

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2012**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

**Annual Financial Report
For the Year Ended June 30, 2012**

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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, 2012

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

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, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

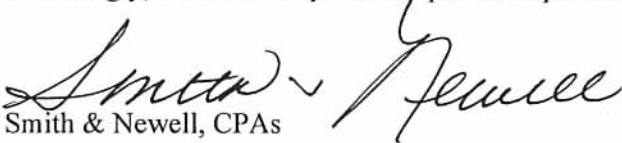
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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.


Smith & Newell, CPAs
Yuba City, California
March 26, 2013

**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, 2012**

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, 2012. Readers are encouraged to consider the information presented here in conjunction with the Annual Financial Statements.

Overview of the Financial Statements

The financial section of this report consists of five parts.

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

Financial Highlights

Entity-wide:

- The District's total net assets were \$5,974,778 as of June 30, 2012. Of this total, \$1,790,380 was invested in capital assets, net of related debt.
- The District's total revenues include operating program revenues of \$3,304,012, capital program revenues of \$872,192, and general revenues of \$148,761 for a total of \$4,324,965.
- District expenses were \$3,810,744.

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 6 and 7 of this report.

Fund Financial Statements

A "fund" is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has four proprietary funds: Water, Waste Water, Flood Control, and FEMA. The fund financial statements can be found on pages 8 through 13 of this report. Proprietary funds distinguish operating revenues and expenses from non-operating items. In addition, net assets are segregated amounts invested in capital assets, net of related debt and unrestricted.

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 14 through 30 of the Hidden Valley Lake Community Services District Annual Financial Statement.

Financial Analysis of the Fund Financial Statements Analysis of Net Assets

	Total	
	2012	2011
Assets:		
Current and other assets	\$ 6,641,656	\$ 5,115,009
Noncurrent assets	12,209,039	11,742,457
Total Assets	<u>18,850,695</u>	<u>16,857,466</u>
Liabilities:		
Current and other liabilities	3,256,471	1,505,596
Noncurrent liabilities	9,619,446	9,891,313
Total Liabilities	<u>12,875,917</u>	<u>11,396,909</u>
Net Assets		
Invested in capital asset, net of related debt	1,790,380	998,810
Restricted for Debt Service & Other	2,717,704	2,767,023
Restricted for Capital Facilities	435,228	432,879
Unrestricted	1,031,466	1,261,845
Total Net Assets	<u>\$ 5,974,778</u>	<u>\$ 5,460,557</u>

Net assets represent the difference between the District's resources and its obligations. At June 30, 2012, a significant portion of the District's total net assets, 17%, reflect the unrestricted net assets. Unrestricted net assets are considered the residual component of net assets, meaning they are not restricted or a part of the net investment in capital assets. Additionally, the District had 46% of its net assets restricted for debt service and 7% restricted for capital facilities. Finally, the District had 30% of its net assets invested in capital assets net of related debt. These capital assets are used by the District to provide services to citizens. Additional capital asset information can be found in the Capital Assets and Debt Administration section of this MD&A.

Statement of Changes in Net Assets

	Total	
	2012	2011
Operating Revenue		
Changes for Service	\$ 2,196,958	\$ 2,069,044
Miscellaneous	140,322	185,204
Assessments	1,107,054	1,061,296
Total Operating Revenues	<u>3,444,334</u>	<u>3,315,544</u>
Operating Expenses		
Salaries and benefits	1,171,105	1,182,622
Services and supplies	898,993	804,543
Depreciation	1,248,034	1,237,172
Total Operating Expenses	<u>3,318,132</u>	<u>3,224,337</u>
Operating Income (loss)	126,202	91,207
Non-Operating Revenue (Expenses)	388,019	(523,688)
Change in Net Assets	<u>514,221</u>	<u>(432,481)</u>
Total Net Assets - Beginning	5,460,557	5,792,300
Prior Period Adjustment	-	100,738
Total Net Assets - Beginning Restated	<u>5,460,557</u>	<u>5,893,038</u>
Total Net Assets, Ending	<u>\$ 5,974,778</u>	<u>\$ 5,460,557</u>

Capital Asset Administration

The District's net capital assets increased from \$11,702,986 to \$12,201,754 for the year ended June 30, 2012. The total increase was \$498,768 including additions and adjustment to capital assets of \$1,746,802 and additions and adjustments to accumulated depreciation of \$1,248,034. Details of the capital asset transactions can be found on page 22, 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, 2012 the long-term debt decreased from \$10,845,708 to \$10,625,508 due to payments. Details of the debt outstanding can be found on pages 23 through 25, Note 6.

Economic Factors and Next Year's Budget

National and local foreclosures continue to flood the market affecting projected revenues. For fiscal year 2011/2012, Hidden Valley Lake Community Services District had only one new water connections and one new sewer connection (compared to two water and one sewer hookup for 2010-2011 and two for each, water and sewer, in 2009/2010, three for each, water and sewer, in 2008/2009, and nine water and three sewer hookups in 2007/2008.) Foreclosures are expected to continue through calendar year 2012 and beyond.

Requests for Information

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

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Basic Financial Statements

- **Government-Wide Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Assets
June 30, 2012

	Business-Type Activities
ASSETS	
Cash and investments	\$ 3,467,062
Accounts receivable, net	381,395
Interest receivable	1,614
Assessments receivable	198,420
Investment in assessment bonds	524,763
Delinquent assessments receivable	7,285
Prepaid costs	22,550
Capital assets:	
Non-depreciable assets	603,050
Depreciable assets, net of depreciation	11,598,704
Total capital assets	<u>12,201,754</u>
Total Assets	<u>16,804,843</u>
LIABILITIES	
Accounts payable	56,846
Salaries and benefits payable	15,404
Interest payable	132,032
Unearned revenue	275
Long-term liabilities:	
Due within one year	1,006,062
Due in more than one year	9,619,446
Total Liabilities	<u>10,830,065</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,790,380
Restricted for debt service	2,717,704
Restricted for capital facilities	435,228
Unrestricted	1,031,466
Total Net Assets	<u><u>\$ 5,974,778</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, 2012

