

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
COUNTY OF SAN DIEGO
JULIAN, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2020

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Basic Financial Statements

Year ended June 30, 2020

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MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Organization

Year ended June 30, 2020

The Board of Directors for the fiscal year ended June 30, 2020, is composed of the following members:

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Kurt Boettcher	President	December 2020
Joseph Connolly	Vice President	December 2022
John Jones	Treasurer	December 2022
Robert Markart	Secretary	December 2020
Gary Darnell	Member-At-Large	December 2020

ADMINISTRATION

David Shenk	District Manager and Water Treatment Operator
Mark McNall	Water Treatment Operator
Cheryl DeWitt	Bookkeeper

Independent Auditor's Report

Board of Directors
Majestic Pines Community Services District
Julian, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Majestic Pines Community Services District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2020, 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.

Emphasis of Matter

The financial statements for the year ended June 30, 2020 reflect certain prior period adjustments as described further in note 7 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Contributions, and Schedule of Changes in Total OPEB Liability and Related Ratios* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *budgetary comparison schedule* and the *introductory section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *budgetary comparison schedule* and the *introductory section* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2021 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 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.

DavisFarr LLP

Irvine, California
June 11, 2021

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

Year ended June 30, 2020

The following discussion and analysis of Majestic Pines Community Services District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2020. Readers are encouraged to read this section in conjunction with the audited financial statements and their accompanying notes.

The District’s Operations – An Overview

The District operates under the authority of California Water Code and engages in activities classified as “proprietary.” These activities are accounted for much like that of a private business and uses the full accrual method of accounting transactions. The major activities include production and treatment of groundwater and the sale and delivery of water to domestic accounts. The District also owns and operates vehicles and other equipment and machinery to support the various operating activities.

FINANCIAL HIGHLIGHTS

Net Position

The District’s net position decreased by \$65,928 ending the fiscal year June 30, 2020 with a balance of \$1,201,863. This is a decrease of 5.20% over the prior year and can be illustrated from the following table (1-1) that compares the various categories of assets, liabilities, and net position for the two fiscal years ending June 30, 2020 and 2019.

Table 1-1

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
Statement of Net Position
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% of Change</u>
Assets:				
Current Assets	\$ 610,189	673,595	(63,406)	-9.41%
Capital Assets	1,660,644	1,644,370	16,274	0.99%
Total Assets	<u>2,270,833</u>	<u>2,356,293</u>	<u>115,282</u>	4.89%
Deferred Outflows of Resources	<u>200,742</u>	<u>38,328</u>	<u>162,414</u>	423.75%
Liabilities:				
Current Liabilities	47,844	64,786	(16,942)	-26.15%
Non-Current Liabilities	1,143,682	948,232	195,450	20.61%
Total Liabilities	<u>1,191,526</u>	<u>1,088,502</u>	<u>181,210</u>	16.65%
Deferred Inflows of Resources	<u>78,186</u>	<u>75,484</u>	<u>2,702</u>	3.58%
Net Position:				
Net Investment in Capital Assets	1,349,512	1,279,991	69,521	5.43%
Restricted	54,255	68,730	(14,475)	-21.06%
Unrestricted	<u>(201,904)</u>	<u>(80,930)</u>	<u>(120,974)</u>	149.48%
Total Net Position	<u>\$ 1,201,863</u>	<u>1,267,791</u>	<u>(65,928)</u>	-5.20%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2020

(Continued)

Changes in Financial Condition of the District

The following denotes explanations for some of the major changes between fiscal years, as compared on table 1-1 on the previous page:

- Current assets decreased by \$63,406 from last year primarily as a result of decreases to cash.
- Current liabilities decreased by \$16,942 due to a decrease in payroll liabilities.
- Noncurrent liabilities increased by \$195,450 due to increases in the total other post-employment benefits (OPEB) and net pension liabilities.
- Deferred inflows of resources increased by \$2,702 while deferred outflows increased by \$162,414 due to adjustments based on the actuarial reports for the District's OPEB and pension plans.

