

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

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2021

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Basic Financial Statements

Year ended June 30, 2021

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MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Organization

Year ended June 30, 2021

The Board of Directors for the fiscal year ended June 30, 2021, is composed of the following members:

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Kurt Boettcher	President	November 2020
John Jones	Treasurer	December 2022
Robert Markart	Secretary	December 2024
Gary Darnell	Member-At-Large	December 2024
Patti Thornburgh	Member-At-Large	December 2024

ADMINISTRATION

Mark McNall	District Manager and Water Treatment Operator
David Shenk	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, 2021, 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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 March 2, 2022 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.

DavisFarrLLP

Irvine, California
March 2, 2022

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2021

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, 2021. 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 \$78,107 ending the fiscal year June 30, 2021 with a balance of \$1,123,756. This is a decrease of 6.50% 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, 2021 and 2020.

Table 1-1

**MAJESTIC PINES COMMUNITY SERVICES DISTRICT
Statement of Net Position**

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
Assets:				
Current Assets	\$ 761,027	610,189	150,838	24.72%
Capital Assets	<u>1,530,633</u>	<u>1,660,644</u>	<u>(130,011)</u>	-7.83%
Total Assets	<u>2,291,660</u>	<u>2,270,833</u>	<u>20,827</u>	0.92%
Deferred Outflows of Resources	<u>318,546</u>	<u>200,742</u>	<u>117,804</u>	58.68%
Liabilities:				
Current Liabilities	64,762	47,844	16,918	35.36%
Non-Current Liabilities	<u>1,351,368</u>	<u>1,143,682</u>	<u>207,686</u>	18.16%
Total Liabilities	<u>1,416,130</u>	<u>1,191,526</u>	<u>181,210</u>	16.65%
Deferred Inflows of Resources	<u>70,320</u>	<u>78,186</u>	<u>(7,866)</u>	-10.06%
Net Position:				
Net Investment in Capital Assets	1,180,122	1,349,512	(169,390)	-12.55%
Restricted	54,256	54,255	1	0.00%
Unrestricted	<u>(110,622)</u>	<u>(201,904)</u>	<u>91,282</u>	-45.21%
Total Net Position	<u>\$1,123,756</u>	<u>1,201,863</u>	<u>(78,107)</u>	-6.50%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2021

(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 increased by \$150,838 from last year primarily as a result of increases to cash, accounts receivables, and prepaid expenses.
- Current liabilities increased by \$16,918 due to increases in payroll liabilities and compensated absences.
- Noncurrent liabilities increased by \$207,686 due to increases in the total other post-employment benefits (OPEB) and net pension liabilities and compensated absences.
- Deferred inflows of resources decreased by \$7,866 while deferred outflows increased by \$117,804 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**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>% of Change</u>
Revenues:				
Water sales	\$ 299,782	244,583	55,199	22.57%
Ready to serve sales	289,425	282,144	7,281	2.58%
New meters	14,400	1,200	13,200	1100.00%
Late charges	16,375	5,409	10,966	202.74%
Other revenue	<u>1,665</u>	<u>6,079</u>	<u>(4,414)</u>	<u>-72.61%</u>
Total revenues	<u>621,647</u>	<u>539,415</u>	<u>82,232</u>	<u>15.24%</u>
Expenses:				
General and administrative	76,631	57,698	18,933	32.81%
Salary and benefits	387,789	358,627	29,162	8.13%
Operations	51,430	54,814	(3,384)	-6.17%
Depreciation	147,291	142,780	4,511	3.16%
Electricity	28,454	25,842	2,612	10.11%
Interest expense	17,368	18,063	(695)	-3.85%
Loss on sale of capital assets	<u>(9,209)</u>	<u>-</u>	<u>(9,209)</u>	<u>0.00%</u>
Total expenses	<u>699,754</u>	<u>657,824</u>	<u>41,930</u>	<u>6.37%</u>
Change in net position	(78,107)	(118,409)		
Net position, beginning of year, restated	<u>1,201,863</u>	<u>1,320,272</u>		
Net position, end of year	<u>\$1,123,756</u>	<u>1,201,863</u>		

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2021

(Continued)

Revenues

Combined revenues for the fiscal year totaled \$621,647 compared to prior year's balance of \$539,415. This is an increase of 15.24% . Table 1-2 presents a comparison of revenues by category for the two fiscal years 2020/21 and 2019/20. The District last increased water rates by 20% in January 2017. There were no water rate changes during Fiscal Year 2021.

