

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2022**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Annual Financial Report
For the Year Ended June 30, 2022

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INTRODUCTORY SECTION

- **List of Officials**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

List of Officials

For the Year Ended June 30, 2022

Board of Directors

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

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District, California (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

Required Supplementary Information

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

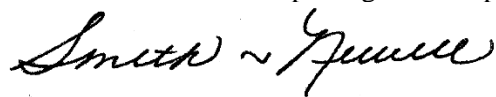
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
November 22, 2022

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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, 2022**

Introduction

This section of the Annual Financial Report contains a narrative overview and analysis of the Hidden Valley Lake Community Services District (District) financial activities for the year ended June 30, 2022.

The Management’s Discussion and Analysis (MD&A) is a required section of the District’s Annual Financial Report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2022. This report will (1) focus on significant financial issues, (2) provide an overview of the District’s financial activity, (3) identify changes in the District’s financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity. Readers are encouraged to consider the information presented here in conjunction with the Annual Financial Statements.

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

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2022 were as follows:

- The Statement of Net Position indicates that total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$3,232,721. Unrestricted net position represents \$159,550 and net investment in capital assets was at \$1,600,520. The remaining restricted amounts were \$985,684 for debt service and \$486,967 for capital facilities.
- Total net position increased \$1,452,579 (82%) in fiscal year 2021/22 compared to a 12% increase, \$189,345, in fiscal year 2020/21.
- Total assets increased 13% from \$9,779,638 in fiscal year 2020/21 to \$11,029,713 in fiscal year 2021/22, mainly due to a small amount of capital improvement projects, including the installation of 700 new automated water meters and remaining inventory for installation next fiscal year.
- The District recorded deferred outflows of resources at \$528,902 an increase of \$86,306 (19%) and deferred inflows of resources of \$1,223,048, an increase of \$666,004 (120%), record the different components required by GASB 68 for pension accounting and reporting. Deferred outflows of resources are technically not assets but increase net position similar to an asset and deferred inflows of resources are technically not liabilities but decrease net position similar to liabilities. See Note 1N on page 23 in the “Notes to Basic Financial Statements” for a definition of deferred inflows and outflows of resources.
- Total liabilities decreased 10% from \$7,885,048 in fiscal year 2020/21 to \$7,102,846 in fiscal year 2021/22. Current liabilities increased \$38,128 from \$513,692 to \$551,820 while non-current liabilities decreased \$820,330 from \$7,371,356 to \$6,551,026.
- Total program and general revenues increased by \$1,109,758 (24%) from fiscal year 2020/21, commensurate with planned infrastructure improvements.
- Total operating expenses decreased 2% (\$79,411) from fiscal year 2020/21.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Overview of the Financial Statements

The financial section of this report consists of five parts.

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

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

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

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

Financial Statements and Notes

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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. Proprietary funds distinguish operating revenues and expenses from non-operating items.

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

Net Position

**Table 1
Summary of Net Position
June 30, 2022 and 2021**

	Enterprise Funds			
	2022	2021	Dollar Change	Percent Change
Assets				
Current and other assets	\$ 4,794,326	\$ 3,508,836	\$ 1,285,490	37%
Non current assets	6,235,387	6,270,802	(35,415)	-1%
Total Assets	<u>11,029,713</u>	<u>9,779,638</u>	<u>1,250,075</u>	<u>13%</u>
Deferred Outflows of Resources				
Deferred pension adjustments	305,652	324,754	(19,102)	-6%
Deferred OPEB adjustments	223,250	117,842	105,408	89%
Total Deferred Outflows of Resources	<u>528,902</u>	<u>442,596</u>	<u>86,306</u>	<u>19%</u>
Liabilities				
Current liabilities	551,820	513,692	38,128	7%
Noncurrent liabilities	6,551,026	7,371,356	(820,330)	-11%
Total Liabilities	<u>7,102,846</u>	<u>7,885,048</u>	<u>(782,202)</u>	<u>-10%</u>
Deferred Inflows of Resources				
Deferred pension adjustments	783,916	43,158	740,758	1716%
Deferred OPEB adjustments	439,132	513,886	(74,754)	-15%
Total Deferred Inflows of Resources	<u>1,223,048</u>	<u>557,044</u>	<u>666,004</u>	<u>120%</u>
Net Position				
Net investment in capital assets	1,600,520	1,332,564	267,956	20%
Restricted				
Debt Service	985,684	946,545	39,139	4%
Capital Facilities	486,967	457,173	29,794	7%
Unrestricted	159,550	(956,140)	1,115,690	-117%
Total Net Position	<u>\$ 3,232,721</u>	<u>\$ 1,780,142</u>	<u>\$ 1,452,579</u>	<u>82%</u>

Net position increased by \$1,470,523 (83%) in FY 2021/22 as described below:

- Total assets increased by \$1,250,075 mainly due to water mainline infrastructure improvements.
- Deferred outflows of resources increased by \$86,306 mainly due to the OPEB obligation.
- Current liabilities (obligations due within 12 months) increased by \$38,128 (7%).

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

- Non-current (long-term) liabilities decreased by \$820,330 (11%). Long-term liabilities are reduced each year as each series on the outstanding debt principal amounts are paid back to the bondholders. Additional information can be found starting on page 28, Note 5 Long-Term Liabilities, pages 28-30.
- There was a significant increase in deferred inflows and outflows for pension adjustments due to updated actuarial assumptions used to calculate the net pension liability and related deferred inflows and outflows. See Note 8 Pension Plan and Note 9 Other Post-Employment Benefits (OPEB) pages 32 -39.
- The largest portion of the District's net position reflects its investment in capital assets (e.g. land, sewer & water lines and improvements, buildings, machinery, equipment, and vehicles) net of outstanding debt. The District uses these capital assets to provide services for the residents and businesses in its service area.
- Although the District's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used or sold to liquidate District liabilities. The remaining balance of the unrestricted net position may be used to meet the District's ongoing obligations to its customers and creditors. The net position also included restricted assets required by various debt agreements restricting revenues pledged to repay debt and restricted assets for capital facilities.

Revenues, Expenses, and Change in Net Position Statement Analysis

**Table 2
Summary of Changes in Net Position
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021**

	Enterprise Funds			
	2022	2021	Dollar	Percent
Operating Revenues				
Charges for Services	\$ 4,675,145	\$ 3,971,911	\$ 703,234	18%
Assessments	262,834	280,997	(18,163)	-6%
Permits and Inspections	116,165	66,980	49,185	73%
Miscellaneous	151,413	102,992	48,421	47%
Total Operating Revenues	<u>5,205,557</u>	<u>4,422,880</u>	<u>782,677</u>	<u>18%</u>
Operating Expenses				
Sewer	2,042,519	2,220,812	(178,293)	-8%
Water	2,005,941	1,896,471	109,470	6%
Flood	1,360	1,362	(2)	0%
Total Operating Expenses	<u>4,049,820</u>	<u>4,118,645</u>	<u>(68,825)</u>	<u>-2%</u>
Operating Income (Loss)	<u>1,155,737</u>	<u>304,235</u>	<u>851,502</u>	<u>280%</u>
Non-Operating Revenues (Expenses)				
Interest Income	3,401	4,671	(1,270)	-27%
Intergovernmental	389,539	121,170	268,369	100%
Gain on sale of assets	59,982	-	59,982	100%
Debt Interest	(156,080)	(166,666)	10,586	-6%
Total Non-Operating Revenues (Expenses)	<u>296,842</u>	<u>(40,825)</u>	<u>337,667</u>	<u>-827%</u>
Income (Loss) Before Transfers	1,452,579	263,410	1,189,169	451%
Transfers In	76,360	245,099	(168,739)	-69%
Transfers Out	(76,360)	(258,516)	182,156	100%
Change in Net Position	1,452,579	249,993	1,202,586	481%
Net Position - Beginning of Year	<u>1,780,142</u>	<u>1,530,149</u>	<u>249,993</u>	<u>16%</u>
Net Position - End of Year	<u>\$ 3,232,721</u>	<u>\$ 1,780,142</u>	<u>\$ 1,452,579</u>	<u>82%</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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