Table 1-2

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
Changes in Net Position
Year ended June 30, 2020**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>% of Change</u>
Revenues:				
Water sales	\$ 244,583	248,843	(4,260)	-1.74%
Ready to serve sales	282,144	267,759	14,385	5.10%
New meters	1,200	14,000	(12,800)	-1066.67%
Miscellaneous	-	315	(315)	0.00%
Late charges	5,409	9,228	(3,819)	-70.60%
Other revenue	<u>6,079</u>	<u>11,113</u>	<u>(5,034)</u>	-82.81%
Total revenues	<u>539,415</u>	<u>551,258</u>	<u>(11,843)</u>	-2.20%
Expenses:				
General and administrative	57,698	50,505	7,193	12.47%
Salary and benefits	358,627	337,046	21,581	6.02%
Operations	54,814	39,751	15,063	27.48%
Depreciation	142,780	130,013	12,767	8.94%
Electricity	25,842	28,737	(2,895)	-11.20%
Interest expense	<u>18,063</u>	<u>11,797</u>	<u>6,266</u>	34.69%
Total expenses	<u>657,824</u>	<u>597,849</u>	<u>59,975</u>	9.12%
Change in net position	(118,409)	(46,591)		
Net position, beginning of year, restated	<u>1,320,272</u>	<u>1,314,382</u>		
Net position, end of year	<u>\$ 1,201,863</u>	<u>1,267,791</u>		

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2020

(Continued)

Revenues

Combined revenues for the fiscal year totaled \$539,415 compared to prior year's balance of \$551,258. This almost equals the prior year, with a decrease of 2.20%. Table 1-2 presents a comparison of revenues by category for the two fiscal years 2019/20 and 2018/19. The District last increased water rates by 20% in January 2017. There were no water rate changes during Fiscal Year 2020.

Expenses

Combined expenses for the fiscal year totaled \$657,824 compared to a prior year of \$597,849. This is an increase of 9.12%. Table 1-2 presents a comparison of expenses by category for the two fiscal years 2019/20 and 2018/19.

Water Sales

Water sales totaled \$244,583, a decrease of 1.74% from the prior year. Ready-to-Serve sales totaled \$282,144, an increase of 5.10%. Weather plays a large role in customer water usage, making water sales difficult to forecast year to year.

Depreciation Expense

Depreciation and amortization expense of \$142,780 increased 8.94% from the past fiscal year due to the aging of assets and new additions during fiscal year 2020.

Operating Expenses

Operating expenses increased by \$15,063 or 27.48% from the past fiscal year due to increased expenses related to equipment repairs.

Total Expenses

Total expenses were \$59,975 higher than the past fiscal year due to increased Administrative, Salary, Operations and Other Non-Operating expenses.

Capital Assets

Net of accumulated depreciation, the District reported capital assets of \$1,660,644 in the fiscal year 2019/20 compared to \$1,644,370 in the fiscal year 2018/19. A comparison of the change is provided below by major category. The net change of \$16,274 is due to additions to buildings and improvements less depreciation expense of \$142,780. See note 3 to the financial statements for further information regarding capital assets.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2020

(Continued)

Capital Assets

	<u>2020</u>	<u>2019</u>
Capital Assets:		
Land	\$ 98,528	98,528
Construction in Progress	-	75,600
Water Rights	26,042	15,000
Buildings and Improvements	<u>3,835,121</u>	<u>3,600,467</u>
Total Capital Assets	3,959,691	3,789,595
Less Accumulated Depreciation & Amortization	<u>2,299,047</u>	<u>2,145,225</u>
Net Capital Assets	<u>\$ 1,660,644</u>	<u>1,644,370</u>

Long-term Debt

The District's total long-term debt outstanding at June 30, 2020 consisted of:

Long-term Debt

	<u>2020</u>	<u>2019</u>
Capital improvement loan	\$ 347,379	364,379

The capital improvement loan from the United States Department of Agriculture Rural Economic and Community Development Department was for the construction of a new storage facility, pipelines, etc., which was completed by June 1997. The loan is expected to be paid in full by Fiscal Year 2035.

