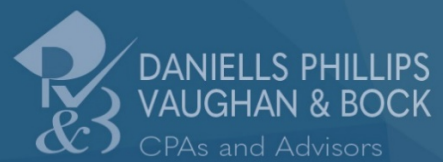




FINANCIAL REPORT  
June 30, 2025



**GOLDEN HILLS COMMUNITY SERVICES DISTRICT**

**ORGANIZATION DATA**

**JUNE 30, 2025**

**ELECTED OFFICERS**

David Benham, President

Joe King, Vice-President

John Buckley, Director

David Shaw, Director

Scott Wyatt, Director

**ADMINISTRATION**

Christopher Carlson, General Manager

Brian Barnett, Business Analyst

Joseph Hughes, Legal Counsel

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SHANNON M. WEBSTER

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of **Golden Hills Community Services District** (the District) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2025 and 2024, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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, schedules of pension contributions – PARS, and modified approach for water storage tanks infrastructure capital assets on pages 4-6 and 33-39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we 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 December 5, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Daniells Phillips Vaughan & Bock*

Bakersfield, California  
December 5, 2025

# **GOLDEN HILLS COMMUNITY SERVICES DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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As management of the **Golden Hills Community Services District** (the 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, 2025. 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, 2025 increased by approximately \$270,300 as a result of more water being sold.
- Non-operating revenue for the year ended June 30, 2025 included approximately \$670,200 in property taxes and special assessments, approximately a \$28,100 increase from the prior year.
- Operating expenses for the year ended June 30, 2025 increased by approximately \$506,400 due to more being paid for drainage easement maintenance.
- Capacity fees for the year ended June 30, 2025 decreased by approximately \$11,100 from the prior year.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 2025, 2024, and 2023 Condensed Financial Statements

	2025	2024	2023
Current assets	\$ 4,204,480	\$ 6,337,485	\$ 6,291,533
Capital assets, net	11,847,632	11,175,304	10,427,467
Restricted cash and investments	2,587,724	2,665,206	2,603,312
Investments	2,562,315	-	-
Other	285,242	255,536	219,904
<b>Total Assets</b>	<b>21,487,393</b>	<b>20,433,531</b>	<b>19,542,216</b>
Deferred Outflows of Resources	338,550	463,032	449,796
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 21,825,943</b>	<b>\$ 20,896,563</b>	<b>\$ 19,992,012</b>
Current liabilities	\$ 1,349,910	\$ 848,378	\$ 767,048
Long-term liabilities	3,130,957	3,393,687	3,543,964
<b>Total Liabilities</b>	<b>4,480,867</b>	<b>4,242,065</b>	<b>4,311,012</b>
Deferred Inflows of Resources	34,837	76,254	64,251
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 4,515,704</b>	<b>\$ 4,318,319</b>	<b>\$ 4,375,263</b>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	\$ 9,194,204	\$ 8,273,178	\$ 7,291,642
Restricted	2,587,724	2,665,206	2,603,312
Unrestricted	5,528,311	5,639,860	5,721,795
<b>Total Net Position</b>	<b>\$ 17,310,239</b>	<b>\$ 16,578,244</b>	<b>\$ 15,616,749</b>
Operating revenue	\$ 3,763,778	\$ 3,493,492	\$ 3,161,122
Operating expenses	3,870,684	3,364,298	3,495,854
<b>Operating Income (Loss)</b>	<b>(106,906)</b>	<b>129,194</b>	<b>(334,732)</b>
Non-operating revenues (expenses)			
Property taxes and special assessments	670,179	642,065	596,827
Investment earnings	233,841	196,123	86,971
Gain (loss) on sale of assets	22,368	(13,794)	(14,317)
Unrealized gain on investments	14,810	-	-
Litigation settlement	(110,000)	-	-
Interest (expense)	(113,758)	(124,643)	(135,448)
<b>Income before capital contributions</b>	<b>610,534</b>	<b>828,945</b>	<b>199,301</b>
Capital contributions			
Capacity fees	121,461	132,550	166,024
<b>Change in net position</b>	<b>\$ 731,995</b>	<b>\$ 961,495</b>	<b>\$ 365,325</b>

### Capital Assets and Long-Term Debt

The District's capital assets at June 30, 2025 were \$21.12 million; less \$9.27 million accumulated depreciation for a net book value of \$11.85 million. During the year ended June 30 2025, the District invested approximately \$1,174,000 in additions to capital assets, principally due to water projects that will improve the system.

# **GOLDEN HILLS COMMUNITY SERVICES DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The District has eight water storage tanks at different locations that provide water to the District. The District elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Tanks System starting in August 2021. Under GASB Statement No. 34 eligible infrastructure capital is not required to be depreciated if all requirements are met.

The Tank Assessment Index (TAI) minimum established by the District is 5.0. The average TAI for fiscal years 2025 and 2024 are 9.269 and 9.740, respectively, well above the established index. The current lowest TAI is 8.550 and the highest is 10.0. There is no significant difference between the estimated and actual amounts to maintain and preserve infrastructure assets at target conditions during the current period.