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Changes in</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Business-</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Type</u>
					<u>Activities</u>
Business-Type activities:					
Sewer	\$ 2,269,110	\$ 970,049	\$ 1,107,054	\$ 872,192	\$ 680,185
Water	1,535,911	1,226,909	-	-	(309,002)
Flood Control	5,723	-	-	-	(5,723)
Total Business-Type Activities	<u>3,810,744</u>	<u>2,196,958</u>	<u>1,107,054</u>	<u>872,192</u>	<u>365,460</u>
Total	<u>\$ 3,810,744</u>	<u>\$ 2,196,958</u>	<u>\$ 1,107,054</u>	<u>\$ 872,192</u>	<u>365,460</u>
General revenues:					
					8,439
					140,322
					<u>148,761</u>
					514,221
					<u>5,460,557</u>
					<u>\$ 5,974,778</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 Assets
Enterprise Funds
June 30, 2012

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 2,932,410	\$ 474,061	\$ -	\$ 60,591
Accounts receivable	165,446	215,949	-	-
Interest receivable	1,428	186	-	-
Assessments receivable	198,420	-	-	-
Investment in assessment bonds	524,763	-	-	-
Due from other funds	1,677,982	1,785	-	-
Advances to other funds	366,085	-	-	-
Prepaid costs	11,532	11,018	-	-
Total Current Assets	<u>5,878,066</u>	<u>702,999</u>	<u>-</u>	<u>60,591</u>
Noncurrent Assets:				
Delinquent assessments receivable	7,285	-	-	-
Capital assets, net	7,903,183	4,296,941	1,630	-
Total Noncurrent Assets	<u>7,910,468</u>	<u>4,296,941</u>	<u>1,630</u>	<u>-</u>
Total Assets	<u>13,788,534</u>	<u>4,999,940</u>	<u>1,630</u>	<u>60,591</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	21,532	35,314	-	-
Salaries and benefits payable	7,485	7,919	-	-
Interest payable	98,152	33,880	-	-
Unearned revenue	-	275	-	-
Due to other funds	1,676,197	-	3,570	-
Advances from other funds	25,085	341,000	-	-
Compensated absences	13,372	11,836	-	-
Improvement bonds	268,777	-	-	-
Loans payable	610,863	83,714	-	-
Certificates of participation	17,500	-	-	-
Total Current Liabilities	<u>2,738,963</u>	<u>513,938</u>	<u>3,570</u>	<u>-</u>
Noncurrent Liabilities:				
Compensated absences	7,835	7,870	-	-
Improvement bonds payable	4,584,986	-	-	-
Loans payable	1,944,205	2,278,829	-	-
Certificates of participation	622,500	-	-	-
Net OPEB obligation	69,920	103,301	-	-
Total Noncurrent Liabilities	<u>7,229,446</u>	<u>2,390,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>9,968,409</u>	<u>2,903,938</u>	<u>3,570</u>	<u>-</u>

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

Totals

\$ 3,467,062
381,395
1,614
198,420
524,763
1,679,767
366,085
22,550

6,641,656

7,285
12,201,754

12,209,039

18,850,695

56,846
15,404
132,032
275
1,679,767
366,085
25,208
268,777
694,577
17,500

3,256,471

15,705
4,584,986
4,223,034
622,500
173,221

9,619,446

12,875,917

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Assets
Enterprise Funds
June 30, 2012

NET ASSETS	Sewer Operations	Water Operations	Flood Control	FEMA
Invested in capital assets, net of related debt	(145,648)	1,934,398	1,630	-
Restricted for debt service	2,542,774	174,930	-	-
Restricted for capital facilities	396,228	39,000	-	-
Unrestricted	1,026,771	(52,326)	(3,570)	60,591
Total Net Assets	\$ 3,820,125	\$ 2,096,002	\$ (1,940)	\$ 60,591

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

Totals

1,790,380

2,717,704

435,228

1,031,466

\$ 5,974,778

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses
And Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2012

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>
OPERATING REVENUES				
Assessments	\$ 1,107,054	\$ -	\$ -	\$ -
Permits and inspections	9,208	-	-	-
Charges for services	960,841	1,226,909	-	-
Miscellaneous	118,908	21,414	-	-
Total Operating Revenues	<u>2,196,011</u>	<u>1,248,323</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES				
Salaries and benefits	547,924	622,008	1,173	-
Insurance	1,170	4,459	-	-
Office expenses	18,175	19,110	-	-
Contract services	52,147	-	-	-
Continuing education	5,511	21,006	-	-
Dues and subscriptions	3,187	16,018	-	-
Postage	2,244	2,321	-	-
Repairs and maintenance	108,994	96,197	1,820	-
Gas, fuel and oil	12,201	12,195	-	-
Supplies	12,610	2,851	-	-
Professional services	26,419	173,260	-	-
Travel	851	4,873	-	-
Telephone	14,125	10,823	-	-
Power	53,070	131,497	575	-
Depreciation	997,023	248,856	2,155	-
Other operating	5,253	5,097	-	-
Office and safety equipment	7,309	7,357	-	-
Director's compensation	-	956	-	-
Environmental monitoring	24,539	8,957	-	-
Water conservation	-	12,842	-	-
Annual operating fees	2,659	16,315	-	-
Total Operating Expenses	<u>1,895,411</u>	<u>1,416,998</u>	<u>5,723</u>	<u>-</u>
Operating Income (Loss)	<u>300,600</u>	<u>(168,675)</u>	<u>(5,723)</u>	<u>-</u>

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

Totals

\$ 1,107,054
9,208
2,187,750
140,322

3,444,334

1,171,105
5,629
37,285
52,147
26,517
19,205
4,565
207,011
24,396
15,461
199,679
5,724
24,948
185,142
1,248,034
10,350
14,666
956
33,496
12,842
18,974

3,318,132

126,202

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses
And Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2012

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	872,192	-	-	-
Interest income	7,611	811	-	17
Interest expense	(373,699)	(118,913)	-	-
Total Non-Operating Revenue (Expenses)	<u>506,104</u>	<u>(118,102)</u>	<u>-</u>	<u>17</u>
Income (Loss) before Transfers	806,704	(286,777)	(5,723)	17
Transfers in	1,936,237	173,261	-	-
Transfers out	(1,936,237)	(173,261)	-	-
Change in Net Assets	806,704	(286,777)	(5,723)	17
Total Net Assets - Beginning	<u>3,013,421</u>	<u>2,382,779</u>	<u>3,783</u>	<u>60,574</u>
Total Net Assets - Ending	<u>\$ 3,820,125</u>	<u>\$ 2,096,002</u>	<u>\$ (1,940)</u>	<u>\$ 60,591</u>

