



FINANCIAL REPORT

JUNE 30, 2021

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

FINANCIAL REPORT

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GOLDEN HILLS COMMUNITY SERVICES DISTRICT

ORGANIZATION DATA

JUNE 30, 2021

ELECTED OFFICERS

John Buckley, President

Marilyn White, Vice-President

David Benham, Director

Joe King, Director

David Shaw, Director

ADMINISTRATION

Susan Wells, General Manager

Brian Barnett, Business Analyst

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NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Golden Hills Community Services District
Tehachapi, California

Report on the Financial Statements

We have audited the accompanying financial statements of the **Golden Hills Community Services District** as of and for the year ended June 30, 2021 and 2020, 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 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 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 audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Golden Hills Community Services District** as of June 30, 2021 and 2020, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, for the year ended June 30, 2020, beginning net position was restated to correct a prior year misstatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of proportionate share of the net pension liability, schedules of pension contributions – CalPERS, schedules of changes in the net pension liability and related ratios, and schedules of pension contributions – PARS on pages 3-5 and 26-29 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021 on our consideration of the **Golden Hills Community Services 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 **Golden Hills Community Services District's** internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
November 17, 2021

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the **Golden Hills Community Services District**, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

Using This Annual Report

This annual report includes this management's discussion and analysis section, the independent auditor's report and the basic financial statements of the District. The basic financial statements consist of a series of financial statements. The statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows provide information about the activities of the District. The basic financial statements also include various footnote disclosures, which further describe District activities. In addition, this report presents certain required supplementary information.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. This statement reports cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Highlights

- Operating revenues for the year ended June 30, 2021 increased by approximately \$363,500 as a result of increased water sales.
- Non-operating revenue for the year ended June 30, 2021 included approximately \$588,300 in property taxes and special assessments, approximately a \$47,000 increase from the prior year.
- Operating expenses for the year ended June 30, 2021 increased by approximately \$188,200 due to a new water lease and water production costs.
- Capacity fees for the year ended June 30, 2021 increased by approximately \$59,000 from the prior year.
- Capital grants for the year ended June 30, 2021 increased by approximately \$281,600.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

2021 and 2020 Condensed Financial Statements

	2021	2020
Current assets	\$ 5,632,045	\$ 5,267,281
Capital assets, net	10,934,828	9,961,475
Restricted cash	2,146,412	1,813,388
Other	394,160	136,138
Total Assets	<u>19,107,445</u>	<u>17,178,282</u>
Deferred Outflows of Resources	416,366	458,036
Total Assets and Deferred Outflows of Resources	<u>\$ 19,523,811</u>	<u>\$ 17,636,318</u>
Current liabilities	\$ 856,609	\$ 904,513
Long-term liabilities	4,174,742	4,411,532
Total Liabilities	<u>5,031,351</u>	<u>5,316,045</u>
Deferred Inflows of Resources	176,025	106,438
Total Liabilities and Deferred Inflows of Resources	<u>\$ 5,207,376</u>	<u>\$ 5,422,483</u>
Net Position:		
Invested in capital assets, net of related debt	\$ 7,234,607	\$ 6,051,556
Unrestricted	7,081,828	6,162,279
Total Net Position	<u>\$ 14,316,435</u>	<u>\$ 12,213,835</u>
Operating revenue	\$ 3,383,869	\$ 3,020,377
Operating expenses	2,651,919	2,463,727
Operating Income	<u>731,950</u>	<u>556,650</u>
Non-operating revenues (expenses)		
Investment earnings	52,034	75,376
Property taxes and special assessments	588,346	541,275
Interest (expense)	(160,195)	(169,422)
(Loss) on sale of assets	(26,234)	(40,421)
Income before capital contributions	<u>1,185,901</u>	<u>963,458</u>
Capital contributions		
Capacity fees	287,280	228,312
Capital grants	302,533	20,943
In-kind	326,886	-
Change in net position	<u>\$ 2,102,600</u>	<u>\$ 1,212,713</u>

Capital Assets and Long-Term Debt

The District's capital assets at June 30, 2021 were \$18.05 million; less \$7.11 million accumulated depreciation for a net book value of \$10.94 million. During the year ended June 30 2021, the District invested approximately \$1.45 million in additions to capital assets, principally to acquire water rights and make improvements.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

At June 30, 2021, the District had \$3.7 million in bonds and notes outstanding, a decrease of \$0.2 million from the prior year. More detailed information about the District's long-term debts is presented in Note 4 to the financial statements.

Economic Factors

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present and future.

Contacting the District's Financial Management

This financial report is designed to provide the Board, our customers, and creditors with a general overview of the District's accountability for the assets it receives and manages.

