



# Hidden Valley Lake Community Services District

## Special Meeting

DATE: July 1, 2015  
TIME: 5:00 p.m.  
PLACE: Hidden Valley Lake CSD  
Administration Office, Boardroom  
19400 Hartmann Road  
Hidden Valley Lake, CA

- 1) CALL TO ORDER
- 2) PLEDGE OF ALLEGIANCE
- 3) ROLL CALL
- 4) APPROVAL OF AGENDA
  
- 5) Presentation by Dennis Timoney – Brown Act Refresher
  
- 6) DISCUSSION AND POSSIBLE APPROVAL: 2013-2014 Audit
  
- 7) DISCUSSION AND POSSIBLE ACTION: Expansion of Crazy Creek land purchase
  
- 8) PUBLIC COMMENT
  
- 9) BOARD MEMBER COMMENT
  
- 10) ADJOURNMENT

Public records are available upon request. Board Packets are posted on our website at [www.hiddenvalleylakecsd.com](http://www.hiddenvalleylakecsd.com). Click on the "Board Packet" link on the Agenda tab.

In compliance to the Americans with Disabilities Act, if you need special accommodations to participate in or attend the meeting please contact the District Office at 987-9201 at least 48 hours prior to the scheduled meeting.

Public shall be given the opportunity to comment on each agenda item before the Governing Board acts on that item, G. 54953.3. All other comments will be taken under Public Comment.

**ACTION OF  
HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**DATE:** July 1, 2015

**AGENDA ITEM:** Presentation by Dennis Timoney – Brown Act refresher

---

**RECOMMENDATIONS:**

Here presentation by Dennis Timoney and provide direction to staff.

**FINANCIAL IMPACT:**

None

**BACKGROUND:**

Dennis Timoney, Chief Risk Officer with SDRMA, will provide an update/refresher course on the Brown Act and other matters related to Board communications and the conduct of public meetings.

APPROVED  
AS RECOMMENDED

OTHER  
(SEE BELOW)

---

Modification to recommendation and/or other actions:

---

I, \_\_\_\_\_, Secretary to the Board, do hereby certify that the foregoing action was regularly introduced, passed, and adopted by said Board of Directors at a regular board meeting thereof held on (DATE) by the following vote:

Ayes:

Noes:

Abstain:

Absent

---

Secretary to the Board

**ACTION OF  
HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**DATE:** July 1, 2015

**AGENDA ITEM:** Discussion and Possible Approval: 2013-2014 Audit Report

---

**RECOMMENDATIONS:**

Hear presentation by representatives of Smith & Newell Certified Public Accountants and the recommendations of the Board's Finance Committee, and accept 2013-2014 HVLCSD Audit Report prepared by Smith & Newell Certified Public Accountants as drafted or with any amendments deemed appropriate by the Board.

**FINANCIAL IMPACT:**

None

**BACKGROUND:**

Smith & Newell Certified Public Accountants have completed the annual independent audit of the District's financial records and prepared the 2013-2014 HVLCSD Audit Report. Staff and the Board's Finance Committee have reviewed the report. Representatives of Smith & Newell and the Board's Finance Committee will brief the Board on their respective findings and recommendations. Key excerpts of the audit report are attached.

APPROVED  
AS RECOMMENDED

OTHER  
(SEE BELOW)

---

Modification to recommendation and/or other actions:

---

I, \_\_\_\_\_, Secretary to the Board, do hereby certify that the foregoing action was regularly introduced, passed, and adopted by said Board of Directors at a regular board meeting thereof held on (DATE) by the following vote:

Ayes:

Noes:

Abstain:

Absent

---

Secretary to the Board

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

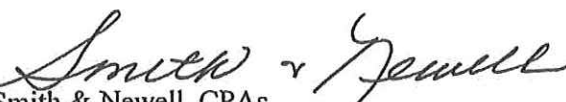
In planning and performing our audit of the financial statements of the Hidden Valley Lake Community Services District, (District) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are described in the attached appendix.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. It is our intention to use our knowledge of the District gained during our work to make comments and suggestions that will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of management, the Board of Directors and others with the District and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Smith & Newell, CPAs  
Yuba City, California  
June 22, 2015

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Appendix A: Management Letter Comments**  
**For the Year Ended June 30, 2014**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**Payroll Withholding (Control Deficiency)**

**Condition**

During our payroll test of five employees, we noted the District was withholding an incorrect amount for federal and state income tax for one employee.

**Cause**

The District calculated the withholding for federal and state income tax using the table for married, rather than the table for single persons as marked by the employee on Form W-4. The employee marked the box for "Married, but withhold at the higher Single rate" on Form W-4.

**Criteria**

Payroll withholdings are to be based on the Form W-4 or DE-4 completed by each employee.

**Effect of Condition**

The District withheld an incorrect amount for federal and state income tax for one employee.

**Recommendation**

We recommend that the District review the withholdings entered in the payroll system to ensure that employee withholdings are correct in accordance with the Form W-4 and DE-4 completed by each employee.

**Corrective Action Plan**

The District will review the W-4 forms for 2014/15.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE  
CONCLUSION OF THE AUDIT**

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

We have audited the financial statements of the business-type activities and each major fund of Hidden Valley Lake Community Services District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during the planning of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**SIGNIFICANT AUDIT FINDINGS****Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. In 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 70. Our opinion is not modified with respect to this matter. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements are depreciation of capital assets and other postemployment benefits (OPEB) obligation.

We evaluated the key factors and assumptions used to develop the District's estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

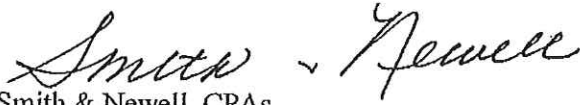
**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.



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

This information is intended solely for the use of the Board of Directors and management of Hidden Valley Lake Community Services District and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Smith & Newell". The signature is written in dark ink and is positioned above the typed name of the firm.

Smith & Newell, CPAs  
Yuba City, California  
June 22, 2015

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

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2014**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Annual Financial Report  
For the Year Ended June 30, 2014**

**Table of Contents**

	Page
<b>INTRODUCTORY SECTION</b>	
List of Officials. . . . .	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report. . . . .	1-3
Management's Discussion and Analysis (Required Supplementary Information - Unaudited). . . . .	4-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position. . . . .	7
Statement of Activities. . . . .	8
Fund Financial Statements:	
Proprietary Funds:	
Statement of Net Position. . . . .	9-10
Statement of Revenues, Expenses, and Changes in Net Position. . . . .	11-12
Statement of Cash Flows. . . . .	13-14
Notes to Basic Financial Statements. . . . .	15-30
Required Supplementary Information (Unaudited):	
Schedule of Funding Progress. . . . .	31
Combining Fund Statements:	
Combining Statement of Net Position - Sewer Operations. . . . .	32-33
Combining Statement of Revenues, Expenses, and Changes in Net Position - Sewer Operations. . . . .	34-35
Combining Statement of Cash Flows - Sewer Operations. . . . .	36-37
Combining Statement of Net Position - Water Operations. . . . .	38
Combining Statement of Revenues, Expenses, and Changes in Net Position - Water Operations. . . . .	39
Combining Statement of Cash Flows - Water Operations. . . . .	40-41
<b>OTHER REPORT AND SCHEDULES:</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards. . . . .	42-43
Schedule of Findings and Recommendations. . . . .	44
Schedule of Prior Year Findings and Recommendations. . . . .	45

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **INTRODUCTORY SECTION**

- **List of Officials**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Board of Directors**

**For the Year Ended June 30, 2014**

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



**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **FINANCIAL SECTION**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Hidden Valley Lake Community Services District, Middletown, California (District), as of and for the year ended June 30, 2014, 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.

The Board of Directors  
Hidden Valley Lake Community Services District  
Middletown, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1M to the financial statements, in 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 70. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

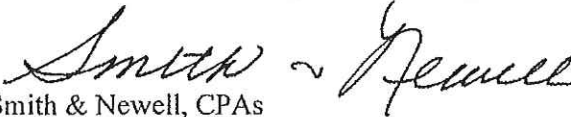
The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

  
Smith & Newell, CPAs  
Yuba City, California  
June 22, 2015

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

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



**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. Readers are encouraged to consider the information presented here in conjunction with the Annual Financial Statements.

**Overview of the Financial Statements**

The financial section of this report consists of five parts.