At June 30, 2025, the District had approximately \$2.7 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 5 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, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 2,059,126	\$ 4,144,727
Water sales and services receivables	517,921	568,668
Water-in-storage inventory	1,540,664	1,540,664
Prepaid expenses	86,769	83,426
<b>Total current assets</b>	<b>4,204,480</b>	<b>6,337,485</b>
Non-Current Assets		
Restricted assets:		
Cash (Note 2)	709,317	2,665,206
Investments (Notes 2 and 3)	1,878,407	-
Investments (Notes 2 and 3)	2,562,315	-
Capital assets (Note 4)	11,847,632	11,175,304
Net pension asset - PARS (Note 8)	285,242	255,536
<b>Total non-current assets</b>	<b>17,282,913</b>	<b>14,096,046</b>
<b>Total assets</b>	<b>21,487,393</b>	<b>20,433,531</b>
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 8)</b>		
Related to net pension liability - CalPERS	294,891	375,713
Related to net pension asset - PARS	43,659	87,319
<b>Total deferred outflows of resources</b>	<b>338,550</b>	<b>463,032</b>
 <b>Total assets and deferred outflows of resources</b>	 <b>\$ 21,825,943</b>	 <b>\$ 20,896,563</b>

See Notes to Financial Statements.

	2025	2024
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Current portion of long-term debt (Note 5)	\$ 261,000	\$ 251,000
Accounts payable	553,560	187,712
Accrued expenses	226,163	115,754
Customer deposits	271,771	260,331
Unearned revenue	37,416	33,581
<b>Total current liabilities</b>	<b>1,349,910</b>	<b>848,378</b>
Non-Current Liabilities		
Long-term debt (Note 5)	2,392,428	2,651,126
Net pension liability - CalPERS (Note 8)	738,529	742,561
<b>Total non-current liabilities</b>	<b>3,130,957</b>	<b>3,393,687</b>
Commitments and Contingencies (Note 7)		
<b>Total liabilities</b>	<b>4,480,867</b>	<b>4,242,065</b>
<b>DEFERRED INFLOWS OF RESOURCES (Note 8)</b>		
Related to net pension liability - CalPERS	8,927	28,498
Related to net pension liability - PARS	25,910	47,756
<b>Total deferred inflows of resources</b>	<b>34,837</b>	<b>76,254</b>
Net Position		
Net investment in capital assets	9,194,204	8,273,178
Restricted (Note 6)	2,587,724	2,665,206
Unrestricted	5,528,311	5,639,860
<b>Total net position</b>	<b>17,310,239</b>	<b>16,578,244</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 21,825,943</b>	<b>\$ 20,896,563</b>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenue		
Water sales		
Residential	\$ 2,429,255	\$ 2,259,360
Business and commercial	646,622	604,454
Other service charges	320,973	308,020
Rental income	163,280	136,873
Water banking reimbursement	81,365	76,198
Franchise fees	75,528	62,371
Standby service charges	42,355	43,016
Septic permits	4,400	3,200
	3,763,778	3,493,492
Operating Expenses		
General and administrative	2,823,641	2,324,667
Depreciation	501,682	488,860
Pumping	246,953	224,404
Treatment, transmission and distribution	161,234	204,189
Source of supply	112,608	112,617
Engineering and inspection	24,566	9,561
	3,870,684	3,364,298
<b>Operating Income (Loss)</b>	<b>(106,906)</b>	<b>129,194</b>
Non-operating Revenues and (Expenses)		
Property taxes	401,107	372,331
Special assessments for debt service	269,072	269,734
Investment earnings	233,841	196,123
Gain (loss) on sale of assets	22,368	(13,794)
Unrealized gain on investments	14,810	-
Litigation settlement (Note 7)	(110,000)	-
Interest (expense)	(113,758)	(124,643)
<b>Income before capital contributions</b>	<b>610,534</b>	<b>828,945</b>
Capital Contributions		
Capacity fees -		
<b>Total capital contributions</b>	<b>121,461</b>	<b>132,550</b>
<b>Change in net position</b>	<b>731,995</b>	<b>961,495</b>
Net Position, beginning	16,578,244	15,616,749
Net Position, ending	<b>\$ 17,310,239</b>	<b>\$ 16,578,244</b>

See Notes to Financial Statements.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2025 and 2024

	2025	2024
<b>Cash Flows From Operating Activities</b>		
Receipts from users	\$ 3,818,360	\$ 3,335,138
Water purchases	(112,608)	(115,002)
Payments for administration services	(2,667,657)	(2,263,947)
Payments for suppliers for goods and services	(51,609)	(332,348)
<b>Net cash provided by operating activities</b>	<b>986,486</b>	<b>623,841</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal payments on long-term debt	(248,698)	(233,699)
Collection of property taxes	401,107	372,331
Interest payments	(117,205)	(128,025)
Purchase of capital assets	(1,174,010)	(1,287,426)
Other non-operating income	181,440	306,669
<b>Net cash (used in) financing activities</b>	<b>(957,366)</b>	<b>(970,150)</b>
<b>Cash Flows From Investing Activities</b>		
Capital contributions received	121,461	132,550
Purchase of investments	(4,425,912)	-
Interest income received	233,841	196,123
<b>Net cash provided by (used in) investing activities</b>	<b>(4,070,610)</b>	<b>328,673</b>
<b>Net (decrease) in cash, cash equivalents and restricted cash</b>	<b>(4,041,490)</b>	<b>(17,636)</b>
Cash, cash equivalents and restricted cash		
Beginning	6,809,933	6,827,569
Ending	<b>\$ 2,768,443</b>	<b>\$ 6,809,933</b>

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of net position that total the amounts shown in the statements of cash flows:

	2025	2024
Cash and cash equivalents	\$ 2,059,126	\$ 4,144,727
Restricted cash	709,317	2,665,206
	<b>\$ 2,768,443</b>	<b>\$ 6,809,933</b>

See Notes to Financial Statements.

