

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

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2023

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Basic Financial Statements

Year ended June 30, 2023

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MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Organization

Year ended June 30, 2023

The Board of Directors for the fiscal year ended June 30, 2023, 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
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, 2023, 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, 2023, 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.

Emphasis of Matter

The financial statements for the year ended June 30, 2023 reflect a prior period adjustment as described further in note 8 to the financial statements. Our opinion is not modified with respect to this matter.

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, 2022 and our report dated February 7, 2023 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, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *budgetary comparison schedule* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *budgetary comparison schedule* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the *introductory section* but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does 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 April 4, 2024 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.

DavisFarrLLP

Irvine, California
April 4, 2024

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

Year ended June 30, 2023

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, 2023. 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 \$66,844 ending the fiscal year June 30, 2023 with a balance of \$1,034,687. This is a decrease of 6.07% 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 fiscal years ending June 30, 2023 and 2022.

Table 1-1

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% of Change</u>
Assets:				
Current Assets	\$ 885,341	\$ 826,911	58,430	7.07%
Capital Assets	<u>1,345,236</u>	<u>1,465,081</u>	<u>(119,845)</u>	-8.18%
Total Assets	<u>2,230,577</u>	<u>2,291,992</u>	<u>(61,415)</u>	-2.68%
Deferred Outflows of Resources	<u>303,939</u>	<u>271,984</u>	<u>31,955</u>	11.75%
Liabilities:				
Current Liabilities	103,197	80,820	22,377	27.69%
Non-Current Liabilities	<u>1,048,685</u>	<u>1,013,351</u>	<u>35,334</u>	3.49%
Total Liabilities	<u>1,151,882</u>	<u>1,094,171</u>	<u>57,711</u>	5.27%
Deferred Inflows of Resources	<u>347,947</u>	<u>368,274</u>	<u>(20,327)</u>	-5.52%
Net Position:				
Net Investment in Capital Assets	1,051,857	1,152,702	(100,845)	-8.75%
Restricted	54,290	54,230	60	0.11%
Unrestricted	<u>(71,460)</u>	<u>(105,401)</u>	<u>33,941</u>	-32.20%
Total Net Position	<u>\$ 1,034,687</u>	<u>1,101,531</u>	<u>(66,844)</u>	-6.07%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management’s Discussion and Analysis

Year ended June 30, 2023

(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 \$58,430 from last year primarily as a result of increases to cash and inventory.
- Current liabilities increased by \$22,377 due to increases in customer deposits.
- Noncurrent liabilities increased by \$35,334 due to an increase in net pension liabilities, offset by the decrease in other post-employment benefits (OPEB).
- Deferred inflows of resources decreased by \$20,327 while deferred outflows increased by \$31,955 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 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>% of Change</u>
Revenues:				
Water sales	\$ 246,216	268,453	(22,237)	-8.28%
Ready to serve sales	292,751	290,663	2,088	0.72%
New meters	-	26,550	(26,550)	-100.00%
Late charges	11,975	13,293	(1,318)	-9.91%
Other revenue	<u>30,222</u>	<u>6,780</u>	<u>23,442</u>	345.75%
Total revenues	<u>581,164</u>	<u>605,739</u>	<u>(24,575)</u>	-4.06%
Expenses:				
General and administrative	71,986	68,358	3,628	5.31%
Salary and benefits	354,889	327,949	26,940	8.21%
Operations	53,052	41,579	11,473	27.59%
Depreciation	137,894	146,041	(8,147)	-5.58%
Electricity	32,618	27,519	5,099	18.53%
Interest expense	15,618	16,518	(900)	-5.45%
Total expenses	<u>666,057</u>	<u>627,964</u>	<u>38,093</u>	6.07%
Change in net position	(84,893)	(22,225)	(62,668)	281.97%
Net position, beginning of year, as restated (note 8)	<u>1,119,580</u>	<u>1,123,756</u>	<u>(4,176)</u>	-0.37%
Net position, end of year	<u>\$ 1,034,687</u>	<u>1,101,531</u>	<u>(66,844)</u>	-6.07%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2023

(Continued)

Revenues

Combined revenues for the fiscal year totaled \$581,164 compared to prior year's balance of \$605,739. This is a decrease of 4.06%. Table 1-2 presents a comparison of revenues by category for the two fiscal years 2022/23 and 2021/22. The District last increased water rates by 20% in January 2017. There were no water rate changes during Fiscal Year 2023.