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

**Financial Highlights**

**Entity-wide:**

- The District's total net position was \$5,187,999 as of June 30, 2014. Of this total, \$2,581,226 was the net investment in capital assets.
- The District's total revenues include operating program revenues of \$3,219,919, and general revenues of \$135,617 for a total of \$3,355,536.
- District expenses were \$3,931,562.

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

**Government Wide Financial Statements**

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

**Fund Financial Statements**

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

**Notes to Financial Statements**

The notes provide additional information that is essential to fully understanding the data provided in the financial statements. The notes to the financial statements can be found on pages 15 through 30 of this report.

## Statement of Net Position

	Total	
	2014	2013
<b>Assets</b>		
Current and other assets	\$ 3,185,173	\$ 3,880,664
Capital assets	10,145,963	11,119,685
Total Assets	13,331,136	15,000,349
<b>Liabilities</b>		
Current and other liabilities	1,407,345	1,090,386
Noncurrent liabilities	6,735,792	8,145,938
Total Liabilities	8,143,137	9,236,324
<b>Net Position</b>		
Net investment in capital assets	2,581,226	2,399,137
Restricted for debt service	1,509,211	1,969,278
Restricted for capital facilities	461,856	481,752
Unrestricted	635,706	913,858
Total Net Position	\$ 5,187,999	\$ 5,764,025

Net position represents the difference between the District's resources and its obligations. At June 30, 2014, a significant portion of the District's total net position, 12%, reflects the unrestricted net position. Unrestricted net position is considered the residual component of net position, meaning they are not restricted or a part of the net investment in capital assets. Additionally, the District had 29% of its net position restricted for debt service and 9% restricted for capital facilities. Finally, 50% of the District's net position represents the net investment in capital assets. These capital assets are used by the District to provide services to citizens. Additional capital asset information can be found in the Capital Assets and Debt Administration section of this MD&A.

## Statement of Changes in Net Position

	Total	
	2014	2013
<b>Program Revenues</b>		
Charges for service	\$ 2,353,992	\$ 2,350,368
Operating grants and contributions	865,927	1,115,677
Capital grants and contributions	-	-
Total Program Revenues	3,219,919	3,466,045
<b>General Revenues</b>		
Interest and investment earnings	5,976	23,788
Miscellaneous	129,641	158,914
Total General Revenues	135,617	182,702
Total Revenues	3,355,536	3,648,747
<b>Program Expenses</b>		
Sewer	2,401,922	2,312,754
Water	1,529,640	1,532,804
Flood Control	-	1,468
FEMA	-	12,474
Total Program Expenses	3,931,562	3,859,500
Change in Net Position	(576,026)	(210,753)
Total Net Position - Beginning	5,764,025	5,974,778
Total Net Position - Ending	\$ 5,187,999	\$ 5,764,025

## **Capital Asset Administration**

The District's net capital assets decreased from \$11,119,685 to \$10,145,963 for the year ended June 30, 2014. The total decrease was \$973,722 including additions to capital assets of \$279,240 and additions and adjustments to accumulated depreciation of \$1,252,962. Details of the capital asset transactions can be found on page 23, Note 4.

## **Debt Administration**

The District's long-term debt was for the infrastructure of water lines, sewer lines, pump stations and processing plant. At year end June 30, 2014, the long-term debt decreased from \$9,019,600 to \$7,959,899 primarily due to payments. Details of the debt outstanding can be found on pages 24 through 26, Note 6.

## **Economic Factors and Next Year's Budget**

The effects of slow economic recovery are being addressed through a comprehensive rate study and five year plan to increase water and sewer use charges. For fiscal year 2013/2014, Hidden Valley Lake Community Services District had only three new water connections and three new sewer connections. This is consistent with numbers throughout the economic downturn. Although the housing market appears to have stabilized, new construction remains slow.

## **Requests for Information**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **Basic Financial Statements**

- **Government-Wide Financial Statements**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Business-Type Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,576,044
Receivables:	
Accounts (net of allowance)	402,475
Assessments	66,353
Delinquent assessments	80,097
Prepaid costs	60,204
Capital assets:	
Non-depreciable assets	603,050
Depreciable assets, net of depreciation	9,542,913
Total capital assets	<u>10,145,963</u>
<b>Total Assets</b>	<u>13,331,136</u>
<b>LIABILITIES</b>	
Accounts payable	40,036
Salaries and benefits payable	25,111
Interest payable	118,091
Long-term liabilities:	
Due within one year	1,224,107
Due in more than one year	<u>6,735,792</u>
<b>Total Liabilities</b>	<u>8,143,137</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,581,226
Restricted for debt service	1,509,211
Restricted for capital facilities	461,856
Unrestricted	<u>635,706</u>
<b>Total Net Position</b>	<u>\$ 5,187,999</u>

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



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<u>Functions/Programs:</u>	Program Revenues			<u>Changes in Net Position</u>	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Business- Type Activities</u>	
Business-type activities:					
Sewer	\$ 2,401,922	\$ 1,042,219	\$ 865,927	\$ -	\$ (493,776)
Water	1,529,640	1,311,773	-	-	(217,867)
<b>Total Business-Type Activities</b>	3,931,562	2,353,992	865,927	-	(711,643)
<b>Total</b>	\$ 3,931,562	\$ 2,353,992	\$ 865,927	\$ -	(711,643)
<b>General revenues:</b>					
Interest and investment earnings					5,976
Miscellaneous					129,641
<b>Total General Revenues</b>					135,617
<b>Change in Net Position</b>					(576,026)
<b>Net Position - Beginning</b>					5,764,025
<b>Net Position - Ending</b>					\$ 5,187,999

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

---

## **Basic Financial Statements**

- **Fund Financial Statements**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**Enterprise Funds**  
**June 30, 2014**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ 2,132,914	\$ 443,130	\$ -	\$ -	\$ 2,576,044
Receivables:					
Accounts (net of allowance)	192,339	210,136	-	-	402,475
Assessments	66,353	-	-	-	66,353
Prepaid costs	30,102	30,102	-	-	60,204
<b>Total Current Assets</b>	<u>2,421,708</u>	<u>683,368</u>	<u>-</u>	<u>-</u>	<u>3,105,076</u>
Noncurrent Assets:					
Advances to other funds	366,085	-	-	-	366,085
Delinquent assessments receivable	80,097	-	-	-	80,097
Capital assets, net	6,230,737	3,915,226	-	-	10,145,963
<b>Total Noncurrent Assets</b>	<u>6,676,919</u>	<u>3,915,226</u>	<u>-</u>	<u>-</u>	<u>10,592,145</u>
<b>Total Assets</b>	<u>9,098,627</u>	<u>4,598,594</u>	<u>-</u>	<u>-</u>	<u>13,697,221</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	4,329	35,707	-	-	40,036
Salaries and benefits payable	12,471	12,640	-	-	25,111
Interest payable	86,304	31,787	-	-	118,091
Compensated absences	19,207	21,923	-	-	41,130
Bonds	440,300	-	-	-	440,300
Loans	639,035	89,642	-	-	728,677
Certificates of participation	14,000	-	-	-	14,000
<b>Total Current Liabilities</b>	<u>1,215,646</u>	<u>191,699</u>	<u>-</u>	<u>-</u>	<u>1,407,345</u>
Noncurrent Liabilities:					
Advances from other funds	25,085	341,000	-	-	366,085
Compensated absences	2,705	330	-	-	3,035
Bonds	3,684,700	-	-	-	3,684,700
Loans	-	2,102,560	-	-	2,102,560
Certificates of participation	594,500	-	-	-	594,500
Net OPEB obligation	155,851	195,146	-	-	350,997
<b>Total Noncurrent Liabilities</b>	<u>4,462,841</u>	<u>2,639,036</u>	<u>-</u>	<u>-</u>	<u>7,101,877</u>
<b>Total Liabilities</b>	<u>5,678,487</u>	<u>2,830,735</u>	<u>-</u>	<u>-</u>	<u>8,509,222</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Net Position**  
**Enterprise Funds**  
**June 30, 2014**