Contacting the District's Financial Management

This financial report is designed to provide Majestic Pines Community Services District's elected officials, citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions regarding this report or need additional information, please contact the District's Manager.

BASIC FINANCIAL STATEMENTS

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2020

Current assets:		
Unrestricted:		
Cash and investments (note 2)	\$	402,380
Accounts receivable		111,496
Prepaid expenses		1,875
Inventory		23,903
Restricted cash and investments (note 2)		<u>70,535</u>
Total current assets		<u>610,189</u>
Noncurrent assets:		
Capital assets not being depreciated (note 3)		98,528
Capital assets being depreciated, net (note 3)		<u>1,562,116</u>
Total noncurrent assets		<u>1,660,644</u>
Total Assets		<u>2,270,833</u>
Deferred outflows of resources:		
Pension related (note 5)		39,724
OPEB related (note 6)		<u>161,018</u>
Total deferred outflows of resources		<u>200,742</u>
Current liabilities:		
Payroll liabilities		10,222
Customer deposits		16,280
Current portion of long-term liabilities (note 4)		17,000
Accrued interest payable		<u>4,342</u>
Total current liabilities		<u>47,844</u>
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities (note 4)		330,379
Net pension liability (note 5)		177,239
Total OPEB liability (note 6)		<u>636,064</u>
Total noncurrent liabilities		<u>1,143,682</u>
Total Liabilities		<u>1,191,526</u>
Deferred inflows of resources:		
Pension related (note 5)		26,410
OPEB related (note 6)		<u>51,776</u>
Total deferred inflows of resources		<u>78,186</u>
Net position:		
Net investment in capital assets		1,349,512
Restricted		54,255
Unrestricted		<u>(201,904)</u>
Total Net Position	\$	<u>1,201,863</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

**Statement of Revenues, Expenditures, and Changes in
Net Position**

Year ended June 30, 2020

Operating revenues:	
Water sales	\$ 244,583
Ready to serve sales	282,144
Meter sales	1,200
Late charges	5,409
Other nonoperational revenue	<u>5,990</u>
Total Operating Revenues	<u>539,326</u>
Operating expenses:	
General and administrative:	
Insurance	5,597
Dues and fees	24,518
Legal and professional	10,597
Supplies	7,050
Telephone and radio	5,333
Postage	200
Bank charges	2,325
Other	2,078
Electricity	25,842
Payroll	173,671
Payroll taxes and benefits	90,416
Pension expense	40,006
OPEB expense	54,534
Automobile	4,569
Chemicals	10,820
Equipment rent and repair	10,932
Contract services	11,715
Water testing	7,662
Tools and parts	9,116
Depreciation	<u>142,780</u>
Total Operating Expenses	<u>639,761</u>
Operating income/(loss)	<u>(100,435)</u>
Nonoperating revenue (expenses):	
Interest income	89
Interest expense	<u>(18,063)</u>
Total Nonoperating Revenue (Expenses)	<u>(17,974)</u>
Change in net position	(118,409)
Net position, beginning of year, restated (note 7)	<u>1,320,272</u>
Net position, end of year	<u>\$ 1,201,863</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

Year ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 518,544
Payments to employees	(270,774)
Payments to suppliers	<u>(131,976)</u>
Net cash provided by (used for) operating activities	<u>115,794</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(17,000)
Interest paid on capital debt	(13,721)
Purchases of capital assets	<u>(159,054)</u>
Net cash provided by (used for) capital and related financing activities	<u>(189,775)</u>
Cash flows from investing activities:	
Interest on investments	<u>89</u>
Net cash provided by (used for) investing activities	<u>89</u>
Net increased (decrease) in cash and cash equivalents	(73,892)
Cash and cash equivalents, beginning of year	<u>546,807</u>
Cash and cash equivalents, end of year	<u>\$ 472,915</u>
Reconciliation of cash to statement of net position	
Cash and investments	\$ 402,380
Restricted cash and investments	<u>70,535</u>
Cash and cash equivalents, end of year	<u>\$ 472,915</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Statement of Cash Flows (Continued)

