

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Annual Financial Report
For the Year Ended June 30, 2019

Table of Contents

	Page
INTRODUCTORY SECTION	
List of Officials	i
FINANCIAL SECTION	
Independent Auditor’s Report.....	1-3
Management’s Discussion and Analysis (Unaudited)	4-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Position.....	12-13
Statement of Revenues, Expenses and Changes in Net Position.....	14-15
Statement of Cash Flows.....	16-17
Notes to Basic Financial Statements	18-39
Required Supplementary Information (Unaudited):	
District Pension Plan – Schedule of Proportionate Share of the Net Pension Liability	40
District Pension Plan – Schedule of Contributions	41
District Pension Plan – Notes to District Pension Plan	42
District OPEB Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios	43
District OPEB Plan – Note to District OPEB Plan.....	44
Combining Fund Financial Statements:	
Combining Statement of Net Position – Sewer Operations	45-46
Combining Statement of Revenues, Expenses and Changes in Net Position –	
Sewer Operations	47-48
Combining Statement of Cash Flows – Sewer Operations.....	49-50
Combining Statement of Net Position – Water Operations.....	51-52
Combining Statement of Revenues, Expenses and Changes in Net Position –	
Water Operations	53
Combining Statement of Cash Flows – Water Operations.....	54

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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, 2019

Board of Directors

Linda Herndon	President
Judy Mirbegian	Vice President
Jim Liberman	Director
Carolyn Graham	Director
Jim Freeman	Director

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FINANCIAL SECTION

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

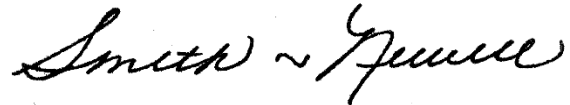
The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2020, 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.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written in black ink.

Smith & Newell CPAs
Yuba City, California
January 16, 2020

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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, 2019**

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, 2019.

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, 2019. 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, 2019 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 \$1,225,434. Unrestricted net position represents (\$795,877), and net investment in capital assets was at \$915,280. The remaining restricted amounts were \$910,609 for debt service and \$195,422 for capital facilities.
- Total net position decreased \$303,880 (20%) in fiscal year 2018/19 compared to a decrease of \$486,528 (32%) in fiscal year 2017/18.
- Total assets increased from \$9,851,860 in fiscal year 2017/18 to \$9,980,989 in fiscal year 2018/19.
- Total liabilities increased 6% from \$8,585,310 in fiscal year 2018/19 to \$9,061,262 in fiscal year 2018/19.
- The District recorded deferred outflows of resources in the amount of \$484,116, a \$59,525 increase (14%) and deferred inflows of resources in the amount of \$161,827, a \$16,582 increase (10%), in order to record the different components required by GASB 68 and GASB 75 for pension and OPEB accounting and reporting. Deferred outflows of resources are technically not assets but increase net position similar to an asset and deferred inflows of resources are technically not liabilities but decrease net position similar to liabilities. See Note 1N in the notes to financial statements for a definition of deferred inflows and outflows of resources.
- Total program and general revenues increased by 189,188 (6%) mainly due to an increase of rates.
- Total expenses and special items increased by \$493,143 (14%) from prior year. The increase was due to \$206,407 in Sewer and Water operating and maintenance expenses, and a decrease of \$285,516 in net 2019 Storm Emergency response repair proceeds and expenses.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

A "fund" is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two proprietary funds: Sewer Operations and Water Operations. Proprietary funds distinguish operating revenues and expenses from non-operating items.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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.

**Table 1
Summary of Net Position
June 30, 2019 and 2018**

	Enterprise Funds			
	2019	2018	Dollar Change	Percent Change
Assets				
Current and other assets	\$ 3,520,732	\$ 3,167,745	\$ 361,873	11%
Non current assets	6,500,257	6,774,115	(232,744)	-3%
Total Assets	<u>10,020,989</u>	<u>9,941,860</u>	<u>129,129</u>	<u>1%</u>
Deferred Outflows of Resources				
Deferred pension adjustments	449,116	390,998	58,118	15%
Deferred OPEB adjustments	35,000	33,593	1,407	4%
Total Deferred Outflows of Resources	<u>484,116</u>	<u>424,591</u>	<u>59,525</u>	<u>14%</u>
Liabilities				
Current liabilities	1,188,796	498,705	690,091	138%
Noncurrent liabilities	7,912,466	8,176,605	(264,139)	-3%
Total Liabilities	<u>9,101,262</u>	<u>8,675,310</u>	<u>425,952</u>	<u>5%</u>
Deferred Inflows of Resources				
Deferred pension adjustments	97,020	78,587	18,433	23%
Deferred OPEB adjustments	81,389	83,240	(1,851)	-2%
Total Deferred Inflows of Resources	<u>178,409</u>	<u>161,827</u>	<u>16,582</u>	<u>10%</u>
Net Position				
Net investment in capital assets	915,280	853,972	61,308	7%
Restricted				
Debt Service	910,609	860,060	50,549	6%
Capital Facilities	195,422	444,455	(249,033)	-56%
Unrestricted	(795,877)	(629,173)	(166,704)	26%
Total Net Position	<u>\$ 1,225,434</u>	<u>\$ 1,529,314</u>	<u>\$ (303,880)</u>	<u>-20%</u>

Net position decreased by \$303,880 to \$1,225,434 from FY 2017/18 to FY 2018/19 as described below:

Total assets and deferred outflows increased by \$138,654. Current assets increased by \$352,987. Capital assets decreased by \$232,774 due to depreciation.

Current liabilities (obligations due within 12 months) increased by \$690,091 (138%). The net increase was due primarily to an increase in accounts payable of \$676,506 for storm emergency costs owed to the County.

Non-current (long-term) liabilities decreased by \$264,139 due to a decrease in the net pension and net OPEB liabilities and debt principal payments. Long-term liabilities are reduced each year as each series on the outstanding debt principal amounts are paid back to the bondholders. Additional information on the District's non-current liabilities can be found in Note 5 Long-Term Liabilities.

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.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019 and 2018**

	Enterprise Funds			
	2019	2018	Dollar Change	Percent Change
Operating Revenues				
Charges for Services	\$ 3,176,656	\$ 2,945,567	\$ 231,089	8%
Assessments	281,018	283,863	(2,845)	-1%
Permits and Inspections	37,570	54,548	(16,978)	-31%
Miscellaneous	90,787	121,598	(30,811)	-25%
Total Operating Revenues	<u>3,586,031</u>	<u>3,405,576</u>	<u>180,455</u>	<u>5%</u>
Operating Expenses				
Sewer	2,032,548	1,885,637	146,911	8%
Water	1,714,032	1,644,685	69,347	4%
Flood	2,329	1,109	1,220	110%
Total Operating Expenses	<u>3,748,909</u>	<u>3,531,431</u>	<u>217,478</u>	<u>6%</u>
Operating Income (Loss)	(162,878)	(125,855)	(37,023)	29%
Non-Operating Revenues (Expenses)				
Interest Income	26,643	17,910	8,733	49%
Debt Interest	(186,536)	(196,387)	9,851	-5%
Total Non-Operating Revenues (Expenses)	<u>(159,893)</u>	<u>(178,477)</u>	<u>18,584</u>	<u>-10%</u>
Change in Net Position Before Special Items & Transfers	(322,771)	(304,332)	(18,439)	6%
Proceeds for 2017 Storms Emergency Response & Repairs	1,087,144	304,407	782,737	257%
Expenses for 2017 Storms Emergency Response & Repairs	(1,068,253)	-	(1,068,253)	100%
Cummulative effect of change in accounting principle	-	(486,603)	486,603	-100%
Change in Net Position	(303,880)	(486,528)	182,648	-38%
Net Position - Beginning of Year	1,529,314	2,015,842	(486,528)	-24%
Net Position - End of Year	<u>\$ 1,225,434</u>	<u>\$ 1,529,314</u>	<u>\$ (303,880)</u>	<u>-20%</u>

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.