	Sewer Operations	Water Operations	Flood Control	FEMA	Totals
<b>NET POSITION</b>					
Net investment in capital assets	858,202	1,723,024	-	-	2,581,226
Restricted for debt service	1,334,281	174,930	-	-	1,509,211
Restricted for capital facilities	447,856	14,000	-	-	461,856
Unrestricted	779,801	(144,095)	-	-	635,706
<b>Total Net Position</b>	<u>\$ 3,420,140</u>	<u>\$ 1,767,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,187,999</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Enterprise Funds**  
**For the Year Ended June 30, 2014**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>					
Assessments	\$ 865,927	\$ -	\$ -	\$ -	\$ 865,927
Permits and inspections	30,742	-	-	-	30,742
Charges for services	1,011,477	1,311,773	-	-	2,323,250
Miscellaneous	99,288	30,353	-	-	129,641
<b>Total Operating Revenues</b>	<u>2,007,434</u>	<u>1,342,126</u>	<u>-</u>	<u>-</u>	<u>3,349,560</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	667,041	657,992	-	-	1,325,033
Insurance	57,742	23,102	-	-	80,844
Office expenses	19,962	20,331	-	-	40,293
Contract services	55,539	-	-	-	55,539
Continuing education	5,085	8,643	-	-	13,728
Dues and subscriptions	4,612	15,560	-	-	20,172
Postage	1,201	1,179	-	-	2,380
Repairs and maintenance	87,003	95,912	-	-	182,915
Gas, fuel and oil	13,094	11,551	-	-	24,645
Supplies	12,524	911	-	-	13,435
Professional services	17,573	147,107	-	-	164,680
Travel	731	1,051	-	-	1,782
Telephone	9,230	8,924	-	-	18,154
Power	18,453	171,940	-	-	190,393
Depreciation	1,047,111	205,843	-	-	1,252,954
Other operating	710	13,986	-	-	14,696
Office and safety equipment	3,424	8,159	-	-	11,583
Director's compensation	-	770	-	-	770
Environmental monitoring	31,471	15,530	-	-	47,001
Water conservation	-	3,750	-	-	3,750
Water rights	-	7,812	-	-	7,812
Annual operating fees	1,718	31,139	-	-	32,857
<b>Total Operating Expenses</b>	<u>2,054,224</u>	<u>1,451,192</u>	<u>-</u>	<u>-</u>	<u>3,505,416</u>
<b>Operating Income (Loss)</b>	<u>(46,790)</u>	<u>(109,066)</u>	<u>-</u>	<u>-</u>	<u>(155,856)</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Enterprise Funds**  
**For the Year Ended June 30, 2014**

	Sewer Operations	Water Operations	Flood Control	FEMA	Totals
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	4,412	1,564	-	-	5,976
Interest expense	(347,698)	(78,448)	-	-	(426,146)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(343,286)</u>	<u>(76,884)</u>	<u>-</u>	<u>-</u>	<u>(420,170)</u>
<b>Income (Loss) Before Transfers</b>	(390,076)	(185,950)	-	-	(576,026)
Transfers in	2,409,976	178,265	4,870	-	2,593,111
Transfers out	(2,418,550)	(124,958)	(1,461)	(48,142)	(2,593,111)
<b>Change in Net Position</b>	(398,650)	(132,643)	3,409	(48,142)	(576,026)
<b>Total Net Position - Beginning</b>	<u>3,818,790</u>	<u>1,900,502</u>	<u>(3,409)</u>	<u>48,142</u>	<u>5,764,025</u>
<b>Total Net Position - Ending</b>	<u>\$ 3,420,140</u>	<u>\$ 1,767,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,187,999</u>

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2014**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,083,869	\$ 1,365,152	\$ -	\$ -	\$ 3,449,021
Cash paid to suppliers	(365,881)	(599,539)	(26)	-	(965,446)
Cash paid to employees	(615,404)	(607,205)	-	-	(1,222,609)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,102,584</u>	<u>158,408</u>	<u>(26)</u>	<u>-</u>	<u>1,260,966</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	2,409,976	178,265	4,870	-	2,593,111
Transfers to other funds	(2,418,550)	(124,958)	(1,461)	(48,142)	(2,593,111)
Interfund loans made	2,422	2,422	(4,844)	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>(6,152)</u>	<u>55,729</u>	<u>(1,435)</u>	<u>(48,142)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on debt	(1,069,184)	(86,627)	-	-	(1,155,811)
Interest paid on debt	(355,879)	(79,303)	-	-	(435,182)
Miscellaneous adjustments to capital assets	177	(1,630)	1,461	-	8
Acquisition of capital assets	(231,450)	(47,790)	-	-	(279,240)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,656,336)</u>	<u>(215,350)</u>	<u>1,461</u>	<u>-</u>	<u>(1,870,225)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	5,425	1,773	-	-	7,198
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>5,425</u>	<u>1,773</u>	<u>-</u>	<u>-</u>	<u>7,198</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(554,479)	560	-	(48,142)	(602,061)
<b>Balances - Beginning</b>	<u>2,687,393</u>	<u>442,570</u>	<u>-</u>	<u>48,142</u>	<u>3,178,105</u>
<b>Balances - Ending</b>	<u>\$ 2,132,914</u>	<u>\$ 443,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,576,044</u>

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



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2014**

	<u>Sewer Operations</u>	<u>Water Operations</u>	<u>Flood Control</u>	<u>FEMA</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME</b>					
<b>(LOSS) TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (46,790)	\$ (109,066)	\$ -	\$ -	\$ (155,856)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation/amortization	1,047,111	205,843	-	-	1,252,954
Decrease (increase) in:					
Accounts receivable	4,105	22,313	-	-	26,418
Assessments receivable	72,330	-	-	-	72,330
Prepaid costs	(5,049)	(2,435)	-	-	(7,484)
Increase (decrease) in:					
Accounts payable	(20,760)	(9,747)	-	-	(30,507)
Salaries and benefits payable	2,573	3,741	(26)	-	6,288
Unearned revenue	-	713	-	-	713
Compensated absences payable	2,438	5,225	-	-	7,663
Net OPEB obligation	46,626	41,821	-	-	88,447
	<u>46,626</u>	<u>41,821</u>	<u>-</u>	<u>-</u>	<u>88,447</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,102,584</u>	<u>\$ 158,408</u>	<u>\$ (26)</u>	<u>\$ -</u>	<u>\$ 1,260,966</u>

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

---

## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

**THIS PAGE INTENTIONALLY LEFT BLANK**

# HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

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

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

#### Component Units

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

#### Joint Agencies

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

The fund financial statements provide information about the District funds. Funds are organized into the proprietary fund type. The operations of the District are organized as a series of sub-funds consolidated into four major proprietary funds which account for the total water and sewer operations as well as Flood Control and FEMA. 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.
- The Flood Control fund is an enterprise fund used to account for activity related to flood control activities.
- The FEMA fund is an enterprise fund used to account for activity related to FEMA revenues and expenditures.

**C. Basis of Accounting and Measurement Focus**

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting and Measurement Focus (Continued)**

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

**D. Cash, Cash Equivalents, and Investments**

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

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

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

**E. Receivables**

Receivables consist mainly of user fees, assessments, and interest. Management has established an allowance for doubtful accounts of \$1,000 for the Sewer Operations fund, and \$1,000 for the Water Operations fund. Accounts receivables are stated net of these amounts.

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

**F. Other Assets**

**Inventory**

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Other Assets (Continued)**

**Prepaid Costs**

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

**G. Capital Assets**

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

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

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

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

**H. Assessment Revenue**

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

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

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

**I. Interfund Transactions**

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

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Interfund Transactions (Continued)**

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.

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

**J. Compensated Absences**

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

**K. 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/expenditure) until then. At June 30, 2014, the District did not have any deferred outflows of resources.

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. At June 30, 2014, the District did not have any deferred inflows of resources.

**L. Estimates**

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

**M. Implementation of Governmental Accounting Standards Board Statements (GASB)**

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



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Statement No. 70**, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit Net Position**

The sub-funds within the following enterprise funds had deficit net position at June 30, 2014:

Sewer Operations:	
1995-2 Bond Redemption	\$ 3,287,992
State Revolving Fund	\$ 177,012
USDA Solar Loan	\$ 568,889
Water Operations:	
CIEDB Loan Redemption	\$ 2,444,164

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

**NOTE 3: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2014, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 600
Deposits (less outstanding checks)	<u>981,204</u>
Total Cash	<u>981,804</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>1,594,240</u>
Total Investments	<u>1,594,240</u>
Total Cash and Investments	<u>\$ 2,576,044</u>

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amount in checking accounts, money market accounts and certificates of deposit) was \$981,204 and the bank balance was \$1,011,295. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$600.

# HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2014

### NOTE 3: CASH AND INVESTMENTS (CONTINUED)

#### B. Cash (Continued)

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

#### C. Investments

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

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

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

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

As of June 30, 2014, the District had the following investments, all of which had a maturity of 5 years or less:

Investment Type	Interest Rates	Maturities		Fair Value	Weighted Average Maturity (Years)
		0-1 year	1-5 years		
Local Agency Investment Fund (LAIF)	Variable	\$ 1,594,240	\$ -	\$ 1,594,240	-
Total		\$ 1,594,240	\$ -	\$ 1,594,240	-

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase. Presented below is the minimum rating required (where applicable) by the District's investment policy, and the actual rating as of year end for each investment type.

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

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

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

**D. Investment in External Investment Pools**

**Investment in Local Agency Investment Fund** - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code and is managed by the Treasurer of the State of California. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designed by State statute. Investments in LAIF are available on demand and are stated at amortized cost, which approximates fair value. The fair value of the District's position in the pool is the same as the value of the pooled shares. At June 30, 2014 the District's investment position in LAIF was \$1,594,240. The total amount invested by all public agencies in LAIF on that day was \$64,846,169,129. Of that amount, 98.14% is invested in non-derivative financial products and 1.86% in structured notes and asset-backed securities.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2014**

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 603,050	\$ -	\$ -	\$ 603,050
Total Capital Assets, Not Being Depreciated	<u>603,050</u>	<u>-</u>	<u>-</u>	<u>603,050</u>
Capital Assets, Being Depreciated:				
Structures and improvements	4,062,786	-	-	4,062,786
Equipment	1,437,358	203,001	-	1,640,359
Infrastructure	<u>25,180,189</u>	<u>76,239</u>	<u>-</u>	<u>25,256,428</u>
Total Capital Assets, Being Depreciated	<u>30,680,333</u>	<u>279,240</u>	<u>-</u>	<u>30,959,573</u>
Less Accumulated Depreciation for:				
Structures and improvements	( 933,683)	( 136,835)	-	( 1,070,518)
Equipment	( 1,180,534)	( 73,264)	( 8)	( 1,253,806)
Infrastructure	<u>( 18,049,481)</u>	<u>( 1,042,855)</u>	<u>-</u>	<u>( 19,092,336)</u>
Total Accumulated Depreciation	<u>( 20,163,698)</u>	<u>( 1,252,954)</u>	<u>( 8)</u>	<u>( 21,416,660)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,516,635</u>	<u>( 973,714)</u>	<u>( 8)</u>	<u>9,542,913</u>
Total Capital Assets, Net	<u>\$ 11,119,685</u>	<u>(\$ 973,714)</u>	<u>(\$ 8)</u>	<u>\$ 10,145,963</u>

**Depreciation**

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

Sewer	\$ 1,047,111
Water	<u>205,843</u>
Total Depreciation Expense - Business-Type Functions	<u>\$ 1,252,954</u>

**NOTE 5: 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, 2014:

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2014**

**NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)**

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various District operations and re-allocations of special revenues. The following are interfund transfers for the fiscal year ended June 30, 2014:

	<u>Transfer In</u>	<u>Transfer Out</u>
Sewer Operations	\$ 2,409,976	\$ 2,418,550
Water Operations	178,265	124,958
Flood Control	4,870	1,461
FEMA	-	48,142
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 2,593,111</u>	<u>\$ 2,593,111</u>

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ 4,230,000	\$ -	(\$ 105,000)	\$ 4,125,000	\$ 440,300
Loans	3,868,048	-	( 1,036,811)	2,831,237	728,677
Certificates of Participation	622,500	-	( 14,000)	608,500	14,000
Compensated Absences	36,502	41,131	( 33,468)	44,165	41,130
Net OPEB Obligation	262,550	100,368	( 11,921)	350,997	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Long-Term Liabilities	<u>\$ 9,019,600</u>	<u>\$ 141,499</u>	<u>(\$ 1,201,200)</u>	<u>\$ 7,959,899</u>	<u>\$ 1,224,107</u>

Individual issues of debt payable outstanding at June 30, 2014, are as follows:

**Bonds:**

Improvements Bonds Series 1995-2 issued August 16, 1995 in the amount of \$5,500,000, payable in annual installments of \$11,000-\$311,000 with an interest rate of 5.50% and maturity on September 2, 2034. The bonds were used to finance improvements to the sewer system. \$ 4,125,000

Total Bonds 4,125,000

**Loans:**

State Water Resources Control Board Loan issued November 28, 1994 in the amount of \$9,994,334, payable in annual installments of \$144,721-\$667,611 with an interest rate of 3.00% and maturity on May 1, 2016. The loan was used to finance the construction of a sewer treatment system. 639,034

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

Loans: (Continued)

California Infrastructure and Economic Development Bank Loan issued June 24, 2002 in the amount of \$3,000,000, payable in annual installments of \$61,530-\$160,350 with an interest rate of 3.48% and maturity on February 1, 2032. The loan was used to finance the expansion and upgrade of the water system.	<u>2,192,203</u>
Total Loans	<u>2,831,237</u>

Certificates of Participation:

2012 Series Certificate of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012 in the amount of \$640,000 payable in annual installments of \$14,000 to \$31,500 with an interest rate of 3.00% and maturity on August 1, 2041. The Certificate of Participation was used to finance the sewer system solar project.	<u>608,500</u>
Total Certificates of Participation	<u>608,500</u>

Total	<u><u>\$ 7,564,737</u></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 and net OPEB obligation, which is reported in Note 9.

Year Ended <u>June 30</u>	Bonds		
	Principal	Interest	Total
2015	\$ 440,300	\$ 214,767	\$ 655,067
2016	117,000	199,441	316,441
2017	123,000	192,841	315,841
2018	130,000	185,884	315,884
2019	137,000	178,541	315,541
2020-2024	810,000	766,893	1,576,893
2025-2029	1,043,000	514,030	1,557,030
2030-2034	1,324,700	186,403	1,511,103
Total	\$ 4,125,000	\$ 2,438,800	\$ 6,563,800

Year Ended <u>June 30</u>	Loans		
	Principal	Interest	Total
2015	\$ 728,675	\$ 95,460	\$ 824,135
2016	92,762	73,169	165,931
2017	95,990	69,941	165,931
2018	99,330	66,601	165,931
2019	102,787	63,144	165,931
2020-2024	570,143	259,510	829,653
2025-2029	676,496	153,156	829,652
2030-2032	465,054	32,738	497,792
Total	\$ 2,831,237	\$ 813,719	\$ 3,644,956

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 6: LONG-TERM LIABILITIES (CONTINUED)**

Year Ended June 30	Certificates of Participation		
	Principal	Interest	Total
2015	\$ 14,000	\$ 18,045	\$ 32,045
2016	14,500	17,617	32,117
2017	15,000	17,175	32,175
2018	15,500	16,718	32,218
2019	16,000	16,245	32,245
2020-2024	87,500	73,613	161,113
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	91,500	4,178	95,678
Total	<u>\$ 608,500</u>	<u>\$ 290,439</u>	<u>\$ 898,939</u>

**NOTE 7: NET POSITION**

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

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

**Net Position Flow Assumption**

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 8: EMPLOYEES' RETIREMENT PLAN**

**A. Plan Description**

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

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.

**B. Funding Policy**

Participants are required to contribute 8 percent of their annual covered salary. The District is required to contribute the actuarial determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2013/2014 was 20.691% percent for miscellaneous employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS. The District's contributions for the years ending June 30, 2014, 2013 and 2012 were \$139,024, \$114,531, and \$110,075 respectively, which equaled the required contributions each year.