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

Totals

872,192
8,439
<u>(492,612)</u>
388,019
<u>514,221</u>
2,109,498
<u>(2,109,498)</u>
514,221
<u>5,460,557</u>
<u><u>\$ 5,974,778</u></u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2012

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,314,740	\$ 1,228,357	\$ -	\$ -
Cash paid to suppliers	(352,283)	(564,044)	(2,397)	-
Cash paid to employees	(527,874)	(589,815)	(1,173)	-
Net Cash Provided (Used) by Operating Activities	<u>1,434,583</u>	<u>74,498</u>	<u>(3,570)</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Intergovernmental revenues	872,192	-	-	-
Transfers from other funds	1,936,237	173,261	-	-
Transfers to other funds	(1,936,237)	(173,261)	-	-
Interfund loans made	(1,785)	(1,785)	3,570	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>870,407</u>	<u>(1,785)</u>	<u>3,570</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	(851,903)	(80,899)	-	-
Interest paid on debt	(355,812)	(85,032)	-	-
Debt proceeds	640,000	-	-	-
Acquisition of capital assets	(1,736,120)	(2,841)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,303,835)</u>	<u>(168,772)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	8,138	877	-	15
Net Cash Provided (Used) by Investing Activities	<u>8,138</u>	<u>877</u>	<u>-</u>	<u>15</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,293	(95,182)	-	15
Balances - Beginning of the Year	<u>2,923,117</u>	<u>569,243</u>	<u>-</u>	<u>60,576</u>
Balances - End of the Year	<u>\$ 2,932,410</u>	<u>\$ 474,061</u>	<u>\$ -</u>	<u>\$ 60,591</u>

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

Totals

\$ 3,543,097
(918,724)
(1,118,862)

1,505,511

872,192
2,109,498
(2,109,498)
-

872,192

(932,802)
(440,844)
640,000
(1,738,961)

(2,472,607)

9,030

9,030

(85,874)

3,552,936

\$ 3,467,062

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2012

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET				
CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	300,600	(168,675)	(5,723)	-
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	997,023	248,856	2,155	-
Decrease (increase) in:				
Accounts receivable	(11,616)	(19,408)	-	-
Assessments receivable	148,962	-	-	-
Prepaid costs	(8,908)	(11,018)	-	-
Increase (decrease) in:				
Accounts payable	(11,528)	(6,892)	(2)	-
Salaries and benefits payable	(12,178)	(8,181)	-	-
Deferred revenue	-	(558)	-	-
Compensated absences payable	4,214	4,971	-	-
Net OPEB obligation	28,014	35,403	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,434,583</u>	<u>\$ 74,498</u>	<u>\$ (3,570)</u>	<u>\$ -</u>

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

Totals

126,202

1,248,034

(31,024)

148,962

(19,926)

(18,422)

(20,359)

(558)

9,185

63,417

\$ 1,505,511

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Basic Financial Statements

- **Notes to Basic Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

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

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.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets 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.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

The fund financial statements provide information about the District funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses. Funds are organized into the proprietary fund type. The operations of the District are organized on a basis of a series of sub-funds consolidated into four major proprietary funds which account for the total water and sewer operations as well as Flood Control and FEMA. An emphasis is placed on major funds within the proprietary category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other fund that the District believes is particularly important to financial statement users may be reported as a major fund.

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise fund, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

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 for all funds.

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. Investment 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 assets 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 when purchased, to be cash equivalents.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables

Accounts Receivable

Accounts receivable recorded in the government-wide and proprietary fund financial statements are for water and sewer charges, assessments receivable, and interest earnings. These amounts are not net of an allowance for doubtful accounts since all delinquent accounts are added to the County tax roll and are considered to be ultimately collectible.

Assessments Receivable

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 an expense at the time individual items are purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Prepaid Items

Prepayments made for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair market value at the time of donation. Capital assets are defined by the District as assets with a cost of \$1,000 or more. Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is not included as part of the capitalized value.

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

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 expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

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

J. Unearned Revenue

Under the accrual basis of accounting, revenues may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

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

L. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Net Assets

The following enterprise funds had deficit net assets at June 30, 2012:

1995-2 Bond Redemption	\$3,596,880
State Revolving Fund	\$2,013,042
Sewer Reserve Improvement	\$1,663,103
CIEDB Loan Redemption	\$2,534,889

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

NOTE 3: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2012, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 600
Deposits (less outstanding warrants)	<u>1,649,730</u>
Total Cash	<u>1,650,330</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>1,816,732</u>
Total Investments	<u>1,816,732</u>
Total Cash and Investments	<u>\$ 3,467,062</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

B. Cash

At year end, the carrying amount of the District's cash deposits (including amount in checking accounts, money market accounts and certificates of deposit) was \$1,649,730 and the bank balance was \$1,712,281. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

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, interest bearing 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 District does not have a formal investment policy that further limits its deposits.

C. Investments

Under the provisions of the District's investment policy and in accordance with the California Government Code, the District may invest or deposit in the following:

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

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2012, the District's investments were all pooled with the State of California Local Agency Investment Fund.

As of June 30, 2012, the District's investments consisted of the following:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Pooled Investments					
Local Agency Investment Fund (LAIF)	Variable	\$ 1,816,732	\$ -	\$ 1,816,732	-
Total		<u>\$ 1,816,732</u>	<u>\$ -</u>	<u>\$ 1,816,732</u>	<u>-</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2012, the District investments were all pooled with the State of California Local Agency Investment Fund. The rating for LAIF is not available.

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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

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. State law and the investment policy of the District contain limitations on the amount that can be invested in any one issuer. As of June 30, 2012, the District investments were all pooled with the State of California Local Agency Investment Fund and the District was in compliance with concentration of credit risk laws.

