

SAN MIGUEL COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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FINANCIAL SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors of San Miguel Community Services District
San Miguel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the San Miguel Community Services District (District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of San Miguel Community Services District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 and 34, the schedule of changes in OPEB liability and related ratios on page 35, the schedule of OPEB contributions on page 36, the schedule of proportionate share of net pension liability on page 37, and the schedule of pension contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries of the basis 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, on our consideration of the San Miguel Community Services 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Renz & Haugheim LLP

Santa Maria, California
November 17, 2021

SAN MIGUEL COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,684,205	\$ 3,025,142	\$ 4,709,347
Accounts receivable, net	4,405	189,874	194,279
Capital assets:			
Non Depreciable:			
Land	76,926	301,889	378,815
Construction in progress	4,378	426,458	430,836
Depreciable:			
Buildings, structures, and improvements	499,610	8,822,294	9,321,904
Equipment	1,741,789	724,713	2,466,502
Accumulated depreciation	(1,529,230)	(4,010,947)	(5,540,177)
Total assets	<u>2,482,083</u>	<u>9,479,423</u>	<u>11,961,506</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	24,986	99,944	124,930
Deferred OPEB	7,388	32,462	39,850
Total deferred outflows of resources	<u>32,374</u>	<u>132,406</u>	<u>164,780</u>
LIABILITIES			
Accounts payable	20,687	104,048	124,735
Accrued liabilities	3,678	6,212	9,890
Accrued interest payable	12,443	20,778	33,221
Deposits	1,000	17,435	18,435
Noncurrent liabilities:			
Due within one year	36,746	70,374	107,120
Due in more than one year	458,405	1,560,793	2,019,198
Total liabilities	<u>532,959</u>	<u>1,779,640</u>	<u>2,312,599</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	629	2,516	3,145
Deferred OPEB	6,475	25,900	32,375
Total deferred inflows of resources	<u>7,104</u>	<u>28,416</u>	<u>35,520</u>
NET POSITION			
Net investment in capital assets	396,403	5,015,573	5,411,976
Restricted for:			
Fire and emergency services	1,002,051		1,002,051
Street lighting	661,194		661,194
Capital expansion		1,409,982	1,409,982
Capital project		201,234	201,234
Debt service		77,412	77,412
Unrestricted	(85,254)	1,099,572	1,014,318
Total net position	<u>\$ 1,974,394</u>	<u>\$ 7,803,773</u>	<u>\$ 9,778,167</u>

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Contributions and Grants</u>
Governmental activities:			
Public safety	\$ 522,526	\$ 19,451	\$ 203,415
Street lighting	53,448		
Depreciation (unallocated)	<u>95,154</u>		
Total governmental activities	<u>671,128</u>	<u>19,451</u>	<u>203,415</u>
Business-type activities:			
Water	973,966	963,413	
Wastewater treatment project	<u>663,420</u>	<u>1,126,866</u>	
Total business-type activities	<u>1,637,386</u>	<u>2,090,279</u>	
Total governmental	<u>\$ 2,308,514</u>	<u>\$ 2,109,730</u>	<u>\$ 203,415</u>

General Revenues:

- Taxes:
 - Property
 - Investment income
 - Other general revenues

Total general revenues

Change in net position

- Net position - beginning of fiscal year
- Prior period adjustment
- Net position - beginning of fiscal year restated
- Net position - end of fiscal year

The notes to basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Capital Contributions and Grants</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (299,660)	\$ -	\$ (299,660)
	(53,448)		(53,448)
	(95,154)		(95,154)
	(448,262)		(448,262)
727,240		716,687	716,687
662,701		1,126,147	1,126,147
1,389,941		1,842,834	1,842,834
\$ 1,389,941	(448,262)	1,842,834	1,394,572
	561,972	114,465	676,437
	2,763	2,388	5,151
	38,407	41,011	79,418
	603,142	157,864	761,006
	154,880	2,000,698	2,155,578
	1,948,590	5,673,999	7,622,589
	(129,076)	129,076	
	1,819,514	5,803,075	7,622,589
	\$ 1,974,394	\$ 7,803,773	\$ 9,778,167

