

**HILTON CREEK
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2022**

ROBERT W. JOHNSON
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hilton Creek Community Services District
Crowley Lake, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Hilton Creek Community Services District, as of and for the year ended June 30, 2022, 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 referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Hilton Creek Community Services District as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and State Regulations governing Special Districts.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the State Controller's Minimum Audit Requirements for California Special Districts. 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 Hilton Creek Community Services District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Hilton Creek Community Services District's ability to continue as a going concern for twelve months after the date that financial statements are issued.

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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement 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 Hilton Creek Community Services 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hilton Creek Community Services 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, and other required supplementary information as listed in the Table of Contents 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. Management has omitted the Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the other 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hilton Creek Community Services District's basic financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
March 14, 2023

HILTON CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

ASSETS AND DEFERRED OUTFLOWS

	<u>Sewer</u>	<u>Juniper</u>	<u>Total</u>
Current assets:			
Cash and investments (Note 3)	\$ 418,251	\$ 412,173	\$ 830,424
Intercompany (Juniper)	361	-	361
Accounts receivable	<u>4,277</u>	<u>1,538</u>	<u>5,815</u>
Total current assets	<u>422,889</u>	<u>413,711</u>	<u>836,600</u>
Capital assets, at cost (Note 4)	3,274,426	-	3,274,426
Less, accumulated depreciation	<u>2,793,643</u>	<u>-</u>	<u>2,793,643</u>
	<u>480,783</u>	<u>-</u>	<u>480,783</u>
Restricted cash (Note 3)	<u>52,899</u>	<u>-</u>	<u>52,899</u>
Total assets	<u>956,571</u>	<u>413,711</u>	<u>1,370,282</u>
Deferred outflows related to pension (Note 6)	<u>32,309</u>	<u>-</u>	<u>32,309</u>
	<u>\$ 988,880</u>	<u>\$ 413,711</u>	<u>\$1,402,591</u>

See notes to financial statements

LIABILITIES, DEFERRED INFLOWS
AND NET POSITION

	<u>Sewer</u>	<u>Juniper</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 1,580	\$ -	\$ 1,580
Accrued liabilities	17,034	-	17,034
Intercompany (Juniper)	<u>-</u>	<u>361</u>	<u>361</u>
Total current liabilities	18,614	361	18,975
Non-current liabilities:			
Net pension liability (Note 5)	<u>147,505</u>	<u>-</u>	<u>147,505</u>
Total non-current liabilities	<u>147,505</u>	<u>-</u>	<u>147,505</u>
Total liabilities	166,119	361	166,480
Deferred inflows related to pension (Note 5)	<u>127,851</u>	<u>-</u>	<u>127,851</u>
Net position:			
Net investment in capital assets	480,783	-	480,783
Restricted	52,899	-	52,899
Unrestricted	<u>161,228</u>	<u>413,350</u>	<u>574,578</u>
	<u>694,910</u>	<u>413,350</u>	<u>1,108,260</u>
	<u>\$ 988,880</u>	<u>\$ 413,711</u>	<u>\$1,402,591</u>

HILTON CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2022

	<u>Sewer</u>	<u>Juniper</u>	<u>Total</u>
Operating revenues:			
Sewer use fees	\$ 330,806	\$ -	\$ 330,806
Maintenance fees	-	85,809	85,809
Connection fees	8,228	-	8,228
Other	<u>1,457</u>	<u>1,108</u>	<u>2,565</u>
Total operating revenues	<u>340,491</u>	<u>86,917</u>	<u>427,408</u>
Operating expenses:			
Treatment	260,093	-	260,093
Collection	83,378	-	83,378
Administration and general	121,764	-	121,764
Juniper Drive	-	49,717	49,717
Depreciation	<u>105,978</u>	<u>-</u>	<u>105,978</u>
Total operating expenses	<u>571,213</u>	<u>49,717</u>	<u>620,930</u>
Operating income (loss)	<u>(230,722)</u>	<u>37,200</u>	<u>(193,522)</u>
Non-operating revenues (expenses):			
Property taxes	160,048	-	160,048
Interest income	6,091	3,489	9,580
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions	<u>166,139</u>	<u>3,489</u>	<u>169,628</u>
Income (loss) before contributions	<u>(64,583)</u>	<u>40,689</u>	<u>(23,894)</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>(64,583)</u>	<u>40,689</u>	<u>(23,894)</u>
Total net position:			
Beginning	<u>759,493</u>	<u>372,661</u>	<u>1,132,154</u>
Ending	<u>\$ 694,910</u>	<u>\$ 413,350</u>	<u>\$1,108,260</u>

See notes to financial statements

HILTON CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
for the year ended June 30, 2022