Year ended June 30, 2020

Reconciliation of operating income (loss) to net cash provided
(used) by operating activities:

Operating income (loss)	\$ (100,435)
Depreciation	142,780
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:	
(Increase)/decrease in accounts receivable	(22,582)
(Increase)/decrease in prepaid expenses	6,379
(Increase)/decrease in inventory	(1)
(Increase)/decrease in deferred outflows of resources - pension	11,975
(Increase)/decrease in deferred outflows of resources - OPEB	(150,807)
Increase/(decrease) in accounts payable and other liabilities	2,922
Increase/(decrease) net pension liability	14,935
Increase/(decrease) in total OPEB liability	212,449
Increase/(decrease) in deferred inflows of resources - pension	5,287
Increase/(decrease) in deferred inflows of resources - OPEB	<u>(7,108)</u>
Net cash provided by operating activities	<u>\$ 115,794</u>

There were no noncash investing, capital and financing activities during the year ended June 30, 2020.

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Majestic Pines Community Services District (the "District") is located in and around the "Whispering Pines" and "Kentwood in the Pines" areas of Julian in the County of San Diego. The District was formed by the dissolution of the "County Services Area No. 4 – Majestic Pines Water District," (CSA No. 4) by resolution of the board of Supervisors of the County of San Diego dated October 19, 1993. The reorganization was made pursuant to government Code Section 56761 of the Local Government Reorganization Act of 1985 and created a new community services district independent from the County of San Diego. The objectives of the reorganization were to strengthen local control of the district's water resources, take advantage of the tax-free borrowing for capital improvements, decrease operating expenses, and maximize the benefits to all customers.

The District became the successor to the CSA No. 4 for the purposes of succeeding to all rights, duties, and obligations of that Services Area and consists of all territory formerly of the CSA No. 4, including all property, cash, receivables, and obligations of the former entity.

In 1995, the District formed the Majestic Pines Capital Improvement Corporation (MPCIC), a separate corporation required by the USDA for the Capital Improvement Loan and construction projects completed in 1996/97. The MPCIC is governed by the District's Board of Directors. The Corporation's activities are limited to providing for the planning, development, acquisition, construction, improvement, extension, repair, renovation, and/or financing of public buildings, works, projects, facilities, furnishings, and equipment for the benefit or use of the District. All assets, liabilities, revenue and expenses of the Corporation are included in the District's financial statements.

The District operates as a community water district and provides water services and water storage to about 693 customers in a 1,049-acre area. An elected board of directors makes all policy decisions.

(b) Basis of Accounting

The District accounts for its operation in an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for the District include services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(d) Investments

Investments are reported at fair value, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

(e) Restricted Assets

Certain assets of the District are restricted in use and consists of fees charged annually for undeveloped properties that have no water meter, but are fronting existing water mains that, at some future time, can supply services to the property. The charge is for properties that are buildable only and is for the purpose of future expansion of facilities and equipment.

(f) Fair Value Hierarchy

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

In determining fair value, the District's custodians use various methods including market and income approaches. Based on these approaches, the District's custodians utilize certain assumptions that market participants would use in pricing the asset or liability. The District's custodians utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of fair value hierarchy are described as follows:

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

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are inactive
- 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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

(g) Property, Plant, and Equipment

Property, plant, and equipment have been recorded at historical cost. Assets that are no longer in use have been "retired" and their values removed from property, plant, and equipment. The capitalization threshold is \$1,000. Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets.