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, 2012 the District's investment position in LAIF was \$1,816,732. The total amount invested by all public agencies in LAIF on that day was \$60,588,263,603. Of that amount, 96.53% is invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 603,050	\$ -	\$ -	\$ 603,050
Construction in progress	<u>252,214</u>	<u>1,684,023</u>	<u>(1,936,237)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>855,264</u>	<u>1,684,023</u>	<u>(1,936,237)</u>	<u>603,050</u>
Capital Assets, Being Depreciated:				
Structures and improvements	2,117,937	53,879	1,936,237	4,108,053
Equipment	1,208,215	8,900	-	1,217,115
Infrastructure	<u>25,167,677</u>	<u>-</u>	<u>-</u>	<u>25,167,677</u>
Total Capital Assets, Being Depreciated	<u>28,493,829</u>	<u>62,779</u>	<u>1,936,237</u>	<u>30,492,845</u>
Less Accumulated Depreciation for:				
Structures and improvements	(701,975)	(116,562)	-	(818,537)
Equipment	(1,025,771)	(60,285)	-	(1,086,056)
Infrastructure	<u>(15,918,361)</u>	<u>(1,071,187)</u>	<u>-</u>	<u>(16,989,548)</u>
Total Accumulated Depreciation	<u>(17,646,107)</u>	<u>(1,248,034)</u>	<u>-</u>	<u>(18,894,141)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,847,722</u>	<u>(1,185,255)</u>	<u>1,936,237</u>	<u>11,598,704</u>
Total Capital Assets, Net	<u>\$ 11,702,986</u>	<u>\$ 498,768</u>	<u>\$ -</u>	<u>\$ 12,201,754</u>

Depreciation

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

Sewer	\$ 997,023
Water	248,856
Flood Control	<u>2,155</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 1,248,034</u>

NOTE 5: INTERFUND TRANSACTIONS

Due To/From Other Funds

Operating receivables and payables between funds are classified as due from or due to other funds. The following are due to and due from balances at June 30, 2012:

	<u>Due from</u> <u>Other funds</u>	<u>Due to</u> <u>Other funds</u>
Sewer Operations	\$ 1,677,982	\$ 1,676,197
Water Operations	1,785	-
Flood Control	<u>-</u>	<u>3,570</u>
Total	<u>\$ 1,679,767</u>	<u>\$ 1,679,767</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans. The following are advances to/from other funds as of June 30, 2012:

	<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, 2012:

	<u>Transfer In</u>	<u>Transfer Out</u>
Sewer Operations	\$ 1,936,237	\$ 1,936,237
Water Operations	<u>173,261</u>	<u>173,261</u>
Total	<u>\$ 2,109,498</u>	<u>\$ 2,109,498</u>

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of all long-term liability transactions for the year ended June 30, 2012:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ 5,112,595	\$ -	(\$ 258,832)	\$ 4,853,763	\$ 268,777
Loans	5,591,581	-	(673,970)	4,917,611	694,577
Certificates of Participation	-	640,000	-	640,000	17,500
Compensated Absences	31,728	34,269	(25,084)	40,913	25,208
Net OPEB Obligation	<u>109,804</u>	<u>71,867</u>	<u>(8,450)</u>	<u>173,221</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 10,845,708</u>	<u>\$ 746,136</u>	<u>(\$ 966,336)</u>	<u>\$ 10,625,508</u>	<u>\$ 1,006,062</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2012, are as follows:

Bonds:

Improvements Bonds Series 1995-2 issued August 16, 1995 in the amount of \$5,500,000, payable in annual installments of \$11,000-\$311,000 with an interest rate of 5.50% and maturity on September 2, 2034. The bonds were used to finance improvements to the sewer system. \$ 4,329,000

Improvement Bonds Series 1995-3 issued August 16, 1995 in the amount of \$3,291,243, payable in annual installments of \$1,178-\$191,948 with an interest rate of 3.00% and maturity on September 2, 2015. The bonds were used to finance improvements to the sewer system. 524,763

Total Bonds Payable 4,853,763

Loans:

State Water Resources Control Board Loan issued November 28, 1994 in the amount of \$9,994,334, payable in annual installments of \$144,721-\$667,611 with an interest rate of 3.00% and maturity on May 1, 2016. The loan was used to finance the construction of a sewer treatment system. 2,555,068

California Infrastructure and Economic Development Bank Loan issued June 24, 2002 in the amount of \$3,000,000, payable in annual installments of \$61,530-\$160,350 with an interest rate of 3.48% and maturity on February 1, 2032. The loan was used to finance the expansion and upgrade of the water system. 2,362,543

Total Loans 4,917,611

Certificates of Participation:

2011 Series Certificate of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2011 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. 640,000

Total Certificates of Deposit 640,000

Total Long-Term Liabilities \$ 10,411,374

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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

Year Ended June 30	Bonds		
	Principal	Interest	Total
2013	\$ 268,777	\$ 251,115	\$ 519,892
2014	279,870	240,412	520,282
2015	291,116	229,226	520,342
2016	117,000	217,553	334,553
2017	123,000	210,952	333,952
2018-2022	729,000	942,178	1,671,178
2023-2027	939,000	651,277	1,590,277
2028-2032	1,225,000	417,588	1,642,588
2033-2037	<u>881,000</u>	<u>74,553</u>	<u>955,553</u>
Total	<u>\$ 4,853,763</u>	<u>\$ 3,234,854</u>	<u>\$ 8,088,617</u>

Year Ended June 30	Loans		
	Principal	Interest	Total
2013	\$ 694,577	\$ 158,861	\$ 853,438
2014	715,824	137,622	853,446
2015	737,715	115,731	853,446
2016	759,688	93,115	852,803
2017	95,989	69,941	165,930
2018-2022	532,440	297,212	829,652
2023-2027	631,761	197,891	829,652
2028-2032	<u>749,617</u>	<u>80,044</u>	<u>829,661</u>
Total	<u>\$ 4,917,611</u>	<u>\$ 1,150,417</u>	<u>\$ 6,068,028</u>