	2025	2024
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	\$ (106,906)	\$ 129,194
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	501,682	488,860
Changes in:		
Deferred outflows of resources	124,482	(13,236)
Deferred inflows of resources	(41,417)	12,003
Net pension asset - PARS	(29,706)	(35,632)
Net pension liability - CalPERS	(4,032)	98,422
Changes in working capital components:		
(Increase) decrease in:		
Water sales and services receivables	50,747	(122,260)
Water-in-storage inventory	-	(2,385)
Prepaid expenses	(3,343)	(837)
Increase (decrease) in:		
Accounts payable	365,848	100,840
Accrued expenses	113,856	(14,505)
Customer deposits	11,440	19,471
Unearned revenue	3,835	(36,094)
<b>Net cash provided by operating activities</b>	<b>\$ 986,486</b>	<b>\$ 623,841</b>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 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.

*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, net pension liability – CalPERS, deferred outflows of resources and deferred inflows of resources.

*Cash, cash equivalents and restricted cash:* Cash, cash equivalents, and restricted cash 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.

*Investment valuation and income recognition:* Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of net position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion of fair value measurements.

*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.

*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.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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*Capital assets:* Plant and facilities are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 – 50 years. The District's policy is to capitalize assets greater than \$5,000 with a useful life of more than one year. 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.

The District reports its water storage tank assets system using the modified approach. Accordingly, depreciation is not reported for this subsystem and all expenditures, except additions and improvements, made for the subsystem are expensed.

*Compensated absences:* District employees accumulate vacation, comp time and administrative leave hours for subsequent use or for payment upon termination or retirement. Accumulated compensated absence pay is accrued when earned by employees, and is included in accrued expenses on the statements 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 December 5, 2025, the date on which the financial statements were available to be issued. No subsequent events were identified by management which would require disclosure in the financial statements.

*Authoritative pronouncements adopted:* The District has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. For the year ended June 30, 2025, the District implemented the following new standards issued by GASB:

- In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

- In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

*Authoritative pronouncements not yet adopted:* The following statements issued by the GASB are effective for year ends after June 30, 2025 and management is evaluating the impact of the implementation of these statements on their financial statements.

- In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

- In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

### Note 2. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments at June 30, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Cash and cash equivalents:		
Unrestricted:		
Cash in bank and on hand	\$ 598,357	\$ 631,654
Cash in California Asset Management Program (CAMP)	1,437,606	-
Cash in County Treasury	23,163	3,513,073
	<u>2,059,126</u>	<u>4,144,727</u>
Restricted:		
Cash in bank	262,450	261,634
Cash in California Asset Management Program (CAMP)	433,668	-
Cash in County Treasury	13,199	2,403,572
	<u>709,317</u>	<u>2,665,206</u>
	<u>\$ 2,768,443</u>	<u>\$ 6,809,933</u>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

	2025	
	Cost	Fair Value
Investments:		
Unrestricted:		
Corporate, municipal and government agency bonds	\$ 2,553,770	\$ 2,562,315
Restricted:		
Corporate, municipal and government agency bonds	1,872,142	1,878,407
Total investments	<u>\$ 4,425,912</u>	<u>\$ 4,440,722</u>

The District had no investments at June 30, 2024.

Restricted cash and investments is available for the following purposes:

	2025	2024
Road Improvements and other maintenance related costs	\$ 136,680	\$ 125,259
Bond debt service payments and related costs	572,530	533,233
Water wells, tanks, and other costs related to capacity fee charges	1,878,514	2,006,714
	<u>\$ 2,587,724</u>	<u>\$ 2,665,206</u>

Deposits are carried at cost plus accrued interest. The bank balances are protected by a combination of FDIC insurance and the bank's collateral pool, in accordance with the California Government Code.

For all cash on hand and on deposit at June 30, 2025 and 2024 amortized cost approximates fair market value.

### Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the *investment types* that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or Agency's investment policy, where more restrictive) that address *interest rate risk*, *credit risk*, and *custodial or credit risk*.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations: CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper: Non-pooled Funds (under \$100,000,000 of investments)	270 days or less	25% of the agency's money	Highest letter and number rating by an NRSRO
Commercial Paper: Non-pooled Funds (minimum \$100,000,000 of investments)	270 days or less	40% of the agency's money	Highest letter and number rating by an NRSRO
Commercial Paper: Pooled Funds	270 days or less	40% of the agency's money	Highest letter and number rating by an NRSRO
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50%	None
Placement Service Certificates of Deposit	5 years	50%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years or less	30%	"A" rating category or its equivalent or better
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years or less	30%	"AA" rating category or its equivalent or better
Public Bank Obligations	5 years	None	None

### 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.

**GOLDEN HILLS COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District is required to disclose the rating for all investments. Cash invested in CAMP and the Kern County Treasury are considered “exempt from disclosure” under GASB No. 40. The investments held in cash with fiscal agent are federal treasury obligations and rated AAA at June 30, 2025 and 2024.

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 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.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the District’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

*Investments in State Investment Pool*

The District is a voluntary participant in CAMP that is regulated by California Government Code Section 53601(p) under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by CAMP for the entire CAMP portfolio (in relation to be the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

**Note 3. Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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- Level 2            Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2025.

*Corporate, Municipal and Government agency bonds:* Valued at the closing price reported on the active market on which the individual securities are traded.

All investments held by the District at June 30, 2025 are considered to be level 1 assets.

