

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

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2022

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Basic Financial Statements

Year ended June 30, 2022

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MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Organization

Year ended June 30, 2022

The Board of Directors for the fiscal year ended June 30, 2022, is composed of the following members:

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Patti Thornburgh	President	December 2024
Mark Taylor	Vice President	December 2026
John Jones	Treasurer	December 2026
Robert Markart	Secretary	December 2024
Gary Darnell	Member-At-Large	December 2024

ADMINISTRATION

Mark McNall	General Manager
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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Majestic Pines Community Services District ("the District"), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We audited the financial statements of the District for the year ended June 30, 2021 and our report dated March 2, 2022 expressed an unmodified opinion on those financial statements. 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 Information

Management is responsible for the other information included in the Comprehensive Annual Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
February 7, 2023

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

Year ended June 30, 2022

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, 2022. 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 \$22,225 ending the fiscal year June 30, 2022 with a balance of \$1,101,531. This is a decrease of 1.98% 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, 2022 and 2021.

Table 1-1

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
Assets:				
Current Assets	\$ 826,911	761,027	65,884	8.66%
Capital Assets	<u>1,465,081</u>	<u>1,530,633</u>	<u>(65,552)</u>	-4.28%
Total Assets	<u>2,291,992</u>	<u>2,291,660</u>	<u>332</u>	0.01%
Deferred Outflows of Resources	<u>271,984</u>	<u>318,546</u>	<u>(46,562)</u>	-14.62%
Liabilities:				
Current Liabilities	80,820	64,762	16,058	24.80%
Non-Current Liabilities	<u>1,013,351</u>	<u>1,351,368</u>	<u>(338,017)</u>	-25.01%
Total Liabilities	<u>1,094,171</u>	<u>1,416,130</u>	<u>(321,959)</u>	-22.74%
Deferred Inflows of Resources	<u>368,274</u>	<u>70,320</u>	<u>297,954</u>	423.71%
Net Position:				
Net Investment in Capital Assets	1,152,702	1,180,122	(27,420)	-2.32%
Restricted	54,230	54,256	(26)	-0.05%
Unrestricted	<u>(105,401)</u>	<u>(110,622)</u>	<u>5,221</u>	-4.72%
Total Net Position	<u>\$ 1,101,531</u>	<u>1,123,756</u>	<u>(22,225)</u>	-1.98%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

(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 \$65,884 from last year primarily as a result of increases to cash and inventory.
- Current liabilities increased by \$16,058 due to increases in customer deposits.
- Noncurrent liabilities decreased by \$338,017 due to decreases in the total other post-employment benefits (OPEB) and net pension liabilities.
- Deferred inflows of resources increased by \$297,954 while deferred outflows decreased by \$46,562 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 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>% of Change</u>
Revenues:				
Water sales	\$ 268,453	299,782	(31,329)	-10.45%
Ready to serve sales	290,663	289,425	1,238	0.43%
New meters	26,550	14,400	12,150	84.38%
Late charges	13,293	16,375	(3,082)	-18.82%
Other revenue	<u>6,780</u>	<u>1,665</u>	<u>5,115</u>	307.21%
Total revenues	<u>605,739</u>	<u>621,647</u>	<u>(15,908)</u>	-2.56%
Expenses:				
General and administrative	68,358	76,631	(8,273)	-10.80%
Salary and benefits	327,949	387,789	(59,840)	-15.43%
Operations	41,579	51,430	(9,851)	-19.15%
Depreciation	146,041	147,291	(1,250)	-0.85%
Electricity	27,519	28,454	(935)	-3.29%
Interest expense	16,518	17,368	(850)	-4.89%
Loss on sale of capital assets	<u>-</u>	<u>(9,209)</u>	<u>9,209</u>	-100.00%
Total expenses	<u>627,964</u>	<u>699,754</u>	<u>(71,790)</u>	-10.26%
Change in net position	(22,225)	(78,107)	55,882	-71.55%
Net position, beginning of year, restated	<u>1,123,756</u>	<u>1,201,863</u>	<u>(78,107)</u>	-6.50%
Net position, end of year	<u>\$ 1,101,531</u>	<u>1,123,756</u>	<u>(22,225)</u>	-1.98%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