SAN MIGUEL COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021

	<u>Fire Fund</u>	<u>Street Lighting Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 1,023,553	\$ 660,652	\$ 1,684,205
Accounts receivable	1,446	1,446	2,892
Interest receivable	757	756	1,513
Total assets	<u>\$ 1,025,756</u>	<u>\$ 662,854</u>	<u>\$ 1,688,610</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 19,198	\$ 1,489	\$ 20,687
Accrued liabilities	3,507	171	3,678
Deposits	1,000		1,000
Total liabilities	<u>23,705</u>	<u>1,660</u>	<u>25,365</u>
Fund Balances:			
Restricted:			
Fire and emergency services	1,002,051		1,002,051
Street lighting		661,194	661,194
Total fund balances	<u>1,002,051</u>	<u>661,194</u>	<u>1,663,245</u>
Total liabilities and fund balances	<u>\$ 1,025,756</u>	<u>\$ 662,854</u>	<u>\$ 1,688,610</u>

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balances - governmental funds \$ 1,663,245

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	2,322,703
Accumulated depreciation		<u>(1,529,230)</u>

Net 793,473

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	\$	7,861
Capital lease		397,070
Other post employment benefits obligation		45,916
Net pension liability		<u>44,304</u>

Total (495,151)

In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In government-wide statement of net position, it is recognized in the period that is incurred. (12,443)

Deferred outflows and inflows relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred inflows of resources relating to pensions	\$	(629)
Deferred inflows of resources relating to OPEB		(6,475)
Deferred outflows of resources relating to pensions		24,986
Deferred outflows of resources relating to OPEB		<u>7,388</u>

25,270

Total net position - governmental activities

\$ 1,974,394

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2021

	Fire Fund	Street Lighting Fund	Totals
Revenues:			
Property taxes	\$ 431,847	\$ 130,125	\$ 561,972
Service charges and fees	19,451		19,451
Mutual aid	203,415		203,415
Investment income	958	1,805	2,763
Miscellaneous income	26,648	11,759	38,407
	<u>682,319</u>	<u>143,689</u>	<u>826,008</u>
Total revenues			
Expenditures:			
Salaries and wages	301,585	11,762	313,347
Payroll taxes and benefits	27,668	3,392	31,060
Workers compensation	10,044	590	10,634
Maintenance and repairs	39,098	7,243	46,341
Miscellaneous	25,617	1,025	26,642
Office supplies and expense	1,996	271	2,267
Supplies	29,520	1,413	30,933
Professional services	40,159	4,172	44,331
Dues, permits, and fees	8,461	145	8,606
Communications	13,379	297	13,676
Employee travel and training	1,526	24	1,550
Utilities	2,858	21,381	24,239
Capital outlay	426,608	8,999	435,607
	<u>928,519</u>	<u>60,714</u>	<u>989,233</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>(246,200)</u>	<u>82,975</u>	<u>(163,225)</u>
Other financing sources:			
Proceeds from capital lease	<u>397,070</u>		<u>397,070</u>
Change in fund balances	150,870	82,975	233,845
Fund balances - July 1, 2020	<u>851,181</u>	<u>578,219</u>	<u>1,429,400</u>
Fund balances - June 30, 2021	<u>\$ 1,002,051</u>	<u>\$ 661,194</u>	<u>\$ 1,663,245</u>

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Total net change in fund balances - governmental funds	\$ 233,845
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$435,607 is greater than depreciation expense \$(95,154) in the period.	340,453
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amounts used by \$1,376.	(1,376)
In governmental funds, proceeds from capital lease are recognized as other financing sources. In the government-wide statements, proceeds from capital lease are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from capital lease was:	(397,070)
In governmental funds, interest in long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	(12,443)
In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the difference between accrual-basis postemployment benefit costs and actual employer contributions was:	(8,576)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	47
Changes in net position - governmental activities	<u>\$ 154,880</u>