The District's \$1,452,579 (82%) change in net position during FY 2021/22 was characterized as follows:

- Total operating revenues increased by \$782,677 (18%) mainly due to increases in the Sewer and Water service and Permit charges allocated for future Capital Projects. Assessments collected from the County of Lake remain consistent while the Permits and Inspection revenues increased by \$49,185 due to new housing construction.
- Total operating expenses decreased 2% from the prior fiscal year.
- Overall, this year’s revenue increases and expense decreases are consistent with planned capital improvement projects. As planning efforts draw to a close, engineered designs and construction activities will bring revenue and expense more in balance.

Capital Asset Administration

**Table 3
Capital Assets (Net of Depreciation)
June 30, 2022 and 2021**

	Business-Type Activities			
	2022	2021	Dollar Change	Percent Change
Land (not depreciated)	\$ 607,918	\$ 607,918	\$ -	0%
Structures and improvements	1,802,484	1,923,396	(120,912)	-6%
Equipment, vehicles and machinery	651,332	409,396	241,936	59%
Right to use leased equipment	12,413	-	12,413	0%
Infrastructure	3,030,301	3,209,017	(178,716)	-6%
Total	\$ 6,104,448	\$ 6,149,727	\$ (45,279)	-1%

The District’s net capital assets decreased 1% from \$6,149,727 to \$6,104,448 for the year ended June 30, 2022. The total decrease of \$45,729 is mainly due to depreciation. Details of the capital asset activities can be found on page 27, Note 3.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

**Table 4
Outstanding Long-Term Liabilities and Debt (net of debt discounts/premiums)
June 30, 2022 and 2021**

	Business-Type Activities			
	2022	2021	Dollar Change	Percent Change
Liabilities				
Compensated Absences	\$ 34,318	\$ 39,065	\$ (4,747)	-12%
Total Liabilities	34,318	39,065	(4,747)	-12%
Debt				
Bonds	2,627,634	2,821,898	(194,264)	-7%
Loans	1,381,370	1,495,265	(113,895)	-8%
Certificates of Participation	482,500	500,000	(17,500)	-4%
Leases	12,424	-	12,424	0%
Total Debt	4,503,928	4,817,163	(313,235)	-7%
Total Long-Term Liabilities and Debt	\$ 4,538,246	\$ 4,856,228	\$ (317,982)	-7%

The District’s long-term debt was for the infrastructure of water lines, sewer lines, pump stations and processing plant. At year end June 30, 2022, the long-term debt decreased 7% from \$4,856,228 to \$4,538,246. Details of the debt outstanding can be found on page 28, Note 5.

Economic Factors and Budget

For fiscal year 2021/22, Hidden Valley Lake Community Services District has 16 new residential water connections and 11 new residential sewer connections in addition to 1 new commercial water and sewer connection. This continues to be a testimony to the positive effects of the water meter moratorium rescission of early 2020.

The ongoing epidemiological disaster event of COVID-19 and the natural disaster of extreme drought has negatively impacted the District, as it has for many industries. The moratorium of water shutoffs for non-payment was lifted in December 2021 and the financial burden on the District is slowly decreasing as customers keeping their utility bills current to avoid disconnections. The emergency proclamation by the state Governors office urging conservation has also imposed a financial challenge to the District.

The rate study was finalized and enacted on January 1, 2021. This is a five-year schedule of rate increases to cover the newly calculated cost of service through June 30, 2025. A portion of revenues will be allocated to Capital Improvements that will improve the District’s Net Capital Asset position. An apportionment of new revenues is also allocated to repair/replace activities that will help offset the damaging effects of natural disasters and aging infrastructure. Also effective on May 19, 2020 were new capacity charges for residential and commercial connections. The capacity charges incorporate the cost of service for Capital Improvements to aging infrastructure.

Requests for Information

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

Basic Financial Statements

- **Government-Wide Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2022

	Business-Type Activities
ASSETS	
Cash and investments	\$ 3,764,548
Investments with fiscal agent	175,042
Receivables:	
Accounts (net of allowance)	582,806
Assessments	45,133
Delinquent assessments	130,939
Interest	1,240
Prepaid costs	35,084
Inventory	190,473
Capital assets:	
Non-depreciable	607,918
Depreciable, net	5,496,530
Total capital assets	<u>6,104,448</u>
Total Assets	<u>11,029,713</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	305,652
Deferred OPEB adjustments	223,250
Total Deferred Outflows of Resources	<u>528,902</u>
LIABILITIES	
Accounts payable	55,813
Salaries and benefits payable	71,519
Interest payable	55,820
Long-term liabilities:	
Due within one year	368,668
Due in more than one year	4,169,578
Net pension liability	817,874
Net OPEB liability	1,563,574
Total Liabilities	<u>7,102,846</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	783,916
Deferred OPEB adjustments	439,132
Total Deferred Inflows of Resources	<u>1,223,048</u>
NET POSITION	
Net investment in capital assets	1,600,520
Restricted for debt service	985,684
Restricted for capital facilities	486,967
Unrestricted	159,550
Total Net Position	<u><u>\$ 3,232,721</u></u>

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Activities

For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Total Business-Type Activities</u>
<u>Functions/Programs:</u>					
Business-type activities:					
Sewer	\$ 2,148,202	\$ 1,979,931	\$ 652,373	\$ -	\$ 484,102
Water	2,056,338	2,811,379	-	-	755,041
Flood control	1,360	-	-	-	(1,360)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Business-Type Activities	4,205,900	4,791,310	652,373	-	1,237,783
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Total	\$ 4,205,900	\$ 4,791,310	\$ 652,373	\$ -	1,237,783
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
General revenues:					
Interest and investment earnings					3,401
Miscellaneous					151,413
Gain on disposal of capital assets					59,982
					<hr/>
Total General Revenues					214,796
					<hr/>
Change in Net Position					1,452,579
					<hr/>
Net Position - Beginning					1,780,142
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Net Position - Ending					\$ 3,232,721
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The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Fund Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
Enterprise Funds
June 30, 2022