(Continued)

Revenues

Combined revenues for the fiscal year totaled \$605,739 compared to prior year's balance of \$621,647. This is a decrease of 2.56%. Table 1-2 presents a comparison of revenues by category for the two fiscal years 2021/22 and 2020/21. The District last increased water rates by 20% in January 2017. There were no water rate changes during Fiscal Year 2022.

Expenses

Combined expenses for the fiscal year totaled \$627,964 compared to a prior year of \$699,754. This is a decrease of 10.26%. Table 1-2 presents a comparison of expenses by category for the two fiscal years 2021/22 and 2020/21.

Water Sales

Water sales totaled \$268,453, a decrease of 10.45% from the prior year. Ready-to-Serve sales totaled \$290,663, an increase of 0.43%. 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 \$146,041 increased 0.85% from the past fiscal year due to the aging of assets and new additions during fiscal year 2022.

Operating Expenses

Operating expenses decreased by \$9,851 or 19.15% from the past fiscal year due to decreases related to chemical purchases, tools, and parts.

Total Expenses

Total expenses were \$71,790 less than the past fiscal year due to decreased Administrative, Salary, Operations and Other Non-Operating expenses.

Capital Assets

Net of accumulated depreciation, the District reported capital assets of \$1,465,081 in the fiscal year 2021/22 compared to \$1,530,633 in the fiscal year 2020/21. A comparison of the change is provided below by major category. The net change of \$65,552 is due to depreciation expense during fiscal year 2022. 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, 2022

(Continued)

Capital Assets (Continued)

Capital Assets

	<u>2022</u>	<u>2021</u>
Capital Assets:		
Land	\$ 98,528	98,528
Water Rights	15,000	15,000
Buildings and Improvements	<u>3,911,013</u>	<u>3,830,524</u>
Total Capital Assets	4,024,541	3,944,052
Less Accumulated Depreciation & Amortization	<u>(2,559,460)</u>	<u>(2,413,419)</u>
Net Capital Assets	<u>\$ 1,465,081</u>	<u>1,530,633</u>

Long-term Debt

The District's total long-term debt outstanding at June 30, 2022 consisted of:

Long-term Debt

	<u>2022</u>	<u>2021</u>
Certificate of participation	\$ 312,379	330,379
Compensated absences	<u>24,785</u>	<u>20,132</u>
Total	<u>\$ 337,164</u>	<u>350,511</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, 2022

(with comparative information for prior year)

	<u>2022</u>	<u>2021</u>
Current assets:		
Unrestricted:		
Cash and investments (note 2)	\$ 573,387	486,935
Accounts receivable	119,136	138,500
Prepaid expenses	1,875	23,694
Inventory	45,523	35,962
Restricted cash and investments (note 2)	<u>86,990</u>	<u>75,936</u>
Total current assets	<u>826,911</u>	<u>761,027</u>
Noncurrent assets:		
Capital assets not being depreciated (note 3)	98,528	98,528
Capital assets being depreciated, net (note 3)	<u>1,366,553</u>	<u>1,432,105</u>
Total noncurrent assets	<u>1,465,081</u>	<u>1,530,633</u>
Total Assets	<u>2,291,992</u>	<u>2,291,660</u>
Deferred outflows of resources:		
Pension related (note 5)	31,483	36,417
OPEB related (note 6)	<u>240,501</u>	<u>282,129</u>
Total deferred outflows of resources	<u>271,984</u>	<u>318,546</u>
Current liabilities:		
Accounts payable	-	3,474
Payroll liabilities	12,544	12,265
Customer deposits	32,760	21,680
Current portion of long-term liabilities (note 4)	31,174	23,001
Accrued interest payable	<u>4,342</u>	<u>4,342</u>
Total current liabilities	<u>80,820</u>	<u>64,762</u>
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities (note 4)	305,990	327,510
Net pension liability (note 5)	89,531	191,549
Total OPEB liability (note 6)	<u>617,830</u>	<u>832,309</u>
Total noncurrent liabilities	<u>1,013,351</u>	<u>1,351,368</u>
Total Liabilities	<u>1,094,171</u>	<u>1,416,130</u>
Deferred inflows of resources:		
Pension related (note 5)	103,607	25,652
OPEB related (note 6)	<u>264,667</u>	<u>44,668</u>
Total deferred inflows of resources	<u>368,274</u>	<u>70,320</u>
Net position:		
Net investment in capital assets	1,152,702	1,180,122
Restricted	54,230	54,256
Unrestricted	<u>(105,401)</u>	<u>(110,622)</u>
Total Net Position	<u>\$ 1,101,531</u>	<u>1,123,756</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