If you have questions about this report or need additional information, please contact the Golden Hills Community Services District Finance Department, P.O. Box 637, Tehachapi, California 93581, (661) 822-3064.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

STATEMENTS OF NET POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 3,479,151	\$ 3,182,644
Receivables:		
Water sales and services	484,446	442,099
Property taxes	11,907	4,603
Interest	2	3,795
Water-in-storage inventory	1,572,841	1,565,157
Prepaid expenses	83,698	68,983
Total current assets	5,632,045	5,267,281
Non-Current Assets		
Restricted cash (Note 2)	2,146,412	1,813,388
Capital assets (Note 3)	10,934,828	9,961,475
Net pension asset - PARS (Note 7)	394,160	136,138
Total non-current assets	13,475,400	11,911,001
Total assets	19,107,445	17,178,282
DEFERRED OUTFLOWS OF RESOURCES (Note 7)		
Related to net pension asset - PARS	69,552	89,311
Related to net pension liability - CalPERS	346,814	368,725
Total deferred outflows of resources	416,366	458,036
 Total assets and deferred outflows of resources	 \$ 19,523,811	 \$ 17,636,318

See Notes to Financial Statements.

	2021	2020
LIABILITIES AND NET POSITION		
Current Liabilities		
Current portion of long-term debt (Note 4)	\$ 217,000	\$ 212,000
Accounts payable	119,751	35,595
Accrued expenses	120,259	119,322
Customer deposits	199,785	241,260
Unearned revenue	199,814	296,336
Total current liabilities	856,609	904,513
Non-Current Liabilities		
Long-term debt (Note 4)	3,483,221	3,697,919
Net pension liability - CalPERS (Note 7)	691,521	713,613
Total non-current liabilities	4,174,742	4,411,532
Commitments and Contingencies (Note 6)		
Total liabilities	5,031,351	5,316,045
DEFERRED INFLOWS OF RESOURCES (Note 7)		
Related to net pension liability - PARS	90,458	106,438
Related to net pension liability - CalPERS	85,567	-
Total deferred inflows of resources	176,025	106,438
Net Position		
Net investment in capital assets	7,234,607	6,051,556
Unrestricted:		
Designated (Note 5)	2,032,487	1,699,512
Undesignated	5,049,341	4,462,767
Total net position	14,316,435	12,213,835
Total liabilities, deferred inflows of resources and net position	\$ 19,523,811	\$ 17,636,318

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenue		
Water sales		
Residential	\$ 2,102,600	\$ 1,873,248
Business and commercial	478,488	429,569
Other service charges	322,105	248,967
Water banking reimbursement	175,655	150,272
Rental income	124,740	122,051
Water rights leasing	80,423	101,456
Standby service charges	54,441	53,088
Franchise fees	41,917	39,426
Septic permits	3,500	2,300
	3,383,869	3,020,377
Operating Expenses		
General and administrative	1,662,526	1,723,417
Depreciation	453,517	375,060
Treatment, transmission and distribution	177,221	148,422
Pumping	177,693	146,573
Source of supply	148,752	64,119
Engineering and inspection	32,210	6,136
	2,651,919	2,463,727
Operating Income	731,950	556,650
Non-operating Revenues and (Expenses)		
Property taxes	306,508	280,028
Special assessments for debt service	281,838	261,247
Investment earnings	52,034	75,376
(Loss) on sale of assets	(26,234)	(40,421)
Interest (expense)	(160,195)	(169,422)
Income before capital contributions	1,185,901	963,458
Capital Contributions		
Capacity fees	287,280	228,312
Capital grants	302,533	20,943
In-kind	326,886	-
Total capital contributions	916,699	249,255
Change in net position	2,102,600	1,212,713
Net Position, beginning, as originally stated	12,213,835	13,441,528
Prior Period Adjustment (Note 8)	-	(2,440,406)
Net Position, beginning, as restated	12,213,835	11,001,122
Net Position, ending	\$ 14,316,435	\$ 12,213,835

See Notes to Financial Statements.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

STATEMENTS OF CASH FLOWS Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Receipts from users	\$ 3,237,696	\$ 3,034,540
Water purchases	(180,354)	(66,123)
Payments for administration services	(1,822,180)	(1,758,394)
Payments for suppliers for goods and services	(340,634)	(409,003)
Net cash provided by operating activities	894,528	801,020
Cash Flows From Capital and Related Financing Activities		
Principal payments on long-term debt	(209,698)	(199,698)
Collection of property taxes	306,508	280,028
Interest payments	(163,067)	(172,122)
Purchase of capital assets	(1,453,104)	(556,617)
Collection of special assessments	281,838	261,247
Net cash (used in) financing activities	(1,237,523)	(387,162)
Cash Flows From Investing Activities		
Capital contributions received	916,699	249,255
Investment income received	55,827	76,766
Net cash provided by investing activities	972,526	326,021
Net increase in cash and cash equivalents and restricted cash	629,531	739,879
Cash and cash equivalents and restricted cash		
Beginning	4,996,032	4,256,153
Ending	\$ 5,625,563	\$ 4,996,032

See Notes to Financial Statements.