Expenses

Combined expenses for the fiscal year totaled \$699,754 compared to a prior year of \$657,824. This is an increase of 6.37%. Table 1-2 presents a comparison of expenses by category for the two fiscal years 2020/21 and 2019/20.

Water Sales

Water sales totaled \$299,782, an increase of 22.57% from the prior year. Ready-to-Serve sales totaled \$289,425, an increase of 2.58%. 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 \$147,291 increased 3.16% from the past fiscal year due to the aging of assets and new additions during fiscal year 2021.

Operating Expenses

Operating expenses decreased by \$3,384 or 6.17% from the past fiscal year due to increased decreases related to chemical purchases, tools, and parts.

Total Expenses

Total expenses were \$41,930 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 \$1,530,633 in the fiscal year 2020/21 compared to \$1,660,644 in the fiscal year 2019/20. A comparison of the change is provided below by major category. The net change of \$130,011 is due to disposal and replacement of a generator less depreciation expense of \$147,291. 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, 2021

(Continued)

Capital Assets (Continued)

Capital Assets

	<u>2021</u>	<u>2020</u>
Capital Assets:		
Land	\$ 98,528	98,528
Water Rights	15,000	15,000
Buildings and Improvements	<u>3,830,524</u>	<u>3,835,121</u>
Total Capital Assets	3,944,052	3,948,649
Less Accumulated Depreciation & Amortization	<u>2,413,419</u>	<u>2,288,005</u>
Net Capital Assets	<u>\$ 1,530,633</u>	<u>1,660,644</u>

Long-term Debt

The District's total long-term debt outstanding at June 30, 2021 consisted of:

Long-term Debt

	<u>2021</u>	<u>2020</u>
Certificate of participation	\$ 330,379	347,379
Compensated absences	<u>20,132</u>	-
Total	<u>\$ 350,511</u>	<u>347,379</u>

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, 2021

(with comparative information for prior year)