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

**Year ended June 30, 2022
(with comparative information for prior year)**

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Water sales	\$ 268,453	299,782
Ready to serve sales	290,663	289,425
Meter sales	26,550	14,400
Late charges	13,293	16,375
Other revenue	<u>6,346</u>	<u>1,625</u>
Total Operating Revenues	<u>605,305</u>	<u>621,607</u>
Operating expenses:		
General and administrative:		
Insurance	14,847	10,213
Dues and fees	18,828	16,892
Legal and professional	16,562	33,597
Supplies	3,089	3,625
Telephone and radio	6,003	5,830
Postage	778	908
Bank charges	3,746	2,792
Other	4,505	2,774
Electricity	27,519	28,454
Payroll	187,680	183,896
Payroll taxes and benefits	89,997	106,477
Pension expense	3,124	29,390
OPEB expense	47,148	68,026
Automobile	4,497	6,135
Chemicals	4,442	7,879
Equipment rent and repair	10,955	12,732
Contract services	12,705	12,353
Water testing	3,987	7,759
Tools and parts	4,993	4,572
Depreciation	<u>146,041</u>	<u>147,291</u>
Total Operating Expenses	<u>611,446</u>	<u>691,595</u>
Operating income/(loss)	<u>(6,141)</u>	<u>(69,988)</u>
Nonoperating revenue (expenses):		
Interest income	434	40
Interest expense	(16,518)	(17,368)
Gain/(loss) on sale of capital assets	<u>-</u>	<u>9,209</u>
Total Nonoperating Revenue (Expenses)	<u>(16,084)</u>	<u>(8,119)</u>
Change in net position	(22,225)	(78,107)
Net position, beginning of year	<u>1,123,756</u>	<u>1,201,863</u>
Net position, end of year	<u>\$ 1,101,531</u>	<u>1,123,756</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

**Year ended June 30, 2022
(with comparative information for prior year)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers	\$ 635,749	600,003
Payments to employees	(291,478)	(294,860)
Payments to suppliers	<u>(132,192)</u>	<u>(172,788)</u>
Net cash provided by (used for) operating activities	<u>212,079</u>	<u>132,355</u>
Cash flows from capital and related financing activities:		
Principal paid on capital debt	(18,000)	(17,000)
Interest paid on capital debt	(16,518)	(17,368)
Disposal of capital assets	-	9,209
Purchases of capital assets	<u>(80,489)</u>	<u>(17,280)</u>
Net cash provided by (used for) capital and related financing activities	<u>(115,007)</u>	<u>(42,439)</u>
Cash flows from investing activities:		
Interest on investments	<u>434</u>	<u>40</u>
Net cash provided by (used for) investing activities	<u>434</u>	<u>40</u>
Net increased (decrease) in cash and cash equivalents	97,506	89,956
Cash and cash equivalents, beginning of year	<u>562,871</u>	<u>472,915</u>
Cash and cash equivalents, end of year	<u>\$ 660,377</u>	<u>562,871</u>
Reconciliation of cash to statement of net position		
Cash and investments	\$ 573,387	486,935
Restricted cash and investments	<u>86,990</u>	<u>75,936</u>
Cash and cash equivalents, end of year	<u>\$ 660,377</u>	<u>562,871</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Statement of Cash Flows (Continued)