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2021

	Wastewater Fund	Water Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 2,297,019	\$ 728,123	\$ 3,025,142
Accounts receivable, net	103,301	86,573	189,874
Due from other funds	44,669		44,669
Total current assets	<u>2,444,989</u>	<u>814,696</u>	<u>3,259,685</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,717,616	4,546,791	6,264,407
Total noncurrent assets	<u>1,717,616</u>	<u>4,546,791</u>	<u>6,264,407</u>
Total assets	<u>4,162,605</u>	<u>5,361,487</u>	<u>9,524,092</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	49,972	49,972	99,944
Deferred OPEB	16,231	16,231	32,462
Total deferred outflows of resources	<u>66,203</u>	<u>66,203</u>	<u>132,406</u>
LIABILITIES			
Current liabilities:			
Accounts payable	44,747	59,301	104,048
Accrued liabilities	2,882	3,330	6,212
Accrued interest payable		20,778	20,778
Deposits payable	7,960	9,475	17,435
Due to other funds		44,669	44,669
Compensated absences - current portion	2,273	4,117	6,390
Note payable - current portion		43,867	43,867
Bond payable - current portion		20,117	20,117
Total current liabilities	<u>57,862</u>	<u>205,654</u>	<u>263,516</u>
Noncurrent liabilities:			
Compensated absences	6,816	8,233	15,049
Note payable		139,725	139,725
OPEB payable	91,839	91,839	183,678
Bond payable		1,045,125	1,045,125
Net pension liability	<u>88,608</u>	<u>88,608</u>	<u>177,216</u>
Total noncurrent liabilities	<u>187,263</u>	<u>1,373,530</u>	<u>1,560,793</u>
Total liabilities	<u>245,125</u>	<u>1,579,184</u>	<u>1,824,309</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	1,258	1,258	2,516
Deferred OPEB	12,950	12,950	25,900
Total deferred inflows of resources	<u>14,208</u>	<u>14,208</u>	<u>28,416</u>
NET POSITION			
Net investment in capital assets	1,717,616	3,297,957	5,015,573
Restricted for debt service		77,412	77,412
Restricted for capital project		201,234	201,234
Restricted for capital expansion	491,642	918,340	1,409,982
Unrestricted (deficit)	1,760,217	(660,645)	1,099,572
Total net position	<u>\$ 3,969,475</u>	<u>\$ 3,834,298</u>	<u>\$ 7,803,773</u>

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2021

	Wastewater Fund	Water Fund	Totals
Operating Revenues:			
Utility	\$ 1,126,866	\$ 963,413	\$ 2,090,279
Total operating revenues	<u>1,126,866</u>	<u>963,413</u>	<u>2,090,279</u>
Operating Expenses:			
Salaries and wages	213,039	246,179	459,218
Payroll taxes and benefits	75,928	87,743	163,671
Contract labor	1,319	1,432	2,751
Workers compensation	8,812	6,744	15,556
Maintenance and repairs	56,676	90,398	147,074
Miscellaneous	13,407	21,498	34,905
Office supplies and expense	6,852	7,336	14,188
Supplies	15,550	32,119	47,669
Professional services	78,953	178,326	257,279
Dues, permits, and fees	30,242	8,314	38,556
Communications	5,767	4,029	9,796
Employee travel and training	24	481	505
Utilities	80,158	45,804	125,962
Bank fees	7	47	54
Depreciation	76,686	190,788	267,474
Total operating expenses	<u>663,420</u>	<u>921,238</u>	<u>1,584,658</u>
Operating profit (loss)	<u>463,446</u>	<u>42,175</u>	<u>505,621</u>
Non-Operating Revenues (Expenses):			
Property taxes and assessments	65,474	48,991	114,465
Investment income	1,443	945	2,388
Other non-operating revenue	20,996	20,015	41,011
Interest expense		(52,728)	(52,728)
Total non-operating revenues (expenses)	<u>87,913</u>	<u>17,223</u>	<u>105,136</u>
Capital Contributions:			
Intergovernmental revenues	331,997	394,388	726,385
Connection fees	330,704	332,852	663,556
Total capital contributions	<u>662,701</u>	<u>727,240</u>	<u>1,389,941</u>
Change in net position	1,214,060	786,638	2,000,698
Net position - July 1, 2020	2,755,415	2,918,584	5,673,999
Prior period adjustment		129,076	129,076
Net position - July 1, 2020 restated	<u>2,755,415</u>	<u>3,047,660</u>	<u>5,803,075</u>
Net position - June 30, 2021	<u>\$ 3,969,475</u>	<u>\$ 3,834,298</u>	<u>\$ 7,803,773</u>