Expenses

Combined expenses for the fiscal year totaled \$666,057 compared to a prior year of \$627,964. This is an increase of 6.07%. Table 1-2 presents a comparison of expenses by category for the two fiscal years 2022/23 and 2021/22.

Water Sales

Water sales totaled \$246,216, a decrease of 8.28% from the prior year. Ready-to-Serve sales totaled \$292,751, an increase of 0.72%. Weather plays a large role in customer water usage, making water sales difficult to forecast year to year.

Depreciation Expense

Depreciation and amortization expenses decreased by \$8,147 or 5.58% from the past fiscal year due to the prior period adjustment to correct fixed assets. See footnote 8 for further details.

Operating Expenses

Operating expenses increased by \$11,473 or 27.59% from the past fiscal year due to increases related to chemical purchases, tools, and parts.

Total Expenses

Total expenses were \$38,093 more than the past fiscal year due to increased Administrative, Salary, and Operations.

Capital Assets

Net of accumulated depreciation, the District reported capital assets of \$1,345,236 in the fiscal year 2022/23 compared to \$1,465,081 in the fiscal year 2021/22. A comparison of the change is provided below by major category. The net change of \$119,845 is due to depreciation expense during fiscal year 2023. 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, 2023

(Continued)

Capital Assets (Continued)

Capital Assets

	<u>2023</u>	<u>2022</u>
Capital Assets:		
Land	\$ 98,528	\$ 98,528
Water Rights	15,000	15,000
Buildings and Improvements	<u>3,929,376</u>	<u>3,911,013</u>
Total Capital Assets	4,042,904	4,024,541
Less Accumulated Depreciation & Amortization	<u>(2,697,668)</u>	<u>(2,559,460)</u>
Net Capital Assets	<u>\$ 1,345,236</u>	<u>1,465,081</u>

Long-term Debt

The District's total long-term debt outstanding at June 30, 2023 consisted of:

Long-term Debt

	<u>2023</u>	<u>2022</u>
Certificate of participation	\$ 293,379	312,379
Compensated absences	<u>18,067</u>	<u>24,785</u>
Total	<u>\$ 311,446</u>	<u>337,164</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, 2023

(with comparative information for prior year)

	<u>2023</u>	<u>2022</u>
Current assets:		
Unrestricted:		
Cash and investments (note 2)	\$ 630,689	573,387
Accounts receivable	107,189	119,136
Prepaid expenses	1,875	1,875
Inventory	52,038	45,523
Restricted cash and investments (note 2)	<u>93,550</u>	<u>86,990</u>
Total current assets	<u>885,341</u>	<u>826,911</u>
Noncurrent assets:		
Capital assets not being depreciated (note 3)	98,528	98,528
Capital assets being depreciated, net (note 3)	<u>1,246,708</u>	<u>1,366,553</u>
Total noncurrent assets	<u>1,345,236</u>	<u>1,465,081</u>
Total Assets	<u>2,230,577</u>	<u>2,291,992</u>
Deferred outflows of resources:		
Pension related (note 5)	101,197	31,483
OPEB related (note 6)	<u>202,742</u>	<u>240,501</u>
Total deferred outflows of resources	<u>303,939</u>	<u>271,984</u>
Current liabilities:		
Payroll liabilities	14,509	12,544
Customer deposits	39,260	32,760
Current portion of long-term liabilities (note 4)	38,067	31,174
Accrued interest payable	<u>4,342</u>	<u>4,342</u>
Total current liabilities	<u>96,178</u>	<u>80,820</u>
Noncurrent liabilities:		
Noncurrent portion of long-term liabilities (note 4)	273,379	305,990
Net pension liability (note 5)	229,597	89,531
Total OPEB liability (note 6)	<u>552,728</u>	<u>617,830</u>
Total noncurrent liabilities	<u>1,055,704</u>	<u>1,013,351</u>
Total Liabilities	<u>1,151,882</u>	<u>1,094,171</u>
Deferred inflows of resources:		
Pension related (note 5)	32,916	103,607
OPEB related (note 6)	<u>315,031</u>	<u>264,667</u>
Total deferred inflows of resources	<u>347,947</u>	<u>368,274</u>
Net position:		
Net investment in capital assets	1,051,857	1,152,702
Restricted for debt obligations	54,290	54,230
Unrestricted	<u>(71,460)</u>	<u>(105,401)</u>
Total Net Position	<u>\$ 1,034,687</u>	<u>1,101,531</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, 2023
(with comparative information for prior year)**