The District's (\$303,880) change in net position during FY 2018/19 was as follows:

- Total operating revenues increased by \$180,455. Total service charges and sewer assessments increased by a net of \$228,224 as a result of a scheduled increase in the sewer and water service charges

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

- Operating expenses increased by \$217,478. The most significant changes in expenses from FY 2017/18 to FY 2018/19 were increases in operating and maintenance expenses from salaries and benefits, professional services and depreciation.
- The Special Items relate to the 2019 Storms emergency response proceeds of \$1,087,144 and costs of \$1,068,253. An estimated 97% of the costs will be reimbursed by the Federal and State FEMA/OES programs. Applications for reimbursement have been submitted and reviewed by FEMA/OES representatives and are in the process of funding. The \$1,012,484 requested has been recorded as a receivable as of June 30, 2019.

Capital Asset Administration

**Table 3
Capital Assets (Net of Depreciation)
June 30, 2019 and 2018**

	Business-Type Activities			Percent Change
	2019	2018	Dollar Change	
Land (not depreciated)	\$ 607,918	\$ 607,918	\$ -	0%
Structures and improvements	2,161,248	2,281,668	(120,420)	-5%
Equipment, vehicles and machinery	300,877	221,809	79,068	36%
Infrastructure	3,280,854	3,472,244	(191,390)	-6%
Total	\$ 6,350,897	\$ 6,583,639	\$ (232,742)	-4%

The District's net capital assets decreased from \$6,583,639 to \$6,350,897 for the year ended June 30, 2019. The total decrease was \$232,742 with the addition of a construction truck to the capital assets. Details of the capital asset transactions can be found on page 27, Note 3.

Debt Administration

**Table 4
Outstanding Long-Term Liabilities and Debt (net of debt discounts/premiums)
June 30, 2019 and 2018**

	Business-Type Activities			Percent Change
	2019	2018	Dollar Change	
Liabilities				
Compensated Absences	\$ 59,604	\$ 54,712	\$ 4,892	9%
Total Liabilities	59,604	54,712	4,892	9%
Debt				
Bonds	3,190,424	3,365,688	(175,264)	-5%
Loans	1,711,693	1,814,480	(102,787)	-6%
Certificates of Participation	533,500	549,500	(16,000)	-3%
Total Debt	5,435,617	5,729,668	(294,051)	-5%
Total Long-Term Liabilities and Debt	\$ 5,495,221	\$ 5,784,380	\$ (289,159)	-5%

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, the long-term debt decreased from \$5,784,380 to \$5,495,221 due to payments and changes in compensated absences. The increase in compensated absences is due to adjustments made in the calculation of the liability and current and long-term allocation. Details of the debt outstanding can be found on pages 28 through 30, Note 5.

Economic Factors and Next Year's Budget

For fiscal year 2018/2019, Hidden Valley Lake Community Services District had two (2) new residential water connections and three (3) new residential sewer connections. This is consistent with numbers throughout the economic downturn. Although the housing market appears to have stabilized, new construction is nonexistent due to the meter moratorium imposed by the State of California. The fiscal year was also marred by more rain and flooding events which greatly increased operational costs in the sewer fund due to (Infiltration and Intrusion). The cost to haul and treat the sewer and rain water that hydraulically overloaded the system is anticipated to be offset by the receipt of \$948,420 in FEMA/OES assistance.

As we move into the 2019/20 fiscal year, the effects of a slow economic recovery are being addressed through a comprehensive 5-year rate study. The plan is to increase water, sewer and recycled water use charges to provide for increased operational costs, replacement of aging infrastructure and build up the Capital Improvement and Reserve Funds in both the water and sewer enterprise funds.

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 Trish Wilkinson, Full Charge Bookkeeper, Hidden Valley Lake Community Services District, 19400 Hartmann Road, Hidden Valley Lake, California 95467, 707-987-9201, twilkinson@hvlcsd.org www.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, 2019

	Business-Type Activities
ASSETS	
Cash and investments	\$ 1,959,534
Investments with fiscal agent	177,580
Receivables:	
Accounts (net of allowance)	325,778
Assessments	5,395
Delinquent assessments	109,360
Intergovernmental	1,012,484
Interest	5,023
Prepaid costs	34,938
Capital assets:	
Non-depreciable	607,918
Depreciable, net	5,742,979
Total capital assets	<u>6,350,897</u>
Total Assets	<u>9,980,989</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	449,116
Deferred OPEB adjustments	<u>35,000</u>
Total Deferred Outflows of Resources	<u>484,116</u>
LIABILITIES	
Accounts payable	744,932
Salaries and benefits payable	39,231
Interest payable	67,269
Long-term liabilities:	
Due within one year	337,364
Due in more than one year	5,157,857
Net pension liability	1,403,810
Net OPEB liability	<u>1,310,799</u>
Total Liabilities	<u>9,061,262</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	97,020
Deferred OPEB adjustments	<u>81,389</u>
Total Deferred Inflows of Resources	<u>178,409</u>
NET POSITION	
Net investment in capital assets	915,280
Restricted for debt service	910,609
Restricted for capital facilities	195,422
Unrestricted	<u>(795,877)</u>
Total Net Position	<u>\$ 1,225,434</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, 2019

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Revenue and Changes in Net Position</u>
					<u>Total Business-Type Activities</u>
Business-type activities:					
Sewer	\$ 2,157,432	\$ 1,349,156	\$ 281,018	\$ -	\$ (527,258)
Water	1,775,684	1,865,070	-	-	89,386
Flood control	2,329	-	-	-	(2,329)
Total Business-Type Activities	<u>3,935,445</u>	<u>3,214,226</u>	<u>281,018</u>	<u>-</u>	<u>(440,201)</u>
Total	<u>\$ 3,935,445</u>	<u>\$ 3,214,226</u>	<u>\$ 281,018</u>	<u>\$ -</u>	<u>(440,201)</u>
General revenues:					
Interest and investment earnings					26,643
Miscellaneous					90,787
Special items:					
Storms emergency response and repair proceeds					1,087,144
Storms emergency response and repair expenses					<u>(1,068,253)</u>
Total General Revenues and Special Items					<u>136,321</u>
Change in Net Position					<u>(303,880)</u>
Net Position - Beginning					<u>1,529,314</u>
Net Position - Ending					<u>\$ 1,225,434</u>