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
ASSETS				
Current Assets:				
Cash and investments	\$ 1,743,040	\$ 2,021,508	\$ -	\$ 3,764,548
Investments with fiscal agent	175,042	-	-	175,042
Receivables:				
Accounts (net of allowance)	219,952	362,854	-	582,806
Assessments	45,133	-	-	45,133
Interest	958	282	-	1,240
Prepaid costs	17,542	17,542	-	35,084
Inventory	-	190,473	-	190,473
Total Current Assets	2,201,667	2,592,659	-	4,794,326
Noncurrent Assets:				
Delinquent assessments receivable	130,939	-	-	130,939
Capital assets, net	2,826,014	3,278,434	-	6,104,448
Total Noncurrent Assets	2,956,953	3,278,434	-	6,235,387
Total Assets	5,158,620	5,871,093	-	11,029,713
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension adjustments	152,826	152,826	-	305,652
Deferred OPEB adjustments	111,625	111,625	-	223,250
Total Deferred Outflows of Resources	264,451	264,451	-	528,902
LIABILITIES				
Current Liabilities:				
Accounts payable	27,167	28,646	-	55,813
Salaries and benefits payable	35,808	35,711	-	71,519
Interest payable	35,789	20,031	-	55,820
Compensated absences	13,815	13,815	-	27,630
Lease payable	1,958	1,958	-	3,916
Bonds payable	201,263	-	-	201,263
Loans payable	-	117,859	-	117,859
Certificates of participation	18,000	-	-	18,000
Total Current Liabilities	333,800	218,020	-	551,820

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Net Position
Enterprise Funds
June 30, 2022

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
LIABILITIES (CONTINUED)				
Noncurrent Liabilities:				
Compensated absences	3,344	3,344	-	6,688
Lease payable	4,254	4,254	-	8,508
Bonds payable	2,426,371	-	-	2,426,371
Loans payable	-	1,263,511	-	1,263,511
Certificates of participation	464,500	-	-	464,500
Net pension liability	408,937	408,937	-	817,874
Net OPEB liability	781,787	781,787	-	1,563,574
Total Noncurrent Liabilities	4,089,193	2,461,833	-	6,551,026
Total Liabilities	4,422,993	2,679,853	-	7,102,846
DEFERRED INFLOWS OF RESOURCES				
Deferred pension adjustments	391,958	391,958	-	783,916
Deferred OPEB adjustments	219,566	219,566	-	439,132
Total Deferred Inflows of Resources	611,524	611,524	-	1,223,048
NET POSITION				
Net investment in capital assets	(290,332)	1,890,852	-	1,600,520
Restricted for debt service	801,063	184,621	-	985,684
Restricted for capital facilities	175,517	311,450	-	486,967
Unrestricted	(297,694)	457,244	-	159,550
Total Net Position	\$ 388,554	\$ 2,844,167	\$ -	\$ 3,232,721

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

Continued (Page 2 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses
and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2022

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
OPERATING REVENUES				
Assessments	\$ 262,834	\$ -	\$ -	\$ 262,834
Permits and inspections	116,165	-	-	116,165
Charges for services	1,863,766	2,811,379	-	4,675,145
Miscellaneous	102,442	48,971	-	151,413
Total Operating Revenues	2,345,207	2,860,350	-	5,205,557
OPERATING EXPENSES				
Salaries and benefits	919,069	912,447	-	1,831,516
Insurance	82,906	82,907	-	165,813
Office expenses	34,777	36,365	-	71,142
Continuing education	3,732	5,019	-	8,751
Dues and subscriptions	8,784	27,295	-	36,079
Postage	7,415	7,742	-	15,157
Repairs and maintenance	217,001	49,583	-	266,584
Gas, fuel and oil	23,551	23,551	-	47,102
Supplies	65,005	65,252	-	130,257
Professional services	174,013	102,302	-	276,315
Rents and leases	6,724	-	-	6,724
Travel	7,318	8,524	-	15,842
Telephone	12,343	12,342	-	24,685
Power	107,639	176,112	1,360	285,111
Other utilities	3,140	3,136	-	6,276
Bad debt	-	757	-	757
Depreciation	252,558	227,607	-	480,165
Other operating	2,356	3,159	-	5,515
Office and safety equipment	20,393	21,175	-	41,568
Director's compensation	3,230	3,229	-	6,459
Environmental monitoring	41,827	13,942	-	55,769
Water conservation	-	4,828	-	4,828
Water rights	-	5,029	-	5,029
Disaster mitigation	19,500	19,810	-	39,310
Reliable water supply	-	154,730	-	154,730
Regulatory compliance	23,988	-	-	23,988
Annual operating fees	5,250	39,098	-	44,348
Total Operating Expenses	2,042,519	2,005,941	1,360	4,049,820
Operating Income (Loss)	302,688	854,409	(1,360)	1,155,737
NON-OPERATING REVENUES (EXPENSES)				
Interest income	2,237	1,164	-	3,401
Intergovernmental revenues	318,741	70,798	-	389,539
Gain on sale of assets	29,991	29,991	-	59,982
Interest expense	(105,683)	(50,397)	-	(156,080)
Total Non-Operating Revenues (Expenses)	245,286	51,556	-	296,842
Income (Loss) Before Transfers	547,974	905,965	(1,360)	1,452,579

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses
and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2022

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Totals</u>
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	
Transfers in	-	75,000	1,360	76,360
Transfers out	(76,360)	-	-	(76,360)
Change in Net Position	471,614	980,965	-	1,452,579
Total Net Position - Beginning	(83,060)	1,863,202	-	1,780,142
Total Net Position - Ending	<u>\$ 388,554</u>	<u>\$ 2,844,167</u>	<u>\$ -</u>	<u>\$ 3,232,721</u>

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

Continued (Page 2 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2022

	Major Funds		Nonmajor	Totals
	Sewer Operations	Water Operations	Flood Control	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,266,994	\$ 2,842,564	\$ -	\$ 5,109,558
Cash paid to suppliers	(865,335)	(1,058,171)	(1,360)	(1,924,866)
Cash paid to employees	(868,975)	(858,989)	-	(1,727,964)
Net Cash Provided (Used) by Operating Activities	532,684	925,404	(1,360)	1,456,728
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants received	439,884	202,259	-	642,143
Transfers in from other funds	-	75,000	1,360	76,360
Transfers out to other funds	(76,360)	-	-	(76,360)
Net Cash Provided (Used) by Noncapital Financing Activities	363,524	277,259	1,360	642,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(104,382)	(314,172)	-	(418,554)
Proceeds from the sale of capital assets	29,991	29,991	-	59,982
Principal paid on debt	(213,718)	(115,850)	-	(329,568)
Interest paid on debt	(107,982)	(52,048)	-	(160,030)
Net Cash Provided (Used) by Capital and Related Financing Activities	(396,091)	(452,079)	-	(848,170)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,543	1,142	-	2,685
Net Cash Provided (Used) by Investing Activities	1,543	1,142	-	2,685
Net Increase (Decrease) in Cash and Cash Equivalents	501,660	751,726	-	1,253,386
Balances - Beginning	1,416,422	1,269,782	-	2,686,204
Balances - Ending	\$ 1,918,082	\$ 2,021,508	\$ -	\$ 3,939,590

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

Continued (Page 1 of 2)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2022

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Totals</u>
	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 302,688	\$ 854,409	\$ (1,360)	\$ 1,155,737
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	252,558	227,607	-	480,165
Decrease (increase) in:				
Accounts receivable	(32,335)	(17,029)	-	(49,364)
Assessments receivable	(45,878)	-	-	(45,878)
Prepaid costs	(4,070)	(4,070)	-	(8,140)
Inventory	-	(190,473)	-	(190,473)
Pension adjustment - deferred outflows	9,551	9,551	-	19,102
OPEB adjustment - deferred outflows	(55,215)	(50,193)	-	(105,408)
Increase (decrease) in:				
Accounts payable	9,627	1,502	-	11,129
Salaries and benefits payable	6,829	7,212	-	14,041
Compensated absences	(2,373)	(2,374)	-	(4,747)
Net pension liability	(382,203)	(382,203)	-	(764,406)
Net OPEB liability	139,483	139,483	-	278,966
Pension adjustment - deferred inflows	370,379	370,379	-	740,758
OPEB adjustment - deferred inflows	(36,357)	(38,397)	-	(74,754)
Net Cash Provided (Used) by Operating Activities	<u>\$ 532,684</u>	<u>\$ 925,404</u>	<u>\$ (1,360)</u>	<u>\$ 1,456,728</u>

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

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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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Component Units

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

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

Joint Agencies

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The District reports the following major proprietary funds:

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

C. Basis of Accounting and Measurement Focus

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

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

E. Investments

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

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

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

F. Receivables

Receivables consist mainly of user fees, interest, intergovernmental, assessments, and delinquent assessments. Management believes its receivables are fully collectible and accordingly, no allowance for doubtful accounts is required.