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2013	\$ 17,500	\$ 18,938	\$ 36,438
2014	14,000	18,465	32,465
2015	14,000	18,045	32,045
2016	14,500	17,617	32,117
2017	15,000	17,175	32,175
2018-2022	82,500	78,713	161,213
2023-2027	95,000	65,400	160,400
2028-2032	111,000	49,995	160,995
2033-2037	128,000	32,100	160,100
2038-2042	<u>148,500</u>	<u>11,392</u>	<u>159,892</u>
Total	<u>\$ 640,000</u>	<u>\$ 327,840</u>	<u>\$ 967,840</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 7: NET ASSETS

The government-wide financial and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Net Asset 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 assets are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 8: EMPLOYEES' RETIREMENT PLAN

A. Plan Description

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

B. Funding Policy

Participants are required to contribute 8 percent of their annual covered salary. The District is required to contribute the actuarial determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2011/2012 was 18.236% percent for miscellaneous employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

NOTE 8: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

C. Annual Pension Cost

For fiscal year 2011/2012, the District's annual pension cost of \$110,075 was equal to the District's required and actual contributions. The required contributions for fiscal year 2011/2012 were determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.55 percent to 14.45 percent, depending on age, service, and type of employment, (c) 3.00 percent inflation, (d) 3.25 percent payroll growth and (e) individual salary growth based on a merit scale with assumed annual inflation of 3.00 percent and annual production growth of 0.25 percent.

The actuarial value of PERS assets was determined using techniques that smooth the effect of short term volatility in the market value of investments over a fifteen year period (smoothed market value). Initial unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20 year period. All gains or losses are tracked and amortized over a rolling 30 year period with the exception of gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011 in which each year's gains or losses will be isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). If the plan's accrued liability exceeds the actuarial value of plan assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability. The table below presents three year trend information.

D. Three Year Trend Information for PERS

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2010	\$ 104,027	100%	\$ -
June 30, 2011	85,195	100%	-
June 30, 2012	110,075	100%	-

E. Funded Status and Funding Progress

Since the District Miscellaneous plan had less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool and does not present individual plan funded status.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The District provides a defined benefit healthcare plan (the "Retiree Health Plan"). 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 his or her life. The District pays 50 percent of the healthcare premiums for all retirees except one, which the Board of the District approved to pay 100 percent of the healthcare premium.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

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

B. Funding Policy

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

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

C. Annual OPEB Cost and Net OPEB Obligation

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

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

Annual Required Contribution	\$ 41,316
Amortization of UAAL	27,336
Interest on Net OPEB Obligation	5,575
Adjustment to Annual Required Contribution	<u>(2,360)</u>
Annual OPEB Cost	71,867
Contributions Made	<u>(10,148)</u>
Increase in Net OPEB Obligation	<u>61,719</u>
Net OPEB Obligation - Beginning of Year	109,804
Adjustment	<u>1,698</u>
Net OPEB Obligation - Beginning of Year, Restricted	<u>111,502</u>
Net OPEB Obligation - End of Year	<u>\$ 173,221</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, 2012 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, 2010	\$ 162,295	5.12%	\$ 153,989
June 30, 2011	68,400	17.32%	109,804
June 30, 2012	71,867	14.12%	173,221

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

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

D. Funding Status and Funding Progress

As of March 1, 2012, the actuarial accrued liability (AAL) for benefits was \$1,240,847, all of which was unfunded. The covered payroll (annual payroll of employees covered by the plan) was \$874,882 and the ratio of the UAAL to the covered payroll was 141.83 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 55, 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 - The expected rate of increase in healthcare insurance premiums was set at 5% to 8%, which is within the range recommended by CalPERS OPEB Assumption Model.

Health insurance premiums - 2012 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements

For the Year Ended June 30, 2012

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 4% 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 March 1, 2012, was thirty 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.

NOTE 11: OTHER INFORMATION

A. Joint Agencies

Special District Risk Management Authority (SDRMA) is a joint powers agent organized for the purpose of pooled joint-protection coverage to member entities. SDRMA operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and pool purchases excess insurance for members. Complete audited financial statements of SDRMA can be obtained at 1481 River Park Drive, Suite 110, Sacramento, CA 95815.

B. Subsequent Event

Management has evaluated events subsequent to June 30, 2012 through March 26, 2013, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
For the Year Ended June 30, 2012

1. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The table below shows a one 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 as of June 30, 2012, for the District Other Postemployment Benefit Plan. As additional years are available, a three-year trend analysis will be presented.

Miscellaneous Plan:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2011	\$ 0	\$ 1,240,847	\$ 1,240,847	0.00%	\$ 874,882	141.83%

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Combining Fund Statements

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Assets
Sewer Operations
June 30, 2012