	<u>2021</u>	<u>2020</u>
Current assets:		
Unrestricted:		
Cash and investments (note 2)	\$ 486,935	402,380
Accounts receivable	138,500	111,496
Prepaid expenses	23,694	1,875
Inventory	35,962	23,903
Restricted cash and investments (note 2)	<u>75,936</u>	<u>70,535</u>
Total current assets	<u>761,027</u>	<u>610,189</u>
Noncurrent assets:		
Capital assets not being depreciated (note 3)	98,528	98,528
Capital assets being depreciated, net (note 3)	<u>1,432,105</u>	<u>1,562,116</u>
Total noncurrent assets	<u>1,530,633</u>	<u>1,660,644</u>
Total Assets	<u>2,291,660</u>	<u>2,270,833</u>
Deferred outflows of resources:		
Pension related (note 5)	36,417	39,724
OPEB related (note 6)	<u>282,129</u>	<u>161,018</u>
Total deferred outflows of resources	<u>318,546</u>	<u>200,742</u>
Current liabilities:		
Accounts payable	3,474	-
Payroll liabilities	12,265	10,222
Customer deposits	21,680	16,280
Current portion of long-term liabilities (note 4)	23,001	17,000
Accrued interest payable	<u>4,342</u>	<u>4,342</u>
Total current liabilities	<u>64,762</u>	<u>47,844</u>
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities (note 4)	327,510	330,379
Net pension liability (note 5)	191,549	177,239
Total OPEB liability (note 6)	<u>832,309</u>	<u>636,064</u>
Total noncurrent liabilities	<u>1,351,368</u>	<u>1,143,682</u>
Total Liabilities	<u>1,416,130</u>	<u>1,191,526</u>
Deferred inflows of resources:		
Pension related (note 5)	25,652	26,410
OPEB related (note 6)	<u>44,668</u>	<u>51,776</u>
Total deferred inflows of resources	<u>70,320</u>	<u>78,186</u>
Net position:		
Net investment in capital assets	1,180,122	1,349,512
Restricted	54,256	54,255
Unrestricted	<u>(110,622)</u>	<u>(201,904)</u>
Total Net Position	<u>\$ 1,123,756</u>	<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, 2021
(with comparative information for prior year)**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water sales	\$ 299,782	244,583
Ready to serve sales	289,425	282,144
Meter sales	14,400	1,200
Late charges	16,375	5,409
Other revenue	<u>1,625</u>	<u>5,990</u>
Total Operating Revenues	<u>621,607</u>	<u>539,326</u>
Operating expenses:		
General and administrative:		
Insurance	10,213	5,597
Dues and fees	16,892	24,518
Legal and professional	33,597	10,597
Supplies	3,625	7,050
Telephone and radio	5,830	5,333
Postage	908	200
Bank charges	2,792	2,325
Other	2,774	2,078
Electricity	28,454	25,842
Payroll	183,896	173,671
Payroll taxes and benefits	106,477	90,416
Pension expense	29,390	40,006
OPEB expense	68,026	54,534
Automobile	6,135	4,569
Chemicals	7,879	10,820
Equipment rent and repair	12,732	10,932
Contract services	12,353	11,715
Water testing	7,759	7,662
Tools and parts	4,572	9,116
Depreciation	<u>147,291</u>	<u>142,780</u>
Total Operating Expenses	<u>691,595</u>	<u>639,761</u>
Operating income/(loss)	<u>(69,988)</u>	<u>(100,435)</u>
Nonoperating revenue (expenses):		
Interest income	40	89
Interest expense	(17,368)	(18,063)
Gain/(loss) on sale of capital assets	<u>9,209</u>	<u>-</u>
Total Nonoperating Revenue (Expenses)	<u>(8,119)</u>	<u>(17,974)</u>
Change in net position	(78,107)	(118,409)
Net position, beginning of year	<u>1,201,863</u>	<u>1,320,272</u>
Net position, end of year	<u>\$ 1,123,756</u>	<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, 2021
(with comparative information for prior year)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 600,003	518,544
Payments to employees	(294,860)	(270,774)
Payments to suppliers	<u>(172,788)</u>	<u>(131,976)</u>
Net cash provided by (used for) operating activities	<u>132,355</u>	<u>115,794</u>
Cash flows from capital and related financing activities:		
Principal paid on capital debt	(17,000)	(17,000)
Interest paid on capital debt	(17,368)	(13,721)
Disposal of capital assets	9,209	-
Purchases of capital assets	<u>(17,280)</u>	<u>(159,054)</u>
Net cash provided by (used for) capital and related financing activities	<u>(42,439)</u>	<u>(189,775)</u>
Cash flows from investing activities:		
Interest on investments	<u>40</u>	<u>89</u>
Net cash provided by (used for) investing activities	<u>40</u>	<u>89</u>
Net increased (decrease) in cash and cash equivalents	89,956	(73,892)
Cash and cash equivalents, beginning of year	<u>472,915</u>	<u>546,807</u>
Cash and cash equivalents, end of year	<u>\$ 562,871</u>	<u>472,915</u>
Reconciliation of cash to statement of net position		
Cash and investments	\$ 486,935	402,380
Restricted cash and investments	<u>75,936</u>	<u>70,535</u>
Cash and cash equivalents, end of year	<u>\$ 562,871</u>	<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, 2021
(with comparative information for prior year)**

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (69,988)	(100,435)
Depreciation	147,291	142,780
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:		
(Increase)/decrease in accounts receivable	(27,004)	(22,582)
(Increase)/decrease in prepaid expenses	(21,819)	6,379
(Increase)/decrease in inventory	(12,059)	(1)
(Increase)/decrease in deferred outflows of resources - pension	3,307	11,975
(Increase)/decrease in deferred outflows of resources - OPEB	(121,111)	(150,807)
Increase/(decrease) in accounts payable and other liabilities	31,049	2,922
Increase/(decrease) in net pension liability	14,310	14,935
Increase/(decrease) in total OPEB liability	196,245	212,449
Increase/(decrease) in deferred inflows of resources - pension	(758)	5,287
Increase/(decrease) in deferred inflows of resources - OPEB	<u>(7,108)</u>	<u>(7,108)</u>
Net cash provided by operating activities	<u>\$ 132,355</u>	<u>115,794</u>

There were no noncash investing, capital and financing activities during the year ended June 30, 2021.

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(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, 2021

(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, 2021

(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, 2021

(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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019 to June 30, 2020

(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, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(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.

(n) Comparative Financial Statements

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which selected financial data was derived. The District has reclassified certain prior year information to conform with current year presentations.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2021 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Unrestricted:

Cash and cash equivalents \$ 486,935

Restricted:

Cash and investments in certificate of deposit 18,010

Customer deposits 21,680

Investment in capital improvement reserve 36,246

75,936

Total cash and investments \$ 562,871

Cash and investments as of June 30, 2021 consisted of the following:

Cash on hand \$ 2,775

Deposits with financial institutions 560,096

Total cash \$ 562,871

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, 2021, the District's accounts exceeded the insured amount by \$314,697.