The District invests in professionally managed portfolios that contain bonds of publicly traded companies and U.S. Government obligations. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2025 and 2024 is as follows:

	Balance June 30, 2024	Additions	Deletions	Reclass/ Transfers	Balance June 30, 2025
Land	\$ 2,247,041	\$ -	\$ -	\$ -	\$ 2,247,041
Water storage tanks	2,233,321	-	-	-	2,233,321
Land Improvements	429,807	-	-	-	429,807
Water rights	1,690,950	-	-	-	1,690,950
Transmission and distribution system	7,720,871	16,690	-	-	7,737,561
Buildings and structures	3,242,483	-	-	-	3,242,483
Santa Lucia tank yard	761,770	-	-	-	761,770
Transportation equipment	1,132,549	44,933	20,241	-	1,157,241
Other equipment	156,396	-	-	-	156,396
Construction in progress	348,530	1,112,387	-	-	1,460,917
	<u>19,963,718</u>	<u>1,174,010</u>	<u>20,241</u>	<u>-</u>	<u>21,117,487</u>
Less accumulated depreciation	8,788,414	501,682	20,241	-	9,269,855
	<u>\$ 11,175,304</u>	<u>\$ 672,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,847,632</u>

	Balance June 30, 2023	Additions	Deletions	Reclass/ Transfers	Balance June 30, 2024
Land	\$ 2,273,559	\$ -	\$ 26,518	\$ -	\$ 2,247,041
Water storage tanks	2,233,321	-	-	-	2,233,321
Land Improvements	369,730	60,077	-	-	429,807
Water rights	1,310,950	380,000	-	-	1,690,950
Transmission and distribution system	7,686,541	209,345	182,728	7,713	7,720,871
Buildings and structures	3,225,863	16,620	-	-	3,242,483
Santa Lucia tank yard	800,920	-	39,150	-	761,770
Transportation equipment	897,583	272,854	37,888	-	1,132,549
Other equipment	172,594	-	16,198	-	156,396
Construction in progress	7,713	348,530	-	(7,713)	348,530
	<u>18,978,774</u>	<u>1,287,426</u>	<u>302,482</u>	<u>-</u>	<u>19,963,718</u>
Less accumulated depreciation	8,551,307	488,860	251,753	-	8,788,414
	<u>\$ 10,427,467</u>	<u>\$ 798,566</u>	<u>\$ 50,729</u>	<u>\$ -</u>	<u>\$ 11,175,304</u>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-term Debt

A schedule of changes in long-term debt for the years ended June 30, 2025 and 2024 is shown below:

	Balances June 30, 2024	Additions	Deletions	Balances June 30, 2025	Due Within One Year
Note Payable - Building	\$ 1,400,000	\$ -	\$ 86,000	\$ 1,314,000	\$ 91,000
Bonds Payable:					
2007 Road Bond	305,000	-	100,000	205,000	100,000
Discount on 2007 Road Bond	(4,990)	-	(2,065)	(2,925)	-
2016 Road Bond	1,205,000	-	65,000	1,140,000	70,000
Discount on 2016 Road Bond	(2,884)	-	(237)	(2,647)	-
	<u>\$ 2,902,126</u>	<u>\$ -</u>	<u>\$ 248,698</u>	<u>\$ 2,653,428</u>	<u>\$ 261,000</u>

	Balances June 30, 2023	Additions	Deletions	Balances June 30, 2024	Due Within One Year
Note Payable - Building	\$ 1,481,000	\$ -	\$ 81,000	\$ 1,400,000	\$ 86,000
Bonds Payable:					
2007 Road Bond	400,000	-	95,000	305,000	100,000
Discount on 2007 Road Bond	(7,054)	-	(2,064)	(4,990)	-
2016 Road Bond	1,265,000	-	60,000	1,205,000	65,000
Discount on 2016 Road Bond	(3,121)	-	(237)	(2,884)	-
	<u>\$ 3,135,825</u>	<u>\$ -</u>	<u>\$ 233,699</u>	<u>\$ 2,902,126</u>	<u>\$ 251,000</u>

#### Note Payable – Building

In 2016, the District issued a \$1,995,000 loan 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 1<sup>st</sup> and April 1<sup>st</sup>, while principal payments are due on October 1<sup>st</sup>. Annual debt service requirements on the loan are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2026	\$ 47,569	\$ 91,000	\$ 138,569
2027	44,081	95,000	139,081
2028	40,425	100,000	140,425
2029	36,581	105,000	141,581
2030	32,550	110,000	142,550
2031-2035	92,606	663,000	755,606
2036	2,813	150,000	152,813
Total	<u>\$ 296,625</u>	<u>\$ 1,314,000</u>	<u>\$ 1,610,625</u>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### *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 2<sup>nd</sup> and February 2<sup>nd</sup>, while principal payments are due on September 2<sup>nd</sup>. The bonds unamortized discount amount at June 30, 2025 and 2024 was \$2,925 and \$4,990, 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
2026	\$ 7,750	\$ 100,000	\$ 107,750
2027	2,625	105,000	107,625
<b>Total</b>	<b>\$ 10,375</b>	<b>\$ 205,000</b>	<b>\$ 215,375</b>

### *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 2<sup>nd</sup> and February 2<sup>nd</sup>, while principal payments are due on September 2<sup>nd</sup>. The bonds unamortized discount amount at June 30, 2025 and 2024 was \$2,647 and \$2,884, 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
2026	\$ 48,650	\$ 70,000	\$ 118,650
2027	45,500	70,000	115,500
2028	42,238	75,000	117,238
2029	38,990	80,000	118,990
2030	35,790	80,000	115,790
2031-2035	135,819	455,000	590,819
2036-2038	10,324	310,000	320,324
<b>Total</b>	<b>\$ 357,311</b>	<b>\$ 1,140,000</b>	<b>\$ 1,497,311</b>

### **Note 6. Restricted Net Position**

Net position is restricted for the following specific purposes at June 30, 2025 and 2024:

	2025	2024
Capital projects	\$ 1,878,514	\$ 2,006,714
Debt service	709,210	658,492
	<b>\$ 2,587,724</b>	<b>\$ 2,665,206</b>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 7. 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 each of the years ended June 30, 2025 and 2024 was \$112,500.