**Year ended June 30, 2022
(with comparative information for prior year)**

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (6,141)	(69,988)
Depreciation	146,041	147,291
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:		
(Increase)/decrease in accounts receivable	19,364	(27,004)
(Increase)/decrease in prepaid expenses	21,819	(21,819)
(Increase)/decrease in inventory	(9,561)	(12,059)
(Increase)/decrease in deferred outflows of resources - pension	4,934	3,307
(Increase)/decrease in deferred outflows of resources - OPEB	41,628	(121,111)
Increase/(decrease) in accounts payable and other liabilities	12,538	31,049
Increase/(decrease) in net pension liability	(102,018)	14,310
Increase/(decrease) in total OPEB liability	(214,479)	196,245
Increase/(decrease) in deferred inflows of resources - pension	77,955	(758)
Increase/(decrease) in deferred inflows of resources - OPEB	<u>219,999</u>	<u>(7,108)</u>
Net cash provided by operating activities	<u>\$ 212,079</u>	<u>132,355</u>

There were no noncash investing, capital and financing activities during the year ended June 30, 2022.

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(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, 2022

(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, 2022

(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, 2022

(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, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

(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, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(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 assets 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 assets 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, 2022

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2022 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Unrestricted:

Cash and cash equivalents \$ 573,387

Restricted:

Cash and investments in certificate of deposit 17,983

Customer deposits 32,760

Investment in capital improvement reserve 36,247

86,990

Total cash and investments \$ 660,377

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

Cash on hand \$ 1,834

Deposits with financial institutions 658,543

Total cash \$ 660,377

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, 2022, the District's accounts exceeded the insured amount by \$413,365.

(3) Capital Assets

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

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
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>3,830,524</u>	<u>80,489</u>	-	<u>3,911,013</u>
Total capital assets being depreciated	<u>3,845,524</u>	<u>80,489</u>	-	<u>3,926,013</u>
Less accumulated depreciation:				
Water rights	(11,667)	-	-	(11,667)
Building, improvements & equipment	<u>(2,401,752)</u>	<u>(146,041)</u>	-	<u>(2,547,793)</u>
Total accumulated depreciation	<u>(2,413,419)</u>	<u>(146,041)</u>	-	<u>(2,559,460)</u>
Total capital assets being depreciated, net	<u>1,432,105</u>	<u>(65,552)</u>	-	<u>1,366,553</u>
Capital assets, net	<u>\$ 1,530,633</u>	<u>(65,552)</u>	-	<u>1,465,081</u>

Depreciation expense of \$146,041 has been recorded for fiscal year 2022.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(4) Long Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Certificate of participation	\$ 330,379	-	(18,000)	312,379	19,000
Compensated absences	<u>20,132</u>	<u>16,827</u>	<u>(12,174)</u>	<u>24,785</u>	<u>12,174</u>
Total long-term liabilities	<u>\$ 350,511</u>	<u>16,827</u>	<u>(30,174)</u>	<u>337,164</u>	<u>31,174</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
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	23,000	11,519	34,519
2028 - 2032	135,000	39,045	174,045
2033 - 2037	<u>72,379</u>	<u>6,107</u>	<u>78,486</u>
	<u>\$ 312,379</u>	<u>113,246</u>	<u>425,626</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, 2022

(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, 2022 are summarized as follows:

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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, 2022

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Members covered by Benefit Terms

At June 30, 2020 (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 Public Employees’ Retirement Law (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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date) the total pension liability was determined by rolling forward the June 30, 2020 total pension liability determined in the June 30, 2020 valuation. The June 30, 2021 pension liability was based on the following actuarial methods and assumptions.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(5) Defined Benefit Pension Plan (Continued)

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	The lesser of contract COLA or 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. 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.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(5) Defined Benefit Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical 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.