	2021	2020
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 731,950	\$ 556,650
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	453,517	375,060
Changes in:		
Deferred outflows of resources	41,670	8,297
Deferred inflows of resources	69,587	(2,177)
Net pension asset - PARS	(258,022)	(46,397)
Net pension liability - CalPERS	(22,092)	(13,163)
Changes in working capital components:		
(Increase) decrease in:		
Receivables	(49,651)	(51,389)
Water-in-storage inventory	(7,684)	(1,370)
Prepaid expenses	(14,715)	17,829
Increase (decrease) in:		
Accounts payable	84,156	(38,316)
Accrued expenses	3,809	21,227
Customer deposits	(41,475)	(90,783)
Unearned revenue	(96,522)	65,552
Net cash provided by operating activities	\$ 894,528	\$ 801,020

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of District and Summary of Significant Accounting Policies

Nature of activities: The **Golden Hills Community Services District** (the “District”) is a single-purpose governmental enterprise which supplies water and related services to residents in the District’s service area. The District was organized as a community services district and as such could supply additional services to residents in later years. The District is governed by its own five-member Board of Directors.

Global pandemic: 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, 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, including the geographical areas in which the District operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the District, to date the District has not experienced any negative impact as a result of the pandemic. As a result, management is unaware of any future projected impact of the pandemic on the District.

Reporting entity: The District has no oversight responsibility for any other governmental entity, nor is the District's operation a component unit of any other governmental entity. Therefore, the reporting entity consists only of District operations.

Basis of presentation: The District accounts for its operations as an enterprise fund, and the accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting in conformity with the Uniform System of Accounts for Special Districts as prescribed by the Controller of the State of California. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s principal ongoing operations.

Budget: Although a budget is adopted annually, it is used primarily as a guideline for the Board in regulating expenditures. There is no legal requirement to stay within the adopted budget in the payment or classification of expenditures.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates with respect to the District’s financial statements include the net pension asset – PARS and net pension liability – CalPERS.

Cash and cash equivalents: Cash and cash equivalents consist of cash on hand and in banks and short-term, highly liquid investments with a maturity of three months or less, which includes money market funds and cash management pools in State and County Treasuries.

Water sales and services receivable: Management deems all water sales and services receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded. Historical experience indicates that uncollectible receivables are immaterial.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Water-in-storage inventory: Annually, the District determines the amount of water it will bank for inventory storage. Banked water inventory is accounted for using the first-in, first-out cost flow method and is valued using lower of average cost or net realizable value.

Capital assets: Plant and facilities are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 – 50 years. Maintenance and repairs which do not increase the useful life of the assets are charged to expense as incurred. Major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Compensated absences: District employees accumulate vacation, comp time and administrative leave hours for subsequent use or for payment upon termination or retirement. Accumulated vacation pay is accrued when earned by employees, and is included in accrued expenses on the statement of net position.

Unearned revenue: Unearned revenue represents amounts that have been received in advance for providing water.

Net position: The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - This category represents net assets of the District, not restricted for any project or other purpose.

Subsequent events: The District has evaluated subsequent events through November 17, 2021, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Authoritative pronouncements not yet adopted: The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for years ending after June 30, 2021 and management is evaluating the impact of the implementation of these statements on their financial statements.

- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 and should be applied prospectively.

Note 2. Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of the following at June 30, 2021 and 2020:

	2021	2020
Cash in bank and on hand	\$ 717,622	\$ 658,805
Cash in County Treasury	2,761,529	2,523,839
	<u>\$ 3,479,151</u>	<u>\$ 3,182,644</u>

Restricted cash consists of the following at June 30, 2021 and 2020:

	2021	2020
Cash in bank	\$ 354,890	\$ 354,904
Cash in County Treasury	1,791,522	1,458,484
	<u>\$ 2,146,412</u>	<u>\$ 1,813,388</u>

Restricted cash is available for the following purposes:

	2021	2020
Road Improvements and other maintenance related costs	\$ 101,294	\$ 82,899
Bond debt service payments and related costs	604,827	573,471
Water wells, tanks, and other costs related to capacity fee charges	1,440,291	1,157,018
	<u>\$ 2,146,412</u>	<u>\$ 1,813,388</u>

The District maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The District believes it is not exposed to any significant credit risk on cash and cash equivalents.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 possession of an outside 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 depository regulated under state law. 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.

Balances held in County Treasury are collateralized by pledged securities, in accordance with the California State Financial Code.