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

G. Other Assets

Inventory

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

Prepaid Costs

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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

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

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

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

I. Assessment Revenue

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

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

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

J. Interfund Transactions

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

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

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Interfund Transactions (Continued)

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

K. Compensated Absences

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

L. Pension

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

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

M. Other Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources

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

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

O. Estimates

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

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

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

Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.

Statement No. 92, Omnibus 2020. This Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature.

Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address implications of GASB Statement No. 53 and GASB Statement No. 87 and other accounting and financial reporting implications that result from the replacement of an IBOR.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

Q. Future Accounting Pronouncements

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

Statement No. 91 “Conduit Debt Obligations” The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)

Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

Statement No. 96 “Subscription-Based Information Technology Arrangements” The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2022, the District’s cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 600
Deposits (less outstanding checks)	<u>3,134,852</u>
Total Cash	<u>3,135,452</u>
Investments:	
Investments with fiscal agent	175,042
Local Agency Investment Fund (LAIF)	<u>629,096</u>
Total Investments	<u>804,138</u>
Total Cash and Investments	<u>\$ 3,939,590</u>

B. Cash

At year end, the carrying amount of the District’s cash deposits (including amounts in checking and money market accounts) was \$3,134,852, and the bank balance was \$3,174,135. 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.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Cash (Continued)

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

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

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

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

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

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

At June 30, 2022, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Money market mutual funds	\$ 175,042	\$ 175,042	\$ -	\$ -
Total Investments Measured at Fair Value	175,042	<u>\$ 175,042</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
LAIF		<u>629,096</u>		
Total Investments		<u>\$ 804,138</u>		

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

As of June 30, 2022, the District had the following investments, all of which had a maturity of 5 years or less:

<u>Investment Type</u>	<u>Interest Rates</u>	<u>Maturities</u>		<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
		<u>0-1 year</u>	<u>1-5 years</u>		
Investments Held by Fiscal Agents					
Money market mutual funds	Variable	\$ 175,042	\$ -	\$ 175,042	-
Total Investments Held by Fiscal Agents		<u>175,042</u>	<u>-</u>	<u>175,042</u>	<u>-</u>
Pooled Investments					
LAIF	Variable	<u>629,096</u>	<u>-</u>	<u>629,096</u>	<u>-</u>
Total Pooled Investments		<u>629,096</u>	<u>-</u>	<u>629,096</u>	<u>-</u>
Total Investments		<u>\$ 804,138</u>	<u>\$ -</u>	<u>\$ 804,138</u>	<u>-</u>

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

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Rating</u>	<u>% of Portfolio</u>
Money Market Mutual Funds	A	AAAm	Aaa-mf	21.77%
LAIF	N/A	Unrated	Unrated	<u>78.23%</u>
Total				<u>100.00%</u>

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

D. Investment in External Investment Pool

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2022, the District's investment in LAIF valued at amortized cost was \$629,096 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$231.6 billion. Of that amount, 98.12 percent is invested in non-derivative financial products and 1.88 percent in structured notes and asset-backed securities.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Retirements/ Adjustments	Balance June 30, 2022
Capital Assets, Not Being Depreciated				
Land	\$ 607,918	\$ -	\$ -	\$ 607,918
Total Capital Assets, Not Being Depreciated	<u>607,918</u>	<u>-</u>	<u>-</u>	<u>607,918</u>
Capital Assets, Being Depreciated				
Structures and improvements	3,815,292	-	-	3,815,292
Equipment	2,257,525	379,413	(169,205)	2,467,733
Right to use leased equipment	-	-	16,333	16,333
Infrastructure	26,315,814	39,140	-	26,354,954
Total Capital Assets, Being Depreciated	<u>32,388,631</u>	<u>418,553</u>	<u>(152,872)</u>	<u>32,654,312</u>
Less Accumulated Depreciation For:				
Structures and improvements	(1,891,896)	(120,912)	-	(2,012,808)
Equipment	(1,848,129)	(137,477)	169,205	(1,816,401)
Right to use leased equipment	-	(3,920)	-	(3,920)
Infrastructure	(23,106,797)	(217,856)	-	(23,324,653)
Total Accumulated Depreciation	<u>(26,846,822)</u>	<u>(480,165)</u>	<u>169,205</u>	<u>(27,157,782)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,541,809</u>	<u>(61,612)</u>	<u>16,333</u>	<u>5,496,530</u>
Total Capital Assets, Net	<u>\$ 6,149,727</u>	<u>(\$ 61,612)</u>	<u>\$ 16,333</u>	<u>\$ 6,104,448</u>

Depreciation

Depreciation expense was charged to operations as follows:

Sewer Operations	\$ 252,558
Water Operations	<u>227,607</u>
Total Depreciation Expense	<u>\$ 480,165</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 4: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, and subsidies of various District operations. The following are interfund transfers for the fiscal year ended June 30, 2022:

	Transfers In	Transfers Out
Sewer Operations	\$ -	\$ 76,360
Water Operations	75,000	-
Flood Control	1,360	-
Total	\$ 76,360	\$ 76,360

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

Type of Indebtedness	Balance July 1, 2021	Additions	Adjustments/ Retirements	Balance June 30, 2022	Amounts Due Within One Year
Bonds	\$ 2,797,000	\$ -	(\$ 192,000)	\$ 2,605,000	\$ 199,000
Unamortized premium	24,898	-	(2,264)	22,634	2,263
Bonds, net	2,821,898	-	(194,264)	2,627,634	201,263
Direct borrowing loans	1,495,265	-	(113,895)	1,381,370	117,859
Direct borrowing certificates of participation	500,000	-	(17,500)	482,500	18,000
Leases	-	16,334	(3,910)	12,424	3,916
Compensated absences	39,065	47,948	(52,695)	34,318	27,630
Total Business-Type Activities	\$ 4,856,228	\$ 64,282	(\$ 382,264)	\$ 4,538,246	\$ 368,668

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2022, are as follows:

Business-Type Activities

Bonds:

Sewer System Reassessment District No. 1 Limited Obligation Refunding Improvement Bonds Series 2016, issued March 9, 2016 in the amount of \$3,650,000, payable in annual installments of \$150,000-\$280,000 with an interest rate of 3.25-3.50% and maturity on September 2, 2032. The bonds were used to refund the Improvement Bonds Series 1995-2 which were used to finance improvements to the sewer system. The bonds are secured by a pledge of reassessment revenues. \$ 2,605,000