Water rights	10 – 40 years
Buildings	10 – 40 years
Improvements	10 – 40 years
Equipment	5 – 20 years

(h) Inventory

Inventories, which consist primarily of meters, are valued at cost. Cost is determined on the first-in, first-out method.

(i) Net Position

Net investment in capital assets consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

Restricted net position consists of those restricted assets reduced by liabilities related to those assets.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

It is the District's policy to first apply restricted resources when expenses are incurred for purposes for which both restricted and unrestricted resources are available.

(j) 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) plan (Plan) and additions to/deductions from the Plan's 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	June 30, 2018 to June 30, 2019

(k) Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to the liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

(l) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net positions that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category, deferred outflows related to pension and OPEB.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow (revenue) until that time. The District has two items that qualify for reporting in this category, deferred inflows related to pension and OPEB.

(m) Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States 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 changes in net position during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

Cash and investments as of June 30, 2020 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Unrestricted:

Cash and cash equivalents \$ 402,380

Restricted:

Cash and investments in certificate of deposit 18,008

Customer deposits 16,280

Investment in capital improvement reserve 36,247

70,535

Total cash and investments \$ 472,915

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(2) Cash and Investments (Continued)

Cash and investments as of June 30, 2020 consisted of the following:

Cash on hand	\$ 2,750
Certificate of deposits	18,008
Deposits with financial institutions	<u>452,157</u>
Total cash	<u><u>\$ 472,915</u></u>

The District voluntarily maintained all of its accounts in one bank. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the District's accounts exceeded the insured amount by \$235,712.

(3) Capital Assets

Changes in capital assets for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land and easements	\$ 98,528	-	-	98,528
Construction in progress	<u>75,600</u>	-	<u>(75,600)</u>	-
Total capital assets not being depreciated	<u>174,128</u>	-	<u>(75,600)</u>	<u>98,528</u>
Capital assets being depreciated:				
Water rights	15,000	-	-	15,000
Building, improvements & equipment	<u>3,600,467</u>	<u>234,654</u>	-	<u>3,835,121</u>
Total capital assets being depreciated	<u>3,615,467</u>	<u>234,654</u>	-	<u>3,850,121</u>
Less accumulated depreciation:				
Water rights	(10,417)	(625)	-	(11,042)
Building, improvements & equipment	<u>(2,134,808)</u>	<u>(142,155)</u>	-	<u>(2,276,963)</u>
Total accumulated depreciation	<u>(2,145,225)</u>	<u>(142,780)</u>	-	<u>(2,288,005)</u>
Total capital assets being depreciated, net	<u>1,470,242</u>	<u>91,874</u>	-	<u>1,562,116</u>
Capital assets, net	<u>\$ 1,644,370</u>	<u>91,874</u>	<u>(75,600)</u>	<u>1,660,644</u>

Depreciation expense of \$142,780 has been recorded for fiscal year 2020.

(4) Long Term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Capital improvement loan	\$ 364,379	-	<u>(17,000)</u>	<u>347,379</u>	<u>17,000</u>
Total long-term liabilities	<u>\$ 364,379</u>	-	<u>(17,000)</u>	<u>347,379</u>	<u>17,000</u>

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(4) Long Term Liabilities (Continued)

Certificate of Participation – Capital Improvement Loan

In 1996, the District obtained a loan from the United States Department of Agriculture Rural Economic and Community Development Department to construct a new water storage facility, pipelines, etc. Construction was completed by June 1997 and draws were taken on the loan from July 1996 through February 1997. The full amount of the loan drawn was \$606,576. The annual percentage rate on the loan is 5% and the maturity date is March 3, 2035. In January 1998, the District returned \$18,197 in unused principal to the USDA.