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, 2019

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 1,154,902	\$ 804,070	\$ 562	\$ 1,959,534
Investments with fiscal agent	177,580	-	-	177,580
Receivables:				
Accounts (net of allowance)	118,554	207,224	-	325,778
Assessments	5,395	-	-	5,395
Intergovernmental	1,012,484	-	-	1,012,484
Interest	2,409	2,614	-	5,023
Prepaid costs	17,469	17,469	-	34,938
Total Current Assets	<u>2,488,793</u>	<u>1,031,377</u>	<u>562</u>	<u>3,520,732</u>
Noncurrent Assets:				
Advances to other funds	40,000	-	-	40,000
Delinquent assessments receivable	109,360	-	-	109,360
Capital assets, net	3,047,228	3,303,669	-	6,350,897
Total Noncurrent Assets	<u>3,196,588</u>	<u>3,303,669</u>	<u>-</u>	<u>6,500,257</u>
Total Assets	<u>5,685,381</u>	<u>4,335,046</u>	<u>562</u>	<u>10,020,989</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension adjustments	224,558	224,558	-	449,116
Deferred OPEB adjustments	16,313	18,687	-	35,000
Total Deferred Outflows of Resources	<u>240,871</u>	<u>243,245</u>	<u>-</u>	<u>484,116</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	697,524	47,408	-	744,932
Salaries and benefits payable	18,621	20,610	-	39,231
Interest payable	42,450	24,819	-	67,269
Compensated absences	19,039	14,199	-	33,238
Bonds payable	181,263	-	-	181,263
Loans payable	-	106,363	-	106,363
Certificates of participation	16,500	-	-	16,500
Total Current Liabilities	<u>975,397</u>	<u>213,399</u>	<u>-</u>	<u>1,188,796</u>

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, 2019

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>Totals</u>
LIABILITIES (CONTINUED)				
Noncurrent Liabilities:				
Advances from other funds	-	40,000	-	40,000
Compensated absences	15,102	11,264	-	26,366
Bonds payable	3,009,161	-	-	3,009,161
Loans payable	-	1,605,330	-	1,605,330
Certificates of participation	517,000	-	-	517,000
Net pension liability	701,905	701,905	-	1,403,810
Net OPEB liability	591,264	719,535	-	1,310,799
Total Noncurrent Liabilities	<u>4,834,432</u>	<u>3,078,034</u>	<u>-</u>	<u>7,912,466</u>
Total Liabilities	<u>5,809,829</u>	<u>3,291,433</u>	<u>-</u>	<u>9,101,262</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension adjustments	48,510	48,510	-	97,020
Deferred OPEB adjustments	41,023	40,366	-	81,389
Total Deferred Inflows of Resources	<u>89,533</u>	<u>88,876</u>	<u>-</u>	<u>178,409</u>
NET POSITION				
Net investment in capital assets	(676,696)	1,591,976	-	915,280
Restricted for debt service	730,855	179,754	-	910,609
Restricted for capital facilities	57,553	137,869	-	195,422
Unrestricted	(84,822)	(711,617)	562	(795,877)
Total Net Position	<u>\$ 26,890</u>	<u>\$ 1,197,982</u>	<u>\$ 562</u>	<u>\$ 1,225,434</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 Revenues, Expenses
and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2019

	Sewer Operations	Water Operations	Flood Control	Totals
OPERATING REVENUES				
Assessments	\$ 281,018	\$ -	\$ -	\$ 281,018
Permits and inspections	37,570	-	-	37,570
Charges for services	1,311,586	1,865,070	-	3,176,656
Miscellaneous	47,172	43,615	-	90,787
Total Operating Revenues	1,677,346	1,908,685	-	3,586,031
OPERATING EXPENSES				
Salaries and benefits	721,447	796,097	-	1,517,544
Insurance	72,430	24,209	-	96,639
Office expenses	25,226	25,670	-	50,896
Continuing education	6,194	14,504	-	20,698
Dues and subscriptions	5,897	19,304	-	25,201
Postage	6,397	6,397	-	12,794
Repairs and maintenance	300,100	153,122	-	453,222
Gas, fuel and oil	10,430	10,413	-	20,843
Supplies	61,619	49,782	-	111,401
Professional services	165,514	126,972	-	292,486
Rents and leases	22,641	-	-	22,641
Travel	2,273	2,272	-	4,545
Telephone	10,624	10,624	-	21,248
Power	44,846	137,757	2,329	184,932
Other utilities	2,599	2,598	-	5,197
Depreciation	225,322	165,356	-	390,678
Other operating	297,277	2,364	-	299,641
Office and safety equipment	14,841	52,080	-	66,921
Director's compensation	-	2,002	-	2,002
Environmental monitoring	35,041	22,768	-	57,809
Water conservation	-	8,156	-	8,156
Water rights	-	49,308	-	49,308
Annual operating fees	1,830	32,277	-	34,107
Total Operating Expenses	2,032,548	1,714,032	2,329	3,748,909
Operating Income (Loss)	(355,202)	194,653	(2,329)	(162,878)
NON-OPERATING REVENUES (EXPENSES)				
Interest income	17,861	8,782	-	26,643
Interest expense	(124,884)	(61,652)	-	(186,536)
Total Non-Operating Revenues (Expenses)	(107,023)	(52,870)	-	(159,893)
Income (Loss) Before Special Items and Transfers	(462,225)	141,783	(2,329)	(322,771)

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, 2019

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>Totals</u>
Proceeds for the storms emergency response and repair	1,087,144	-	-	1,087,144
Expenses for the storms emergency response and repair	(1,068,253)	-	-	(1,068,253)
Transfers in	1,312,127	100,722	-	1,412,849
Transfers out	(1,312,127)	(100,722)	-	(1,412,849)
Change in Net Position	(443,334)	141,783	(2,329)	(303,880)
Total Net Position - Beginning	<u>470,224</u>	<u>1,056,199</u>	<u>2,891.00</u>	<u>1,529,314</u>
Total Net Position - Ending	<u>\$ 26,890</u>	<u>\$ 1,197,982</u>	<u>\$ 562</u>	<u>\$ 1,225,434</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, 2019

	Sewer Operations	Water Operations	Flood Control	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,670,906	\$ 1,895,533	\$ -	\$ 3,566,439
Cash paid to suppliers	(340,427)	(643,034)	(2,329)	(985,790)
Cash paid to employees	(770,711)	(864,610)	-	(1,635,321)
Net Cash Provided (Used) by Operating Activities	559,768	387,889	(2,329)	945,328
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Special project amounts paid	(698,612)	-	-	(698,612)
Interfund loan repayments received	50,000	-	-	50,000
Interfund loan repayments made	-	(50,000)	-	(50,000)
Transfer in from other funds	1,312,127	100,722	-	1,412,849
Transfer out to other funds	(1,312,127)	(100,722)	-	(1,412,849)
Net Cash Provided (Used) by Noncapital Financing Activities	(648,612)	(50,000)	-	(698,612)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(119,021)	(38,915)	-	(157,936)
Principal paid on debt	(191,263)	(102,787)	-	(294,050)
Interest paid on debt	(127,237)	(63,144)	-	(190,381)
Net Cash Provided (Used) by Capital and Related Financing Activities	(437,521)	(204,846)	-	(642,367)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	18,711	7,537	-	26,248
Net Cash Provided (Used) by Investing Activities	18,711	7,537	-	26,248
Net Increase (Decrease) in Cash and Cash Equivalents	(507,654)	140,580	(2,329)	(369,403)
Balances - Beginning	1,840,136	663,490	2,891	2,506,517
Balances - Ending	\$ 1,332,482	\$ 804,070	\$ 562	\$ 2,137,114

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, 2019

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING				
ACTIVITIES				
Operating income (loss)	\$ (355,202)	\$ 194,653	\$ (2,329)	\$ (162,878)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	225,322	165,356	-	390,678
Decrease (increase) in:				
Accounts receivable	(13,442)	(13,152)	-	(26,594)
Assessments receivable	7,003	-	-	7,003
Prepaid costs	3,020	3,194	-	6,214
Pension adjustment - deferred outflows	(32,815)	(25,303)	-	(58,118)
OPEB adjustment - deferred outflows	(675)	(732)	-	(1,407)
Increase (decrease) in:				
Accounts payable	656,243	20,264	-	676,507
Salaries and benefits payable	1,651	1,893	-	3,544
Compensated absences	2,802	2,090	-	4,892
Net pension liability	(14,909)	(47,326)	-	(62,235)
Net OPEB liability	72,547	78,593	-	151,140
Pension adjustment - deferred inflows	9,111	9,322	-	18,433
OPEB adjustment - deferred inflows	(888)	(963)	-	(1,851)
Net Cash Provided (Used) by Operating Activities	<u>\$ 559,768</u>	<u>\$ 387,889</u>	<u>\$ (2,329)</u>	<u>\$ 945,328</u>