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2021

	Wastewater Fund	Water Fund	Totals
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,104,495	\$ 957,081	\$ 2,061,576
Payments to suppliers	(334,526)	(451,627)	(786,153)
Payments to employees	(205,692)	(237,458)	(443,150)
Net cash provided by operating activities	<u>564,277</u>	<u>267,996</u>	<u>832,273</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(173,045)	(539,060)	(712,105)
Capital contributions	662,701	727,240	1,389,941
Principal paid on capital debt		(61,886)	(61,886)
Interest paid on capital debt		(53,392)	(53,392)
Net cash provided by capital and related financing activities	<u>489,656</u>	<u>72,902</u>	<u>562,558</u>
Cash Flows from Noncapital Financing Activities:			
Property taxes and assessments	65,474	48,991	114,465
Other revenue	20,996	20,015	41,011
Net cash provided by noncapital financing activities	<u>86,470</u>	<u>69,006</u>	<u>155,476</u>
Cash Flows From Investing Activities:			
Interest income	1,820	1,321	3,141
Net cash provided by investing activities	<u>1,820</u>	<u>1,321</u>	<u>3,141</u>
Net increase in cash and cash equivalents	1,142,223	411,225	1,553,448
Cash and cash equivalents - July 1, 2020	1,154,796	316,898	1,471,694
Cash and cash equivalents - June 30, 2021	<u>\$ 2,297,019</u>	<u>\$ 728,123</u>	<u>\$ 3,025,142</u>
Reconciliation to Statement of Net Position:			
Cash and investments	<u>\$ 2,297,019</u>	<u>\$ 728,123</u>	<u>\$ 3,025,142</u>

(Continued)

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2021

	Wastewater Fund	Water Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 463,446	\$ 42,175	\$ 505,621
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	76,686	190,788	267,474
Change in assets, liabilities, deferred inflows of resources, and deferred outflows of resources:			
Receivables, net	(22,140)	(6,713)	(28,853)
Deferred outflows- pension	(3,240)	(3,240)	(6,480)
Deferred outflows- OPEB	(9,484)	(9,484)	(18,968)
Accounts payable	39,169	32,644	71,813
Accrued liabilities	(6,654)	(8,637)	(15,291)
Deposits	(231)	381	150
Compensated absences	(2,806)	551	(2,255)
OPEB payable	27,899	27,899	55,798
Net pension liability	6,560	6,560	13,120
Deferred inflows- pension	(3,414)	(3,414)	(6,828)
Deferred inflows- OPEB	(1,514)	(1,514)	(3,028)
Net cash provided by operating activities	<u>\$ 564,277</u>	<u>\$ 267,996</u>	<u>\$ 832,273</u>

The notes to basic financial statements are an integral part of this statement.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The San Miguel Community Services District (District) is a multi-purpose special district established on February 1, 2000, by the consolidation of the San Miguel Fire Protection District, which was established in 1941, the Water Works District #1, and the San Miguel Lighting District. The San Miguel Sanitation District was dissolved in April 2001 and incorporated into the San Miguel Community Services District. The District is a political subdivision of the State of California and operates under a Board of Directors- Manager form of government. The District provides fire protection, street lighting, water, wastewater, solid waste, and general administrative services.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

B. Basis of Presentation

Fund Financial Statements:

The fund financial statements provide information about the District's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column.

Major Funds

The District reported the following major governmental funds in the accompanying financial statements:

Fire Fund - This fund accounts for activities of the Fire Station. The fire department provides fire suppression, emergency paramedic services, and fire prevention including public education.

Street Lighting Fund – The fund accounts for activities for the maintenance of the street lights in San Miguel.

The District reports the following major proprietary funds in the accompanying financial statements:

Water Fund - This fund accounts for the operation and maintenance of the District's water distribution system. The water department is responsible for the operation and maintenance of five groundwater supply wells providing treatment, monitoring, and distribution services.