Payment of principal and interest for the remainder of the loan term is estimated as follows:

Year Ended	Principal	Interest	Total
June 30,			
2021	\$ 17,000	17,369	34,369
2022	18,000	16,519	34,519
2023	19,000	15,619	34,619
2024	20,000	14,669	34,669
2025	21,000	13,669	34,669
2026 - 2030	122,000	51,545	173,545
2031 - 2035	<u>130,379</u>	<u>17,744</u>	<u>148,123</u>
	<u>\$ 347,379</u>	<u>147,134</u>	<u>494,513</u>

(5) Defined Benefit Pension Plan

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan ("Plan"), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System ("CalPERS").

Benefit provisions under the Plan are established by State statute and may be amended by the District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information. These reports can be found on the CalPERS website.

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. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(5) Defined Benefit Pension Plan (Continued)

The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law ("PERL"), the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefits payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	7.200%	6.533%

Members covered by Benefit Terms

At June 30, 2018 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	1	2	3
Transferred and terminated members	-	2	2
Retired members and beneficiaries	4	-	4
Total plan members	5	4	9

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Contribution Description

Section 20814(c) of the California PERL 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2019 (the measurement date) the total pension liability was determined by rolling forward the June 30, 2018 total pension liability determined in the June 30, 2018 valuation. The June 30, 2019 pension liability was based on the following actuarial methods and assumptions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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 of the plans, the test revealed that the assets would not run out.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class.

<u>Investment Type</u> ¹	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u> ²	<u>Real Return Years 11+</u> ³
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

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

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

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

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the District's proportionate share of the net pension liability over the measurement period.

The 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, 2019 and 2020 was as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2019	\$ 780,371	618,067	162,304
Balance at June 30, 2020	<u>865,039</u>	<u>687,800</u>	<u>177,239</u>
Net changes during 2019-20	<u>\$ 84,668</u>	<u>69,733</u>	<u>14,935</u>
	Proportion June 30, 2019	0.00431%	
	Proportion June 30, 2020	<u>0.00443%</u>	
	Change - Increase(Decrease)	<u>0.00012%</u>	

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount that is 1 percentage-point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate:

Plan Type	Plan's Net Pension Liability		
	Discount Rate - 1% Rate 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% Rate 8.15%
Miscellaneous Plan	\$ 293,589	177,239	81,200

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net pension are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(5) Defined Benefit Pension Plan (Continued)

The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS website under Forms and Publications.

For the year ended June 30, 2020, the District recognized a pension expense of \$40,006 for the Plan.

As of June 30, 2020, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 12,530	-
Adjustment due to differences in proportions	6,432	-
Differences between expected and actual experience	12,310	954
Differences between projected and actual earnings on pension plan investments	-	3,099
Differences between employer's contributions and proportionate share of contributions	-	19,361
Changes in assumptions	<u>8,452</u>	<u>2,996</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 39,724</u>	<u>26,410</u>

The \$12,530 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 fiscal year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources in the previous table will be recognized in future pension expense as follows:

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ 7,152
2022	(6,145)
2023	(848)
2024	625
2025	-
Total	\$ <u>784</u>

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings 5-year straight-line amortization

All other amounts Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

(6) Other Post-Employment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

In fiscal year 2017 the District started to provide retiree medical coverage to current and future eligible retirees and their spouse under the Public Employees’ Medical and Hospital Care Act (PEMHCA), a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. The plan provides for the District to contribute the full cost of health insurance premiums for eligible employees that retire directly from the District through either a service or disability retirement under CalPERS. Eligible employees’ surviving spouses are also eligible for benefits. Benefits continue through the employees or spouse’s lifetime. The Plan is administered by the District’s Board of Directors. The District Board of Directors has the authority to establish and amend the benefit terms. PEMCHA offers health insurance through CalPERS. A copy of CalPERS annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95811. The District has not commenced prefunding and its funding policy is to pay OPEB benefit payments as they become due. The District has not set aside funds in an irrevocable trust at this time. The Board reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(6) Other Post-Employment Benefits (OPEB) (Continued)

Benefits Provided

The Plan provides healthcare benefits for retirees and surviving spouses. Benefits are provided through a third party insurer, and the full cost of the benefits are covered by the Plan.