Total Bonds 2,605,000

Loans from Direct Borrowings:

California Infrastructure and Economic Development Bank direct borrowing Loan, issued June 24, 2002 in the amount of \$3,000,000, payable in annual installments of \$61,530 to \$160,350 with an interest rate of 3.48% and maturity on February 1, 2032. The loan was used to finance the expansion and upgrade of the water system. Net system revenues and all amounts in the enterprise fund are pledged as collateral for the debt. In the event of default, the District agrees to pay accrued interest plus the principal of all unpaid installments under the related agreement. 1,381,370

Total Loans from Direct Borrowings 1,381,370

Certificates of Participation from Direct Borrowings:

2012 Series direct borrowing Certificates of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012, in the amount of \$640,000, payable in annual installments of \$14,000 to \$31,500 with an interest rate of 3.00% and maturity on August 1, 2041. The certificates of participation were used to finance the sewer system solar project. Net revenues are pledged as collateral for debt. In the event of default, the District agrees to pay accrued interest plus the principal of all unpaid installments under the related agreement. 482,500

Total Certificates of Participation from Direct Borrowings 482,500

Total Business-Type Activities \$ 4,468,870

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Following is a schedule of debt payment requirements of business-type activities to maturity for long-term debt, excluding compensated absences that have indefinite maturities, and leases which are reported in Note 6.

Year Ended <u>June 30</u>	Bonds		
	Principal	Interest	Total
2023	\$ 199,000	\$ 86,728	\$ 285,728
2024	206,000	79,843	285,843
2025	213,000	72,720	285,720
2026	219,000	65,376	284,376
2027	227,000	57,794	284,794
2028-2032	1,261,000	162,418	1,423,418
2033	280,000	4,900	284,900
Total	\$ 2,605,000	\$ 529,779	\$ 3,134,779

Year Ended <u>June 30</u>	Loans from Direct Borrowings		
	Principal	Interest	Total
2023	\$ 117,859	\$ 48,071	\$ 165,930
2024	121,960	43,970	165,930
2025	126,204	39,726	165,930
2026	130,596	35,334	165,930
2027	135,141	30,789	165,930
2028-2032	749,610	80,044	829,654
Total	\$ 1,381,370	\$ 277,934	\$ 1,659,304

Year Ended <u>June 30</u>	Certificates of Participation from Direct Borrowings		
	Principal	Interest	Total
2023	\$ 18,000	\$ 14,205	\$ 32,205
2024	18,500	13,658	32,158
2025	19,000	13,095	32,095
2026	19,500	12,517	32,017
2027	20,000	11,925	31,925
2028-2032	111,000	49,995	160,995
2033-2037	128,000	32,100	160,100
2038-2042	148,500	11,393	159,893
Total	\$ 482,500	\$ 158,888	\$ 641,388

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 6: LEASES

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

	Incremental Borrowing Rate	Present Value of Remaining Payments at June 30, 2022
Business-type activities	0.20%	\$ 12,424
Total		\$ 12,424

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

	Business-type Activities
Equipment	\$ 16,333
Less: accumulated depreciation	(3,920)
Net Value	\$ 12,413

As of June 30, 2022, capital lease annual amortization is as follows:

Year Ended June 30	Business-type Activities
2023	\$ 3,936
2024	3,936
2025	3,936
2026	656
Total Requirements	12,464
Less Interest	(40)
Present Value of Remaining Payments	\$ 12,424

NOTE 7: NET POSITION

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 7: NET POSITION (CONTINUED)

Net Position Flow Assumption

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

NOTE 8: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

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

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

Summary of Rate of Tiers and Eligible Participants

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

Benefits Provided

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Each Rate Tier's specific provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.5% @ 55	50-55	1.420% 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 the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	12.200%	8.000%	0.000%
Miscellaneous PEPRA	7.590%	6.750%	0.000%

For the year ended June 30, 2022, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 178,707	\$ -

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

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

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

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	<u>Proportion June 30, 2020</u>	<u>Proportion June 30, 2021</u>	<u>Change- Increase (Decrease)</u>
Miscellaneous	.03751%	.04307%	(.00556%)

As of June 30, 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 817,874
Total Net Pension Liability	<u>\$ 817,874</u>

For the year ended June 30, 2022 the District recognized pension expense of \$202,277. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 206,822	\$ -
Difference between expected and actual experience	91,716	-
Difference between projected and actual earnings on pension plan investments	-	(713,961)
Difference between District contributions and proportionate share of contributions	1,287	(47,643)
Change in employer's proportion	<u>5,827</u>	<u>(22,312)</u>
Total	<u>\$ 305,652</u>	<u>(\$ 783,916)</u>

\$206,822 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2023	(\$ 150,245)
2024	(165,640)
2025	(171,899)
2026	(197,302)
Thereafter	<u>-</u>
Total	<u>(\$ 685,086)</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Investment Rate of Return	7.15%
Inflation	2.50%
Salary Increases	Varies by entry-age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

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

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 and forecasted information for all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 8: PENSION PLAN (CONTINUED)

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

Long-Term Expected Rate of Return (Continued)

The 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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 – 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Miscellaneous	\$ 1,722,530	\$ 817,874	\$ 70,008

Pension Plan Fiduciary Net Position

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

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

The coverage requires the employee to meet the following requirements:

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

Benefits Provided

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

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

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

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

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

The 2021 monthly healthcare premium rates are shown below:

SDRMA 2021 Rates Northern California			
Plan	Employee Only	Employee + 1	Employee +2
Blue Shield PPO Gold	\$ 958.93	\$ 1,918.89	\$ 2,492.60
Gold PPO Medicare	615.94	1,231.88	1,847.82

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

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

A. General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2022 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries entitled to but not receiving benefits	2
Inactive employees or beneficiaries currently receiving benefits	3
Active employees	<u>10</u>
Total	<u><u>15</u></u>

B. Net OPEB Liability

The District's net OPEB liability of \$1,563,574, was measured as of June 30, 2021, and was determined by the actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Funding method	Entry-Age Normal Cost, level percent of pay
Asset valuation method	Not applicable (\$0; no OPEB trust has been established)
Salary increases	3.00% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between services years
Discount rate	2.45% as of June 30, 2020 and 1.92% as of June 30, 2021
Healthcare cost trend rates	5.7% for 2022, decreasing .1% per year to an ultimate rate of 4.0% for 2076 and later years
General inflation rate	2.50% per year

Demographic actuarial assumptions used in the valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvement. The representative mortality rates were those published by CalPERS adjusted to back out 15 years of Scale MP 2016 to central year 2015.