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

**A. Plan Description**

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

**B. Funding Policy**

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

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



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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

**C. Annual OPEB Cost and Net OPEB Obligation**

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

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

Annual Required Contribution	\$ 101,776
Interest on Net OPEB Obligation	13,127
Adjustment to Annual Required Contribution	( 14,535)
Annual OPEB Cost	100,368
Contributions Made	( 11,921)
Increase in Net OPEB Obligation	88,447
Net OPEB Obligation - Beginning of Year	<u>262,550</u>
Net OPEB Obligation - End of Year	<u>\$ 350,997</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 71,867	14.12%	\$ 173,221
June 30, 2013	100,848	11.42%	262,550
June 30, 2014	100,368	11.88%	350,997

**D. Funding Status and Funding Progress**

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

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

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

**E. Actuarial Methods and Assumptions**

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

The following simplifying assumptions were made:

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

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

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

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

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

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

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

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

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2014**

**NOTE 10: RISK MANAGEMENT**

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

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

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

**NOTE 11: OTHER INFORMATION**

**A. Subsequent Event**

Management has evaluated events subsequent to June 30, 2014 through June 22, 2015, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

---

**Required Supplementary Information  
(Unaudited)**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2014**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **Combining Fund Statements**



**THIS PAGE INTENTIONALLY LEFT BLANK**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Sewer Operations**  
**June 30, 2014**

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 141,254	\$ 790,589	\$ -	\$ 406,266
Receivables:				
Accounts	149,416	-	-	42,923
Assessments	-	54,383	-	11,970
Prepaid costs	30,102	-	-	-
<b>Total Current Assets</b>	<b>320,772</b>	<b>844,972</b>	<b>-</b>	<b>461,159</b>
Noncurrent Assets:				
Advances to other funds	25,085	-	-	-
Delinquent assessments receivable	-	67,661	-	12,436
Capital assets, net	6,230,737	-	-	-
<b>Total Noncurrent Assets</b>	<b>6,255,822</b>	<b>67,661</b>	<b>-</b>	<b>12,436</b>
<b>Total Assets</b>	<b>6,576,594</b>	<b>912,633</b>	<b>-</b>	<b>473,595</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	4,329	-	-	-
Salaries and benefits payable	12,471	-	-	-
Interest payable	-	75,625	-	3,073
Compensated absences	19,207	-	-	-
Bonds	-	440,300	-	-
Loans	-	-	-	639,035
Certificates of participation	-	-	-	-
<b>Total Current Liabilities</b>	<b>36,007</b>	<b>515,925</b>	<b>-</b>	<b>642,108</b>
Noncurrent Liabilities:				
Advances from other funds	-	-	-	8,499
Compensated absences	2,705	-	-	-
Bonds	-	3,684,700	-	-
Certificates of participation	-	-	-	-
Net OPEB obligation	155,851	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>158,556</b>	<b>3,684,700</b>	<b>-</b>	<b>8,499</b>
<b>Total Liabilities</b>	<b>194,563</b>	<b>4,200,625</b>	<b>-</b>	<b>650,607</b>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
\$ 47,217	\$ 464,442	\$ 187,910	\$ 35,250	\$ -	\$ 49,853	\$ 10,133	\$ 2,132,914
-	-	-	-	-	-	-	192,339
-	-	-	-	-	-	-	66,353
-	-	-	-	-	-	-	30,102
<u>47,217</u>	<u>464,442</u>	<u>187,910</u>	<u>35,250</u>	<u>-</u>	<u>49,853</u>	<u>10,133</u>	<u>2,421,708</u>
-	-	-	-	-	-	341,000	366,085
-	-	-	-	-	-	-	80,097
-	-	-	-	-	-	-	6,230,737
-	-	-	-	-	-	341,000	6,676,919
<u>47,217</u>	<u>464,442</u>	<u>187,910</u>	<u>35,250</u>	<u>-</u>	<u>49,853</u>	<u>351,133</u>	<u>9,098,627</u>
-	-	-	-	-	-	-	4,329
-	-	-	-	-	-	-	12,471
7,606	-	-	-	-	-	-	86,304
-	-	-	-	-	-	-	19,207
-	-	-	-	-	-	-	440,300
-	-	-	-	-	-	-	639,035
14,000	-	-	-	-	-	-	14,000
<u>21,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,215,646</u>
-	16,586	-	-	-	-	-	25,085
-	-	-	-	-	-	-	2,705
-	-	-	-	-	-	-	3,684,700
594,500	-	-	-	-	-	-	594,500
-	-	-	-	-	-	-	155,851
<u>594,500</u>	<u>16,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,462,841</u>
<u>616,106</u>	<u>16,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,678,487</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Sewer Operations**  
**June 30, 2014**

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,230,737	(4,125,000)	-	(639,035)
Restricted for debt service	-	837,008	-	462,023
Restricted for capital facilities	-	-	-	-
Unrestricted	151,294	-	-	-
<b>Total Net Position</b>	<u>\$ 6,382,031</u>	<u>\$ (3,287,992)</u>	<u>\$ -</u>	<u>\$ (177,012)</u>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
(608,500)	-	-	-	-	-	-	858,202
-	-	-	35,250	-	-	-	1,334,281
-	447,856	-	-	-	-	-	447,856
39,611	-	187,910	-	-	49,853	351,133	779,801
<u>\$ (568,889)</u>	<u>\$ 447,856</u>	<u>\$ 187,910</u>	<u>\$ 35,250</u>	<u>\$ -</u>	<u>\$ 49,853</u>	<u>\$ 351,133</u>	<u>\$ 3,420,140</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, 2014**

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
<b>OPERATING REVENUES</b>				
Assessments	\$ -	\$ 386,925	\$ -	\$ 479,002
Permits and inspections	9,082	-	-	-
Charges for services	1,011,477	-	-	-
Miscellaneous	19,528	23,149	-	-
<b>Total Operating Revenues</b>	<u>1,040,087</u>	<u>410,074</u>	<u>-</u>	<u>479,002</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	667,041	-	-	-
Insurance	57,742	-	-	-
Office expenses	19,962	-	-	-
Contract services	52,146	-	-	-
Continuing education	5,085	-	-	-
Dues and subscriptions	4,612	-	-	-
Postage	1,201	-	-	-
Repairs and maintenance	87,003	-	-	-
Gas, fuel and oil	13,094	-	-	-
Supplies	12,524	-	-	-
Professional services	17,573	-	-	-
Travel	731	-	-	-
Telephone	9,230	-	-	-
Power	18,453	-	-	-
Depreciation	1,047,111	-	-	-
Other operating	710	-	-	-
Office and safety equipment	3,424	-	-	-
Environmental monitoring	31,471	-	-	-
Annual operating fees	1,718	-	-	-
<b>Total Operating Expenses</b>	<u>2,050,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Income (Loss)</b>	<u>(1,010,744)</u>	<u>410,074</u>	<u>-</u>	<u>479,002</u>

USDA Solar Loan	Wastewater Capital Facilities Reserved	Wastewater Capital Facilities Unreserved	USDA Reserve Fund	Sewer Reserve Improvement	All Bonds Administration	All Bonds Assessment Revolving Fund	Total Sewer Operations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 865,927
-	21,660	-	-	-	-	-	30,742
-	-	-	-	-	-	-	1,011,477
56,611	-	-	-	-	-	-	99,288
56,611	21,660	-	-	-	-	-	2,007,434
-	-	-	-	-	-	-	667,041
-	-	-	-	-	-	-	57,742
-	-	-	-	-	-	-	19,962
-	-	-	-	-	3,393	-	55,539
-	-	-	-	-	-	-	5,085
-	-	-	-	-	-	-	4,612
-	-	-	-	-	-	-	1,201
-	-	-	-	-	-	-	87,003
-	-	-	-	-	-	-	13,094
-	-	-	-	-	-	-	12,524
-	-	-	-	-	-	-	17,573
-	-	-	-	-	-	-	731
-	-	-	-	-	-	-	9,230
-	-	-	-	-	-	-	18,453
-	-	-	-	-	-	-	1,047,111
-	-	-	-	-	-	-	710
-	-	-	-	-	-	-	3,424
-	-	-	-	-	-	-	31,471
-	-	-	-	-	-	-	1,718
-	-	-	-	-	3,393	-	2,054,224
56,611	21,660	-	-	-	(3,393)	-	(46,790)



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Revenues, Expenses**  
**And Changes in Net Position**  
**Sewer Operations**  
**For the Year Ended June 30, 2014**