Plan Membership

At June 30, 2019, membership consisted of the following:

Active members	3
Inactive plan members or beneficiaries currently receiving benefit payments	<u>1</u>
Total plan members	<u><u>4</u></u>

Contributions

The contribution requirements of Plan members and the District are established and amended by the District. The required contribution is based on projected pay-as-you-go financing requirements.

Total OPEB Liability

The District's Total OPEB liability was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The Total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal cost method
Actuarial Assumptions:	
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	2.75 percent
Healthcare cost trend rate	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(6) Other Post-Employment Benefits (OPEB) (Continued)

Pre-retirement mortality rates were based on the Scale MP-2019.

Actuarial assumptions used in the June 30, 2019 valuation were not based on a review of Plan experience.

Discount Rate

The discount rate used to measure the Total OPEB liability was 3.50 percent.

The discount rate is based on a 20-year tax exempt general obligation municipal bond with an average rating of AA/A or higher.

Schedule of Changes in Total OPEB Liability (June 30, 2018 to June 30, 2019)

Total OPEB Liability - June 30, 2018	\$ 423,615
Total OPEB Liability	
Service Cost	45,660
Interest	17,964
Difference between expected and actual experience	124,537
Changes of assumptions	34,465
Benefit payments	<u>(10,177)</u>
Net Change in total OPEB Liability	<u>212,449</u>
Total OPEB Liability - June 30, 2019	<u>\$ 636,064</u>

Sensitivity of the Total OPEB liability to changes in the discount rate

The following presents the Total OPEB liability, as well as what the Total OPEB 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 discount rate:

	1% Decrease <u>2.50%</u>	Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Total OPEB liability \$	745,372	636,064	549,081

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(6) Other Post-Employment Benefits (OPEB) (Continued)

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates

The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a discount rate that 1-percentage point lower or 1-percentage-point higher than the current discount rate:

		1% Decrease	Trend Rate Current	1% Increase
Total OPEB liability	\$	538,423	636,064	761,213

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District's OPEB expense was \$69,745 for the fiscal year ended June 30, 2020. As of fiscal year ended June 30, 2020, the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 111,000	-
Changes in assumptions or other inputs	30,719	51,776
Contributions subsequent to measurement date	<u>19,299</u>	<u>-</u>
 Total	 <u>\$ 161,018</u>	 <u>51,776</u>

The \$19,299 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ 10,175
2022	10,175
2023	10,175
2024	10,175
2025	10,175
Thereafter	<u>39,068</u>
Total	<u>\$ 89,943</u>

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(Continued)

(7) Prior Period Adjustments

During the year ended June 30, 2020, the District made the following adjustments to beginning Net Position:

Beginning Net Position	\$ 1,267,791
Remove accounts receivable for amounts previously received	(14,131)
Remove payroll liabilities for CALPERS amounts previously paid	24,206
Record inventory for purchases made in prior years	8,413
Record pension adjustments	<u>33,993</u>
Beginning Net Position, Restated	<u>\$ 1,320,272</u>

REQUIRED SUPPLEMENTARY INFORMATION

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

**Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Years***

Measurement Date	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Proportion of the collective net pension liability	0.00443%	0.00431%	0.43100%
Proportionate share of the collective net pension liability	\$ 177,239	162,303	169,973
Covered payroll	161,857	142,633	160,332
Proportionate share of the collective net pension liability as a percentage of covered payroll	109.50%	113.79%	106.01%
Plan fiduciary net position as a percentage of the total pension liability	79.51%	79.20%	77.47%
Measurement Date	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Proportion of the collective net pension liability	0.00422%	0.00398%	0.00398%
Proportionate share of the collective net pension liability	\$ 146,590	109,319	109,319
Covered payroll	163,655	149,364	149,364
Proportionate share of the collective net pension liability as a percentage of covered payroll	89.57%	73.19%	73.19%
Plan fiduciary net position as a percentage of the total pension liability	78.15%	82.74%	82.74%

* - Fiscal year 2015 was the first year of implementation.