Note 3. Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 is as follows:

	Balance June 30, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Land	\$ 2,225,537	\$ -	\$ -	\$ -	\$ 2,225,537
Water rights	930,950	380,000	-	-	1,310,950
Transmission and distribution system	8,684,414	427,360	53,955	16,394	9,074,213
Buildings and structures	3,225,863	-	-	-	3,225,863
Santa Lucia tank yard	800,920	-	-	-	800,920
Transportation equipment	589,068	235,143	-	-	824,211
Other equipment	172,594	-	-	-	172,594
Construction in progress	16,394	411,149	-	(16,394)	411,149
	<u>16,645,740</u>	<u>1,453,652</u>	<u>53,955</u>	<u>-</u>	<u>18,045,437</u>
Less accumulated depreciation	6,684,265	453,517	27,173	-	7,110,609
	<u>\$ 9,961,475</u>	<u>\$ 1,000,135</u>	<u>\$ 26,782</u>	<u>\$ -</u>	<u>\$ 10,934,828</u>

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Land	\$ 2,225,537	\$ -	\$ -	\$ -	\$ 2,225,537
Water rights	930,950	-	-	-	930,950
Transmission and distribution system	8,338,846	396,344	205,268	154,492	8,684,414
Buildings and structures	3,232,388	-	6,525	-	3,225,863
Santa Lucia tank yard	819,846	-	18,926	-	800,920
Transportation equipment	464,669	134,252	9,853	-	589,068
Other equipment	226,250	9,550	63,206	-	172,594
Construction in progress	154,415	16,471	-	(154,492)	16,394
	<u>16,392,901</u>	<u>556,617</u>	<u>303,778</u>	<u>-</u>	<u>16,645,740</u>
Less accumulated depreciation	6,572,562	375,060	263,357	-	6,684,265
	<u>\$ 9,820,339</u>	<u>\$ 181,557</u>	<u>\$ 40,421</u>	<u>\$ -</u>	<u>\$ 9,961,475</u>

Note 4. Long-term Debt

A schedule of changes in long-term debt for the years ended June 30, 2021 and 2020 is shown below:

	Balances June 30, 2020	Additions	Deletions	Balances June 30, 2021	Due Within One Year
Note Payable - Building	\$ 1,717,000	\$ -	\$ 77,000	\$ 1,640,000	\$ 77,000
Bonds Payable:					
2007 Road Bond	645,000	-	75,000	570,000	80,000
Discount on 2007 Road Bond	(13,249)	-	(2,065)	(11,184)	-
2016 Road Bond	1,565,000	-	60,000	1,505,000	60,000
Discount on 2016 Road Bond	(3,832)	-	(237)	(3,595)	-
	<u>\$ 3,909,919</u>	<u>\$ -</u>	<u>\$ 209,698</u>	<u>\$ 3,700,221</u>	<u>\$ 217,000</u>

	Balances June 30, 2019	Additions	Deletions	Balances June 30, 2020	Due Within One Year
Note Payable - Building	\$ 1,789,000	\$ -	\$ 72,000	\$ 1,717,000	\$ 77,000
Bonds Payable:					
2007 Road Bond	720,000	-	75,000	645,000	75,000
Discount on 2007 Road Bond	(15,314)	-	(2,065)	(13,249)	-
2016 Road Bond	1,620,000	-	55,000	1,565,000	60,000
Discount on 2016 Road Bond	(4,069)	-	(237)	(3,832)	-
	<u>\$ 4,109,617</u>	<u>\$ -</u>	<u>\$ 199,698</u>	<u>\$ 3,909,919</u>	<u>\$ 212,000</u>

Total interest expense incurred during the year ended June 30, 2021 and 2020 was \$160,195 and \$169,422, respectively.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note Payable – Building

In 2016, the District issued \$1,995,000 of loans payable to refinance the 2006 bonds payable for the District's building. The loan is scheduled to mature in fiscal year 2036. The District achieved an economic gain of \$195,806 from the refinance of the bonds. Interest installments are payable each fiscal year at a rate of 3.75% on October 1st and April 1st, while principal payments are due on October 1st. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2022	\$ 60,056	\$ 77,000	\$ 137,056
2023	57,075	82,000	139,075
2024	54,019	81,000	135,019
2025	50,888	86,000	136,888
2026	47,569	91,000	138,569
2027-2031	181,856	531,000	712,856
2032-2036	67,200	692,000	759,200
Total	\$ 518,663	\$ 1,640,000	\$ 2,158,663

Bonds Payable – 2007 – Road

In 2007, the District issued \$1,490,000 of road construction bonds. The bonds are scheduled to mature in fiscal year 2027. Interest installments are payable each fiscal year at rates of 3.0% to 5.0% on September 2nd and February 2nd, while principal payments are due on September 2nd. The bonds unamortized discount amount at June 30, 2021 and 2020 was \$11,184 and \$13,249, respectively, that will be amortized over the remaining debt service of the bonds. Annual debt service requirements on the bonds are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2022	\$ 26,500	\$ 80,000	\$ 106,500
2023	22,375	85,000	107,375
2024	18,000	90,000	108,000
2025	13,250	100,000	113,250
2026	8,125	105,000	113,125
2027-2031	2,750	110,000	112,750
Total	\$ 91,000	\$ 570,000	\$ 661,000