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	(68)	1,335	185	1,868
Interest expense	-	(229,523)	(59,976)	(42,912)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(68)</u>	<u>(228,188)</u>	<u>(59,791)</u>	<u>(41,044)</u>
<b>Income (Loss) before Transfers</b>	(1,010,812)	181,886	(59,791)	437,958
Transfers in	441,168	-	-	1,910,495
Transfers out	(8,389)	-	(913,452)	(997,229)
<b>Change in Net Position</b>	(578,033)	181,886	(973,243)	1,351,224
<b>Total Net Position - Beginning</b>	<u>6,960,064</u>	<u>(3,469,878)</u>	<u>973,243</u>	<u>(1,528,236)</u>
<b>Total Net Position - Ending</b>	<u>\$ 6,382,031</u>	<u>\$ (3,287,992)</u>	<u>\$ -</u>	<u>\$ (177,012)</u>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
8 (15,287)	1,037 -	465 -	- -	21 -	174 -	(613) -	4,412 (347,698)
(15,279)	1,037	465	-	21	174	(613)	(343,286)
41,332	22,697	465	-	21	(3,219)	(613)	(390,076)
23,063 -	- -	- (210,781)	35,250 -	- (58,313)	- (94,974)	- (135,412)	2,409,976 (2,418,550)
64,395 (633,284)	22,697 425,159	(210,316) 398,226	35,250 -	(58,292) 58,292	(98,193) 148,046	(136,025) 487,158	(398,650) 3,818,790
<u>\$ (568,889)</u>	<u>\$ 447,856</u>	<u>\$ 187,910</u>	<u>\$ 35,250</u>	<u>\$ -</u>	<u>\$ 49,853</u>	<u>\$ 351,133</u>	<u>\$ 3,420,140</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Sewer Operations**  
**For the Year Ended June 30, 2014**

	Sewer	1995-2 Bond Redemption	1995-3 Bond Redemption	State Revolving Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,044,192	\$ 379,008	\$ 60,241	\$ 522,157
Cash paid to suppliers	(362,488)	-	-	-
Cash paid to employees	(615,404)	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>66,300</u>	<u>379,008</u>	<u>60,241</u>	<u>522,157</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	441,168	-	-	1,910,495
Transfers to other funds	(8,389)	-	(913,452)	(997,229)
Interfund loans made	2,422	-	540,506	(540,506)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>435,201</u>	<u>-</u>	<u>(372,946)</u>	<u>372,760</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on debt	-	(105,000)	-	(950,184)
Interest paid on debt	-	(229,762)	(59,976)	(47,676)
Miscellaneous adjustments to capital assets	177	-	-	-
Acquisition of capital assets	(231,450)	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(231,273)</u>	<u>(334,762)</u>	<u>(59,976)</u>	<u>(997,860)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	(177)	1,816	218	1,975
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(177)</u>	<u>1,816</u>	<u>218</u>	<u>1,975</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	270,051	46,062	(372,463)	(100,968)
<b>Balances - Beginning</b>	<u>(128,797)</u>	<u>744,527</u>	<u>372,463</u>	<u>507,234</u>
<b>Balances - Ending</b>	<u>\$ 141,254</u>	<u>\$ 790,589</u>	<u>\$ -</u>	<u>\$ 406,266</u>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>USDA Reserve Fund</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
\$ 56,611	\$ 21,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,083,869
-	-	-	-	-	(3,393)	-	(365,881)
-	-	-	-	-	-	-	(615,404)
<u>56,611</u>	<u>21,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,393)</u>	<u>-</u>	<u>1,102,584</u>
23,063	-	-	35,250	-	-	-	2,409,976
-	-	(210,781)	-	(58,313)	(94,974)	(135,412)	(2,418,550)
-	-	-	-	-	-	-	2,422
<u>23,063</u>	<u>-</u>	<u>(210,781)</u>	<u>35,250</u>	<u>(58,313)</u>	<u>(94,974)</u>	<u>(135,412)</u>	<u>(6,152)</u>
(14,000)	-	-	-	-	-	-	(1,069,184)
(18,465)	-	-	-	-	-	-	(355,879)
-	-	-	-	-	-	-	177
-	-	-	-	-	-	-	(231,450)
<u>(32,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,656,336)</u>
<u>8</u>	<u>1,269</u>	<u>649</u>	<u>-</u>	<u>21</u>	<u>193</u>	<u>(547)</u>	<u>5,425</u>
<u>8</u>	<u>1,269</u>	<u>649</u>	<u>-</u>	<u>21</u>	<u>193</u>	<u>(547)</u>	<u>5,425</u>
47,217	22,929	(210,132)	35,250	(58,292)	(98,174)	(135,959)	(554,479)
-	441,513	398,042	-	58,292	148,027	146,092	2,687,393
<u>\$ 47,217</u>	<u>\$ 464,442</u>	<u>\$ 187,910</u>	<u>\$ 35,250</u>	<u>\$ -</u>	<u>\$ 49,853</u>	<u>\$ 10,133</u>	<u>\$ 2,132,914</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Sewer Operations**  
**For the Year Ended June 30, 2014**

	<u>Sewer</u>	<u>1995-2 Bond Redemption</u>	<u>1995-3 Bond Redemption</u>	<u>State Revolving Fund</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (1,010,744)	\$ 410,074	\$ -	\$ 479,002
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization	1,047,111	-	-	-
Decrease (increase) in:				
Accounts receivable	4,105	-	-	-
Assessments receivable	-	(31,066)	60,241	43,155
Prepaid costs	(5,049)	-	-	-
Increase (decrease) in:				
Accounts payable	(20,760)	-	-	-
Salaries and benefits payable	2,573	-	-	-
Compensated absences payable	2,438	-	-	-
Net OPEB obligation	46,626	-	-	-
 <b>Net Cash Provided (Used) by Operating Activities</b>	 <u>\$ 66,300</u>	 <u>\$ 379,008</u>	 <u>\$ 60,241</u>	 <u>\$ 522,157</u>

<u>USDA Solar Loan</u>	<u>Wastewater Capital Facilities Reserved</u>	<u>Wastewater Capital Facilities Unreserved</u>	<u>Sewer Reserve Improvement</u>	<u>All Bonds Administration</u>	<u>All Bonds Assessment Revolving Fund</u>	<u>Total Sewer Operations</u>
\$ 56,611	\$ 21,660	\$ -	\$ -	\$ (3,393)	\$ -	\$ (46,790)
-	-	-	-	-	-	1,047,111
-	-	-	-	-	-	4,105
-	-	-	-	-	-	72,330
-	-	-	-	-	-	(5,049)
-	-	-	-	-	-	(20,760)
-	-	-	-	-	-	2,573
-	-	-	-	-	-	2,438
-	-	-	-	-	-	46,626
<u>\$ 56,611</u>	<u>\$ 21,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,393)</u>	<u>\$ -</u>	<u>\$ 1,102,584</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Net Position**  
**Water Operations**  
**June 30, 2014**

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ 339,202	\$ (80,175)	\$ 170,103	\$ 14,000	\$ 443,130
Receivables:					
Accounts	210,136	-	-	-	210,136
Prepaid costs	30,102	-	-	-	30,102
<b>Total Current Assets</b>	<u>579,440</u>	<u>(80,175)</u>	<u>170,103</u>	<u>14,000</u>	<u>683,368</u>
Noncurrent Assets:					
Capital assets, net	3,915,226	-	-	-	3,915,226
<b>Total Noncurrent Assets</b>	<u>3,915,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,915,226</u>
<b>Total Assets</b>	<u>4,494,666</u>	<u>(80,175)</u>	<u>170,103</u>	<u>14,000</u>	<u>4,598,594</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	35,707	-	-	-	35,707
Salaries and benefits payable	12,640	-	-	-	12,640
Interest payable	-	31,787	-	-	31,787
Compensated absences	21,923	-	-	-	21,923
Loans	-	89,642	-	-	89,642
<b>Total Current Liabilities</b>	<u>70,270</u>	<u>121,429</u>	<u>-</u>	<u>-</u>	<u>191,699</u>
Noncurrent Liabilities:					
Advances from other funds	201,000	140,000	-	-	341,000
Compensated absences	330	-	-	-	330
Loans	-	2,102,560	-	-	2,102,560
Net OPEB obligation	195,146	-	-	-	195,146
<b>Total Noncurrent Liabilities</b>	<u>396,476</u>	<u>2,242,560</u>	<u>-</u>	<u>-</u>	<u>2,639,036</u>
<b>Total Liabilities</b>	<u>466,746</u>	<u>2,363,989</u>	<u>-</u>	<u>-</u>	<u>2,830,735</u>
<b>NET POSITION</b>					
Net investment in capital assets	3,915,226	(2,192,202)	-	-	1,723,024
Restricted for debt service	-	-	174,930	-	174,930
Restricted for capital facilities	-	-	-	14,000	14,000
Unrestricted	112,694	(251,962)	(4,827)	-	(144,095)
<b>Total Net Position</b>	<u>\$ 4,027,920</u>	<u>\$ (2,444,164)</u>	<u>\$ 170,103</u>	<u>\$ 14,000</u>	<u>\$ 1,767,859</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, 2014**