*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.

On September 5, 2025, management and legal counsel reached a settlement which required the District to pay a total of \$110,000. At June 30, 2025, \$110,000 is included in accrued expenses on the statements of net position. The District anticipates this amount will be paid during the year ended June 30, 2026.

### Note 8. 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.

The District implemented GASB Statements No. 68 and No. 71 during the year ended June 30, 2015. As a result, the District 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:

	2025			
	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Benefit)
CalPERS	\$ 738,529	\$ 294,891	\$ 8,927	\$ 193,051
PARS	(285,242)	43,659	25,910	(7,892)
	<u>\$ 453,287</u>	<u>\$ 338,550</u>	<u>\$ 34,837</u>	<u>\$ 185,159</u>

	2024			
	Net Pension Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalPERS	\$ 742,561	\$ 375,713	\$ 28,498	\$ 181,612
PARS	(255,536)	87,319	47,756	3,726
	<u>\$ 487,025</u>	<u>\$ 463,032</u>	<u>\$ 76,254</u>	<u>\$ 185,338</u>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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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.

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%.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

The CalPERS Plan provisions and benefits in effect at June 30, 2025 and 2024, are summarized as follows:

	2025	
	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 to 63	52 to 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	10.19% + \$69,683	7.96% + \$0

	2024	
	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 to 63	52 to 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	10.10% + \$44,161	7.68% + \$0

*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, 2025 and 2024, the contributions recognized as part of pension expense for the Plan were as follows:

	2025	2024
Contributions - employer	\$ 123,781	\$ 125,880
Contributions - employee (paid by employer)	\$ -	\$ -

**GOLDEN HILLS COMMUNITY SERVICES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

*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.

Public Agency Retirement System (PARS)

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.

*Employees Covered by Benefit Terms:* At June 30, 2025 and 2024, the following employees were covered by the benefit terms:

	2025	2024
Active members	-	-
Transferred and terminated members	-	-
Retired members and beneficiaries	3	3
	3	3
	3	3

*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, 2025 and 2024 for annual payroll is not applicable as the Plan only has retired members and beneficiaries.

For the years ended June 30, 2025 and 2024, there were no contributions recognized as part of pension expense for the Plan.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

As of June 30, 2025 and 2024, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

Pension Plan	2025	2024
	Net Pension Liability (Asset)	Net Pension Liability (Asset)
CalPERS	\$ 738,529	\$ 742,561
PARS	(285,242)	(255,536)
Total Net Pension Liability	\$ 453,287	\$ 487,025

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, 2024 and June 30, 2023 for the years ended June 30, 2025 and 2024, 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, 2023, rolled forward to June 30, 2024 and as of June 30, 2022, rolled forward to June 30, 2023 for years ended June 30, 2025 and 2024, respectively, 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:

	2025
Proportion - June 30, 2024	0.00600%
Proportion - June 30, 2025	0.00609%
Change - Increase	0.00009%
	2024
Proportion - June 30, 2023	0.00558%
Proportion - June 30, 2024	0.00600%
Change - Increase	0.00042%

The District's net pension asset for PARS is measured as the total pension asset, less the pension plan's fiduciary net position. The net pension asset for the year ended June 30, 2025 was measured as of June 30, 2025 using an actuarial valuation as of July 1, 2024. The net pension asset for the year ended June 30, 2024 was measured as of June 30, 2024 using an actuarial valuation as of July 1, 2024.

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

The following shows the changes in the net pension asset during the years ended June 30, 2025 and 2024 for PARS:

	2025		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
<b>Balance - June 30, 2024</b>	\$ 731,200	\$ 986,736	\$ (255,536)
<b>Changes in the year:</b>			
Service cost	-	-	-
Interest	45,909	-	45,909
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions or other inputs	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	90,058	(90,058)
Benefit payments	(50,608)	(50,608)	-
Administrative expenses	-	(14,443)	14,443
Total changes for the year	(4,699)	25,007	(29,706)
<b>Balance - June 30, 2025</b>	<b>\$ 726,501</b>	<b>\$ 1,011,743</b>	<b>\$ (285,242)</b>

	2024		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
<b>Balance - June 30, 2023</b>	\$ 733,434	\$ 953,338	\$ (219,904)
<b>Changes in the year:</b>			
Service cost	-	-	-
Interest	46,086	-	46,086
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,296	-	1,296
Changes in assumptions or other inputs	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	101,971	(101,971)
Benefit payments	(49,616)	(49,616)	-
Administrative expenses	-	(18,957)	18,957
Total changes for the year	(2,234)	33,398	(35,632)
<b>Balance - June 30, 2024</b>	<b>\$ 731,200</b>	<b>\$ 986,736</b>	<b>\$ (255,536)</b>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2025 and 2024, the District recognized pension expense of \$185,159 and \$185,338, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 135,832	\$ -
Changes of assumptions	18,982	-
Differences between expected and actual experiences	63,853	2,491
Net differences between projected and actual earnings on plan investments	86,175	25,910
Change in employer's proportion	28,169	1,392
Differences between the employer's contribution and the employer's proportionate share of contributions	5,539	5,044
	<u>\$ 338,550</u>	<u>\$ 34,837</u>

