

Hidden Valley Municipal Water District
Audited Financial Statements
As of and for the Years Ended June 30, 2019 and 2018
with Report of Independent Auditors

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Table of Contents

	<u>PAGE</u>
REPORT OF INDEPENDENT AUDITORS	1
AUDITED FINANCIAL STATEMENTS	
Statements of Net Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Board Members	13

Report of Independent Auditors

To the Board of Directors Hidden Valley Municipal Water District

Report on the Financial Statements

We have audited the accompanying financial statements of the Hidden Valley Municipal Water District (the District) which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 auditors' 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 opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hidden Valley Municipal Water District as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not required to be part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Glendale, California
October 27, 2020**

**Hidden Valley Municipal Water District
Statements of Net Position**

		June 30	
		2019	2018
ASSETS			
Current assets			
Cash and investments	\$	270,856	\$ 300,867
Prepaid expenses		1,434	-
Total current assets		272,290	300,867
Noncurrent assets			
Capital assets, net		26,941	27,958
Total noncurrent assets		26,941	27,958
Total assets		299,231	328,825
LIABILITIES			
Current liabilities			
Accrued expenses		19,376	10,383
Total current liabilities		19,376	10,383
Total liabilities		19,376	10,383
NET POSITION			
Net position			
Net investment in capital assets		26,941	27,958
Unrestricted		252,914	290,484
Total net position	\$	279,855	\$ 318,442

See notes to financial statements.

**Hidden Valley Municipal Water District
Statements of Activities**

	Years ended June 30	
	2019	2018
Operating revenues		
Trucked water	\$ 33,167	\$ 40,681
Total operating revenues	33,167	40,681
Operating expenses		
Water services	45,807	34,769
Salary	21,240	16,461
Insurance	1,401	1,651
Audit and accounting fees	2,249	3,268
Payroll taxes	5,139	2,768
Depreciation	1,017	1,017
Dues	552	495
Mileage	1,541	976
Election expenses	750	-
Phone	900	410
Banking, net	-	290
Postage	110	90
Office supplies and other miscellaneous expenses	273	124
Total operating expenses	80,979	62,319
Operating loss	(47,812)	(21,638)
Nonoperating revenues		
Property taxes	8,429	8,060
Interest income	826	3,204
Other Income (expense)	(30)	912
Net nonoperating revenues	9,225	12,176
Change in net position	(38,587)	(9,462)
Net position at beginning of year	318,442	327,904
Net position at end of year	\$ 279,855	\$ 318,442

See notes to financial statements.

**Hidden Valley Municipal Water District
Statements of Cash Flows**

	Years ended June 30	
	2019	2018
Cash flows from operating activities		
Cash receipts from trucked water sales	\$ 33,167	\$ 40,681
Cash paid to vendors and suppliers for materials and services	(49,729)	(41,464)
Cash paid to employees for salaries and wages	(22,674)	(16,461)
Net cash used in operating activities	(39,236)	(17,244)
Cash flows from non-capital financing activities		
Proceeds from property taxes	8,429	8,060
Cash provided by non-capital financing activities	8,429	8,060
Cash flows from investing activities		
Interest and investment earnings	796	4,116
Cash provided by investing activities	796	4,116
Change in cash and cash equivalents	(30,011)	(5,068)
Cash and cash equivalents - beginning of year	300,867	305,935
Cash and cash equivalents - end of year	\$ 270,856	\$ 300,867
Reconciliation of operating income to net cash used in operating activities		
Operating loss	\$ (47,812)	\$ (21,638)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,017	1,017
Increase in prepaid expenses	(1,434)	-
Increase in accrued expenses	8,993	3,377
Net cash used in operating activities	\$ (39,236)	\$ (17,244)

See notes to financial statements.

NOTE 1 NATURE OF OPERATIONS

The Hidden Valley Municipal Water District (the District) is a special district formed on May 3, 1960 under the Municipal Water District Act of 1911, now recorded as the Municipal District Law of 1911, Division 20, Sections 71000-73000 of the Water Code for the State of California.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of managing the delivery of water to customers on a continuing basis are financed or recovered primarily through user charges (trucked water sales). Revenues and expenses are recognized on the full accrual basis of accounting. Revenues from trucked water sales are recognized in the accounting period in which the sales are incurred. Expenses are recognized in the period incurred.

Operating revenues, such as trucked water sales, result from exchange transactions associated with the District's principal activity. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as property taxes and investment income, result from non-exchange transactions, in which, the District gives or receives value without directly receiving or giving value in exchange. Operating expenses, such as water services purchases, are the result of the District's exchange transactions along with associated expenses for running the District's day-to-day operations. Nonoperating expenses, such as interest expense, are the result of expenses that do not relate to the District's day-to-day operations.