	<u>Sewer</u>	<u>Juniper</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 336,688	\$ 86,922	\$ 423,610
Payments to suppliers	(280,731)	(30,855)	(311,586)
Payments to employees	(176,959)	(15,846)	(192,805)
Net cash provided by (to) operating activities	(121,002)	40,221	(80,781)
Cash flows from noncapital financing activities:			
Property taxes	<u>160,048</u>	<u>-</u>	<u>160,048</u>
	<u>160,048</u>	<u>-</u>	<u>160,048</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(53,625)	<u>-</u>	(53,625)
	(53,625)	<u>-</u>	(53,625)
Cash flows from investing activities:			
Interest income	<u>6,091</u>	<u>3,489</u>	<u>9,580</u>
Net increase (decrease) in cash equivalents	(8,488)	43,710	35,222
Cash – beginning of year	<u>479,638</u>	<u>368,463</u>	<u>848,101</u>
Cash – end of year	\$ <u>471,150</u>	\$ <u>412,173</u>	\$ <u>883,323</u>

See notes to financial statements

HILTON CREEK COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS, continued
for the year ended June 30, 2022

	<u>Sewer</u>	<u>Juniper</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (to) operating activities:			
Operating income (loss)	\$(<u>230,722</u>)	\$ <u>37,200</u>	\$(<u>193,522</u>)
Depreciation	105,978	-	105,978
Net pension liability	(111,834)	-	(111,834)
Deferred inflows	100,104	-	100,104
Deferred outflows	8,546	-	8,546
Changes in operating assets and liabilities:			
Receivables	(4,164)	2,660	(1,504)
Accounts payable	(5,944)	361	(5,583)
Accrued payroll and vacation payable	<u>17,034</u>	<u>-</u>	<u>17,034</u>
	<u>109,720</u>	<u>3,021</u>	<u>112,741</u>
Net cash provided by (to) operating activities	\$(<u>121,002</u>)	\$ <u>40,221</u>	\$(<u>80,781</u>)
Supplementary information:			
Cash paid for interest	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See notes to financial statements

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2022

1. Organization:

Hilton Creek Community Services District (the “District”) was formed in 1963 and provides sewer services to residents of the Hilton Creek area. The District’s financial and administrative functions are governed by the District’s Board of Directors. The Board of Directors consists of five elected officials.

The District manages the operations and administrative affairs of Juniper Drive Special Zone of Benefit (“Juniper”) a separate subdivision which provides various maintenance services to its residents. Juniper is considered a blended component unit of the District.

2. Summary of Significant Accounting Policies:

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

Basis of Presentation

The District is an enterprise fund. All operations are accounted for in an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for sewer operations that are financed and operated in a manner similar to private business enterprises (proprietary fund). The intent of the District is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Net position for the enterprise fund represents the amount for future operations.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the fund are included on the balance sheet. Net position is segregated into amounts recorded as net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

2. Summary of Significant Accounting Policies, continued:

Basis of Accounting, continued

The records are maintained and the accompanying financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

Depreciation

Property, plant and equipment are recorded at historical cost. Assets acquired by contributions are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including restricted assets. Cash in banks, deposits in the State of California Local Agency Investment Fund (LAIF) and Mono County Pooled Investment Fund are considered to be cash and cash equivalents.

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

2. Summary of Significant Accounting Policies, continued:

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budget is prepared on the accrual basis to match the operating statements.

Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

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 disclosure 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 may differ from those estimates.

Property Tax Revenue

Property tax revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Compensated Absences

Vested or accumulated vacation of full time employees that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability.

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

2. Summary of Significant Accounting Policies, continued:

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

3. Cash and Investments:

Cash and investments as of June 30, 2022 consisted of the following:

	<u>Sewer</u>	<u>Juniper</u>	<u>Total</u>
Cash with County	\$ 382,787	\$ 311,461	\$ 694,248
Deposits with financial institutions:			
Checking	30,487	96,062	126,549
Savings	<u>52,899</u>	<u>-</u>	<u>52,899</u>
Total cash	<u>466,173</u>	<u>407,523</u>	<u>873,696</u>
Investments in Local Agency Investment Fund (LAIF)	<u>4,977</u>	<u>4,650</u>	<u>9,627</u>
Total investments	<u>4,977</u>	<u>4,650</u>	<u>9,627</u>
Total cash and investments	<u>\$ 471,150</u>	<u>\$ 412,173</u>	<u>\$ 883,323</u>

Cash and investments are classified in the accompanying financial statements as follows:

	<u>Sewer</u>	<u>Juniper</u>	<u>Total</u>
Cash and investments	\$ 418,251	\$ 412,173	\$ 830,424
Restricted cash and investments	<u>52,899</u>	<u>-</u>	<u>52,899</u>
	<u>\$ 471,150</u>	<u>\$ 412,173</u>	<u>\$ 883,323</u>

At June 30, 2022, the carrying amount of the District's deposits was \$179,448 and the balance in financial institutions was \$186,892. The bank balance was covered by Federal depository insurance and collateral held in the pledging bank's trust department as mandated by State law, (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other agencies, but not in the name of the District.