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 123,781	\$ -
Changes of assumptions	44,832	-
Differences between expected and actual experiences	37,934	5,884
Net differences between projected and actual earnings on plan investments	207,546	47,756
Change in employer's contribution	26,657	13,609
Differences between the employer's contribution and the employer's proportionate share of contributions	22,282	9,005
	<u>\$ 463,032</u>	<u>\$ 76,254</u>

\$135,832 reported as deferred outflows of resources related to contributions subsequent to the measurement date at June 30, 2025 will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2026	\$ 89,276
2027	99,213
2028	(3,422)
2029	(17,186)
Total	<u>\$ 167,881</u>

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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**Actuarial Methods and Assumptions** – The total pension liabilities in the June 30, 2025 and 2024, actuarial valuations were determined using the following actuarial assumptions:

At June 30, 2025 and 2024 the mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000-2019. Pre-retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

### **Discount Rate**

**CalPERS** – The discount rate used to measure the total pension liability was 6.90% for the years ended June 30 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate 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 active and inactive employees. 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.

**PARS** – The discount rate used to measure the total pension liability was 6.50% for each of the years ended June 30, 2025 and 2024. 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.

### **Long-term Expected Rate of Return**

**CalPERS** - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Asset Class (1)	Assumed Asset Allocation	Real Return (a) (b)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-2022 Asset Liability Management study.

*PARS* – For the years ended June 30, 2025 and 2024 the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. As of June 30, 2025 and 2024, the target allocation and best estimates of real rates of return for each major asset class are summarized in the following tables:

Asset Class	2025	
	Assumed Asset Allocation	Real Rate of Return
Cash Equivalents	2.00%	0.60%
U.S. Fixed	48.00%	2.40%
Broad U.S. Equity	38.00%	5.10%
Developed Non-U.S. Equity	10.00%	4.70%
Real Estate	2.00%	4.70%
	100.00%	

Asset Class	2024	
	Assumed Asset Allocation	Real Rate of Return
Cash Equivalents	4.00%	10.00%
U.S. Fixed	48.00%	1.50%
Broad U.S. Equity	36.00%	4.40%
Developed Non-U.S. Equity	6.00%	5.20%
Emerging Markets Equity	4.00%	5.90%
Real Estate	2.00%	3.70%
	100.00%	

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 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, 2025 and 2024 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:

	2025	
	CalPERS	PARS
1% Decrease Net Pension Liability (Asset)	5.90% \$ 1,232,064	5.50% \$ (211,173)
Current Discount Rate Net Pension Liability (Asset)	6.90% \$ 738,529	6.50% \$ (285,242)
1% Increase Net Pension Liability (Asset)	7.90% \$ 332,277	7.50% \$ (348,648)
	2024	
	CalPERS	PARS
1% Decrease Net Pension Liability (Asset)	5.90% \$ 1,184,215	5.50% \$ (178,631)
Current Discount Rate Net Pension Liability (Asset)	6.90% \$ 742,561	6.50% \$ (255,536)
1% Increase Net Pension Liability (Asset)	7.90% \$ 379,042	7.50% \$ (321,093)

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**GOLDEN HILLS COMMUNITY SERVICES DISTRICT**

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**As of June 30, 2025**

**CalPERS - Last 10 Years**

<b>Measurement Date:</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Proportion of the net pension liability	0.00609%	0.00600%	0.00558%	0.00506%
Proportionate share of the net pension liability	\$738,529	\$742,561	\$644,139	\$273,878
Covered - employee payroll	\$789,126	\$884,449	\$694,677	\$673,762
Proportionate share of the net pension liability as percentage of covered-employee payroll	93.59%	83.96%	92.72%	40.65%
Plan's fiduciary net position	\$43,193,516,089	\$39,966,633,692	\$37,975,170,163	\$40,766,653,876
Plan fiduciary net position as a percentage of the total pension liability	78.08%	76.21%	76.68%	88.29%

2020	2019	2018	2017	2016	2015
0.00636%	0.00696%	0.00754%	0.00817%	0.00881%	0.01037%
\$691,521	\$713,613	\$726,776	\$810,368	\$762,637	\$712,246
\$661,532	\$584,121	\$414,201	\$525,639	\$666,692	\$688,215
104.53%	122.17%	175.46%	154.17%	114.39%	103.49%
\$32,822,501,335	\$31,179,414,067	\$29,308,589,559	\$27,244,095,376	\$24,705,532,291	\$24,907,305,871
75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## SCHEDULES OF PENSION CONTRIBUTIONS - CALPERS

As of June 30, 2025

### CalPERS - Last 10 Years

<b>Fiscal Year:</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Contractually required contribution (actuarially determined)	\$ 125,700	\$ 109,601	\$ 116,580	\$ 94,968	\$ 181,441
Contributions in relation to the actuary determined contributions	135,832	123,781	125,880	105,396	191,403
Contribution deficiency (excess)	<u>\$ (10,132)</u>	<u>\$ (14,180)</u>	<u>\$ (9,300)</u>	<u>\$ (10,428)</u>	<u>\$ (9,962)</u>
Covered-employee payroll	\$ 833,300	\$ 789,126	\$ 884,449	\$ 694,677	\$ 673,762
Contributions as a percentage of covered-employee payroll	15.08%	13.89%	14.23%	15.17%	28.41%