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Bonds Payable – 2016 – Road

In 2016, the District issued \$1,679,672 of road constructions bonds. The bonds are scheduled to mature in fiscal year 2038. Interest installments are payable each fiscal year at rates of 3.5% to 4.6% on September 2nd and February 2nd, while principal payments are due on September 2nd. The bonds unamortized discount amount at June 30, 2021 and 2020 was \$3,595 and \$3,832, respectively, that will be amortized over the remaining debt service of the bonds. Annual debt service requirements on the bonds are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2022	\$ 64,745	\$ 60,000	\$ 124,745
2023	61,932	65,000	126,932
2024	59,008	65,000	124,008
2025	55,970	70,000	125,970
2026	52,708	75,000	127,708
2027-2031	211,930	415,000	626,930
2032-2036	113,429	515,000	628,429
2037-2038	11,241	240,000	251,241
Total	\$ 630,963	\$ 1,505,000	\$ 2,135,963

Note 5. Designated Net Position

The Board of Directors has internally designated a portion of net position to be set aside for the following specific purposes:

	2021	2020
Capital projects	\$ 1,440,291	\$ 1,157,018
Debt service	592,196	542,494
	\$ 2,032,487	\$ 1,699,512

Note 6. Commitments and Contingencies

Water Lease: The District has a lease for approximately 450 acre-feet of annual water rights that expires in December 2025. The total lease cost for the years ended June 30, 2021 and 2020 was \$132,530 and \$64,030, respectively.

Litigation: The District is involved in various litigation and subject to claims in the normal course of business. While it is not feasible to determine the outcome of any of these uncertainties, it is the opinion of management that their outcomes will not have a material adverse effect on the financial position, results of operations, or cash flows of the District.

Note 7. Employee Retirement Systems

A. General Information about the Pension Plans

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by an agency of the State of California, the California Public Employees' Retirement System (CalPERS). Additionally, other qualified employees, members of management, are covered under a single-employer plan, the Public Agency Retirement System (PARS), which is a supplemental defined benefit plan.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

The District implemented GASB Statements No. 68 and No. 71 during the year ended June 30, 2015. As a result, the District now reports its net pension (asset) liability, pension expense and deferred inflows of resources and deferred outflows of resources for each of the above plans as follows:

	2021			
	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Benefit)
CalPERS	\$ 691,521	\$ 346,814	\$ 85,567	\$ 170,351
PARS	(394,160)	69,552	90,458	(78,253)
	<u>\$ 297,361</u>	<u>\$ 416,366</u>	<u>\$ 176,025</u>	<u>\$ 92,098</u>

	2020			
	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalPERS	\$ 713,613	\$ 368,725	\$ 106,438	\$ 187,960
PARS	(136,138)	89,311	-	4,355
	<u>\$ 577,475</u>	<u>\$ 458,036</u>	<u>\$ 106,438</u>	<u>\$ 192,315</u>

The details of each plan are as follows:

California Public Employees' Retirement System (CalPERS)

Plan Description: The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. State statutes, as legislatively amended, within the Public Employees' Retirement Law, establish benefit provisions. CalPERS issue a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. A Classic CalPERS Miscellaneous members becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety Members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability is not offered to miscellaneous employees.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

The CalPERS Plan provisions and benefits in effect at June 30, 2021 and 2020, are summarized as follows:

	2021	
	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
	Prior to	On or after
Eligibility (Hire) date	January 1, 2013	January 1, 2013
Benefit formula	2.0% @ 60	2.0% at 62
Benefit vesting schedule	5-years of service	5-years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0%	1.0% to 2.5%
Required employee contribution rates	6.918%	6.750%
Required employer contribution rates	8.794%	7.732%
	2020	
	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
	Prior to	On or after
Eligibility (Hire) date	January 1, 2013	January 1, 2013
Benefit formula	2.0% @ 60	2.0% at 62
Benefit vesting schedule	5-years of service	5-years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0%	1.0% to 2.5%
Required employee contribution rates	6.915%	6.750%
Required employer contribution rates	8.081%	6.985%

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Contributions: Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the years ended June 30, 2021 and 2020, the contributions recognized as part of the pension expense for the Plan were as follows:

	2021	2020
Contributions - employer	\$ 176,203	\$ 162,595
Contributions - employee (paid by employer)	-	-

Public Agency Retirement System (PARS)

Plan Description: Effective October 30, 2008, the District began participating in the Public Agency Retirement System (PARS) Retirement Enhancement Plan, which acts as both a common investment and administrative agent for the Plan, in accordance with PARS "Plan Provisions" previously established and approved by the Board of Directors in recognition of past salary concessions made by members of management. The PARS supplemental retirement benefit is recognized as an integral part of certain members of management's compensation package (a negotiated benefit provided in lieu of acceptance of previous salary increases offered to certain members of management). The District's defined benefit pension plan, the Golden Hills Community Services District Excess Benefit Plan, is single-employer plan which is a supplemental defined benefit plan for certain members of management. The District authorized the plan and has the authority to amend the plan. No new entrants are allowed to participate in the Plan. The Plan calls for the District to have the responsibility for establishing and carrying out a funding policy and method, consistent with the objectives of the Plan and, subject to the laws and Constitution of the State of California and applicable federal laws and regulations, and taking into consideration the Plan's short-term and long-term financial needs. The District shall have all power over, and responsibility for, the management, disposition, and investment of the Trust accounts.