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

Continued (Page 2 of 2)

Basic Financial Statements

- **Notes to Basic Financial Statements**

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Component Units

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

Joint Agencies

The District is a participant in the Special District Risk Management Authority (SDRMA), which is a joint powers agency organized for the purpose of pooled joint-protection coverage to member entities. SDRMA operates public entity pools for auto and general liability coverage, plus workers compensation and errors and omissions coverage and pool purchases excess insurance for members. Complete audited financial statements of SDRMA can be obtained at 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, 2019

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, 2019

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. Although Management believes all assessments are ultimately collectible because they are collected with property taxes, management has established an allowance for doubtful accounts of \$430 for the Sewer Operations fund and \$0 for the Water Operations fund. Accounts receivables are stated net of these amounts.

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

G. Other Assets

Inventory

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

Prepaid Costs

Certain payments to vendors 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, 2019

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, 2019

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.

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, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

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, 2018
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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. 83, Certain Asset Retirement Obligations (AROs). This statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs including obligations that may not have been previously reported. This statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowing, and Direct Placements. This statement improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risk associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2019, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 600
Deposits (less outstanding checks)	<u>1,351,877</u>
Total Cash	<u>1,352,477</u>
Investments:	
Investments with fiscal agent	177,580
Local Agency Investment Fund (LAIF)	<u>607,057</u>
Total Investments	<u>784,637</u>
Total Cash and Investments	<u>\$ 2,137,114</u>

B. Cash

At year end, the carrying amount of the District's cash deposits (including amounts in checking and money market accounts) was \$1,351,877, and the bank balance was \$1,443,277. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$600.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized.

C. Investments

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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, 2019, 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	\$ 177,580	\$ 177,580	\$ -	\$ -
Total Investments Measured at Fair Value	177,580	<u>\$ 177,580</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
LAIF	<u>607,057</u>			
Total Investments	<u>\$ 784,637</u>			

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

As of June 30, 2019, 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	\$ 177,580	\$ -	\$ 177,580	-
Total Investments Held by Fiscal Agents		<u>177,580</u>	<u>-</u>	<u>177,580</u>	
Pooled Investments					
LAIF	Variable	<u>607,057</u>	<u>-</u>	<u>607,057</u>	<u>-</u>
Total Pooled Investments		<u>607,057</u>	<u>-</u>	<u>607,057</u>	<u>-</u>
Total Investments		<u>\$ 784,637</u>	<u>\$ -</u>	<u>\$ 784,637</u>	<u>-</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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	22.63%
LAIF	N/A	Unrated	Unrated	<u>77.37%</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.

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, 2019, the District's investment in LAIF valued at amortized cost was \$607,057 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 \$105.7 billion. Of that amount, 98.23 percent is invested in non-derivative financial products and 1.77 percent in structured notes and asset-backed securities.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
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	3,811,950	-	-	3,811,950
Equipment	1,745,985	157,936	(1,177)	1,902,744
Infrastructure	<u>25,967,744</u>	<u>-</u>	<u>-</u>	<u>25,967,744</u>
Total Capital Assets, Being Depreciated	<u>31,525,679</u>	<u>157,936</u>	<u>(1,177)</u>	<u>31,682,438</u>
Less Accumulated Depreciation For:				
Structures and Improvements	(1,530,282)	(120,420)	-	(1,650,702)
Equipment	(1,524,176)	(78,868)	1,177	(1,601,867)
Infrastructure	<u>(22,495,500)</u>	<u>(191,390)</u>	<u>-</u>	<u>(22,686,890)</u>
Total Accumulated Depreciation	<u>(25,549,958)</u>	<u>(390,678)</u>	<u>1,177</u>	<u>(25,939,459)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,975,721</u>	<u>(232,742)</u>	<u>-</u>	<u>5,742,979</u>
Total Capital Assets, Net	<u>\$ 6,583,639</u>	<u>(\$ 232,742)</u>	<u>\$ -</u>	<u>\$ 6,350,897</u>

Depreciation

Depreciation expense was charged to operations as follows:

Sewer Operations	\$ 225,322
Water Operations	<u>165,356</u>
Total Depreciation Expense	<u>\$ 390,678</u>

NOTE 4: INTERFUND TRANSACTIONS

Advances To/From Other Funds

Advances to/from other funds are non-current interfund loans. The following are advances to/from other funds as of June 30, 2019:

	<u>Advances To</u> <u>Other Funds</u>	<u>Advances From</u> <u>Other Funds</u>
Sewer Operations	\$ 40,000	\$ -
Water Operations	<u>-</u>	<u>40,000</u>
Total	<u>\$ 40,000</u>	<u>\$ 40,000</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 4: INTERFUND TRANSACTIONS (CONTINUED)

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, 2019:

	Transfers In	Transfers Out
Sewer Operations	\$ 1,312,127	\$ 1,312,127
Water Operations	100,722	100,722
Total	\$ 1,412,849	\$ 1,412,849

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

Type of Indebtedness	Balance July 1, 2018	Additions	Adjustments/ Retirements	Balance June 30, 2019	Amounts Due Within One Year
Bonds	\$ 3,334,000	\$ -	(\$ 173,000)	\$ 3,161,000	\$ 179,000
Unamortized premium	31,688	-	(2,264)	29,424	2,263
Bonds, net	3,365,688	-	(175,264)	3,190,424	181,263
Direct borrowing loans	1,814,480	-	(102,787)	1,711,693	106,363
Direct borrowing certificates of participation	549,500	-	(16,000)	533,500	16,500
Compensated absences	54,712	51,235	(46,343)	59,604	33,238
Total Business-Type Activities	\$ 5,784,380	\$ 51,235	(\$ 340,394)	\$ 5,495,221	\$ 337,364

Individual issues of debt payable outstanding at June 30, 2019, are as follows:

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.

	\$ 3,161,000
Total Bonds	3,161,000

Loans:

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-\$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.

	1,711,693
Total Loans	1,711,693

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation:

2012 Series direct borrowing Certificate of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012, in the amount of \$640,000, payable in annual installments of \$14,000 to \$31,500 with an interest rate of 3.00% and maturity on August 1, 2041. The certificates of participation were used to finance the sewer system solar project. Net revenues 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.