(3) Capital Assets

Changes in capital assets for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land and easements	\$ 98,528	-	-	98,528
Total capital assets not being depreciated	<u>98,528</u>	-	-	<u>98,528</u>
Capital assets being depreciated:				
Water rights	15,000	-	-	15,000
Building, improvements & equipment	<u>3,835,121</u>	<u>34,009</u>	<u>(38,606)</u>	<u>3,830,524</u>
Total capital assets being depreciated	<u>3,850,121</u>	<u>34,009</u>	<u>(38,606)</u>	<u>3,845,524</u>
Less accumulated depreciation:				
Water rights	(11,042)	(625)	-	(11,667)
Building, improvements & equipment	<u>(2,276,963)</u>	<u>(146,666)</u>	<u>21,877</u>	<u>(2,401,752)</u>
Total accumulated depreciation	<u>(2,288,005)</u>	<u>(147,291)</u>	<u>21,877</u>	<u>(2,413,419)</u>
Total capital assets being depreciated, net	<u>1,562,116</u>	<u>(113,282)</u>	<u>(16,729)</u>	<u>1,432,105</u>
Capital assets, net	<u>\$ 1,660,644</u>	<u>(113,282)</u>	<u>(16,729)</u>	<u>1,530,633</u>

Depreciation expense of \$147,291 has been recorded for fiscal year 2021.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(4) Long Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021 was as follows:

	Balance			Balance	Due Within
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>	<u>One Year</u>
Certificate of participation	\$ 347,379	-	(17,000)	330,379	18,000
Compensated absences	-	25,133	(5,001)	20,132	5,001
Total long-term liabilities	<u>\$ 347,379</u>	<u>25,133</u>	<u>(22,001)</u>	<u>350,511</u>	<u>23,001</u>

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			
June 30,	Principal	Interest	Total
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	22,000	12,619	34,619
2027 - 2031	128,000	45,445	173,445
2032 - 2036	<u>102,379</u>	<u>11,226</u>	<u>113,605</u>
	<u>\$330,379</u>	<u>129,766</u>	<u>460,145</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”).

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Defined Benefit Pension Plan (Continued)

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.

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, 2021 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	8.794%	7.732%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Members covered by Benefit Terms

At June 30, 2019 (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
Retired members and beneficiaries	4	-	4
Total plan members	5	2	7

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, 2020 (the measurement date) the total pension liability was determined by rolling forward the June 30, 2019 total pension liability determined in the June 30, 2019 valuation. The June 30, 2020 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	7.00%
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

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Defined Benefit Pension Plan (Continued)

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

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.

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for 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 set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Defined Benefit Pension Plan (Continued)

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.

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, 2020 and 2021 was as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at June 30, 2020	\$ 865,039	687,800	177,239
Balance at June 30, 2021	911,965	720,416	191,549
Net changes during 2020-21	\$ <u>46,926</u>	<u>32,616</u>	<u>14,310</u>

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Proportion June 30, 2020	0.00443%
Proportion June 30, 2021	<u>0.00454%</u>
Change - Increase(Decrease)	<u>0.00011%</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 \$	312,910	191,549	91,273

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. 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, 2021, the District recognized a pension expense of \$40,006 for the Plan.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Defined Benefit Pension Plan (Continued)

As of June 30, 2021, 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	\$ 14,971	-
Adjustment due to differences in proportions	5,885	-
Differences between expected and actual experience	9,871	-
Differences between projected and actual earnings on pension plan investments	5,690	-
Differences between employer's contributions and proportionate share of contributions	-	24,286
Changes in assumptions	<u>-</u>	<u>1,366</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 36,417</u>	<u>25,652</u>

The \$14,971 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources in the previous table will be recognized in future pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (6,586)
2023	(1,214)
2024	865
2025	2,729
2026	<u>-</u>
Total	<u>\$ (4,206)</u>

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

(5) Defined Benefit Pension Plan (Continued)

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.