Benefits Provided: The Plan provides benefits to participants based on the years of service after January 1, 2009 times a factor based on the participants age at retirement times the participants' final salary. Death benefit is equal to the employee's supplemental retirement benefit actuarially reduced as if the employee had retired on the date of death and elected a 100% joint-and-survivor annuity. Employees who terminate employment with the District prior to meeting the age requirement (55) will be eligible for a deferred retirement benefit from the plan payable at age 55.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. Any benefit in payment status will increase by 2% per annum on the anniversary of the participant's date of retirement.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Employees Covered by Benefit Terms: At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

	2021	2020
Active members	-	-
Transferred and terminated members	-	-
Retired members and beneficiaries	3	3
	<u>3</u>	<u>3</u>

Contributions: The pension benefits earned by the District's employees are funded currently by contributions to the pension trust. No employee contributions are required for participation, unless the actuarially required employer contribution exceeds 26% of pay. The actuarial methods and assumptions used are those adopted by the PARS Board of Administration. The employer contribution rate for years ended June 30, 2021 and 2020 for annual payroll is not applicable as the Plan only has retired members and beneficiaries.

For the years ended June 30, 2021 and 2020, the contributions recognized as part of the pension expense for the Plan were as follows:

	2021	2020
Contributions - employer	\$ 69,552	\$ 69,552
Contributions - employee (paid by employer)	\$ -	\$ -

B. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources related to Pensions

As of June 30, 2021 and 2020, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	2021	2020
Pension Plan	Net Pension Liability (Asset)	Net Pension Liability (Asset)
CalPERS	\$ 691,521	\$ 713,613
PARS	(394,160)	(136,138)
Total Net Pension Liability	<u>\$ 297,361</u>	<u>\$ 577,475</u>

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

The District's net pension liability for CalPERS is measured as a proportionate share of the net pension liability. The CalPERS Plan was measured as of June 30, 2020 and June 30, 2019 for the years ended June 30, 2021 and 2020, respectively. For the CalPERS plan, the total liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 and as of June 30, 2018, rolled forward to June 2019 for years ended June 30, 2021 and 2020, respectively, the using standard update procedures. The District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for CalPERS was as follows:

	<u>2021</u>
Proportion - June 30, 2019	0.00696%
Proportion - June 30, 2020	<u>0.00636%</u>
Change - (Decrease)	<u><u>-0.00060%</u></u>
	<u>2020</u>
Proportion - June 30, 2018	0.00754%
Proportion - June 30, 2019	<u>0.00696%</u>
Change - (Decrease)	<u><u>-0.00058%</u></u>

The District's net pension liability for PARS is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability was measured as of June 30, 2021 using an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021, and as of June 30, 2020 using an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020 for years ended June 30, 2021 and 2020, respectively, using standard update procedures.

The following shows the changes in the net pension liability during the years ended June 30, 2021 and 2020 for PARS:

	<u>2021</u>		
	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability (Asset)</u>
Balance at June 30, 2020	<u>\$ 716,596</u>	<u>\$ 852,734</u>	<u>\$ (136,138)</u>
Changes in the year:			
Service cost	-	-	-
Interest on total pension liability	45,645	-	45,645
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(48,080)	-	(48,080)
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(29,203)	(29,203)	-
Employer contributions	-	69,552	(69,552)
Member contributions	-	-	-
Net investment income	-	190,910	(190,910)
Administrative expenses	-	(4,875)	4,875
Total changes for the year	<u>(31,638)</u>	<u>226,384</u>	<u>(258,022)</u>
Balance - June 30, 2021	<u><u>\$ 684,958</u></u>	<u><u>\$ 1,079,118</u></u>	<u><u>\$ (394,160)</u></u>

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

	2020		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2019	\$ 700,604	\$ 790,345	\$ (89,741)
Changes in the year:			
Service cost	-	-	-
Interest on total pension liability	44,623	-	44,623
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(28,631)	(28,631)	-
Employer contributions	-	69,552	(69,552)
Member contributions	-	-	-
Net investment income	-	25,609	(25,609)
Administrative expenses	-	(4,141)	4,141
Total changes for the year	15,992	62,389	(46,397)
Balance - June 30, 2020	\$ 716,596	\$ 852,734	\$ (136,138)

For the years ended June 30, 2021 and 2020, the District recognized pension expense of \$92,098 and \$192,315, respectively. At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 260,955	\$ -
Changes of assumptions	-	4,932
Differences between expected and actual experiences	35,636	-
Net differences between projected and actual earnings on plan investments	20,543	90,458
Change in employer's contribution	-	80,635
Differences between the employer's contribution and the employer's proportionate share of contributions	99,232	-
	<u>\$ 416,366</u>	<u>\$ 176,025</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 245,755	\$ -
Changes of assumptions	34,028	12,063
Differences between expected and actual experiences	49,563	3,840
Net differences between projected and actual earnings on plan investments	19,759	12,476
Change in employer's contribution	13,912	78,059
Differences between the employer's contribution and the employer's proportionate share of contributions	95,019	-
	<u>\$ 458,036</u>	<u>\$ 106,438</u>

