	3,167	-	-	-	3,167
Telephone	7,133	-	-	-	7,133
Power	147,205	-	-	-	147,205
Depreciation	15,932	-	-	-	15,932
Other operating	4,193	-	-	-	4,193
Office and safety equipment	5,435	-	-	-	5,435
Director's compensation	1,434	-	-	-	1,434
Environmental monitoring	17,456	-	-	-	17,456
Water conservation	8,693	-	-	-	8,693
Water rights	18,480	-	-	-	18,480
Annual operating fees	18,587	6,577	-	-	25,164
Total Operating Expenses	1,319,545	6,577	-	-	1,326,122
Operating Income (Loss)	(250,258)	220,124	-	-	(30,134)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses,
And Changes in Net Position
Water Operations
For the Year Ended June 30, 2015

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	\$ 466	\$ (140)	\$ 331	\$ 4	\$ 661
Interest expense	-	(74,990)	-	-	(74,990)
Total Non-Operating Revenue (Expenses)	<u>466</u>	<u>(75,130)</u>	<u>331</u>	<u>4</u>	<u>(74,329)</u>
Income (Loss) before Transfers	(249,792)	144,994	331	4	(104,463)
Transfers in	7,987	-	-	-	7,987
Transfers out	-	-	-	(7,987)	(7,987)
Change in Net Position	<u>(241,805)</u>	<u>144,994</u>	<u>331</u>	<u>(7,983)</u>	<u>(104,463)</u>
Total Net Position - Beginning	4,027,920	(2,444,164)	170,103	14,000	1,767,859
Cumulative effect of a change in accounting principle	<u>(501,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(501,693)</u>
Total Net Position - Beginning, Restated	<u>3,526,227</u>	<u>(2,444,164)</u>	<u>170,103</u>	<u>14,000</u>	<u>1,266,166</u>
Total Net Position - Ending	<u>\$ 3,284,422</u>	<u>\$ (2,299,170)</u>	<u>\$ 170,434</u>	<u>\$ 6,017</u>	<u>\$ 1,161,703</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Water Operations
For the Year Ended June 30, 2015

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,132,386	\$ 193,750	\$ -	\$ -	\$ 1,326,136
Cash paid to suppliers	(583,759)	(6,577)	-	-	(590,336)
Cash paid to employees	(692,961)	-	-	-	(692,961)
Net Cash Provided (Used) by Operating Activities	<u>(144,334)</u>	<u>187,173</u>	<u>-</u>	<u>-</u>	<u>42,839</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	7,987	-	-	-	7,987
Transfers to other funds	-	-	-	(7,987)	(7,987)
Interfund loans received	6,039	59,073	-	22	65,134
Interfund loans made	(59,095)	-	-	(6,039)	(65,134)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(45,069)</u>	<u>59,073</u>	<u>-</u>	<u>(14,004)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on debt	-	(89,642)	-	-	(89,642)
Interest paid on debt	-	(76,289)	-	-	(76,289)
Acquisition of capital assets	(7,987)	-	-	-	(7,987)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,987)</u>	<u>(165,931)</u>	<u>-</u>	<u>-</u>	<u>(173,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	466	(140)	331	4	661
Net Cash Provided (Used) by Investing Activities	<u>466</u>	<u>(140)</u>	<u>331</u>	<u>4</u>	<u>661</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(196,924)	80,175	331	(14,000)	(130,418)
Balances - Beginning	<u>339,202</u>	<u>(80,175)</u>	<u>170,103</u>	<u>14,000</u>	<u>443,130</u>
Balances - Ending	<u>\$ 142,278</u>	<u>\$ -</u>	<u>\$ 170,434</u>	<u>\$ -</u>	<u>\$ 312,712</u>

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Water Operations
For the Year Ended June 30, 2015

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH PROVIDED (USED) BY					
OPERATING ACTIVITIES					
Operating income (loss)	\$ (250,258)	\$ 220,124	\$ -	\$ -	\$ (30,134)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation/amortization	15,932	-	-	-	15,932
Decrease (increase) in:					
Accounts receivable	63,100	(32,951)	-	-	30,149
Prepaid costs	(21,721)	-	-	-	(21,721)
Pension adjustment - deferred outflows	(18,530)	-	-	-	(18,530)
Increase (decrease) in:					
Accounts payable	18,399	-	-	-	18,399
Salaries and benefits payable	4,811	-	-	-	4,811
Compensated absences payable	(1,094)	-	-	-	(1,094)
Net pension liability	(112,681)	-	-	-	(112,681)
Net OPEB obligation	45,039	-	-	-	45,039
Pension adjustment - deferred inflows	112,669	-	-	-	112,669
Net Cash Provided (Used) by Operating Activities	<u>\$ (144,334)</u>	<u>\$ 187,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,839</u>

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OTHER REPORT AND SCHEDULES

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of business-type activities and each major fund of Hidden Valley Lake Community Services District, Middletown, California (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness. (2015-001)

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.

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

Compliance and Other Matters


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

District's Response to Findings

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

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
December 17, 2015

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2015

2015-001 Account Balances (Material Weakness)

Condition

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

Cause

We noted that accounts receivable, accounts payable, salaries payable, interest payable, and debt payable were not adjusted as necessary to accurately reflect current balances.

Criteria

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

Effect of Condition

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

Recommendation

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

Corrective Action Plan

The accounting practices are being reviewed and updated to reflect more stringent review and account reconciliation. A number of the closing account balances made for this fiscal year were made after the auditor's review.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Schedule of Prior Year Findings and Recommendations
For the Year Ended June 30, 2015

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
2014-001	<p>Account Balances</p> <p>Recommendation</p> <p>We recommend that the District reconcile and adjust account balances in a timely manner.</p> <p>Status</p> <p>In Progress</p>