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.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

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

Plan Membership

At June 30, 2020 (measurement date), membership consisted of the following:

Active members	3
Inactive plan members or beneficiaries currently receiving benefit payments	<u>3</u>
Total plan members	<u><u>6</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, 2020 and the Total OPEB Liability used to calculate the Total 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

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

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

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

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

Discount Rate

The discount rate used to measure the Total OPEB liability was 2.21 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, 2019 to June 30, 2020)

Total OPEB Liability - June 30, 2019	\$636,064
Total OPEB Liability	
Service Cost	38,388
Interest	23,269
Changes of assumptions	153,844
Benefit payments	<u>(19,256)</u>
Net Change in total OPEB Liability	<u>196,245</u>
Total OPEB Liability - June 30, 2020	<u>\$832,309</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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	1.21%	2.21%	3.21%
Total OPEB liability \$	988,946	832,309	709,158

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:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
		Current	
Total OPEB liability \$	687,638	832,309	1,021,295

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2021

(Continued)

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

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, 2021. As of fiscal year ended June 30, 2021, 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	\$ 97,463	-
Changes in assumptions or other inputs	162,502	44,668
Contributions subsequent to measurement date	22,164	-
 Total	 \$ 282,129	 44,668

The \$22,164 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2022. 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
2022	\$ 28,490
2023	28,490
2024	28,490
2025	28,490
2026	28,490
Thereafter	72,847
 Total	 \$ 215,297

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>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Proportion of the collective net pension liability	0.00443%	0.00443%	0.00431%	0.43100%
Proportionate share of the collective net pension liability	\$ 191,549	177,239	162,303	169,973
Covered payroll	165,911	161,857	142,633	160,332
Proportionate share of the collective net pension liability as a percentage of covered payroll	115.45%	109.50%	113.79%	106.01%
Plan fiduciary net position as a percentage of the total pension liability	79.51%	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 and 2020. 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	2021	2020	2019	2018
Actuarially determined contribution	\$ 14,971	12,530	11,746	10,481
Contribution in relation to the actuarially determined contribution	<u>14,971</u>	<u>12,530</u>	<u>11,746</u>	<u>10,481</u>
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	\$ 182,001	165,911	161,857	142,633
Contributions as a percentage of covered payroll	8.23%	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, 2021 were from the June 30, 2018 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level of Percent of Payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.

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 2020-21 determined in this valuation were calculated using a discount rate of 7.00 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, 2019 valuation an inflation rate of 2.50 percent will be used.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

**Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Years***

Measurement Date	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability				
Service cost	\$ 38,388	45,660	47,005	53,142
Interest on the Total OPEB liability	23,269	17,964	15,579	12,358
Difference between expected and actual experience	-	124,537	-	-
Changes in assumptions	153,844	34,465	(20,209)	(50,870)
Benefit payments	<u>(19,256)</u>	<u>(10,177)</u>	<u>(13,847)</u>	<u>-</u>
Net change in Total OPEB liability	196,245	212,449	28,528	14,630
Total OPEB liability - beginning	<u>636,064</u>	<u>423,615</u>	<u>395,087</u>	<u>380,457</u>
Total OPEB liability - ending	<u>\$ 832,309</u>	<u>636,064</u>	<u>423,615</u>	<u>395,087</u>
 Covered-employee payroll	 \$ 165,911	 161,857	 142,633	 160,332
Total OPEB liability as a percentage of covered-employee payroll	501.66%	392.98%	297.00%	246.42%

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

Change of Assumption: Discount rate changed from 3.50% in 2019 to 2.21% in 2020.

OTHER INFORMATION

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Budgetary Comparison Schedule

Year ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues:			
Water sales	\$ 262,000	299,782	(37,782)
Ready to serve sales	297,000	289,425	7,575
Meter sales	12,000	14,400	(2,400)
Late charges	9,200	16,375	(7,175)
Nonoperating revenue	<u>3,660</u>	<u>1,665</u>	<u>1,995</u>
Total Revenues	<u>583,860</u>	<u>621,647</u>	<u>(37,787)</u>
Expenses:			
General and administrative	53,900	76,631	(22,731)
Electricity	27,000	28,454	(1,454)
Salary and benefits	274,950	387,789	(112,839)
Automobile	6,700	6,135	565
Chemicals	11,500	7,879	3,621
Equipment rent and repair	7,207	12,732	(5,525)
Contract services	16,000	12,353	3,647
Water testing	8,200	7,759	441
Tools and parts	11,800	4,572	7,228
Depreciation	49,572	147,291	(97,719)
Nonoperating expenses	<u>19,868</u>	<u>8,159</u>	<u>11,709</u>
Total Expenses	<u>486,697</u>	<u>699,754</u>	<u>(213,057)</u>
Income/(loss)	<u>\$ 97,163</u>	<u>(78,107)</u>	<u>175,270</u>