	<u>533,500</u>
Total Certificates of Participation	<u>533,500</u>
Total	<u>\$ 5,406,193</u>

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

<u>Year Ended</u> <u>June 30</u>	Bonds		
	Principal	Interest	Total
2020	\$ 179,000	\$ 105,272	\$ 284,272
2021	185,000	99,357	284,357
2022	192,000	93,231	285,231
2023	199,000	86,728	285,728
2024	206,000	79,843	285,843
2025-2029	1,137,000	287,170	1,424,170
2030-2033	1,063,000	76,038	1,139,038
Total	<u>\$ 3,161,000</u>	<u>\$ 827,639</u>	<u>\$ 3,988,639</u>

<u>Year Ended</u> <u>June 30</u>	Loans from Direct Borrowings		
	Principal	Interest	Total
2020	\$ 106,363	\$ 59,567	\$ 165,930
2021	110,065	55,865	165,930
2022	113,895	52,035	165,930
2023	117,859	48,071	165,930
2024	121,960	43,969	165,929
2025-2029	676,497	153,155	829,652
2030-2032	465,054	32,738	497,792
Total	<u>\$ 1,711,693</u>	<u>\$ 445,400</u>	<u>\$ 2,157,093</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Year Ended <u>June 30</u>	<u>Certificates of Participation from Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 16,500	\$ 15,757	\$ 32,257
2021	17,000	15,255	32,255
2022	17,500	14,738	32,238
2023	18,000	14,205	32,205
2024	18,500	13,658	32,158
2025-2029	101,000	59,520	160,520
2030-2034	117,500	43,148	160,648
2035-2039	136,000	24,180	160,180
2040-2042	<u>91,500</u>	<u>4,177</u>	<u>95,677</u>
Total	<u>\$ 533,500</u>	<u>\$ 204,638</u>	<u>\$ 738,138</u>

NOTE 6: NET POSITION

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

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

Net Position Flow Assumption

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7: 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 after January 1, 2013
Closed to New Enrollment Miscellaneous	Miscellaneous members hired before January 1, 2013

Benefits Provided

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

Each Rate Tier's specific provisions and benefits in effect at June 30, 2019, 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%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

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	10.609%	8.000%	0.000%
Miscellaneous PEPRA	6.842%	6.250%	0.000%

For the year ended June 30, 2019, 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	\$ 167,312	\$ -

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Relate 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, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	<u>Proportion June 30, 2018</u>	<u>Proportion June 30, 2019</u>	<u>Change- Increase (Decrease)</u>
Miscellaneous	.03719%	.03725%	.00006%

As of June 30, 2019, 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	\$ 1,403,810
Total Net Pension Liability	<u>\$ 1,403,810</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7: PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2019 the District recognized pension expense of \$91,295. At June 30, 2019, 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	\$ 193,214	\$ -
Changes of assumptions	160,039	(39,222)
Difference between expected and actual experience	53,862	(18,329)
Difference between projected and actual earnings on pension plan investments	6,940	-
Difference between District contributions and proportionate share of contributions.	7,200	(4,553)
Change in employers proportion	<u>27,861</u>	<u>(34,916)</u>
Total	<u>\$ 449,116</u>	<u>(\$ 97,020)</u>

\$193,214 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, 2020. 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>	
2020	\$ 135,185
2021	81,313
2022	(48,991)
2023	(12,625)
Thereafter	<u>-</u>
Total	<u>\$ 158,882</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7: PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

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.

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 returns of all 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.

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7: PENSION PLAN (CONTINUED)

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

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

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

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Miscellaneous	\$ 2,162,621	\$ 1,403,810	\$ 777,424

Pension Plan Fiduciary Net Position

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

NOTE 8: 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 healthcare insurance 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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Benefits Provided (Continued)

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 2018 monthly healthcare premium rates are shown below:

SDRMA 2018 Rates Northern California			
Plan	Employee Only	Employee + 1	Employee +2
Blue Shield PPO Gold	\$ 814.98	\$ 1,630.98	\$ 2,117.52
Gold PPO Medicare	523.26	1,046.52	1,569.78

Employees Covered By Benefit Terms

At June 30, 2019 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	<u>12</u>
Total	<u><u>16</u></u>

B. Net OPEB Liability

The District’s net OPEB liability of \$1,310,799, was measured as of June 30, 2018, and was determined by the actuarial valuation as of that date.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Net OPEB Liability (Continued)

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Funding method	Entry-Age Normal Cost, level percent of pay
Asset valuation method	Market value of assets
Salary increases	3.25% per year, since benefits do not depend on salary, this used only to allocate the cost of benefits between services years
Discount rate	3.62% as of June 30, 2018
Healthcare cost trend rates	7.5% for 2019, decreasing .5% per year to an ultimate rate of 5.0% for 2024 and later years
General inflation rate	2.75% per year

The discount rate was based on the Fidelity Muni Go AA 20 Year Index.

Mortality rates were based on the mortality rates published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008 and then projected forward 6 years using MacLeod Watts Scale 2017 to year 2014.

All actuarial assumptions used in the June 30, 2019 valuation were based on the results of the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements.

C. Changes in the Net OPEB Liability

	<u>Net OPEB Liability</u>
Balance at June 30, 2018	\$ <u>1,159,659</u>
Changes for the year:	
Services cost	150,829
Interest	46,055
Change of assumptions	(12,151)
Benefit payments	<u>(33,593)</u>
Net changes	<u>151,140</u>
Balance at June 30, 2019	\$ <u>1,310,799</u>

Changes of assumptions reflects a change in the discount rate from 3.56 percent to 3.62 percent.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Continued)

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

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

	1% Decrease (2.62%)	Current Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability	\$ 1,537,085	\$ 1,310,799	\$ 1,130,566

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	\$ 1,082,090	\$ 1,310,799	\$ 1,629,485

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$182,882. At June 30, 2019, 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	\$ 35,000	\$ -
Changes of assumptions	-	(81,389)
Total	\$ 35,000	(\$ 81,389)

\$35,000 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	
2020	(\$ 14,002)
2021	(14,002)
2022	(14,002)
2023	(14,002)
2024	(14,002)
Thereafter	(11,379)
	(\$ 81,389)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 9: 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 10: OTHER INFORMATION

A. Subsequent Events

Management has evaluated events subsequent to June 30, 2019 through January 16, 2020, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**B. Federal Emergency Management Administration (FEMA)/Office of Emergency Services (OES)
Application and Reimbursement Status for 2017 Storm Emergency**

In January and February 2017, there were storm events that resulted in emergency response costs and damage to infrastructure. A formal disaster emergency was declared by the District and County. The State and federal governments subsequently adopted an emergency declaration that provided for federal and State assistance in reimbursement of certain eligible costs incurred by the District. The District submitted several applications to FEMA/OES representatives.

FEMA/OES reviewed and approved the requests for reimbursement in May 2019, and the District recorded a receivable of \$1,012,484 as of June 30, 2019.

**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, 2019
Last 10 Years*

Measurement Period	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Miscellaneous Plan					
Proportion of the net pension liability	0.01414%	0.01560%	0.01480%	0.01480%	0.03725%
Proportionate share of the net pension liability	\$ 880,120	\$ 1,071,015	\$ 1,282,357	\$ 1,466,045	\$ 1,403,810
Covered payroll	641,041	758,445	794,520	746,828	773,598
Proportionate share of the net pension liability as a percentage of covered payroll	137.30%	141.21%	161.40%	196.30%	181.47%
Plan fiduciary net position as a percentage of the total pension liability	77.74%	73.61%	71.62%	72.91%	74.97%

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2019
Last 10 Years*

Fiscal Year	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2016</u>	<u>2017/2018</u>	<u>2018/2019</u>
Miscellaneous Plan					
Contractually required contribution (actuarially determined)	\$ 68,280	\$ 65,481	\$ 65,481	\$ 67,344	\$ 67,063
Contributions in relation to the actuarially determined contributions	<u>(146,425)</u>	<u>(154,320)</u>	<u>(154,320)</u>	<u>(166,813)</u>	<u>(166,679)</u>
Contribution deficiency (excess)	<u>\$ (78,145)</u>	<u>\$ (88,839)</u>	<u>\$ (88,839)</u>	<u>\$ (99,469)</u>	<u>\$ (99,616)</u>
Covered payroll	\$ 758,445	\$ 794,520	\$ 746,828	\$ 773,598	\$ 858,574
Contributions as a percentage of covered payroll	18.37%	19.42%	20.66%	21.56%	19.41%