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 106,560	\$ 738,594	\$ 694,245	\$ 464,103
Accounts receivable	154,331	-	-	11,115
Interest receivable	7	263	98	3
Assessments receivable	-	66,638	43,878	87,904
Investment in assessment bonds	-	-	524,763	-
Due from other funds	1,785	-	-	-
Advances to other funds	25,085	-	-	-
Prepaid costs	8,908	-	2,624	-
Total Current Assets	<u>296,676</u>	<u>805,495</u>	<u>1,265,608</u>	<u>563,125</u>
Noncurrent Assets:				
Delinquent assessments receivable	-	4,265	3,020	-
Capital assets, net	7,890,090	-	-	-
Total Noncurrent Assets	<u>7,890,090</u>	<u>4,265</u>	<u>3,020</u>	<u>-</u>
Total Assets	<u>8,186,766</u>	<u>809,760</u>	<u>1,268,628</u>	<u>563,125</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	21,532	-	-	-
Salaries and benefits payable	7,485	-	-	-
Interest payable	-	77,640	-	12,600
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	8,499
Compensated absences	13,372	-	-	-
Improvement bonds payable	-	99,000	169,777	-
Loans payable	-	-	-	610,863
Certificates of participation	-	-	-	-
Total Current Liabilities	<u>42,389</u>	<u>176,640</u>	<u>169,777</u>	<u>631,962</u>
Noncurrent Liabilities:				
Compensated absences	7,835	-	-	-
Improvement bonds payable	-	4,230,000	354,986	-
Loans payable	-	-	-	1,944,205
Certificates of participation	-	-	-	-
Net OPEB obligation	69,920	-	-	-
Total Noncurrent Liabilities	<u>77,755</u>	<u>4,230,000</u>	<u>354,986</u>	<u>1,944,205</u>
Total Liabilities	<u>120,144</u>	<u>4,406,640</u>	<u>524,763</u>	<u>2,576,167</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ 412,275	\$ 232,958	\$ -	\$ 137,968	\$ 145,707	\$ 2,932,410
-	-	-	-	-	-	165,446
-	539	231	-	24	263	1,428
-	-	-	-	-	-	198,420
-	-	-	-	-	-	524,763
1,512,192	-	164,005	-	-	-	1,677,982
-	-	-	-	-	341,000	366,085
-	-	-	-	-	-	11,532
<u>1,512,192</u>	<u>412,814</u>	<u>397,194</u>	<u>-</u>	<u>137,992</u>	<u>486,970</u>	<u>5,878,066</u>
-	-	-	-	-	-	7,285
-	-	-	13,093	-	-	7,903,183
-	-	-	13,093	-	-	7,910,468
<u>1,512,192</u>	<u>412,814</u>	<u>397,194</u>	<u>13,093</u>	<u>137,992</u>	<u>486,970</u>	<u>13,788,534</u>
-	-	-	-	-	-	21,532
-	-	-	-	-	-	7,485
7,912	-	-	-	-	-	98,152
-	-	-	1,676,197	-	-	1,676,197
-	16,586	-	-	-	-	25,085
-	-	-	-	-	-	13,372
-	-	-	-	-	-	268,777
-	-	-	-	-	-	610,863
17,500	-	-	-	-	-	17,500
<u>25,412</u>	<u>16,586</u>	<u>-</u>	<u>1,676,197</u>	<u>-</u>	<u>-</u>	<u>2,738,963</u>
-	-	-	-	-	-	7,835
-	-	-	-	-	-	4,584,986
-	-	-	-	-	-	1,944,205
622,500	-	-	-	-	-	622,500
-	-	-	-	-	-	69,920
<u>622,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,229,446</u>
<u>647,912</u>	<u>16,586</u>	<u>-</u>	<u>1,676,197</u>	<u>-</u>	<u>-</u>	<u>9,968,409</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Assets
Sewer Operations
June 30, 2012

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,890,090	(4,329,000)	(524,763)	(2,555,068)
Restricted for debt service	-	732,120	1,268,628	542,026
Restricted for capital facilities	-	-	-	-
Unrestricted	176,532	-	-	-
Total Net Assets	<u>\$ 8,066,622</u>	<u>\$ (3,596,880)</u>	<u>\$ 743,865</u>	<u>\$ (2,013,042)</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
(640,000)	-	-	13,093	-	-	(145,648)
-	-	-	-	-	-	2,542,774
-	396,228	-	-	-	-	396,228
1,504,280	-	397,194	(1,676,197)	137,992	486,970	1,026,771
<u>\$ 864,280</u>	<u>\$ 396,228</u>	<u>\$ 397,194</u>	<u>\$ (1,663,104)</u>	<u>\$ 137,992</u>	<u>\$ 486,970</u>	<u>\$ 3,820,125</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses
And Changes in Net Assets
Sewer Operations
For the Year Ended June 30, 2012

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
OPERATING REVENUES				
Assessments	\$ -	\$ 295,412	\$ 70,931	\$ 740,711
Permits and inspections	9,208	-	-	-
Charges for services	960,841	-	-	-
Miscellaneous	24,481	31,551	26,957	-
Total Operating Revenues	994,530	326,963	97,888	740,711
OPERATING EXPENSES				
Salaries and benefits	547,924	-	-	-
Insurance	1,170	-	-	-
Office expenses	18,175	-	-	-
Contract services	45,586	-	-	-
Continuing education	5,511	-	-	-
Dues and subscriptions	3,187	-	-	-
Postage	2,244	-	-	-
Repairs and maintenance	108,994	-	-	-
Gas, fuel and oil	12,201	-	-	-
Supplies	12,610	-	-	-
Professional services	26,419	-	-	-
Travel	851	-	-	-
Telephone	14,125	-	-	-
Power	53,070	-	-	-
Depreciation	988,200	-	-	-
Other operating	5,253	-	-	-
Office and safety equipment	7,309	-	-	-
Environmental monitoring	24,539	-	-	-
Annual operating fees	2,659	-	-	-
Total Operating Expenses	1,880,027	-	-	-
Operating Income (Loss)	(885,497)	326,963	97,888	740,711

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,107,054
-	-	-	-	-	-	9,208
-	-	-	-	-	-	960,841
-	-	-	18,617	17,302	-	118,908
-	-	-	18,617	17,302	-	2,196,011
-	-	-	-	-	-	547,924
-	-	-	-	-	-	1,170
-	-	-	-	-	-	18,175
-	-	-	-	6,561	-	52,147
-	-	-	-	-	-	5,511
-	-	-	-	-	-	3,187
-	-	-	-	-	-	2,244
-	-	-	-	-	-	108,994
-	-	-	-	-	-	12,201
-	-	-	-	-	-	12,610
-	-	-	-	-	-	26,419
-	-	-	-	-	-	851
-	-	-	-	-	-	14,125
-	-	-	-	-	-	53,070
-	-	-	8,823	-	-	997,023
-	-	-	-	-	-	5,253
-	-	-	-	-	-	7,309
-	-	-	-	-	-	24,539
-	-	-	-	-	-	2,659
-	-	-	8,823	6,561	-	1,895,411
-	-	-	9,794	10,741	-	300,600

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses
And Changes in Net Assets
Sewer Operations
For the Year Ended June 30, 2012