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

3. Cash and Investments, continued:

Investments:

California statutes authorize the District to invest in a variety of credit instruments as provided for in the Government Code Section 53600, Chapter 4 – Financial Affairs. The Government Code allows investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor’s or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, medium-term corporate notes, mutual funds and the State Treasurer’s Local Agency Investment Fund (LAIF). The investments at June 30, 2022 consist of:

	<u>Carrying Amount</u>	<u>Maturity - 12 months or less</u>
Local Agency Investment Fund (LAIF)	\$ <u>9,627</u>	\$ <u>9,627</u>

Pursuant to Government Accounting Standards Board Statement 3, the investment in LAIF is not classified in categories of credit risk. The District’s funds in LAIF are invested in a diversified portfolio (of underlying investments e.g. U.S. Treasury obligations) such that it considers the risk of material loss to be minimal. The funds held in LAIF can be withdrawn on demand. The District reports its investments in LAIF at fair value.

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2022 are as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2022</u>
Sewer:				
Improvements	\$ 78,028	\$ -	\$ -	\$ 78,028
Vehicles	16,500	-	-	16,500
Equipment	3,104,881	-	-	3,104,881
Other	<u>21,391</u>	<u>53,626</u>	<u>-</u>	<u>75,017</u>
Total	<u>\$3,220,800</u>	<u>\$ 53,626</u>	<u>\$ -</u>	<u>\$3,274,426</u>

HILTON CREEK COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2022

5. Defined Benefit Retirement Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 2% at 60 risk pool. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS require agencies with less than 100 active members in the plan to participate in the risk pool. All District permanent employees are eligible to participate in the System. Benefits vest after five years of service. District employees who retire at age 50 to 65 and with over 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to .5000 to 2.418 percent of their average salary during their last 36 months of employment. A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive Office, 400 P Street, Sacramento, California, 95814.

Funding Policy

Covered employees are required by statute to contribute 7.0 percent of their salary to the plan after a formula to coordinate with Social Security. The District is required by the same statute to contribute the remaining amounts necessary to pay benefits when due; however, the District also pays the employees' share. The District is required to contribute at an actuarially determined rate.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

Benefit formula	2% at 60
Benefit vesting schedule	5 years of service
Benefit payments	monthly for life
Retirement age	55+
Required employee contribution rates	Classic 7%; PEPRA 6.75%
Required employer contribution rates	Classic 8.650%; PEPRA 7.590%

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

5. Defined Benefit Retirement Plan, continued:

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Effective October 1, 2020 the District terminated payment of employer paid member contributions. Employees will pay the full amount of their normal member contribution rate.

For the year ended June 30, 2022, the contributions recognized as part of pension expense were as follows:

Contributions – employer	\$ <u>7,176</u>
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A. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2022, the District reported net pension liability as follows:

Net pension liability	\$ <u>147,505</u>
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HILTON CREEK COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2022

5. Defined Benefit Retirement Plan, continued:

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 was as follows:

	<u>Miscellaneous Plan</u>
Proportion June 30, 2020	0.00615%
Proportion June 30, 2021	<u>0.00777%</u>
Change – Increase (Decrease)	<u>-0.00162%</u>

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

5. Defined Benefit Retirement Plan, continued:

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Adjustment due to differences in proportions	\$ 14,324	\$ -
Net differences between projected and actual earnings on pension plan investments	-	92,492
Difference between actual and proportionate share of contributions	-	35,359
Difference between expected and actual experience	11,882	-
Changes in assumption	-	-
Pension contributions subsequent to measurement date	<u>6,103</u>	<u>-</u>
	<u>\$ 32,309</u>	<u>\$ 127,851</u>

\$6,103 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2023	\$(26,327)
2024	(25,251)
2025	(24,508)
2026	(25,560)
2027	-

HILTON CREEK COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2022

5. Defined Benefit Retirement Plan, continued:

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

	<u>Miscellaneous</u>
Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.5%
Payroll Growth	3.0%
Projected Salary Increase	3.3%-14.2%
Investment Rate of Return	7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

5. Defined Benefit Retirement Plan, continued:

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

The table below reflects the expected real rate of return by asset class.