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,297,773	\$ 3,500	\$ -	\$ 10,500	\$ 1,311,773
Miscellaneous	30,353	-	-	-	30,353
<b>Total Operating Revenues</b>	<u>1,328,126</u>	<u>3,500</u>	<u>-</u>	<u>10,500</u>	<u>1,342,126</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	657,992	-	-	-	657,992
Insurance	23,102	-	-	-	23,102
Office expenses	20,331	-	-	-	20,331
Continuing education	8,643	-	-	-	8,643
Dues and subscriptions	15,560	-	-	-	15,560
Postage	1,179	-	-	-	1,179
Repairs and maintenance	95,912	-	-	-	95,912
Gas, fuel and oil	11,551	-	-	-	11,551
Supplies	911	-	-	-	911
Professional services	147,107	-	-	-	147,107
Travel	1,051	-	-	-	1,051
Telephone	8,924	-	-	-	8,924
Power	171,940	-	-	-	171,940
Depreciation	205,843	-	-	-	205,843
Other operating	13,986	-	-	-	13,986
Office and safety equipment	8,159	-	-	-	8,159
Director's compensation	770	-	-	-	770
Environmental monitoring	15,530	-	-	-	15,530
Water conservation	3,750	-	-	-	3,750
Water rights	7,812	-	-	-	7,812
Annual operating fees	24,303	6,836	-	-	31,139
<b>Total Operating Expenses</b>	<u>1,444,356</u>	<u>6,836</u>	<u>-</u>	<u>-</u>	<u>1,451,192</u>
<b>Operating Income (Loss)</b>	<u>(116,230)</u>	<u>(3,336)</u>	<u>-</u>	<u>10,500</u>	<u>(109,066)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	1,394	(325)	435	60	1,564
Interest expense	-	(78,448)	-	-	(78,448)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>1,394</u>	<u>(78,773)</u>	<u>435</u>	<u>60</u>	<u>(76,884)</u>
<b>Income (Loss) before Transfers</b>	<u>(114,836)</u>	<u>(82,109)</u>	<u>435</u>	<u>10,560</u>	<u>(185,950)</u>
Transfers in	41,908	88,204	-	48,153	178,265
Transfers out	(2,448)	-	(21,204)	(101,306)	(124,958)
<b>Change in Net Position</b>	<u>(75,376)</u>	<u>6,095</u>	<u>(20,769)</u>	<u>(42,593)</u>	<u>(132,643)</u>
<b>Total Net Position - Beginning</b>	<u>4,103,296</u>	<u>(2,450,259)</u>	<u>190,872</u>	<u>56,593</u>	<u>1,900,502</u>
<b>Total Net Position - Ending</b>	<u>\$ 4,027,920</u>	<u>\$ (2,444,164)</u>	<u>\$ 170,103</u>	<u>\$ 14,000</u>	<u>\$ 1,767,859</u>



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Water Operations**  
**For the Year Ended June 30, 2014**

	Water	CIEDB Loan Redemption	CIEDB Loan Reserve	Water Capital Fund	Total Water Operations
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 1,351,152	\$ 3,500	\$ -	\$ 10,500	\$ 1,365,152
Cash paid to suppliers	(592,703)	(6,836)	-	-	(599,539)
Cash paid to employees	(607,205)	-	-	-	(607,205)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>151,244</u>	<u>(3,336)</u>	<u>-</u>	<u>10,500</u>	<u>158,408</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	41,908	88,204	-	48,153	178,265
Transfers to other funds	(2,448)	-	(21,204)	(101,306)	(124,958)
Interfund loans made	2,422	-	-	-	2,422
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>41,882</u>	<u>88,204</u>	<u>(21,204)</u>	<u>(53,153)</u>	<u>55,729</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on debt	-	(86,627)	-	-	(86,627)
Interest paid on debt	-	(79,303)	-	-	(79,303)
Miscellaneous adjustments to capital assets	(1,630)	-	-	-	(1,630)
Acquisition of capital assets	(47,790)	-	-	-	(47,790)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(49,420)</u>	<u>(165,930)</u>	<u>-</u>	<u>-</u>	<u>(215,350)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	1,555	(446)	569	95	1,773
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>1,555</u>	<u>(446)</u>	<u>569</u>	<u>95</u>	<u>1,773</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	145,261	(81,508)	(20,635)	(42,558)	560
<b>Balances - Beginning</b>	193,941	1,333	190,738	56,558	442,570
<b>Balances - Ending</b>	<u>\$ 339,202</u>	<u>\$ (80,175)</u>	<u>\$ 170,103</u>	<u>\$ 14,000</u>	<u>\$ 443,130</u>

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Combining Statement of Cash Flows**  
**Water Operations**  
**For the Year Ended June 30, 2014**

	<u>Water</u>	<u>CIEDB Loan Redemption</u>	<u>CIEDB Loan Reserve</u>	<u>Water Capital Fund</u>	<u>Total Water Operations</u>
<b>RECONCILIATION OF OPERATING INCOME</b>					
<b>(LOSS) TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (116,230)	\$ (3,336)	\$ -	\$ 10,500	\$ (109,066)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation/amortization	205,843	-	-	-	205,843
Decrease (increase) in:					
Accounts receivable	22,313	-	-	-	22,313
Prepaid costs	(2,435)	-	-	-	(2,435)
Increase (decrease) in:					
Accounts payable	(9,747)	-	-	-	(9,747)
Salaries and benefits payable	3,741	-	-	-	3,741
Unearned revenue	713	-	-	-	713
Compensated absences payable	5,225	-	-	-	5,225
Net OPEB obligation	41,821	-	-	-	41,821
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 151,244</u>	<u>\$ (3,336)</u>	<u>\$ -</u>	<u>\$ 10,500</u>	<u>\$ 158,408</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **OTHER REPORT AND SCHEDULES**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of business-type activities and each major fund of Hidden Valley Lake Community Services District, Middletown, California (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 22, 2015.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness. (2014-001)

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**


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

### **District's Response to Findings**

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

### **Purpose of this Report**

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

  
Smith & Newell, CPAs  
Yuba City, California  
June 22, 2015

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2014**

**2014-001 Account Balances (Material Weakness)**

**Condition**

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

**Cause**

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

**Criteria**

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

**Effect of Condition**

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

**Recommendation**

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

**Corrective Action Plan**

Staff acknowledges this weakness and is reviewing its process for making closing entries.



**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2014**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
<b>13-FS-01</b>	<p><b>Account Balances</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District reconcile and adjust account balances in a timely manner.</p> <p><b>Status</b></p> <p>Not Implemented</p>
<b>13-FS-02</b>	<p><b>CIEDB Debt Service Coverage</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District analyze options to ensure full compliance with the loan requirements of the California Infrastructure and Economic Development Bank.</p> <p><b>Status</b></p> <p>Implemented</p>
<b>13-FS-03</b>	<p><b>Subsequent Collections</b></p> <p><b>Recommendation</b></p> <p>We recommend that all collections be receipted and deposited in a timely manner to the District bank account.</p> <p><b>Status</b></p> <p>Implemented</p>

**ACTION OF  
HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT**

**DATE:** July 1, 2015

**AGENDA ITEM:** Discussion and Possible Action: Expansion of Crazy Creek land purchase

---

**RECOMMENDATIONS:**

Authorize staff to proceed with expanded Crazy Creek land purchase (purchase an additional 2.51 acres, thereby increasing the total acreage from 11.84 acres to 14.35 acres)

**FINANCIAL IMPACT:**

Increase land purchase by \$23,950, from \$99,050 to \$123,000.

**BACKGROUND:**

The District is currently in negotiations with the owners of the "Crazy Creek" property to purchase a "buffer strip" between the District's water reclamation facility and the northeastern corner of the Crazy Creek property. Earlier this year staff identified the approximate boundaries of the desired buffer strip. The buffer strip acreage was recently surveyed by Conser Land Surveying of Lakeport and found to be smaller than initially estimated (see attached "initial survey" map). The owners of Crazy Creek have offered to sell an additional 2.51 acres comprised of hillside and "flat lands" (see attached "revised survey" map). Staff recommends the District purchase the additional 2.51 acres, which would further increase the distance between any future residential/commercial development on the Crazy Creek property and the District's water reclamation facilities.