### Notes to Schedule

Valuation date: June 30, 2023 June 30, 2022 June 30, 2021 June 30, 2020 June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age Normal Cost Method
Amortization method	Varies by date established and source. May be level dollar or level percentage of pay percentage of pay and may include direct rate smoothing
Remaining amortization period	Differs by employer plan but not more than 28 years
Asset valuation method	Market value of assets
Inflation	2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.9%, net of pension plan investment expense, including inflation
Retirement age	50 years
Mortality	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement and Post-retirement mortality rates include generational improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 166,578	\$ 151,273	\$ 129,810	\$ 131,626	\$ 129,783
<u>176,203</u>	<u>162,595</u>	<u>129,810</u>	<u>131,626</u>	<u>129,783</u>
<u>\$ (9,625)</u>	<u>\$ (11,322)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 661,532	\$ 584,121	\$ 414,201	\$ 525,639	\$ 666,692
26.64%	27.84%	31.34%	25.04%	19.47%
June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

## GOLDEN HILLS COMMUNITY SERVICES DISTRICT

### SCHEDULES OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS As of June 30, 2025

#### PARS - Last 10 Years

Measurement Period	2024-25	2023-24	2022-23	2021-22
<b>Total Pension Liability</b>				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	45,909	46,086	43,862	43,569
Changes on benefit terms	-	-	1,860	-
Differences between expected and actual experiences	-	1,296	37,615	-
Benefit payments	(50,608)	(49,616)	(48,643)	(29,787)
<b>Net change in total pension liability</b>	(4,699)	(2,234)	34,694	13,782
<b>Total pension liability - beginning</b>	731,200	733,434	698,740	684,958
<b>Total pension liability - ending (a)</b>	<u>\$ 726,501</u>	<u>\$ 731,200</u>	<u>\$ 733,434</u>	<u>\$ 698,740</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ -	\$ -	\$ -	\$ 57,960
Net investment income	90,058	101,971	64,553	(147,448)
Administrative expenses	(14,443)	(18,957)	(16,381)	(6,034)
Benefit payments	(50,608)	(49,616)	(48,643)	(29,787)
<b>Net change in plan fiduciary net position</b>	25,007	33,398	(471)	(125,309)
<b>Plan fiduciary net position - beginning</b>	986,736	953,338	953,809	1,079,118
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,011,743</u>	<u>\$ 986,736</u>	<u>\$ 953,338</u>	<u>\$ 953,809</u>
<b>Net pension (asset) liability (a) - (b)</b>	<u>\$ (285,242)</u>	<u>\$ (255,536)</u>	<u>\$ (219,904)</u>	<u>\$ (255,069)</u>
<b>Plan fiduciary net position as a percentage of the total pension (asset) liability</b>	<u>139.26%</u>	<u>134.95%</u>	<u>129.98%</u>	<u>136.50%</u>
<b>Covered - employee payroll</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Net pension liability as a percentage of covered-employee payroll</b>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

#### 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).

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
\$	-	\$ -	\$ -	\$ 40,833	\$ 32,529	\$ 58,870
	45,645	44,623	45,988	44,566	44,318	38,137
	-	-	4,336	-	62,416	-
	(48,080)	-	(42,968)	-	(86,452)	-
	(29,203)	(28,631)	(28,069)	(17,485)	-	-
	(31,638)	15,992	(20,713)	67,914	52,811	97,007
	716,596	700,604	721,317	653,403	600,592	503,585
\$	684,958	\$ 716,596	\$ 700,604	\$ 721,317	\$ 653,403	\$ 600,592
\$	69,552	\$ 69,552	\$ 75,348	\$ 63,756	\$ 69,552	\$ 69,552
	190,910	25,609	46,276	38,626	54,056	1,501
	(4,875)	(4,141)	(3,728)	(3,437)	(2,856)	(2,329)
	(29,203)	(28,631)	(28,069)	(17,485)	-	-
	226,384	62,389	89,827	81,460	120,752	68,724
	852,734	790,345	700,518	619,058	498,306	429,582
\$	1,079,118	\$ 852,734	\$ 790,345	\$ 700,518	\$ 619,058	\$ 498,306
\$	(394,160)	\$ (136,138)	\$ (89,741)	\$ 20,799	\$ 34,345	\$ 102,286
	157.55%	119.00%	112.81%	97.12%	94.74%	82.97%
	N/A	N/A	N/A	\$ 206,224	\$ 200,217	\$ 291,499
	N/A	N/A	N/A	10.09%	17.15%	35.09%

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## SCHEDULES OF PENSION CONTRIBUTIONS - PARS

As of June 30, 2025

**PARS - Last 10 Years**

Fiscal Year:	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuary determined contributions	-	-	-	57,960	69,552
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,960)</u>	<u>\$ (69,552)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule**

Valuation date:	July 1, 2024	July 1, 2024	Jan. 1, 2023	Jan. 1, 2021
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Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization method	Level percent of pay
Discount rate	6.50%
Remaining amortization period	6 years
Asset valuation method	Market value
Inflation rate	2.50%
Salary increases	N/A
Investment rate of return	6.5% percent, net of pension plan investment expense
Cost of living adjustments	2.00%
Retirement age	N/A
	Pre-retirement: N/A; Post-Retirement: CalPERS Public Agency Post-Retirement Mortality with fully generational mortality improvement using 80% of MP-2020 (2021 CalPERS Experience Study).
Mortality	
Spouse Coverage	Current retiree actual dependent data used.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ -	\$ 51,556	\$ 50,054	\$ 47,776	\$ 68,556
<u>69,552</u>	<u>75,348</u>	<u>63,756</u>	<u>69,522</u>	<u>69,522</u>
<u>\$ (69,552)</u>	<u>\$ (23,792)</u>	<u>\$ (13,702)</u>	<u>\$ (21,746)</u>	<u>\$ (966)</u>
N/A	N/A	\$ 206,224	\$ 200,217	\$ 291,499
N/A	N/A	30.92%	34.72%	23.85%

# GOLDEN HILLS COMMUNITY SERVICES DISTRICT

## MODIFIED APPROACH FOR WATER STORAGE TANKS INFRASTRUCTURE CAPITAL ASSETS

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In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In August 2021, the District commissioned a study of the physical condition assessment of the water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned to the physical characteristics of a new tank.