C. Changes in the Net OPEB Liability

	Net OPEB Liability
Balance at June 30, 2021	\$ <u>1,284,608</u>
Changes for the year:	
Service cost	134,517
Interest	34,433
Changes of assumptions	134,336
Benefit payments	<u>(24,320)</u>
Net changes	<u>278,966</u>
Balance at June 30, 2022	<u><u>\$ 1,563,574</u></u>

Changes of assumptions reflects a change in the discount rate from 2.45 percent to 1.92 percent.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

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

C. Changes in the Net OPEB Liability (Continued)

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

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

	1% Decrease (0.92%)	Current Rate (1.92%)	1% Increase (2.92%)
Net OPEB liability	\$ 1,869,539	\$ 1,563,574	\$ 1,322,034

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

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

	Current Trend -1%	Current Trend	Current Trend +1%
Net OPEB Liability	\$ 1,296,030	\$ 1,563,574	\$ 1,909,656

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$126,006. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	\$ 27,202	\$ -
Changes of assumptions	196,048	(39,383)
Differences between expected and actual experience	-	(399,749)
Total	\$ 223,250	(\$ 439,132)

\$27,202 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2023	(\$ 42,944)
2024	(42,944)
2025	(39,216)
2026	(30,047)
2027	(33,560)
Thereafter	(54,373)
	(\$ 243,084)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

NOTE 10: RISK MANAGEMENT

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

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

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

NOTE 11: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2022 through November 22, 2022, 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, 2022
Last 10 Years*

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

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

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2022
Last 10 Years*

Fiscal Year	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
Miscellaneous Plan				
Contractually required contributions (actuarially determined)	\$ 68,280	\$ 65,481	\$ 65,481	\$ 67,062
Contributions in relation to the actuarially determined contributions	<u>(146,425)</u>	<u>(154,320)</u>	<u>(154,320)</u>	<u>(166,721)</u>
Contribution deficiency (excess)	<u>\$ (78,145)</u>	<u>\$ (88,839)</u>	<u>\$ (88,839)</u>	<u>\$ (99,659)</u>
Covered payroll	\$ 758,445	\$ 794,520	\$ 746,828	\$ 773,598
Contributions as a percentage of covered payroll	18.37%	19.42%	20.66%	21.55%

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

<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>
\$ 80,229	\$ 74,931	\$ 75,213	\$ 92,955
<u>(195,406)</u>	<u>(209,325)</u>	<u>(208,890)</u>	<u>(206,822)</u>
<u>\$ (115,177)</u>	<u>\$ (134,394)</u>	<u>\$ (133,677)</u>	<u>\$ (113,867)</u>
\$ 858,574 22.76%	\$ 784,205 26.69%	\$ 851,369 24.54%	\$ 999,422 20.69%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2022

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

Summary of Changes of Benefits or Assumptions

Benefit Changes: None

Changes of Assumptions: None

NOTE 2: SCHEDULE OF CONTRIBUTIONS

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

Valuation Date	June 30, 2019
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining amortization period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Discount rate	7.15%
Payroll Growth	2.75%
Inflation	2.50%
Salary increases	Varies based on entry age and service
Investment rate of return	7.15%

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2022
Last 10 Years*

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

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

2021/2022

\$ 134,517
34,433

-
134,336

(24,320)

278,966

1,284,608

\$ 1,563,574

\$ 937,333
166.81%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District OPEB Plan
Note to District OPEB Plan
For the Year Ended June 30, 2022

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

The Discount rate was changed to 1.92 percent as of June 30, 2021, from 2.45 percent as of June 30, 2020.

Combining Fund Financial Statements

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2022

	Sewer	1995-2 Bond Redemption	USDA Solar Loan	Wastewater Capital Facilities Reserved
ASSETS				
Current Assets:				
Cash and investments	\$ 498,186	\$ 448,112	\$ 9,259	\$ 175,406
Investments with fiscal agent	-	175,042	-	-
Receivables:				
Accounts (net of allowance)	219,952	-	-	-
Assessments	-	45,133	-	-
Interest	142	524	2	111
Prepaid costs	17,542	-	-	-
Total Current Assets	735,822	668,811	9,261	175,517
Noncurrent Assets:				
Delinquent assessments receivable	-	130,939	-	-
Capital assets, net	2,826,014	-	-	-
Total Noncurrent Assets	2,826,014	130,939	-	-
Total Assets	3,561,836	799,750	9,261	175,517
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension adjustments	152,826	-	-	-
Deferred OPEB adjustments	111,625	-	-	-
Total Deferred Outflows of Resources	264,451	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts payable	27,167	-	-	-
Salaries and benefits payable	35,808	-	-	-
Interest payable	-	30,037	5,752	-
Compensated absences	13,815	-	-	-
Lease payable	1,958	-	-	-
Bonds payable	-	201,263	-	-
Certificates of participation	-	-	18,000	-
Total Current Liabilities	78,748	231,300	23,752	-
Noncurrent Liabilities:				
Compensated absences	3,344	-	-	-
Lease payable	4,254	-	-	-
Bonds payable	-	2,426,371	-	-
Certificates of participation	-	-	464,500	-
Net pension liability	408,937	-	-	-
Net OPEB liability	781,787	-	-	-
Total Noncurrent Liabilities	1,198,322	2,426,371	464,500	-
Total Liabilities	1,277,070	2,657,671	488,252	-

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
\$ 580,727	\$ 31,350	\$ 1,743,040
-	-	175,042
-	-	219,952
-	-	45,133
179	-	958
-	-	17,542
<u>580,906</u>	<u>31,350</u>	<u>2,201,667</u>
-	-	130,939
-	-	2,826,014
-	-	2,956,953
<u>580,906</u>	<u>31,350</u>	<u>5,158,620</u>
-	-	152,826
-	-	111,625
-	-	264,451
-	-	27,167
-	-	35,808
-	-	35,789
-	-	13,815
-	-	1,958
-	-	201,263
-	-	18,000
-	-	333,800
-	-	3,344
-	-	4,254
-	-	2,426,371
-	-	464,500
-	-	408,937
-	-	781,787
-	-	4,089,193
-	-	4,422,993

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2022

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension adjustments	391,958	-	-	-
Deferred OPEB adjustments	219,566	-	-	-
Total Deferred Inflows of Resources	<u>611,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	2,819,802	(2,627,634)	(482,500)	-
Restricted for debt service	-	769,713	-	-
Restricted for capital facilities	-	-	-	175,517
Unrestricted	(882,109)	-	3,509	-
Total Net Position	<u>\$ 1,937,693</u>	<u>\$ (1,857,921)</u>	<u>\$ (478,991)</u>	<u>\$ 175,517</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
-	-	391,958
-	-	219,566
-	-	611,524
-	-	(290,332)
-	31,350	801,063
-	-	175,517
580,906	-	(297,694)
<u>\$ 580,906</u>	<u>\$ 31,350</u>	<u>\$ 388,554</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, 2022

	Sewer	1995-2 Bond Redemption	USDA Solar Loan	Wastewater Capital Facilities Reserved
OPERATING REVENUES				
Assessments	\$ -	\$ 262,834	\$ -	\$ -
Permits and inspections	11,258	-	-	104,907
Charges for services	1,863,766	-	-	-
Miscellaneous	33,755	68,687	-	-
Total Operating Revenues	1,908,779	331,521	-	104,907
OPERATING EXPENSES				
Salaries and benefits	919,069	-	-	-
Insurance	82,906	-	-	-
Office expenses	34,777	-	-	-
Continuing education	3,732	-	-	-
Dues and subscriptions	8,784	-	-	-
Postage	7,415	-	-	-
Repairs and maintenance	217,001	-	-	-
Gas, fuel and oil	23,551	-	-	-
Supplies	65,005	-	-	-
Professional services	165,880	8,133	-	-
Rents and leases	6,724	-	-	-
Travel	7,318	-	-	-
Telephone	12,343	-	-	-
Power	107,639	-	-	-
Other utilities	3,140	-	-	-
Depreciation	252,558	-	-	-
Other operating	2,356	-	-	-
Office and safety equipment	20,393	-	-	-
Directors compensation	3,230	-	-	-
Environmental monitoring	41,827	-	-	-
Disaster mitigation	19,500	-	-	-
Regulatory compliance	23,988	-	-	-
Annual operating fees	5,250	-	-	-
Total Operating Expenses	2,034,386	8,133	-	-
Operating Income (Loss)	(125,607)	323,388	-	104,907
NON-OPERATING REVENUES (EXPENSES)				
Interest income	286	1,036	9	245
Intergovernmental revenues	318,741	-	-	-
Gain on sale of assets	29,991	-	-	-
Interest expense	(13)	(91,151)	(14,519)	-
Total Non-Operating Revenues (Expenses)	349,005	(90,115)	(14,510)	245
Income (Loss) Before Transfers	223,398	233,273	(14,510)	105,152