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

\$260,955 reported as deferred outflows of resources related to contributions subsequent to the measurement date at June 30, 2021 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (revenue) as follows:

Year Ended June 30,		
2022	\$	(8,480)
2023		7,718
2024		(2,837)
2025		(17,015)
Total	\$	<u>(20,614)</u>

Actuarial Methods and Assumptions – The total pension liabilities in the June 30, 2020 and 2021, actuarial valuations were determined using the following actuarial assumptions:

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of projected mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the Cal PERS experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

The expected real rates of return by asset class are as follows:

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

PARS – The discount rate used to measure the total pension liability was 6.5% for each of the years ended June 30, 2021 and 2020. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The discount rate is a single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of (1): the actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the long-term expected rate of return and (2): the actuarial present value of projected benefit payments not included in (1), calculated using the municipal bonds rate.

The best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuaries' investment consulting practice as of June 30, 2021 and 2020.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 and 2020 are summarized in the following table:

Asset Class	Assumed Asset Allocation	2021	
		Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	0.96%	-0.32%	-0.32%
US Core Fixed Income	46.51%	1.37%	1.26%
US Equity Market	39.28%	5.33%	3.70%
Foreign Developed Equity	6.82%	6.27%	4.52%
Emerging Markets Equity	4.62%	8.64%	4.95%
US REITs	1.81%	5.75%	3.57%

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Asset Class	2020		
	Assumed Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	4.67%	-0.22%	-0.20%
US Core Fixed Income	47.34%	0.92%	0.84%
US Equity Market	37.65%	4.82%	3.52%
Foreign Developed Equity	5.97%	6.32%	4.75%
Emerging Markets Equity	3.47%	8.35%	5.53%
US REITs	0.90%	5.32%	3.62%

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

– The following presents the District's proportionate share of the net pension (asset) liability at June 30, 2021 and 2020 for each Plan, calculated using the discount rate for each plan, as well as the District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2021	
	CalPERS	PARS
1% Decrease	6.15%	5.50%
Net Pension Liability (Asset)	\$ 1,069,198	\$ (320,766)
Current Discount Rate	7.15%	6.50%
Net Pension Liability (Asset)	\$ 691,521	\$ (394,160)
1% Increase	8.15%	7.50%
Net Pension Liability (Asset)	\$ 379,458	\$ (456,230)
	2020	
	CalPERS	PARS
1% Decrease	6.15%	5.50%
Net Pension Liability (Asset)	\$ 1,053,473	\$ (62,953)
Current Discount Rate	7.15%	6.50%
Net Pension Liability (Asset)	\$ 713,613	\$ (136,138)
1% Increase	8.15%	7.50%
Net Pension Liability (Asset)	\$ 433,084	\$ (197,891)

Pension Plan Fiduciary Net Position – Detailed information about CalPERS' fiduciary net position is available in the Plan's financial reports.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Prior Period Adjustment

For the year ended June 30, 2020, beginning net position was decreased by \$2,440,406 to reflect the correction of an error.

At June 30, 2019 the District showed certain road improvements in the financial statements as part of their capital assets. It was later determined that the District does not have legal ownership of those assets. As a result, a prior period adjustment was recorded to decrease capital assets by \$2,992,642, decrease accumulated depreciation by \$552,236, and decrease beginning net position by \$2,440,406.

REQUIRED SUPPLEMENTARY INFORMATION

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2021

CalPERS - Last 10 Years*

Measurement Date:	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00636%	0.00696%	0.00754%	0.00817%	0.00881%	0.01037%
Proportionate share of the net pension liability	\$691,521	\$713,613	\$726,776	\$810,368	\$762,637	\$712,246
Covered - employee payroll	\$661,532	\$584,121	\$414,201	\$525,639	\$666,692	\$688,215
Proportionate share of the net pension liability as percentage of covered-employee payroll	104.53%	122.17%	175.46%	154.17%	114.39%	103.49%
Plan's fiduciary net position	\$32,822,501,335	\$31,179,414,067	\$29,308,589,559	\$27,244,095,376	\$24,705,532,291	\$24,907,305,871
Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

*Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

SCHEDULES OF PENSION CONTRIBUTIONS - CALPERS

As of June 30, 2021

CalPERS - Last 10 Years*

Fiscal Year:	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 181,441	\$ 166,578	\$ 151,273	\$ 129,810	\$ 131,626	\$ 129,783	\$ 109,039
Contributions in relation to the actuary determined contributions	191,403	176,203	162,595	129,810	131,626	129,783	109,039
Contribution deficiency (excess)	<u>\$ (9,962)</u>	<u>\$ (9,625)</u>	<u>\$ (11,322)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 673,762	\$ 661,532	\$ 584,121	\$ 414,201	\$ 525,639	\$ 666,692	\$ 688,215
Contributions as a percentage of covered-employee payroll	28.41%	26.64%	27.84%	31.34%	25.04%	19.47%	15.84%