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water sales	\$ 246,216	268,453
Ready to serve sales	292,751	290,663
Meter sales	-	26,550
Late charges	11,975	13,293
Other revenue	<u>26,300</u>	<u>6,346</u>
Total Operating Revenues	<u>577,242</u>	<u>605,305</u>
Operating expenses:		
General and administrative:		
Insurance	18,639	14,847
Dues and fees	17,647	18,828
Legal and professional	20,371	16,562
Supplies	2,799	3,089
Telephone and radio	7,267	6,003
Postage	446	778
Bank charges	838	3,746
Other	3,979	4,505
Electricity	32,618	27,519
Payroll	225,222	187,680
Payroll taxes and benefits	103,522	89,997
Pension expense	3,124	3,124
OPEB expense	23,021	47,148
Automobile	7,709	4,497
Chemicals	4,948	4,442
Equipment rent and repair	11,589	10,955
Contract services	7,741	12,705
Water testing	6,928	3,987
Tools and parts	14,137	4,993
Depreciation	<u>137,894</u>	<u>146,041</u>
Total Operating Expenses	<u>650,439</u>	<u>611,446</u>
Operating income/(loss)	<u>(73,197)</u>	<u>(6,141)</u>
Nonoperating revenue (expenses):		
Interest income	3,922	434
Interest expense	<u>(15,618)</u>	<u>(16,518)</u>
Total Nonoperating Revenue (Expenses)	<u>(11,696)</u>	<u>(16,084)</u>
Change in net position	(84,893)	(22,225)
Net position, beginning of year, as restated (note 8)	<u>1,119,580</u>	<u>1,123,756</u>
Net position, end of year	<u>\$ 1,034,687</u>	<u>1,101,531</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Statement of Cash Flows

**Year ended June 30, 2023
(with comparative information for prior year)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers	\$ 595,689	635,749
Payments to employees	(323,349)	(291,478)
Payments to suppliers	<u>(177,782)</u>	<u>(132,192)</u>
Net cash provided by (used for) operating activities	<u>94,558</u>	<u>212,079</u>
Cash flows from capital and related financing activities:		
Principal paid on capital debt	(19,000)	(18,000)
Interest paid on capital debt	(15,618)	(16,518)
Purchases of capital assets	<u>-</u>	<u>(80,489)</u>
Net cash provided by (used for) capital and related financing activities	<u>(34,618)</u>	<u>(115,007)</u>
Cash flows from investing activities:		
Interest on investments	<u>3,922</u>	<u>434</u>
Net cash provided by (used for) investing activities	<u>3,922</u>	<u>434</u>
Net increased (decrease) in cash and cash equivalents	63,862	97,506
Cash and cash equivalents, beginning of year	<u>660,377</u>	<u>562,871</u>
Cash and cash equivalents, end of year	<u>\$ 724,239</u>	<u>660,377</u>
Reconciliation of cash to statement of net position		
Cash and investments	\$ 630,689	573,387
Restricted cash and investments	<u>93,550</u>	<u>86,990</u>
Cash and cash equivalents, end of year	<u>\$ 724,239</u>	<u>660,377</u>

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Statement of Cash Flows (Continued)