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

Investment Type ¹	New Strategic Allocation	Real Return	
		Years 1 - 10 ²	Years 11+ ^{3,4}
Public 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 ACFR, 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.

⁴ Figures are based on previous ALM of 2017

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.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(5) Defined Benefit Pension Plan (Continued)

The District's proportionate share of the net pension liability for the plan as of June 30, 2021 and 2022 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2021	\$ 911,965	720,416	191,549
Balance at June 30, 2022	922,364	832,833	89,531
Net changes during 2021-22	<u>\$ 10,399</u>	<u>112,417</u>	<u>(102,018)</u>
Proportion June 30, 2021		0.00454%	
Proportion June 30, 2022		<u>0.00472%</u>	
Change - Increase(Decrease)		<u>0.00018%</u>	

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

The following presents the net pension liability (asset) 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 (asset) 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 (Asset)		
	Discount Rate - 1% Rate 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% Rate 8.15%
Miscellaneous Plan	\$ 211,312	89,531	(11,143)

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.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(5) Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2022, the District recognized a pension expense of \$3,124 for the Plan.

As of June 30, 2022, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 15,488	-
Adjustment due to differences in proportions	5,955	-
Differences between expected and actual experience	10,040	-
Differences between projected and actual earnings on pension plan investments	-	78,156
Differences between employer's contributions and proportionate share of contributions	-	25,451
Total	\$ 31,483	103,607

The \$15,488 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources in the previous table will be recognized in future pension expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	\$ (24,118)
2024	(22,079)
2025	(19,817)
2026	(21,598)
2027	-
Total	\$ (87,612)

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(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.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November, 2021, the board adopted a new strategic allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

(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.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

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.

Plan Membership

At June 30, 2021 (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, 2021 and the Total OPEB Liability used to calculate the Total OPEB Liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

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

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

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	2.75 percent
Inflation rate	2.50 percent
Healthcare cost trend rate	Non-Medicare - 6.50% for 2022, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2022, decreasing to an ultimate rate of 3.75% in 2076

Pre-retirement mortality rates were based on the Scale MP-2021.

Actuarial assumptions used in the June 30, 2021 valuation were to see a negative disclosure not based on a review of Plan experience.

Discount Rate

The discount rate used to measure the Total OPEB liability was 2.16 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, 2021 to June 30, 2022)

Total OPEB Liability - June 30, 2021	\$ 832,309
Total OPEB Liability	
Service Cost	52,666
Interest	19,314
Changes of assumptions	(112,300)
Benefit payments	<u>(22,121)</u>
Net Change in total OPEB Liability	<u>(214,479)</u>
Total OPEB Liability - June 30, 2022	<u>\$ 617,830</u>

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

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 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB liability \$	718,361	617,830	536,371

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 \$	526,012	617,830	732,238

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

The District's OPEB expense was \$69,312 for the fiscal year ended June 30, 2022. As of fiscal year ended June 30, 2022, 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	\$ 83,926	130,624
Changes in assumptions or other inputs	140,441	134,043
Contributions subsequent to measurement date	16,134	-
Total	<u>\$ 240,501</u>	<u>264,667</u>