APPROVED  
AS RECOMMENDED

OTHER  
(SEE BELOW)

---

Modification to recommendation and/or other actions:

---

I, \_\_\_\_\_, Secretary to the Board, do hereby certify that the foregoing action was regularly introduced, passed, and adopted by said Board of Directors at a regular board meeting thereof held on (DATE) by the following vote:

Ayes:

Noes:

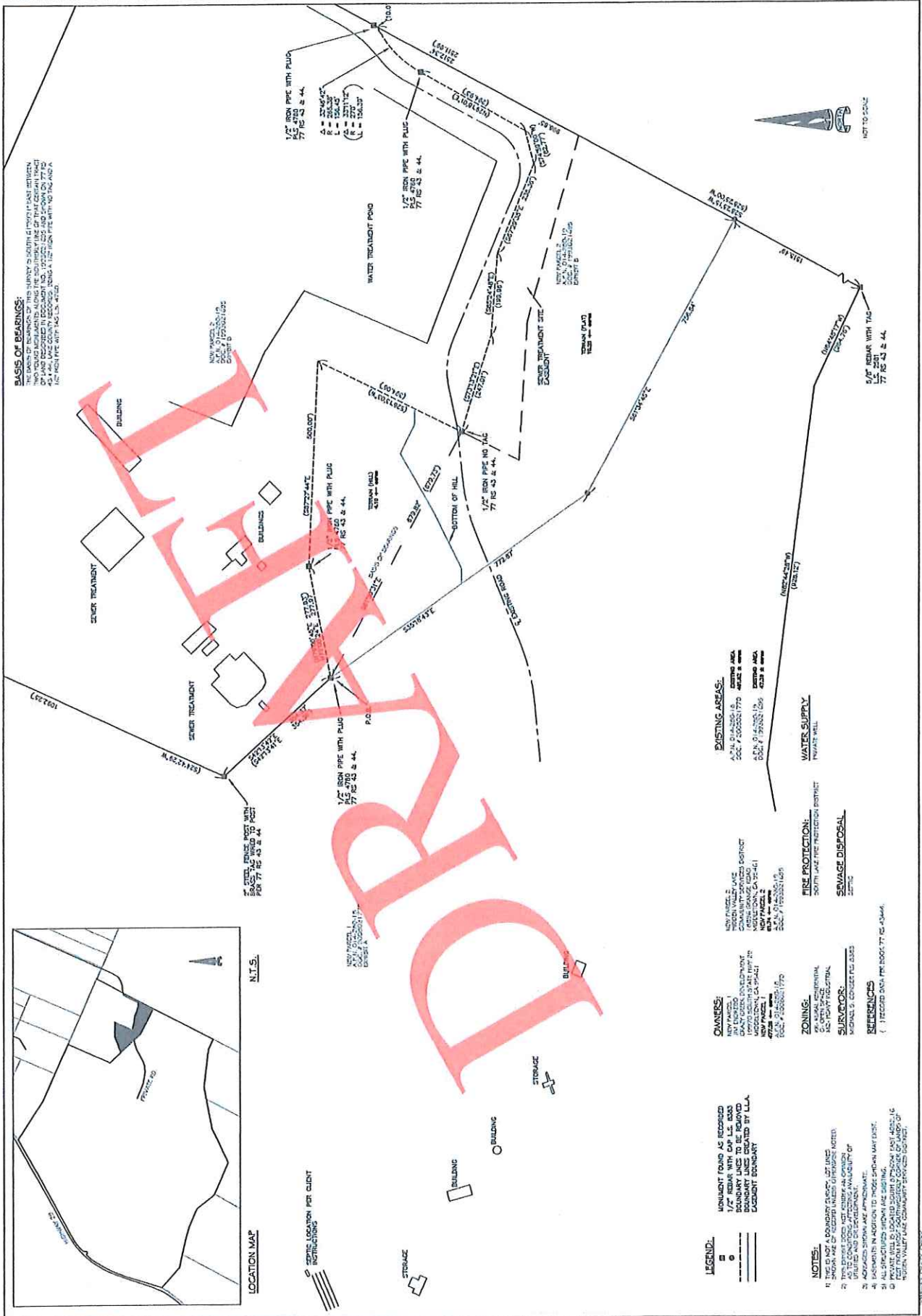
Abstain:

Absent

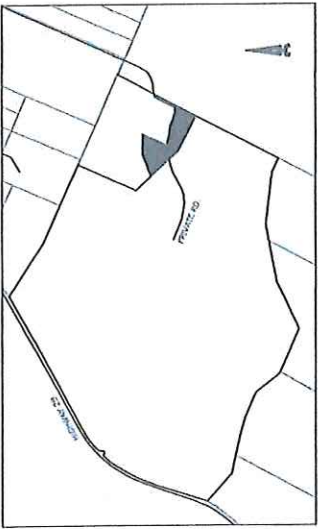
---

Secretary to the Board





**BASIS OF BEARINGS:**  
 THE BEARINGS AND DISTANCES SHOWN ON THIS PLAN ARE BASED ON THE SURVEY OF THE SOUTH FORK OF THE RIVER, CALIFORNIA, WHICH IS THE BASIS OF BEARINGS FOR THE LAND DESCRIBED IN DOCUMENT NO. 02-012503 AND DOCUMENT NO. 02-012504. THE BEARINGS AND DISTANCES SHOWN ON THIS PLAN ARE BASED ON THE SURVEY OF THE SOUTH FORK OF THE RIVER, CALIFORNIA, WHICH IS THE BASIS OF BEARINGS FOR THE LAND DESCRIBED IN DOCUMENT NO. 02-012503 AND DOCUMENT NO. 02-012504.



N.T.S.

○ SITE LOCATION PER CLIENT  
 ■ BOUNDARIES

- LEGEND:**
- UNMOUNTED FOUND AS RECORDED
  - BOUNDARY LINES TO BE REMOVED
  - BOUNDARY LINES TO BE ADJUSTED BY L.L.A.
  - EXISTING BOUNDARY
- NOTES:**
1. ALL BOUNDARIES SHOWN ARE BASED ON THE SURVEY OF THE SOUTH FORK OF THE RIVER, CALIFORNIA, WHICH IS THE BASIS OF BEARINGS FOR THE LAND DESCRIBED IN DOCUMENT NO. 02-012503 AND DOCUMENT NO. 02-012504.
  2. THE SURVEY OF THE SOUTH FORK OF THE RIVER, CALIFORNIA, IS A PUBLIC SURVEY AND IS CONTROLLED BY THE CALIFORNIA SURVEYING BOARD.
  3. ADJUSTMENTS TO THESE BOUNDARIES WILL BE MADE IN ACCORDANCE WITH THE PROVISIONS OF THE CALIFORNIA SURVEYING ACT.
  4. PRIVATE RIGHTS TO THESE BOUNDARIES WILL BE REMOVED UPON THE COMPLETION OF THIS SURVEY.
- OWNERS:**
- NEW PARCEL 1: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 2: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 3: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 4: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 5: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 6: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 7: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 8: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 9: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
  - NEW PARCEL 10: JIM ENDREBO, CRAZY CREEK DEVELOPMENT, 150 THIRD STREET, LAKEPORT, CA 95453
- ZONING:**
- COMMERCIAL
  - INDUSTRIAL
  - RESIDENTIAL
  - UNZONED
- FIRE PROTECTION:**
- SOUTH LAKE FIRE PROTECTION DISTRICT
- SEWAGE DISPOSAL:**
- SEWAGE
- EXISTING AREAS:**
- NEW PARCEL 1: 1.5 ACRES
  - NEW PARCEL 2: 1.5 ACRES
  - NEW PARCEL 3: 1.5 ACRES
  - NEW PARCEL 4: 1.5 ACRES
  - NEW PARCEL 5: 1.5 ACRES
  - NEW PARCEL 6: 1.5 ACRES
  - NEW PARCEL 7: 1.5 ACRES
  - NEW PARCEL 8: 1.5 ACRES
  - NEW PARCEL 9: 1.5 ACRES
  - NEW PARCEL 10: 1.5 ACRES
- WATER SUPPLY:**
- PRIVATE WELL

"REVISED SURVEY"