Notes to schedule:

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: There were no changes in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016 there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net administrative expense) to 7.65 percent (without a reduction for pension plan administrative expenses). In 2014, amounts were based on 7.5 percent discount rate.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

**Schedule of the District's Contributions
Last Ten Years***

Fiscal year ended June 30	2020	2019	2018
Actuarially determined contribution	\$ 12,530	11,746	10,481
Contribution in relation to the actuarially determined contribution	<u>12,530</u>	<u>11,746</u>	<u>10,481</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 165,911	161,857	142,633
Contributions as a percentage of covered payroll	7.55%	7.26%	7.35%
 Fiscal year ended June 30	 2017	 2016	 2015
Actuarially determined contribution	\$ 12,068	10,946	15,837
Contribution in relation to the actuarially determined contribution	<u>12,068</u>	<u>10,946</u>	<u>15,837</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 160,332	163,655	149,364
Contributions as a percentage of covered payroll	7.53%	6.69%	10.60%

* - Fiscal year 2015 was the first year of implementation.

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2020 were from the June 30, 2017 public agency valuations.

Actuarial Cost Method Amortization Method/Period Actuarial Assumptions: Discount Rate Inflation Salary Increases Payroll Growth Retirement Age	Entry Age Normal Level of Percent of Payroll 7.25% 2.625% Varies by Entry Age and Service 2.875% The probabilities of Retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
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Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017 the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decrease in the discount rate. For June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Years*

Measurement Date	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB Liability		
Service cost	\$ 45,660	47,005
Interest on the Total OPEB liability	17,964	15,579
Difference between expected and actual experience	124,537	-
Changes in assumptions	34,465	(20,209)
Benefit payments	<u>(10,177)</u>	<u>(13,847)</u>
Net change in Total OPEB liability	212,449	28,528
Total OPEB liability - beginning	<u>423,615</u>	<u>395,087</u>
Total OPEB liability - ending	<u>\$ 636,064</u>	<u>423,615</u>
 Covered-employee payroll	 \$ 161,857	 \$ 142,633
Total OPEB liability as a percentage of covered-employee payroll	392.98%	297.00%

*Future years' information will be displayed up to 10 years as information becomes available.

OTHER INFORMATION

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Budgetary Comparison Schedule

Year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
Operating revenues:				
Water sales	\$ 223,959	244,583	(20,624)	-9%
Ready to serve sales	266,000	282,144	(16,144)	-6%
Meter sales	12,000	1,200	10,800	90%
Late charges	8,000	5,409	2,591	32%
Other nonoperational revenue	<u>9,780</u>	<u>6,079</u>	<u>3,701</u>	<u>38%</u>
Total Revenues	<u>519,739</u>	<u>539,415</u>	<u>(19,676)</u>	<u>-4%</u>
Operating expenses:				
General and administrative	61,557	57,698	3,859	6%
Electricity	29,500	25,842	3,658	12%
Salary and benefits	280,731	358,627	(77,896)	-28%
Automobile	5,300	4,569	731	14%
Chemicals	11,500	10,820	680	6%
Equipment rent and repair	1,350	10,932	(9,582)	-710%
Contract services	20,000	11,715	8,285	41%
Water testing	8,800	7,662	1,138	13%
Tools and parts	10,200	9,116	1,084	11%
Depreciation	49,572	142,780	(93,208)	-188%
Other nonoperating expenses	<u>20,918</u>	<u>18,063</u>	<u>2,855</u>	<u>14%</u>
Total Expenses	<u>499,428</u>	<u>657,824</u>	<u>(158,396)</u>	<u>-32%</u>
Income/(loss)	<u>\$ 20,311</u>	<u>(118,409)</u>	<u>138,720</u>	<u>28%</u>