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

The \$16,134 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2023. 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
2023	\$ (8,741)
2024	(8,741)
2025	(8,741)
2026	(8,741)
2027	(8,741)
Thereafter	<u>3,405</u>
Total	<u>\$ (40,300)</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	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Proportion of the collective net pension liability	0.00454%	0.00443%	0.00443%	0.00431%
Proportionate share of the collective net pension liability	\$ 89,531	191,549	177,239	162,303
Covered payroll	\$ 182,001	165,911	161,857	142,633
Proportionate share of the collective net pension liability as a percentage of covered payroll	49.19%	115.45%	109.50%	113.79%
Plan fiduciary net position as a percentage of the total pension liability	90.49%	79.51%	79.51%	79.20%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.43100%	0.00422%	0.00398%	0.00398%
Proportionate share of the collective net pension liability	\$ 169,973	146,590	109,319	109,319
Covered payroll	\$ 160,332	163,655	149,364	149,364
Proportionate share of the collective net pension liability as a percentage of covered payroll	106.01%	89.57%	73.19%	73.19%
Plan fiduciary net position as a percentage of the total pension liability	77.47%	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, 2020 and 2021. 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	2022	2021	2020	2019
Actuarially determined contribution	\$ 15,488	14,971	12,530	11,746
Contribution in relation to the actuarially determined contribution	<u>15,488</u>	<u>14,971</u>	<u>12,530</u>	<u>11,746</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 193,230	182,001	165,911	161,857
Contributions as a percentage of covered payroll	8.02%	8.23%	7.55%	7.26%
 Fiscal year ended June 30	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Actuarially determined contribution	\$ 10,481	12,068	10,946	15,837
Contribution in relation to the actuarially determined contribution	<u>10,481</u>	<u>12,068</u>	<u>10,946</u>	<u>15,837</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 142,633	160,332	163,655	149,364
Contributions as a percentage of covered payroll	7.35%	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, 2022 were from the June 30, 2019 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level of Percent of Payroll
Actuarial Assumptions:	
Discount Rate	7.15%
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>6/30/2021</u>	<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	\$ 52,666	38,388	45,660	47,005	53,142
Interest on the Total OPEB liability	19,314	23,269	17,964	15,579	12,358
Difference between expected and actual experience	(152,038)	-	124,537	-	-
Changes in assumptions	(112,300)	153,844	34,465	(20,209)	(50,870)
Benefit payments	<u>(22,121)</u>	<u>(19,256)</u>	<u>(10,177)</u>	<u>(13,847)</u>	<u>-</u>
Net change in Total OPEB liability	(214,479)	196,245	212,449	28,528	14,630
Total OPEB liability - beginning	<u>832,309</u>	<u>636,064</u>	<u>423,615</u>	<u>395,087</u>	<u>380,457</u>
Total OPEB liability - ending	<u>\$ 617,830</u>	<u>832,309</u>	<u>636,064</u>	<u>423,615</u>	<u>395,087</u>
Covered-employee payroll	\$ 193,230	165,911	161,857	142,633	160,332
Total OPEB liability as a percentage of covered-employee payroll	319.74%	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 2.21% in 2020 to 2.16% in 2021.

OTHER INFORMATION

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Budgetary Comparison Schedule

Year ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Revenues:			
Water sales	\$ 312,500	268,453	(44,047)
Ready to serve sales	295,000	290,663	(4,337)
Meter sales	24,000	26,550	2,550
Late charges	11,000	13,293	2,293
Other and Nonoperating revenue	<u>23,750</u>	<u>6,780</u>	<u>(16,970)</u>
Total Revenues	<u>666,250</u>	<u>605,739</u>	<u>(60,511)</u>
Expenses:			
General and administrative	54,500	68,358	(13,858)
Electricity	28,500	27,519	981
Salary and benefits	319,160	327,949	(8,789)
Automobile	7,450	4,497	2,953
Chemicals	7,600	4,442	3,158
Equipment rent and repair	1,100	10,955	(9,855)
Contract services	40,000	12,705	27,295
Water testing	7,800	3,987	3,813
Tools and parts	51,500	4,993	46,507
Depreciation	125,000	146,041	(21,041)
Nonoperating expenses	<u>20,150</u>	<u>16,518</u>	<u>3,632</u>
Total Expenses	<u>662,760</u>	<u>627,964</u>	<u>34,796</u>
Income/(loss)	<u>\$ 3,490</u>	<u>(22,225)</u>	<u>(25,715)</u>