<u>Asset Class (a)</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10(b)</u>	<u>Real Return Years 11+(c)</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100%</u>		

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

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

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

HILTON CREEK COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 for the year ended June 30, 2022

5. Defined Benefit Retirement Plan, continued:

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$352,272
Current Discount Rate	7.15%
Net Pension Liability	\$147,505
1% Increase	8.15%
Net Pension Liability (Asset)	\$(21,774)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

6. Section 457 Plan:

The Board has a Section 457 plan administered through CalPERS. The District’s maximum annual employee contribution is \$2,200 per year for each eligible employee. Eligible employees are not required to contribute. In the 2021-22 fiscal year, the District contributed \$4,654 to the plan on behalf of employees.

HILTON CREEK COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
for the year ended June 30, 2022

7. Risk of Loss:

Hilton Creek Community Services District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2022 fiscal year the District purchased certain commercial insurance coverages to provide for these risks.

8. Subsequent Events:

Management has evaluated subsequent events through March 14, 2023, the date these June 30, 2022 financial statements were available to be issued.

9. Covid-19:

In March 2020, the World Health Organization declared a global health pandemic of the Coronavirus Disease COVID-19. There has been very little adverse effect on the District's operations, given the necessity of sewer services to the community.

REQUIRED SUPPLEMENTARY INFORMATION

HILTON CREEK COMMUNITY SERVICES DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
 PENSION LIABILITY AND RELATED RATIOS

As of June 30, 2022

Last 10 years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the net pension liability	0.00777%	0.00615%	0.00231%	0.0021984%
Proportionate share of the net pension liability	\$ 147,505	\$ 259,339	\$ 237,045	\$ 211,843
Covered – employee payroll	\$ 75,606	\$ 91,192	\$ 142,847	\$ 132,675
Proportionate share of the net pension liability as percentage of covered-employee payroll	196.657%	284.387%	165.943%	159.670%
Plan's fiduciary net position	\$ 966,520	\$ 824,802	\$ 789,852	\$ 772,912
Plan fiduciary net position as a percentage of the total pension liability	86.76%	76.08%	76.92%	78.49%

Changes in assumptions: None

(1) Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0021738%	0.00210%	0.0457%	0.00236%
\$ 215,577	\$ 182,212	\$ 125,282	\$ 147,121
\$ 128,647	\$ 113,404	\$ 113,404	\$ 25,971
167.573%	160.675%	110.474%	566.49%
\$ 748,619	\$ 713,303	\$ 718,049	\$ 707,714
77.64%	79.65%	85.14%	82.79%

HILTON CREEK COMMUNITY SERVICES DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR PENSIONS

As of June 30, 2022

Last 10 years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$ 6,103	\$ 7,176	\$ 11,476	\$ 9,787
Contributions in relation to the actuarially determined contributions	<u>6,103</u>	<u>7,176</u>	<u>11,476</u>	<u>(9,787)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered – employee payroll	\$ 75,006	\$ 91,192	\$ 142,847	\$ 132,675
Contributions as a percentage of covered employee payroll	8.14%	7.87%	8.03%	7.38%
Notes to Schedule:				
Valuation date:	6/30/20	6/30/19	6/30/18	6/30/17

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	15 years
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.15% Net of Pension Plan Investment and Admin. Expenses

(1) Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 9,263	\$ 8,955	\$ 23,476	\$ 9,274
(<u>9,263</u>)	(<u>8,955</u>)	(<u>28,842</u>)	<u>9,274</u>
\$ <u>-</u>	\$ <u>-</u>	\$(<u>5,366</u>)	\$ <u>-</u>
\$ 128,647	\$ 113,404	\$ 113,404	\$ 25,971
7.2%	7.9%	25.43%	35.71%
6/30/16	6/30/15	6/30/14	6/30/13

SUPPLEMENTAL DATA

HILTON CREEK COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS
for the year ended June 30, 2022

BOARD OF DIRECTORS

Steve Shipley	President
Isabel Connolly	Vice-President
Cynthia Adamson	
Windsor Czeschin	
Garrett Higerd	

OPERATIONS

(vacant)	General Manager
Lorinda Beatty	Secretary of the Board/ Financial Officer

HILTON CREEK COMMUNITY SERVICES DISTRICT
SCHEDULE OF EXPENSES – JUNIPER
for the year ended June 30, 2022

Telephone	\$ 191
Insurance	1,150
Office and postage	1,450
Payroll – District Manager	4,482
– Secretary	3,697
– Operator-in-Training/Maintenance	5,707
– Board of Directors	1,960
Employee benefits	6,609
Repairs and maintenance	391
Snow removal	22,048
Professional fees	<u>2,032</u>
	\$ <u>49,717</u>