**Year ended June 30, 2023
(with comparative information for prior year)**

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (73,197)	(6,141)
Depreciation	137,894	146,041
Changes in assets, deferred outflow of resources, liabilities and deferred inflow of resources:		
(Increase)/decrease in accounts receivable	11,947	19,364
(Increase)/decrease in prepaid expenses	-	21,819
(Increase)/decrease in inventory	(6,515)	(9,561)
(Increase)/decrease in deferred outflows of resources - pension	(69,714)	4,934
(Increase)/decrease in deferred outflows of resources - OPEB	37,759	41,628
Increase/(decrease) in accounts payable and other liabilities	1,747	12,538
Increase/(decrease) in net pension liability	140,066	(102,018)
Increase/(decrease) in total OPEB liability	(65,102)	(214,479)
Increase/(decrease) in deferred inflows of resources - pension	(70,691)	77,955
Increase/(decrease) in deferred inflows of resources - OPEB	<u>50,364</u>	<u>219,999</u>
Net cash provided by operating activities	<u>\$ 94,558</u>	<u>212,079</u>

There were no noncash investing, capital and financing activities during the year ended June 30, 2023.

See accompanying notes to the basic financial statements.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(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, 2023

(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, 2023

(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, 2023

(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, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	June 30, 2021 to June 30, 2022

(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, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(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, 2023

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2023 is classified in the accompanying financial statements as follows:

Statement of Net Position:

Unrestricted:

Cash and cash equivalents \$ 630,689

Restricted:

Cash and investments in certificate of deposit 18,107

Customer deposits 38,933

Capital improvement reserve 36,510

93,550

Total cash and investments \$ 724,239

Cash and investments as of June 30, 2023 consisted of the following:

Cash on hand \$ 2,775

Deposits with financial institutions 721,464

Total cash \$ 724,239

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, 2023, the District's accounts exceeded the insured amount by \$480,525.

(3) Capital Assets

Changes in capital assets for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:				
Land and easements	\$ 98,528	-	-	<u>98,528</u>
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>3,911,013</u>	-	-	<u>3,911,013</u>
Total capital assets being depreciated	<u>3,926,013</u>	-	-	<u>3,926,013</u>
Less accumulated depreciation:				
Water rights	(11,667)	-	-	(11,667)
Building, improvements & equipment	<u>(2,547,793)</u>	<u>(146,041)</u>	-	<u>(2,693,834)</u>
Total accumulated depreciation	<u>(2,559,460)</u>	<u>(146,041)</u>	-	<u>(2,705,501)</u>
Total capital assets being depreciated, net	<u>1,366,553</u>	<u>(146,041)</u>	-	<u>1,220,512</u>
Capital assets, net	<u>\$ 1,465,081</u>	<u>(146,041)</u>	-	<u>1,319,040</u>

Depreciation expense of \$146,041 has been recorded for fiscal year 2023.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

(4) Long Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2023 was as follows:

	Balance			Balance	Due Within
	June 30, 2022	Additions	Deletions	June 30, 2023	One Year
Certificate of participation	\$ 312,379	-	(19,000)	293,379	20,000
Compensated absences	24,785	18,368	(25,086)	18,067	18,067
Total long-term liabilities	<u>\$ 337,164</u>	<u>18,368</u>	<u>(44,086)</u>	<u>311,446</u>	<u>38,067</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
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	24,000	10,369	34,369
2029 - 2033	142,000	32,295	174,295
2034 - 2035	41,379	2,488	43,867
	<u>\$ 293,379</u>	<u>97,628</u>	<u>391,007</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, 2023

(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, 2023 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	8.650%	7.590%

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Members covered by Benefit Terms

At June 30, 2021 (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	<u>4</u>	<u>-</u>	<u>4</u>
Total plan members	<u>5</u>	<u>2</u>	<u>7</u>

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, 2022 (the measurement date) the total pension liability was determined by rolling forward the June 30, 2021 total pension liability determined in the June 30, 2021 valuation. The June 30, 2022 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, 2023

(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	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

(5) Defined Benefit Pension Plan (Continued)

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 ^{1,2}
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management Study.

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, 2022 and 2023 was as follows:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2022	\$ 922,364	832,833	89,531
Balance at June 30, 2023	990,985	761,388	229,597
Net changes during 2022-23	\$ 68,621	(71,445)	140,066

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Proportion June 30, 2022	0.00472%
Proportion June 30, 2023	<u>0.00491%</u>
Change - Increase(Decrease)	<u>0.00019%</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 6.90 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 (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

Plan Type	Plan's Net Pension Liability (Asset)		
	Discount Rate - 1% Rate 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% Rate 7.90%
Miscellaneous Plan	\$ 364,686	229,597	118,452

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, 2023, the District recognized a pension expense of \$15,149 for the Plan.