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2019

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

Change of assumptions: For the measurement date of June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

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

Valuation Date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2016 Funding Valuation Report
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Discount rate	7.375%
Retirement age	The probabilities of retirement are based on the January 2014 CalPERS Experience Study and Review of Actuarial Assumptions

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, 2019
Last 10 Years*

Fiscal Year	<u>2017/2018</u>	<u>2018/2019</u>
Net OPEB Liability		
Service Cost	\$ 168,137	\$ 150,829
Interest	35,914	46,055
Changes of assumptions	(95,664)	(12,151)
Benefit payments	<u>(20,997)</u>	<u>(33,593)</u>
 Net Change in Net OPEB Liability	 87,390	 151,140
 Net OPEB Liability - Beginning	 <u>1,072,269</u>	 <u>1,159,659</u>
 Net OPEB Liability - Ending	 <u><u>\$ 1,159,659</u></u>	 <u><u>\$ 1,310,799</u></u>
 Covered payroll	 \$ 770,191	 \$ 804,618
Net OPEB liability as a percentage of covered payroll	150.57%	162.91%

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

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Required Supplementary Information
District OPEB Plan
Note to District OPEB Plan
For the Year Ended June 30, 2019

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

The Discount rate was changed to 3.56 percent as of June 30, 2017, to 3.62 percent as of June 30, 2018.

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Combining Fund Financial Statements

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HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2019

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 130,905	\$ 442,603	\$ 47,841	\$ 57,120
Investments with fiscal agent	-	177,580	-	-
Receivables:				
Accounts (net of allowance)	118,554	-	-	-
Assessments	-	5,395	-	-
Intergovernmental	1,012,484	-	-	-
Interest	575	695	6	433
Prepaid costs	17,469	-	-	-
Total Current Assets	<u>1,279,987</u>	<u>626,273</u>	<u>47,847</u>	<u>57,553</u>
Noncurrent Assets:				
Advances to other funds	-	-	-	-
Delinquent assessments receivable	-	109,360	-	-
Capital assets, net	3,047,228	-	-	-
Total Noncurrent Assets	<u>3,047,228</u>	<u>109,360</u>	<u>-</u>	<u>-</u>
Total Assets	<u>4,327,215</u>	<u>735,633</u>	<u>47,847</u>	<u>57,553</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension adjustments	224,558	-	-	-
Deferred OPEB adjustments	16,313	-	-	-
Total Deferred Outflows of Resources	<u>240,871</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	697,524	-	-	-
Salaries and benefits payable	18,621	-	-	-
Interest payable	-	36,060	6,390	-
Compensated absences	19,039	-	-	-
Bonds payable	-	181,263	-	-
Certificates of participation	-	-	16,500	-
Total Current Liabilities	<u>735,184</u>	<u>217,323</u>	<u>22,890</u>	<u>-</u>
Noncurrent Liabilities:				
Compensated absences	15,102	-	-	-
Bonds payable	-	3,009,161	-	-
Certificates of participation	-	-	517,000	-
Net pension liability	701,905	-	-	-
Net OPEB liability	591,264	-	-	-
Total Noncurrent Liabilities	<u>1,308,271</u>	<u>3,009,161</u>	<u>517,000</u>	<u>-</u>
Total Liabilities	<u>2,043,455</u>	<u>3,226,484</u>	<u>539,890</u>	<u>-</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ 125,188	\$ 31,282	\$ -	\$ 319,963	\$ 1,154,902
-	-	-	-	177,580
-	-	-	-	118,554
-	-	-	-	5,395
-	-	-	-	1,012,484
700	-	-	-	2,409
-	-	-	-	17,469
<u>125,888</u>	<u>31,282</u>	<u>-</u>	<u>319,963</u>	<u>2,488,793</u>
-	-	-	40,000	40,000
-	-	-	-	109,360
-	-	-	-	3,047,228
<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>3,196,588</u>
<u>125,888</u>	<u>31,282</u>	<u>-</u>	<u>359,963</u>	<u>5,685,381</u>
-	-	-	-	224,558
-	-	-	-	16,313
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,871</u>
-	-	-	-	697,524
-	-	-	-	18,621
-	-	-	-	42,450
-	-	-	-	19,039
-	-	-	-	181,263
-	-	-	-	16,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>975,397</u>
-	-	-	-	15,102
-	-	-	-	3,009,161
-	-	-	-	517,000
-	-	-	-	701,905
-	-	-	-	591,264
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,834,432</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,809,829</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Sewer Operations
June 30, 2019

	<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	48,510	-	-	-
Deferred OPEB adjustments	41,023	-	-	-
Total Deferred Inflows of Resources	<u>89,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	3,047,228	(3,190,424)	(533,500)	-
Restricted for debt service	-	699,573	-	-
Restricted for capital facilities	-	-	-	57,553
Unrestricted	(612,130)	-	41,457	-
Total Net Position	<u>\$ 2,435,098</u>	<u>\$ (2,490,851)</u>	<u>\$ (492,043)</u>	<u>\$ 57,553</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
-	-	-	-	48,510
-	-	-	-	41,023
-	-	-	-	89,533
-	-	-	-	(676,696)
-	31,282	-	-	730,855
-	-	-	-	57,553
125,888	-	-	359,963	(84,822)
<u>\$ 125,888</u>	<u>\$ 31,282</u>	<u>\$ -</u>	<u>\$ 359,963</u>	<u>\$ 26,890</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, 2019

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
OPERATING REVENUES				
Assessments	\$ -	\$ 281,018	\$ -	\$ -
Permits and inspections	7,170	-	-	30,400
Charges for services	1,311,586	-	-	-
Miscellaneous	23,122	24,050	-	-
Total Operating Revenues	<u>1,341,878</u>	<u>305,068</u>	<u>-</u>	<u>30,400</u>
OPERATING EXPENSES				
Salaries and benefits	721,447	-	-	-
Insurance	72,430	-	-	-
Office expenses	25,226	-	-	-
Continuing education	6,194	-	-	-
Dues and subscriptions	5,897	-	-	-
Postage	6,397	-	-	-
Repairs and maintenance	300,100	-	-	-
Gas, fuel and oil	10,430	-	-	-
Supplies	61,619	-	-	-
Professional services	156,069	2,087	-	-
Rents and leases	22,641	-	-	-
Travel	2,273	-	-	-
Telephone	10,624	-	-	-
Power	44,846	-	-	-
Other utilities	2,599	-	-	-
Depreciation	225,322	-	-	-
Other operating	297,277	-	-	-
Office and safety equipment	14,841	-	-	-
Environmental monitoring	35,041	-	-	-
Annual operating fees	1,830	-	-	-
Total Operating Expenses	<u>2,023,103</u>	<u>2,087</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(681,225)</u>	<u>302,981</u>	<u>-</u>	<u>30,400</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	1,988	5,195	64	4,079
Interest expense	-	(109,118)	(15,766)	-
Total Non-Operating Revenues (Expenses)	<u>1,988</u>	<u>(103,923)</u>	<u>(15,702)</u>	<u>4,079</u>
Income (Loss) Before Special Items and Transfers	<u>(679,237)</u>	<u>199,058</u>	<u>(15,702)</u>	<u>34,479</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ -	\$ -	\$ 281,018
-	-	-	-	37,570
-	-	-	-	1,311,586
-	-	-	-	47,172
-	-	-	-	1,677,346
-	-	-	-	721,447
-	-	-	-	72,430
-	-	-	-	25,226
-	-	-	-	6,194
-	-	-	-	5,897
-	-	-	-	6,397
-	-	-	-	300,100
-	-	-	-	10,430
-	-	-	-	61,619
-	-	7,358	-	165,514
-	-	-	-	22,641
-	-	-	-	2,273
-	-	-	-	10,624
-	-	-	-	44,846
-	-	-	-	2,599
-	-	-	-	225,322
-	-	-	-	297,277
-	-	-	-	14,841
-	-	-	-	35,041
-	-	-	-	1,830
-	-	7,358	-	2,032,548
-	-	(7,358)	-	(355,202)
5,875	22	534	104	17,861
-	-	-	-	(124,884)
5,875	22	534	104	(107,023)
5,875	22	(6,824)	104	(462,225)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Revenues, Expenses
and Changes in Net Position
Sewer Operations
For the Year Ended June 30, 2019