The following conditions were defined:

Condition	TAI Range
Like New	9.0-10.0
Very Good	7.0-8.9
Satisfactory	5.0-6.9
Sub Standard	3.0-4.9
Unacceptable	1.0-2.9

According to the District's policy, a minimum average rating of 5.0 for all water storage tanks is considered a satisfactory rating. As of June 30, 2025, 2024, 2023 and 2022 the District's water storage tanks were rated as follows:

Tank Number	Tank Name	Size (Gallons)	Type	TAI	TAI	TAI	TAI
				FY 24-25	FY 23-24	FY 22-23	FY 21-22
1	Sage	1,000,000	Ground Storage	8.55	9.38	8.76	9.43
2	Santa Lucia #1	500,000	Ground Storage	9.38	9.72	9.67	8.68
3	Santa Lucia #2	1,000,000	Ground Storage	9.38	9.72	8.59	8.68
4	Santa Barbara	250,000	Ground Storage	9.38	10.00	8.67	8.68
5	Mountain	250,000	Ground Storage	8.63	9.72	10.00	10.00
6	Country Club #1	250,000	Ground Storage	10.05	10.00	10.00	8.68
7	Country Club #2	250,000	Ground Storage	9.38	9.72	10.00	8.68
8	Dovetail	250,000	Ground Storage	9.38	10.00	7.34	8.01

## GOLDEN HILLS COMMUNITY SERVICES DISTRICT

### MODIFIED APPROACH FOR WATER STORAGE TANKS INFRASTRUCTURE CAPITAL ASSETS

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The District expensed \$317,757, \$307,428, \$292,788 and \$278,846 on the water storage tanks maintenance for the years ended June 30, 2025, 2024, 2023 and 2022, respectively. These expenses delayed deterioration of the water storage tanks. The District has estimated that the amount of annual expenses required to maintain the District's water storage tanks at the average TAI rating of 5.0 through the years ended June 30, 2025, 2024, 2023 and 2022 is a minimum of \$317,757, \$307,428, \$279,778 and \$278,846, respectively.

A schedule of actual expenses to maintain and preserve the water storage tanks at the current level at June 30, 2025, 2024, 2023 and 2022 are presented below:

Tank Number	Name	Maintenance Expense 2025	
		Budget	Actual
1	Sage	\$ 62,352	\$ 62,352
2	Santa Lucia #1	48,236	48,236
3	Santa Lucia #2	74,080	74,080
4	Santa Barbara	18,794	18,794
5	Mountain	9,653	9,653
6	Country Club #1	36,159	36,159
7	Country Club #2	36,192	36,192
8	Dovetail	32,291	32,291
		<u>\$ 317,757</u>	<u>\$ 317,757</u>

Tank Number	Name	Maintenance Expense 2024	
		Budget	Actual
1	Sage	\$ 60,325	\$ 60,325
2	Santa Lucia #1	46,668	46,668
3	Santa Lucia #2	71,671	71,671
4	Santa Barbara	18,184	18,184
5	Mountain	9,339	9,339
6	Country Club #1	34,983	34,983
7	Country Club #2	35,015	35,015
8	Dovetail	31,243	31,243
		<u>\$ 307,428</u>	<u>\$ 307,428</u>

**GOLDEN HILLS COMMUNITY SERVICES DISTRICT**

**MODIFIED APPROACH FOR WATER STORAGE TANKS  
INFRASTRUCTURE CAPITAL ASSETS**

Tank Number	Name	Maintenance Expense 2023	
		Budget	Actual
1	Sage	\$ 54,717	\$ 57,453
2	Santa Lucia #1	42,329	44,445
3	Santa Lucia #2	65,008	68,258
4	Santa Barbara	16,493	17,318
5	Mountain	9,403	8,894
6	Country Club #1	31,731	33,318
7	Country Club #2	31,760	33,348
8	Dovetail	28,337	29,754
		<b>\$ 279,778</b>	<b>\$ 292,788</b>

Tank Number	Name	Maintenance Expense 2022	
		Budget	Actual
1	Sage	\$ 54,717	\$ 54,717
2	Santa Lucia #1	42,329	42,329
3	Santa Lucia #2	65,008	65,008
4	Santa Barbara	16,493	16,493
5	Mountain	8,471	8,471
6	Country Club #1	31,731	31,731
7	Country Club #2	31,760	31,760
8	Dovetail	28,337	28,337
		<b>\$ 278,846</b>	<b>\$ 278,846</b>

**OTHER INDEPENDENT AUDITOR'S REPORT**

SHANNON M. WEBSTER

**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 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 **Golden Hills Community Services District** (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2025.

***Report on Internal Control over Financial Reporting***

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

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

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

### ***Report on Compliance and Other Matters***

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

### **Purpose of This Report**

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

*Daniells Phillips Vaughan & Bock*

Bakersfield, California  
December 5, 2025