As of June 30, 2023, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

(5) Defined Benefit Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 16,909	-
Adjustment due to differences in proportions	14,094	-
Differences between expected and actual experience	4,611	3,088
Differences between projected and actual earnings on pension plan investments	42,056	29,828
Changes of Assumptions	<u>23,527</u>	<u>-</u>
 Total	 <u>\$ 101,197</u>	 <u>32,916</u>

The \$16,909 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, 2024. 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 <u>June 30</u>	Deferred Outflows/(Inflows) of Resources
2024	\$ 8,275
2025	10,453
2026	6,920
2027	25,724
2028	<u>-</u>
Total	<u>\$ 51,372</u>

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

Net difference between projected and actual earnings

5-year straight-line amortization

All other amounts

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

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

(5) Defined Benefit Pension Plan (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

(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.

Plan Membership

At June 30, 2022 (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>

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

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

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, 2022 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:

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 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare - 5.65% for 2023, 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 3.54 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.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

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

Schedule of Changes in Total OPEB Liability (June 30, 2022 to June 30, 2023)

Total OPEB Liability - June 30, 2022	\$ 617,830
Total OPEB Liability	
Service Cost	51,572
Interest	14,285
Changes of assumptions	(114,853)
Benefit payments	<u>(16,106)</u>
Net Change in total OPEB Liability	<u>(65,102)</u>
Total OPEB Liability - June 30, 2023	<u>\$ 552,728</u>

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

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

	1% Decrease <u>2.54%</u>	Discount Rate <u>3.54%</u>	1% Increase <u>4.54%</u>
Total OPEB liability \$	632,707	552,728	486,893

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 \$	473,566	552,728	650,203

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(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 \$39,155 for the fiscal year ended June 30, 2023. As of fiscal year ended June 30, 2023, the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 70,389	109,210
Changes in assumptions or other inputs	118,380	205,821
Contributions subsequent to measurement date	<u>13,973</u>	<u>-</u>
 Total	 <u>\$ 202,742</u>	 <u>315,031</u>

The \$13,973 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (28,891)
2025	(28,891)
2026	(28,891)
2027	(28,891)
2028	(17,756)
Thereafter	<u>7,058</u>
 Total	 <u>\$ (126,262)</u>

(7) Insurance

The District is a member of the Association of California Water Agencies – Joint Powers Insurance Authority (JPIA), which provides coverage for general liability, property and casualty, and the worker's compensation. The self-insured retention level is \$10,000. As of June 30, 2023, in the opinion of the District's management, there were no material claims requiring accrual in the accompanying financial statements. Management has determined, based on modest self-insurance retention levels and favorable claims experience, that no self-insurance reserve is required.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2023

(Continued)

(8) Prior Period Adjustment

During the year ended June 30, 2023, the District determined that an adjustment to correct the fixed assets for the prior year ending June 30, 2022, balance of \$18,049 balance was necessary to reflect the correct amount recorded for 2022. As a result, the beginning net position balance was adjusted as noted below.