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	-	-	-	-
Interest income	37	1,484	672	653
Interest expense	-	(237,231)	(21,512)	(107,044)
Total Non-Operating Revenue (Expenses)	<u>37</u>	<u>(235,747)</u>	<u>(20,840)</u>	<u>(106,391)</u>
Income (Loss) before Transfers	(885,460)	91,216	77,048	634,320
Transfers in	1,936,237	-	-	-
Transfers out	-	-	-	-
Change in net assets	1,050,777	91,216	77,048	634,320
Total Net Assets - Beginning	<u>7,015,845</u>	<u>(3,688,096)</u>	<u>666,817</u>	<u>(2,647,362)</u>
Total Net Assets - Ending	<u>\$ 8,066,622</u>	<u>\$ (3,596,880)</u>	<u>\$ 743,865</u>	<u>\$ (2,013,042)</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
872,192	-	-	-	-	-	872,192
-	2,349	1,098	-	172	1,146	7,611
(7,912)	-	-	-	-	-	(373,699)
864,280	2,349	1,098	-	172	1,146	506,104
864,280	2,349	1,098	9,794	10,913	1,146	806,704
-	-	-	-	-	-	1,936,237
-	-	-	(1,936,237)	-	-	(1,936,237)
864,280	2,349	1,098	(1,926,443)	10,913	1,146	806,704
-	393,879	396,096	263,339	127,079	485,824	3,013,421
\$ 864,280	\$ 396,228	\$ 397,194	\$ (1,663,104)	\$ 137,992	\$ 486,970	\$ 3,820,125

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2012

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 982,914	\$ 322,619	\$ 260,070	\$ 731,835
Cash paid to suppliers	(345,722)	-	-	-
Cash paid to employees	(527,874)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>109,318</u>	<u>322,619</u>	<u>260,070</u>	<u>731,835</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Intergovernmental revenue	-	-	-	-
Transfers from other funds	1,936,237	-	-	-
Transfers to other funds	-	-	-	-
Interfund loans made	(1,785)	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,934,452</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	-	(94,000)	(164,832)	(593,071)
Interest paid on debt	-	(240,680)	(20,688)	(94,444)
Debt proceeds	-	-	-	-
Acquisition of capital assets	(1,996,160)	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,996,160)</u>	<u>(334,680)</u>	<u>(185,520)</u>	<u>(687,515)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	37	1,582	709	655
Net Cash Provided (Used) by Investing Activities	<u>37</u>	<u>1,582</u>	<u>709</u>	<u>655</u>
Net Increase (Decrease) in Cash and Cash Equivalents	47,647	(10,479)	75,259	44,975
Balances - Beginning of the Year	<u>58,913</u>	<u>749,073</u>	<u>618,986</u>	<u>419,128</u>
Balances - End of the Year	<u>\$ 106,560</u>	<u>\$ 738,594</u>	<u>\$ 694,245</u>	<u>\$ 464,103</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ -	\$ -	\$ 17,302	\$ -	\$ 2,314,740
-	-	-	-	(6,561)	-	(352,283)
-	-	-	-	-	-	(527,874)
-	-	-	-	10,741	-	1,434,583
872,192	-	-	-	-	-	872,192
-	-	-	-	-	-	1,936,237
-	-	-	(1,936,237)	-	-	(1,936,237)
(1,512,192)	-	(164,005)	1,676,197	-	-	(1,785)
(640,000)	-	(164,005)	(260,040)	-	-	870,407
-	-	-	-	-	-	(851,903)
-	-	-	-	-	-	(355,812)
640,000	-	-	-	-	-	640,000
-	-	-	260,040	-	-	(1,736,120)
640,000	-	-	260,040	-	-	(2,303,835)
-	2,548	1,183	-	181	1,243	8,138
-	2,548	1,183	-	181	1,243	8,138
-	2,548	(162,822)	-	10,922	1,243	9,293
-	409,727	395,780	-	127,046	144,464	2,923,117
\$ -	\$ 412,275	\$ 232,958	\$ -	\$ 137,968	\$ 145,707	\$ 2,932,410

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2012

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (885,497)	\$ 326,963	\$ 97,888	\$ 740,711
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	988,200	-	-	-
Decrease (increase) in:				
Accounts receivable	(11,616)	-	-	-
Assessments receivable	-	(4,344)	162,182	(8,876)
Prepaid costs	(8,908)	-	-	-
Increase (decrease) in:				
Accounts payable	7,089	-	-	-
Salaries and benefits payable	(12,178)	-	-	-
Compensated absences payable	4,214	-	-	-
Net OPEB obligation	28,014	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 109,318</u>	<u>\$ 322,619</u>	<u>\$ 260,070</u>	<u>\$ 731,835</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ -	\$ 9,794	\$ 10,741	\$ -	\$ 300,600
-	-	-	8,823	-	-	997,023
-	-	-	-	-	-	(11,616)
-	-	-	-	-	-	148,962
-	-	-	-	-	-	(8,908)
-	-	-	(18,617)	-	-	(11,528)
-	-	-	-	-	-	(12,178)
-	-	-	-	-	-	4,214
-	-	-	-	-	-	28,014
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,741</u>	<u>\$ -</u>	<u>\$ 1,434,583</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Assets
Water Operations
June 30, 2012

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
ASSETS					
Current Assets:					
Cash and investments	\$ 243,431	\$ 1,534	\$ 190,096	\$ 39,000	\$ 474,061
Accounts receivable	215,949	-	-	-	215,949
Interest receivable	17	-	169	-	186
Due from other funds	1,785	-	-	-	1,785
Prepaid costs	11,018	-	-	-	11,018
Total Current Assets	<u>472,200</u>	<u>1,534</u>	<u>190,265</u>	<u>39,000</u>	<u>702,999</u>
Noncurrent Assets:					
Capital assets, net	4,296,941	-	-	-	4,296,941
Total Noncurrent Assets	<u>4,296,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,296,941</u>
Total Assets	<u>4,769,141</u>	<u>1,534</u>	<u>190,265</u>	<u>39,000</u>	<u>4,999,940</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	35,314	-	-	-	35,314
Salaries and benefits payable	7,919	-	-	-	7,919
Interest payable	-	33,880	-	-	33,880
Unearned revenue	275	-	-	-	275
Advances from other funds	201,000	140,000	-	-	341,000
Compensated absences	11,836	-	-	-	11,836
Loans payable	-	83,714	-	-	83,714
Total Current Liabilities	<u>256,344</u>	<u>257,594</u>	<u>-</u>	<u>-</u>	<u>513,938</u>
Noncurrent Liabilities:					
Compensated absences	7,870	-	-	-	7,870
Loans payable	-	2,278,829	-	-	2,278,829
Net OPEB obligation	103,301	-	-	-	103,301
Total Noncurrent Liabilities	<u>111,171</u>	<u>2,278,829</u>	<u>-</u>	<u>-</u>	<u>2,390,000</u>
Total Liabilities	<u>367,515</u>	<u>2,536,423</u>	<u>-</u>	<u>-</u>	<u>2,903,938</u>
NET ASSETS					
Invested in capital assets, net of related debt	4,296,941	(2,362,543)	-	-	1,934,398
Restricted for debt service	-	-	174,930	-	174,930
Restricted for capital facilities	-	-	-	39,000	39,000
Unrestricted	104,685	(172,346)	15,335	-	(52,326)
Total Net Assets	<u>\$ 4,401,626</u>	<u>\$ (2,534,889)</u>	<u>\$ 190,265</u>	<u>\$ 39,000</u>	<u>\$ 2,096,002</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses
And Changes in Net Assets
Water Operations
For the Year Ended June 30, 2012