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
\$ -	\$ -	\$ 262,834
-	-	116,165
-	-	1,863,766
-	-	102,442
-	-	2,345,207
-	-	919,069
-	-	82,906
-	-	34,777
-	-	3,732
-	-	8,784
-	-	7,415
-	-	217,001
-	-	23,551
-	-	65,005
-	-	174,013
-	-	6,724
-	-	7,318
-	-	12,343
-	-	107,639
-	-	3,140
-	-	252,558
-	-	2,356
-	-	20,393
-	-	3,230
-	-	41,827
-	-	19,500
-	-	23,988
-	-	5,250
-	-	2,042,519
-	-	302,688
637	24	2,237
-	-	318,741
-	-	29,991
-	-	(105,683)
637	24	245,286
637	24	547,974

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses
and Changes in Net Position
Sewer Operations
For the Year Ended June 30, 2022

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
Transfers in (out)	(256,122)	-	32,238	(75,000)
Change in Net Position	(32,724)	233,273	17,728	30,152
Total Net Position - Beginning	<u>1,970,417</u>	<u>(2,091,194)</u>	<u>(496,719)</u>	<u>145,365</u>
Total Net Position - Ending	<u>\$ 1,937,693</u>	<u>\$ (1,857,921)</u>	<u>\$ (478,991)</u>	<u>\$ 175,517</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
222,524	-	(76,360)
223,161	24	471,614
357,745	31,326	(83,060)
<u>\$ 580,906</u>	<u>\$ 31,350</u>	<u>\$ 388,554</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2022

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,876,444	\$ 285,643	\$ -	\$ 104,907
Cash paid to suppliers	(857,121)	(8,214)	-	-
Cash paid to employees	(868,975)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>150,348</u>	<u>277,429</u>	<u>-</u>	<u>104,907</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants received	439,884	-	-	-
Transfer in (out) from/to other funds	(256,122)	-	32,238	(75,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>183,762</u>	<u>-</u>	<u>32,238</u>	<u>(75,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(104,382)	-	-	-
Proceeds from sale of capital assets	29,991	-	-	-
Principal paid on debt	(1,955)	(194,263)	(17,500)	-
Interest paid on debt	(13)	(93,231)	(14,738)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(76,359)</u>	<u>(287,494)</u>	<u>(32,238)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	205	588	8	182
Net Cash Provided (Used) by Investing Activities	<u>205</u>	<u>588</u>	<u>8</u>	<u>182</u>
Net Increase (Decrease) in Cash and Cash Equivalents	257,956	(9,477)	8	30,089
Balances - Beginning	<u>240,230</u>	<u>632,631</u>	<u>9,251</u>	<u>145,317</u>
Balances - Ending	<u>\$ 498,186</u>	<u>\$ 623,154</u>	<u>\$ 9,259</u>	<u>\$ 175,406</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Total Sewer Operations
\$ -	\$ -	\$ 2,266,994
-	-	(865,335)
-	-	(868,975)
-	-	532,684
-	-	439,884
222,524	-	(76,360)
222,524	-	363,524
-	-	(104,382)
-	-	29,991
-	-	(213,718)
-	-	(107,982)
-	-	(396,091)
536	24	1,543
536	24	1,543
223,060	24	501,660
357,667	31,326	1,416,422
<u>\$ 580,727</u>	<u>\$ 31,350</u>	<u>\$ 1,918,082</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2022

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (125,607)	\$ 323,388	\$ -	\$ 104,907
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	252,558	-	-	-
Decrease (increase) in:				
Accounts receivable	(32,335)	-	-	-
Assessments receivable	-	(45,878)	-	-
Prepaid costs	(4,070)	-	-	-
Pension adjustment - deferred outflows	9,551	-	-	-
OPEB adjustment - deferred outflows	(55,215)	-	-	-
Increase (decrease) in:				
Accounts payable	9,708	(81)	-	-
Salaries and benefits payable	6,829	-	-	-
Compensated absences	(2,373)	-	-	-
Net pension liability	(382,203)	-	-	-
Net OPEB liability	139,483	-	-	-
Pension adjustment - deferred inflows	370,379	-	-	-
OPEB adjustment - deferred inflows	(36,357)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 150,348</u>	<u>\$ 277,429</u>	<u>\$ -</u>	<u>\$ 104,907</u>

<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>Total Sewer Operations</u>
\$ -	\$ -	\$ 302,688
-	-	252,558
-	-	(32,335)
-	-	(45,878)
-	-	(4,070)
-	-	9,551
-	-	(55,215)
-	-	9,627
-	-	6,829
-	-	(2,373)
-	-	(382,203)
-	-	139,483
-	-	370,379
-	-	(36,357)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,684</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2022

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
ASSETS			
Current Assets:			
Cash and investments	\$ 1,209,610	\$ 135,778	\$ 184,621
Receivables:			
Accounts (net of allowance)	362,854	-	-
Interest	259	23	-
Prepaid costs	17,542	-	-
Inventory	190,473	-	-
Total Current Assets	1,780,738	135,801	184,621
Noncurrent Assets:			
Capital assets, net	3,278,434	-	-
Total Noncurrent Assets	3,278,434	-	-
Total Assets	5,059,172	135,801	184,621
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	152,826	-	-
Deferred OPEB adjustments	111,625	-	-
Total Deferred Outflows of Resources	264,451	-	-
LIABILITIES			
Current Liabilities:			
Accounts payable	28,646	-	-
Salaries and benefits payable	35,711	-	-
Interest payable	-	20,031	-
Compensated absences	13,815	-	-
Lease payable	1,958	-	-
Loans payable	-	117,859	-
Total Current Liabilities	80,130	137,890	-
Noncurrent Liabilities:			
Compensated absences	3,344	-	-
Lease payable	4,254	-	-
Loans payable	-	1,263,511	-
Net pension liability	408,937	-	-
Net OPEB liability	781,787	-	-
Total Noncurrent Liabilities	1,198,322	1,263,511	-
Total Liabilities	1,278,452	1,401,401	-
DEFERRED INFLOWS OF RESOURCES			
Deferred pension adjustments	391,958	-	-
Deferred OPEB adjustments	219,566	-	-
Total Deferred Inflows of Resources	611,524	-	-