Basis of Presentation

The District's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 63 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Net investment in capital assets* – This component of net position consists of 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of invested in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amounts.
- *Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The District did not have restricted net position as of June 30, 2019 and 2018.
- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets and Budgetary Process

The District operates under the laws of the State of California. The Board of Directors adopts a budget yearly, which can be amended by the Board.

Board of Directors

There are five members of the board, elected for four-year terms. Each member of the board is a resident and registered voter of the District.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue

Revenue to finance the District’s operations is derived from truck water revenue and Country property tax bills.

Trucked water revenue relates to sales of water to residents who live in the District’s service area.

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on April 10th and December 10th. Unsecured property taxes are payable in one installment on or before August 31st.

Ventura County levies, collects, and deposits property taxes for the District.

Property Taxes and Special Assessments

Secured property taxes are considered measurable and available when apportioned to the District. The County is responsible for assessing and collecting secured property taxes for the District in accordance with enabling state legislation (including appropriation limits). The County apportions secured taxes to the District under the “Teeter Plan” – California Revenue and Taxation Code Sections 4701-4717. A complex allocation formula is used to distribute levied secured taxes to the County and its districts. The levy date is July 1.

The District is credited with 100 percent of its apportionments, regardless of the actual collections and delinquencies, and accordingly, penalties and interest collected by the County are not allocated to the District. Apportionments are distributed according to the following schedule:

Action	Date	Percent
1st Apportionment	By December 10	55 Percent
2nd Apportionment	By April 10	45 Percent

Supplemental unsecured property taxes and special assessments are considered measurable and available when collected. The District assesses supplemental unsecured property taxes and special assessments on real property. These assessments are not based on property values, but on usage and are levied by parcel, square footage, dwelling unit, and/or space in accordance with Proposition 218. The assessments are remitted to the County for collection with the secured property tax billings. The County deposits collections in the District’s cash account.

Capital assets

Capital assets acquired and/or constructed are capitalized at historical cost. The District policy has set the capitalization threshold for reporting capital assets at \$5,000. The provision for depreciation is computed using the straight-line method over the following estimated useful life of the asset:

- Service connections - 30 years

NOTE 3 CASH AND INVESTMENTS

The District's total cash and investments at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Cash in bank	\$ 270,856	\$ 10,021
Money market mutual funds	-	290,846
Total cash and investments	\$ 270,856	\$ 300,867

Investments

The District's approved Investment Policy states that funds be invested with safety, liquidity, and yield as the District's goals. In 2018, the District invested its available funds in money market mutual funds that invests in U.S. Treasury instruments. As with all accounts (Checking, Savings, and Investment), the signors on the investment account are the Board members of the District (President, Vice-President, Secretary-Treasurer) and the Clerk of the Board. Two signatures are required for all withdrawals.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2019, the District's funds are all placed in depository accounts .

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations as of June 30, 2018 is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25+ Months
Cash and investments:				
Money market mutual funds	\$ 290,846	\$ 290,846	\$ -	\$ -

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

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

Credit ratings of investments as of June 30, 2018, were as follows:

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End			
			Unrated	AAA	AA-	BBB+
Cash and investments:						
Money market mutual funds	\$ 290,846	A	\$ -	\$ 290,846	\$ -	\$ -

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2019 and 2018, there were no investments in any one issuer (other than money market mutual funds) that represent 5% or more of total District cash and investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2019 and 2018, the District's deposits with financial institutions were not in excess of federal depository insurance limit of \$250,000.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the District categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The District's investments in money market mutual funds as of June 30, 2018 were measured using Level 2 inputs.

NOTE 4 CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2019:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Service connections	\$ 30,500	\$ -	\$ -	\$ 30,500
	30,500	-	-	30,500
Less: Accumulated depreciation	2,542	1,017	-	3,559
	2,542	1,017	-	3,559
Capital assets, net	\$ 27,958	\$ (1,017)	\$ -	\$ 26,941

Capital assets consisted of the following as of June 30, 2018:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Service connections	\$ 30,500	\$ -	\$ -	\$ 30,500
	30,500	-	-	30,500
Less: Accumulated depreciation	1,525	1,017	-	2,542
	1,525	1,017	-	2,542
Capital assets, net	\$ 28,975	\$ (1,017)	\$ -	\$ 27,958

NOTE 5 RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance to cover claims and judgments against it.

NOTE 6 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The District has evaluated events subsequent to June 30, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 27, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Hidden Valley Municipal Water District
Board Members
Years ended June 30, 2019 and 2018**

BOARD MEMBERS

Mary Power	President/Treasurer
Lou Gonda	Vice-President
Lori O'Brien	Secretary
Robert Werner	Director
Chuck Binder	Director



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