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
OPERATING REVENUES					
Charges for services	\$ 1,226,909	\$ -	\$ -	\$ -	\$ 1,226,909
Miscellaneous	21,414	-	-	-	21,414
Total Operating Revenues	<u>1,248,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,248,323</u>
OPERATING EXPENSES					
Salaries and benefits	622,008	-	-	-	622,008
Insurance	4,459	-	-	-	4,459
Office expenses	19,110	-	-	-	19,110
Continuing education	21,006	-	-	-	21,006
Dues and subscriptions	16,018	-	-	-	16,018
Postage	2,321	-	-	-	2,321
Repairs and maintenance	96,197	-	-	-	96,197
Gas, fuel and oil	12,195	-	-	-	12,195
Supplies	2,851	-	-	-	2,851
Professional services	173,260	-	-	-	173,260
Travel	4,873	-	-	-	4,873
Telephone	10,823	-	-	-	10,823
Power	131,497	-	-	-	131,497
Depreciation	248,856	-	-	-	248,856
Other operating	5,097	-	-	-	5,097
Office and safety equipment	7,357	-	-	-	7,357
Director's compensation	956	-	-	-	956
Environmental monitoring	8,957	-	-	-	8,957
Water conservation	12,842	-	-	-	12,842
Annual operating fees	8,985	7,330	-	-	16,315
Total Operating Expenses	<u>1,409,668</u>	<u>7,330</u>	<u>-</u>	<u>-</u>	<u>1,416,998</u>
Operating Income (Loss)	<u>(161,345)</u>	<u>(7,330)</u>	<u>-</u>	<u>-</u>	<u>(168,675)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	98	1	712	-	811
Interest expense	-	(118,913)	-	-	(118,913)
Total Non-Operating Revenue (Expenses)	<u>98</u>	<u>(118,912)</u>	<u>712</u>	<u>-</u>	<u>(118,102)</u>
Income (Loss) before Transfers	<u>(161,247)</u>	<u>(126,242)</u>	<u>712</u>	<u>-</u>	<u>(286,777)</u>
Transfers in	-	173,261	-	-	173,261
Transfers out	(173,261)	-	-	-	(173,261)
Change in net assets	<u>(334,508)</u>	<u>47,019</u>	<u>712</u>	<u>-</u>	<u>(286,777)</u>
Total Net Assets - Beginning	<u>4,736,134</u>	<u>(2,581,908)</u>	<u>189,553</u>	<u>39,000</u>	<u>2,382,779</u>
Total Net Assets - Ending	<u>\$ 4,401,626</u>	<u>\$ (2,534,889)</u>	<u>\$ 190,265</u>	<u>\$ 39,000</u>	<u>\$ 2,096,002</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Water Operations
For the Year Ended June 30, 2012

	<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	\$ 1,226,929	\$ -	\$ -	\$ 1,428	\$ 1,228,357
Cash paid to suppliers	(556,714)	(7,330)	-	-	(564,044)
Cash paid to employees	(589,815)	-	-	-	(589,815)
Net Cash Provided (Used) by Operating Activities	<u>80,400</u>	<u>(7,330)</u>	<u>-</u>	<u>1,428</u>	<u>74,498</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	173,261	-	-	173,261
Transfers to other funds	(173,261)	-	-	-	(173,261)
Interfund loans made	(1,785)	-	-	-	(1,785)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(175,046)</u>	<u>173,261</u>	<u>-</u>	<u>-</u>	<u>(1,785)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on debt	-	(80,899)	-	-	(80,899)
Interest paid on debt	-	(85,032)	-	-	(85,032)
Acquisition of capital assets	(2,841)	-	-	-	(2,841)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,841)</u>	<u>(165,931)</u>	<u>-</u>	<u>-</u>	<u>(168,772)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	103	-	774	-	877
Net Cash Provided (Used) by Investing Activities	<u>103</u>	<u>-</u>	<u>774</u>	<u>-</u>	<u>877</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(97,384)	-	774	1,428	(95,182)
Balances - Beginning of the Year	<u>340,815</u>	<u>1,534</u>	<u>189,322</u>	<u>37,572</u>	<u>569,243</u>
Balances - End of the Year	<u>\$ 243,431</u>	<u>\$ 1,534</u>	<u>\$ 190,096</u>	<u>\$ 39,000</u>	<u>\$ 474,061</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Water Operations
For the Year Ended June 30, 2012

	<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)	\$ (161,345)	\$ (7,330)	\$ -	\$ -	\$ (168,675)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation/amoritzation	248,856	-	-	-	248,856
Decrease (increase) in:					
Accounts receivable	(20,836)	-	-	1,428	(19,408)
Prepaid costs	(11,018)	-	-	-	(11,018)
Increase (decrease) in:					
Accounts payable	(6,892)	-	-	-	(6,892)
Salaries and benefits payable	(8,181)	-	-	-	(8,181)
Deferred revenue	(558)	-	-	-	(558)
Compensated absences payable	4,971	-	-	-	4,971
Net OPEB obligation	35,403	-	-	-	35,403
Net Cash Provided (Used) by Operating Activities	<u>\$ 80,400</u>	<u>\$ (7,330)</u>	<u>\$ -</u>	<u>\$ 1,428</u>	<u>\$ 74,498</u>

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