Water Operations Reserve	Water Capital Fund	Total Water Operations
\$ 180,049	\$ 311,450	\$ 2,021,508
-	-	362,854
-	-	282
-	-	17,542
-	-	190,473
<u>180,049</u>	<u>311,450</u>	<u>2,592,659</u>
-	-	3,278,434
-	-	3,278,434
<u>180,049</u>	<u>311,450</u>	<u>5,871,093</u>
-	-	152,826
-	-	111,625
-	-	264,451
-	-	28,646
-	-	35,711
-	-	20,031
-	-	13,815
-	-	1,958
-	-	117,859
-	-	218,020
-	-	3,344
-	-	4,254
-	-	1,263,511
-	-	408,937
-	-	781,787
-	-	2,461,833
-	-	2,679,853
-	-	391,958
-	-	219,566
-	-	611,524

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2022

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
NET POSITION			
Net investment in capital assets	3,272,222	(1,381,370)	-
Restricted for debt service	-	-	184,621
Restricted for capital facilities	-	-	-
Unrestricted	161,425	115,770	-
Total Net Position	\$ 3,433,647	\$ (1,265,600)	\$ 184,621

Water Operations Reserve	Water Capital Fund	Total Water Operations
-	-	1,890,852
-	-	184,621
-	311,450	311,450
180,049	-	457,244
<u>\$ 180,049</u>	<u>\$ 311,450</u>	<u>\$ 2,844,167</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, 2022

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
OPERATING REVENUES			
Charges for services	\$ 2,675,069	\$ 136,310	\$ -
Miscellaneous	48,971	-	-
Total Operating Revenues	<u>2,724,040</u>	<u>136,310</u>	<u>-</u>
OPERATING EXPENSES			
Salaries and benefits	912,447	-	-
Insurance	82,907	-	-
Office expenses	36,365	-	-
Continuing education	5,019	-	-
Dues and subscriptions	27,295	-	-
Postage	7,742	-	-
Repairs and maintenance	49,583	-	-
Gas, fuel and oil	23,551	-	-
Supplies	65,252	-	-
Professional services	102,302	-	-
Travel	8,524	-	-
Telephone	12,342	-	-
Power	176,112	-	-
Other utilities	3,136	-	-
Bad debt	-	-	-
Depreciation	227,607	-	-
Other operating	3,159	-	-
Office and safety equipment	21,175	-	-
Director's compensation	3,229	-	-
Environmental monitoring	13,942	-	-
Water conservation	4,828	-	-
Water rights	5,029	-	-
Disaster mitigation	19,810	-	-
Reliable water supply	154,730	-	-
Annual operating fees	34,612	4,486	-
Total Operating Expenses	<u>2,000,698</u>	<u>4,486</u>	<u>-</u>
Operating Income (Loss)	<u>723,342</u>	<u>131,824</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	502	210	106
Intergovernmental revenue	70,798	-	-
Gain on sale of assets	29,991	-	-
Interest expense	(13)	(50,384)	-
Total Non-Operating Revenues (Expenses)	<u>101,278</u>	<u>(50,174)</u>	<u>106</u>
Income (Loss) Before Transfers	824,620	81,650	106
Transfers in (out)	(8,564)	59,029	-
Change in Net Position	816,056	140,679	106
Total Net Position - Beginning	<u>2,617,591</u>	<u>(1,406,279)</u>	<u>184,515</u>
Total Net Position - Ending	<u>\$ 3,433,647</u>	<u>\$ (1,265,600)</u>	<u>\$ 184,621</u>

Water Operating Reserve	Water Capital Fund	Total Water Operations
\$ -	\$ -	\$ 2,811,379
-	-	48,971
-	-	2,860,350
-	-	912,447
-	-	82,907
-	-	36,365
-	-	5,019
-	-	27,295
-	-	7,742
-	-	49,583
-	-	23,551
-	-	65,252
-	-	102,302
-	-	8,524
-	-	12,342
-	-	176,112
-	-	3,136
198	559	757
-	-	227,607
-	-	3,159
-	-	21,175
-	-	3,229
-	-	13,942
-	-	4,828
-	-	5,029
-	-	19,810
-	-	154,730
-	-	39,098
198	559	2,005,941
(198)	(559)	854,409
145	201	1,164
-	-	70,798
-	-	29,991
-	-	(50,397)
145	201	51,556
(53)	(358)	905,965
24,535	-	75,000
24,482	(358)	980,965
155,567	311,808	1,863,202
\$ 180,049	\$ 311,450	\$ 2,844,167

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Water Operations
For the Year Ended June 30, 2022

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,702,372	\$ 140,192	\$ -
Cash paid to suppliers	(1,053,685)	(4,486)	-
Cash paid to employees	(858,989)	-	-
Net Cash Provided (Used) by Operating Activities	789,698	135,706	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants received	202,259	-	-
Transfers in (out) from/to other funds	(8,564)	59,029	-
Net Cash Provided (Used) by Noncapital Financing Activities	193,695	59,029	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(314,172)	-	-
Proceeds from sale of capital assets	29,991	-	-
Principal paid on debt	(1,955)	(113,895)	-
Interest paid on debt	(13)	(52,035)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(286,149)	(165,930)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	342	197	257
Net Cash Provided (Used) by Investing Activities	342	197	257
Net Increase (Decrease) in Cash and Cash Equivalents	697,586	29,002	257
Balances - Beginning	512,024	106,776	184,364
Balances - Ending	\$ 1,209,610	\$ 135,778	\$ 184,621
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 723,342	\$ 131,824	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amortization	227,607	-	-
Decrease (increase) in:			
Accounts receivable	(21,668)	3,882	-
Prepaid costs	(4,070)	-	-
Inventory	(190,473)	-	-
Pension adjustment - deferred outflows	9,551	-	-
OPEB adjustment - deferred outflows	(50,193)	-	-
Increase (decrease) in:			
Accounts payable	1,502	-	-
Salaries and benefits payable	7,212	-	-
Compensated absences	(2,374)	-	-
Net pension liability	(382,203)	-	-
Net OPEB liability	139,483	-	-
Pension adjustment - deferred inflows	370,379	-	-
OPEB adjustment - deferred inflows	(38,397)	-	-
Net Cash Provided (Used) by Operating Activities	\$ 789,698	\$ 135,706	\$ -

Water Operating Reserve	Water Capital Fund	Total Water Operations
\$ -	\$ -	\$ 2,842,564
-	-	(1,058,171)
-	-	(858,989)
-	-	925,404
-	-	202,259
24,535	-	75,000
24,535	-	277,259
-	-	(314,172)
-	-	29,991
-	-	(115,850)
-	-	(52,048)
-	-	(452,079)
145	201	1,142
145	201	1,142
24,680	201	751,726
155,369	311,249	1,269,782
<u>\$ 180,049</u>	<u>\$ 311,450</u>	<u>\$ 2,021,508</u>
\$ (198)	\$ (559)	\$ 854,409
-	-	227,607
198	559	(17,029)
-	-	(4,070)
-	-	(190,473)
-	-	9,551
-	-	(50,193)
-	-	1,502
-	-	7,212
-	-	(2,374)
-	-	(382,203)
-	-	139,483
-	-	370,379
-	-	(38,397)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 925,404</u>

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OTHER REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District, California (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

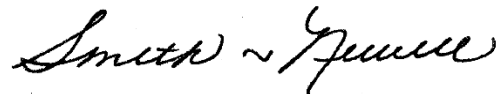
To the Board of Directors
Hidden Valley Lake Community Services District
Hidden Valley Lake, California

Report on Compliance and Other Matters

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

Purpose of this Report

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



Smith & Newell CPAs
Yuba City, California
November 22, 2022