Notes to Schedule

Valuation date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
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Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of pay, direct rate smoothing
Remaining amortization period	Differs by employer plan but not more than 30 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.00%
Retirement age	57 years
Mortality	Derived using CalPERS Membership Data for all funds. The post retirement mortality rate includes 15 years of projected on-going mortality improvement using 90 percent of Scale mP 2016 published by the Society of Actuaries

*Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

SCHEDULES OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

As of June 30, 2021

PARS - Last 10 Years*

Measurement Period	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Total Pension Liability						
Service cost	\$ -	\$ -	\$ -	\$ 40,833	\$ 32,529	\$ 58,870
Interest on total pension liability	45,645	44,623	45,988	44,566	44,318	38,137
Effect of assumption changes or inputs	-	-	4,336	-	62,416	-
Effect of economic/demographics gains or losses	(48,080)	-	(42,968)	-	(86,452)	-
Benefit payments	(29,203)	(28,631)	(28,069)	(17,485)	-	-
Net change in total pension liability	(31,638)	15,992	(20,713)	67,914	52,811	97,007
Total pension liability - beginning	716,596	700,604	721,317	653,403	600,592	503,585
Total pension liability - ending (a)	\$ 684,958	\$ 716,596	\$ 700,604	\$ 721,317	\$ 653,403	\$ 600,592
Plan Fiduciary Net Position						
Contributions - employer	\$ 69,552	\$ 69,552	\$ 75,348	\$ 63,756	\$ 69,552	\$ 69,552
Net investment income	190,910	25,609	46,276	38,626	54,056	1,501
Administrative expenses	(4,875)	(4,141)	(3,728)	(3,437)	(2,856)	(2,329)
Benefit payments	(29,203)	(28,631)	(28,069)	(17,485)	-	-
Net change in plan fiduciary net position	226,384	62,389	89,827	81,460	120,752	68,724
Plan fiduciary net position - beginning	852,734	790,345	700,518	619,058	498,306	429,582
Plan fiduciary net position - ending (b)	\$ 1,079,118	\$ 852,734	\$ 790,345	\$ 700,518	\$ 619,058	\$ 498,306
Net pension (asset) liability (a) - (b)	\$ (394,160)	\$ (136,138)	\$ (89,741)	\$ 20,799	\$ 34,345	\$ 102,286
Plan fiduciary net position as a percentage of the total pension liability	157.55%	119.00%	112.81%	97.12%	94.74%	82.97%
Covered - employee payroll	N/A	N/A	N/A	\$ 206,224	\$ 200,217	\$ 291,499
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	10.09%	17.15%	35.09%

Notes to Schedule

Benefits changes: The figures above do not include any impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two-Year Additional Service Credit (a.k.a. Golden Handshakes).

* Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

GOLDEN HILLS COMMUNITY SERVICES DISTRICT

SCHEDULES OF PENSION CONTRIBUTIONS - PARS

As of June 30, 2021

PARS - Last 10 Years*

Fiscal Year:	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ -	\$ -	\$ 51,556	\$ 50,054	\$ 47,776	\$ 68,556	\$ 71,735
Contributions in relation to the actuary determined contributions	69,552	69,552	75,348	63,756	69,522	69,522	69,522
Contribution deficiency (excess)	<u>\$ (69,552)</u>	<u>\$ (69,552)</u>	<u>\$ (23,792)</u>	<u>\$ (13,702)</u>	<u>\$ (21,746)</u>	<u>\$ (966)</u>	<u>\$ 2,213</u>
Covered-employee payroll	N/A	N/A	N/A	\$ 206,224	\$ 200,217	\$ 291,499	\$ 278,826
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	30.92%	34.72%	23.85%	24.93%

Notes to Schedule

Valuation date: January 1, 2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	8 years
Asset valuation method	None
Inflation	2.50%
Salary increases	N/A
Investment rate of return	6.50%
Retirement age	Graduated rates from age of 55 - 5.00% to age of 75 - 100%
Mortality	Pre-retirement: N/A; Post-Retirement: Consistent with Non-Industrial rates used to value the Miscellaneous Public Agency CalPERS Pension Plans after June 30, 2017.

*Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

OTHER INDEPENDENT AUDITOR'S REPORT

NANCY C. BELTON

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

Board of Directors
Golden Hills Community Services District
Tehachapi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Golden Hills Community Services District** as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the **Golden Hills Community Services District’s** basic financial statements, and have issued our report thereon dated November 17, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Golden Hills Community Services 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*.

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.

Daniells Phillips Vaughan & Bock

Bakersfield, California
November 17, 2021