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>
Proceeds for the storms emergency response and repair	1,087,144	-	-	-
Expenses for the storms emergency response and repair	(1,068,253)	-	-	-
Transfers in	873,934	29,381	-	18,000
Transfers out	(401,454)	(7,358)	-	(322,104)
Change in Net Position	(187,866)	221,081	(15,702)	(269,625)
Total Net Position - Beginning	<u>2,622,964</u>	<u>(2,711,932)</u>	<u>(476,341)</u>	<u>327,178</u>
Total Net Position - Ending	<u>\$ 2,435,098</u>	<u>\$ (2,490,851)</u>	<u>\$ (492,043)</u>	<u>\$ 57,553</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
-	-	-	-	1,087,144
-	-	-	-	(1,068,253)
383,454	-	7,358	-	1,312,127
(551,829)	-	(29,382)	-	(1,312,127)
(162,500)	22	(28,848)	104	(443,334)
288,388	31,260	28,848	359,859	470,224
<u>\$ 125,888</u>	<u>\$ 31,282</u>	<u>\$ -</u>	<u>\$ 359,963</u>	<u>\$ 26,890</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2019

	<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	\$ 1,328,436	\$ 312,070	\$ -	\$ 30,400
Cash paid to suppliers	(330,983)	(2,086)	-	-
Cash paid to employees	(770,711)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>226,742</u>	<u>309,984</u>	<u>-</u>	<u>30,400</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Special project storms emergency response and repair	(698,612)	-	-	-
Interfund loan repayments received	-	-	-	-
Transfer in from other funds	873,934	29,381	-	18,000
Transfer out to other funds	(401,454)	(7,358)	-	(322,104)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(226,132)</u>	<u>22,023</u>	<u>-</u>	<u>(304,104)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(119,021)	-	-	-
Principal paid on debt	-	(175,263)	(16,000)	-
Interest paid on debt	-	(110,993)	(16,244)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(119,021)</u>	<u>(286,256)</u>	<u>(32,244)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,739	4,791	58	4,895
Net Cash Provided (Used) by Investing Activities	<u>1,739</u>	<u>4,791</u>	<u>58</u>	<u>4,895</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(116,672)	50,542	(32,186)	(268,809)
Balances - Beginning	<u>247,577</u>	<u>569,641</u>	<u>80,027</u>	<u>325,929</u>
Balances - Ending	<u>\$ 130,905</u>	<u>\$ 620,183</u>	<u>\$ 47,841</u>	<u>\$ 57,120</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ -	\$ -	\$ 1,670,906
-	-	(7,358)	-	(340,427)
-	-	-	-	(770,711)
-	-	(7,358)	-	559,768
-	-	-	-	(698,612)
-	-	-	50,000	50,000
383,454	-	7,358	-	1,312,127
(551,829)	-	(29,382)	-	(1,312,127)
(168,375)	-	(22,024)	50,000	(648,612)
-	-	-	-	(119,021)
-	-	-	-	(191,263)
-	-	-	-	(127,237)
-	-	-	-	(437,521)
6,437	22	665	104	18,711
6,437	22	665	104	18,711
(161,938)	22	(28,717)	50,104	(507,654)
287,126	31,260	28,717	269,859	1,840,136
<u>\$ 125,188</u>	<u>\$ 31,282</u>	<u>\$ -</u>	<u>\$ 319,963</u>	<u>\$ 1,332,482</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Sewer Operations
For the Year Ended June 30, 2019

	<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)	\$ (681,225)	\$ 302,981	\$ -	\$ 30,400
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	225,322	-	-	-
Decrease (increase) in:				
Accounts receivable	(13,442)	-	-	-
Assessments receivable	-	7,003	-	-
Prepaid costs	3,020	-	-	-
Pension adjustment - deferred outflows	(32,815)	-	-	-
OPEB adjustment - deferred outflows	(675)	-	-	-
Increase (decrease) in:				
Accounts payable	656,243	-	-	-
Salaries and benefits payable	1,651	-	-	-
Compensated absences	2,802	-	-	-
Net pension liability	(14,909)	-	-	-
Net OPEB liability	72,547	-	-	-
Pension adjustment - deferred inflows	9,111	-	-	-
OPEB adjustment - deferred inflows	(888)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 226,742</u>	<u>\$ 309,984</u>	<u>\$ -</u>	<u>\$ 30,400</u>

Wastewater Capital Facilities Unreserved	USDA Reserve Fund	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ (7,358)	\$ -	\$ (355,202)
-	-	-	-	225,322
-	-	-	-	(13,442)
-	-	-	-	7,003
-	-	-	-	3,020
-	-	-	-	(32,815)
-	-	-	-	(675)
-	-	-	-	656,243
-	-	-	-	1,651
-	-	-	-	2,802
-	-	-	-	(14,909)
-	-	-	-	72,547
-	-	-	-	9,111
-	-	-	-	(888)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,358)</u>	<u>\$ -</u>	<u>\$ 559,768</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2019

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 333,747	\$ 126,807	\$ 178,402
Receivables:			
Accounts (net of allowance)	161,487	28,077	-
Interest	1,171	91	1,352
Prepaid costs	17,469	-	-
Total Current Assets	<u>513,874</u>	<u>154,975</u>	<u>179,754</u>
Noncurrent Assets:			
Capital assets, net	3,303,669	-	-
Total Noncurrent Assets	<u>3,303,669</u>	<u>-</u>	<u>-</u>
Total Assets	<u>3,817,543</u>	<u>154,975</u>	<u>179,754</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension adjustments	224,558	-	-
Deferred OPEB adjustments	18,687	-	-
Total Deferred Outflows of Resources	<u>243,245</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	47,408	-	-
Salaries and benefits payable	20,610	-	-
Interest payable	-	24,819	-
Compensated absences	14,199	-	-
Loans payable	-	106,363	-
Total Current Liabilities	<u>82,217</u>	<u>131,182</u>	<u>-</u>
Noncurrent Liabilities:			
Advances from other funds	-	40,000	-
Compensated absences	11,264	-	-
Loans payable	-	1,605,330	-
Net pension liability	701,905	-	-
Net OPEB liability	719,535	-	-
Total Noncurrent Liabilities	<u>1,432,704</u>	<u>1,645,330</u>	<u>-</u>
Total Liabilities	<u>1,514,921</u>	<u>1,776,512</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension adjustments	48,510	-	-
Deferred OPEB adjustments	40,366	-	-
Total Deferred Inflows of Resources	<u>88,876</u>	<u>-</u>	<u>-</u>