Net position at June 30, 2022	\$ 1,101,531
Adjustment to correct prior year fixed assets	<u>18,049</u>
Net position at June 30, 2022, as restated	<u><u>\$ 1,119,580</u></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	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Proportion of the collective net pension liability	0.00472%	0.00454%	0.00443%	0.00443%	0.00431%
Proportionate share of the collective net pension liability	\$ 229,597	89,531	191,549	177,239	162,303
Covered payroll	\$ 193,230	182,001	165,911	161,857	142,633
Proportionate share of the collective net pension liability as a percentage of covered payroll	118.82%	49.19%	115.45%	109.50%	113.79%
Plan fiduciary net position as a percentage of the total pension liability	78.19%	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 such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Changes in Assumptions: There were changes in 2022, but no changes in 2019, 2020 and 2021. In 2022, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience study and Review of Actuarial Assumptions. The accounting discount rate was reduced from 7.15 percent to 6.90 percent in 2022. 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	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 16,909	15,488	14,971	12,530	11,746
Contribution in relation to the actuarially determined contribution	16,909	15,488	14,971	12,530	11,746
Contribution deficiency (excess)	\$ -	-	-	-	-
District's covered payroll	\$ 213,346	193,230	182,001	165,911	161,857
Contributions as a percentage of covered payroll	7.93%	8.02%	8.23%	7.55%	7.26%
Fiscal year ended June 30	2018	2017	2016	2015	
Actuarially determined contribution	\$ 10,481	12,068	10,946	15,837	
Contribution in relation to the actuarially determined contribution	10,481	12,068	10,946	15,837	
Contribution deficiency (excess)	\$ -	-	-	-	
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, 2023 were from the June 30, 2020 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 November 2021 meeting, the CalPERS Board of Administration lowered the discount rate from 7.00 percent to 6.80 percent using a three-year phase-in beginning with the June 30, 2020 valuations. The minimum employer contributions for Fiscal Year 2021-22 determined in this valuation were calculated using a discount rate of 6.80 percent.

On November 17, 2021, the board adopted new actuarial assumptions based on the recommendations in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, morality rates, rates of salary increases, and inflation assumption for public agencies. These new assumptions are incorporated in the actuarial valuation and will impact the required contribution for FY 2023-24. In addition, the board adopted a new strategic asset allocation as part of its Asset Liability Management process. The new asset allocation along with the new capital market assumptions and economic assumptions support a discount rate of 6.80%. This includes a reduction in the price inflation assumption from 2.50% to 2.30%.

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

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

Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability						
Service cost	\$ 51,572	52,666	38,388	45,660	47,005	53,142
Interest on the Total OPEB liability	14,285	19,314	23,269	17,964	15,579	12,358
Difference between expected and actual experience	-	(152,038)	-	124,537	-	-
Changes in assumptions	(114,853)	(112,300)	153,844	34,465	(20,209)	(50,870)
Benefit payments	(16,106)	(22,121)	(19,256)	(10,177)	(13,847)	-
Net change in Total OPEB liability	(65,102)	(214,479)	196,245	212,449	28,528	14,630
Total OPEB liability - beginning	617,830	832,309	636,064	423,615	395,087	380,457
Total OPEB liability - ending	<u>\$ 552,728</u>	<u>617,830</u>	<u>832,309</u>	<u>636,064</u>	<u>423,615</u>	<u>395,087</u>
Covered-employee payroll	\$ 213,346	193,230	165,911	161,857	142,633	160,332
Total OPEB liability as a percentage of covered-employee payroll	259.08%	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 in Assumption: Discount rate changed from 2.16% in 2021 to 3.54% in 2022.

SUPPLEMENTARY INFORMATION

MAJESTIC PINES COMMUNITY SERVICES DISTRICT

Budgetary Comparison Schedule

Year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Revenues:			
Water sales	\$ 274,123	246,216	(27,907)
Ready to serve sales	294,000	292,751	(1,249)
Meter sales	24,000	-	(24,000)
Late charges	14,953	11,975	(2,978)
Other and Nonoperating revenue	<u>17,505</u>	<u>30,222</u>	<u>12,717</u>
Total Revenues	<u>624,581</u>	<u>581,164</u>	<u>(43,417)</u>
Expenses:			
General and administrative	77,389	71,986	5,403
Electricity	30,000	32,618	(2,618)
Salary and benefits	298,357	354,889	(56,532)
Automobile	6,250	7,709	(1,459)
Chemicals	4,775	4,948	(173)
Equipment rent and repair	1,450	11,589	(10,139)
Contract services	18,000	7,741	10,259
Water testing	5,466	6,928	(1,462)
Tools and parts	15,149	14,137	1,012
Depreciation	146,555	137,894	8,661
Nonoperating expenses	<u>21,190</u>	<u>15,618</u>	<u>5,572</u>
Total Expenses	<u>624,581</u>	<u>666,057</u>	<u>(41,476)</u>
Income/(loss)	<u>\$ -</u>	<u>(84,893)</u>	<u>(84,893)</u>