Water Operations Reserve	Water Capital Fund	Total Water Operations
\$ 38,237	\$ 126,877	\$ 804,070
6,668	10,992	207,224
-	-	2,614
-	-	17,469
<u>44,905</u>	<u>137,869</u>	<u>1,031,377</u>
	-	3,303,669
	-	3,303,669
<u>44,905</u>	<u>137,869</u>	<u>4,335,046</u>
-	-	224,558
-	-	18,687
-	-	243,245
-	-	47,408
-	-	20,610
-	-	24,819
-	-	14,199
-	-	106,363
-	-	213,399
-	-	40,000
-	-	11,264
-	-	1,605,330
-	-	701,905
-	-	719,535
-	-	3,078,034
-	-	3,291,433
-	-	48,510
-	-	40,366
-	-	88,876

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Net Position
Water Operations
June 30, 2019

NET POSITION	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>
Net investment in capital assets	3,303,669	(1,711,693)	-
Restricted for debt service	-	-	179,754
Restricted for capital facilities	-	-	-
Unrestricted	(846,678)	90,156	-
Total Net Position	<u>\$ 2,456,991</u>	<u>\$ (1,621,537)</u>	<u>\$ 179,754</u>

Water Operations Reserve	Water Capital Fund	Total Water Operations
-	-	1,591,976
-	-	179,754
-	137,869	137,869
44,905	-	(711,617)
<u>\$ 44,905</u>	<u>\$ 137,869</u>	<u>\$ 1,197,982</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, 2019

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
OPERATING REVENUES			
Charges for services	\$ 1,427,852	\$ 271,032	\$ -
Miscellaneous	43,615	-	-
Total Operating Revenues	<u>1,471,467</u>	<u>271,032</u>	<u>-</u>
OPERATING EXPENSES			
Salaries and benefits	796,097	-	-
Insurance	24,209	-	-
Office expenses	25,670	-	-
Continuing education	14,504	-	-
Dues and subscriptions	19,304	-	-
Postage	6,397	-	-
Repairs and maintenance	153,122	-	-
Gas, fuel and oil	10,413	-	-
Supplies	49,782	-	-
Professional services	126,972	-	-
Travel	2,272	-	-
Telephone	10,624	-	-
Power	137,757	-	-
Other utilities	2,598	-	-
Depreciation	165,356	-	-
Other operating	2,364	-	-
Office and safety equipment	52,080	-	-
Director's compensation	2,002	-	-
Environmental monitoring	22,768	-	-
Water conservation	8,156	-	-
Water rights	49,308	-	-
Annual operating fees	26,834	5,443	-
Total Operating Expenses	<u>1,708,589</u>	<u>5,443</u>	<u>-</u>
Operating Income (Loss)	<u>(237,122)</u>	<u>265,589</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	3,725	315	4,709
Interest expense	-	(61,652)	-
Total Non-Operating Revenues (Expenses)	<u>3,725</u>	<u>(61,337)</u>	<u>4,709</u>
Income (Loss) Before Transfers	<u>(233,397)</u>	<u>204,252</u>	<u>4,709</u>
Transfers in	100,722	-	-
Transfers out	-	-	-
Change in Net Position	<u>(132,675)</u>	<u>204,252</u>	<u>4,709</u>
Total Net Position - Beginning	<u>2,589,666</u>	<u>(1,825,789)</u>	<u>175,045</u>
Total Net Position - Ending	<u>\$ 2,456,991</u>	<u>\$ (1,621,537)</u>	<u>\$ 179,754</u>

Water Operating Reserve	Water Capital Fund	Total Water Operations
\$ 63,915	\$ 102,271	\$ 1,865,070
-	-	43,615
<u>63,915</u>	<u>102,271</u>	<u>1,908,685</u>
-	-	796,097
-	-	24,209
-	-	25,670
-	-	14,504
-	-	19,304
-	-	6,397
-	-	153,122
-	-	10,413
-	-	49,782
-	-	126,972
-	-	2,272
-	-	10,624
-	-	137,757
-	-	2,598
-	-	165,356
-	-	2,364
-	-	52,080
-	-	2,002
-	-	22,768
-	-	8,156
-	-	49,308
-	-	32,277
-	-	<u>1,714,032</u>
<u>63,915</u>	<u>102,271</u>	<u>194,653</u>
-	33	8,782
-	-	(61,652)
-	<u>33</u>	<u>(52,870)</u>
63,915	102,304	141,783
-	-	100,722
<u>(19,010)</u>	<u>(81,712)</u>	<u>(100,722)</u>
44,905	20,592	141,783
-	<u>117,277</u>	<u>1,056,199</u>
<u>\$ 44,905</u>	<u>\$ 137,869</u>	<u>\$ 1,197,982</u>

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
Combining Statement of Cash Flows
Water Operations
For the Year Ended June 30, 2019

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,466,177	\$ 269,048	\$ -
Cash paid to suppliers	(637,591)	(5,443)	-
Cash paid to employees	(864,610)	-	-
Net Cash Provided (Used) by Operating Activities	(36,024)	263,605	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund loan repayments paid	-	(50,000)	-
Transfers in other funds	100,722	-	-
Transfers out other funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	100,722	(50,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(38,915)	-	-
Principal paid on debt	-	(102,787)	-
Interest paid on debt	-	(63,144)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(38,915)	(165,931)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	3,038	280	4,185
Net Cash Provided (Used) by Investing Activities	3,038	280	4,185
Net Increase (Decrease) in Cash and Cash Equivalents	28,821	47,954	4,185
Balances - Beginning	304,926	78,853	174,217
Balances - Ending	\$ 333,747	\$ 126,807	\$ 178,402
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (237,122)	\$ 265,589	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation/amoritzation	165,356	-	-
Decrease (increase) in:			
Accounts receivable	(5,290)	(1,984)	-
Prepaid costs	3,194	-	-
Pension adjustment - deferred outflows	(25,303)	-	-
OPEB adjustment - deferred outflows	(732)	-	-
Increase (decrease) in:			
Accounts payable	20,264	-	-
Salaries and benefits payable	1,893	-	-
Compensated absences	2,090	-	-
Net pension liability	(47,326)	-	-
Net OPEB liability	78,593	-	-
Pension adjustment - deferred inflows	9,322	-	-
OPEB adjustment - deferred inflows	(963)	-	-
Net Cash Provided (Used) by Operating Activities	\$ (36,024)	\$ 263,605	\$ -

Water Operating Reserve	Water Capital Fund	Total Water Operations
\$ 57,247	\$ 103,061	\$ 1,895,533
-	-	(643,034)
-	-	(864,610)
<u>57,247</u>	<u>103,061</u>	<u>387,889</u>
-	-	(50,000)
-	-	100,722
<u>(19,010)</u>	<u>(81,712)</u>	<u>(100,722)</u>
<u>(19,010)</u>	<u>(81,712)</u>	<u>(50,000)</u>
-	-	(38,915)
-	-	(102,787)
-	-	(63,144)
-	-	(204,846)
-	34	7,537
-	34	7,537
38,237	21,383	140,580
-	105,494	663,490
<u>\$ 38,237</u>	<u>\$ 126,877</u>	<u>\$ 804,070</u>
\$ 63,915	\$ 102,271	\$ 194,653
-	-	165,356
(6,668)	790	(13,152)
-	-	3,194
-	-	(25,303)
-	-	(732)
-	-	20,264
-	-	1,893
-	-	2,090
-	-	(47,326)
-	-	78,593
-	-	9,322
-	-	(963)
<u>\$ 57,247</u>	<u>\$ 103,061</u>	<u>\$ 387,889</u>

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