Wastewater Fund – This fund accounts for the operation and maintenance of the District's wastewater system.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or non-current) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District defines available to be within 60 days of fiscal year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent that they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest, and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Proprietary funds distinguish 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 a proprietary fund’s principal revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Property Taxes

The County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution,” known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid). The County remits tax monies to the District every month and twice a month in December and April. The final amount which is “teetered” is remitted in August each year.

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

The District pools the cash of all funds, except for monies that are reserved for specific purposes. The cash and investments balance in each fund represents that fund's equity share of the District's cash and investment pool.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on month-end balances. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The District's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC) registered securities exchanges or NASDAQ dealers. The County Treasurer of San Luis Obispo County determines the fair value of their portfolio quarterly and reports a factor to the District. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the District has defined cash and cash equivalents to be change and petty cash funds, equity in the District's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

F. Accounts and Interest Receivable

In the government-wide statements, receivables consist of all revenues earned at fiscal year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities may include sales taxes, property taxes, grants, and other fees, if any. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds may include revenue accruals such as franchise tax, grants, service charges and other similar intergovernmental revenues that are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned and if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at fiscal year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables.

G. Prepaid Expenses

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

H. Restricted Assets

Funds that are under the control of external parties are restricted.

I. Capital Assets

The accounting treatment over property, plant, and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations. The presentation and recording of governmental assets are described below.

Government-Wide Statements

In the government-wide financial statements, capital assets with a historical cost of \$5,000 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, if any, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements other than buildings	5-25 years
Equipment and systems	5-30 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are capitalized when purchased.

J. Accumulated Compensated Absences

Compensated absences comprise unused vacation leave, sick leave, and compensatory time off, which are accrued as earned. Vacation can accrue no more than a maximum of two times their annual entitlement to vacation pay. Upon termination, all accumulated vacation hours can be paid for the regular employees. The District's liability for the current and long-term portions of compensated absences is shown in the government-wide Statement of Net Position for both governmental funds and proprietary funds. Only proprietary funds reflect the long-term portion in the fund financials report, the Statement of Net Position. The short-term portion is reflected for both governmental and proprietary funds in the fund financial statements. Computation was based on rates in effect as of the fiscal year-end.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing source, and the proprietary fund types report long-term debt and other long-term obligations as liabilities.

L. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category, refer to Note 9 and Note 10 for a detailed listing of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 9 and Note 10 for a detailed listing of the deferred inflows of resources the District has recognized.

M. Interfund Transactions

Following is a description of the three basic types of interfund transactions that can be made during the fiscal year and the related accounting policies:

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Transfers - all interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as transfers in and out.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Equity Classifications

Government-Wide Statements

GASB Statement No. 63 requires that the difference between assets and the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. *Restricted net position* is the portion of the net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. *Unrestricted net position* consists of net position that does not meet the definition of net investments in capital assets or restricted net position.

O. Fund Balances

Fund balance of the governmental fund is classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provision of this statement except for paragraphs 6-9 are effective for fiscal years beginning after December 15, 2019. Paragraph 6-9 is effective for fiscal years beginning after June 15, 2021.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CALPERS) (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 due and payable in accordance with the benefit terms. Investments are reported at fair value.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Use of Estimates

The financial statements have been prepared in accordance with principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from these amounts.

S. Other Postemployment Benefits (OPEB)

For the purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2021, the District had the following cash and investments on hand:

Cash in checking accounts	\$ 1,655,190
Cash in money market account	2,816,693
Cash and investments with County of San Luis Obispo	77,412
Investments	<u>160,052</u>
Total	<u>\$ 4,709,347</u>

Cash and investments listed above are presented on the accompanying basic financial statements, as follows:

Cash and investments	\$ 4,709,347
Total	<u>\$ 4,709,347</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2021:

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
Negotiable certificate of deposit	\$ 149,871	\$ 149,871	\$ -	\$ -
San Luis Obispo County Investment Pool	77,412		77,412	
Total investments measured at fair value	<u>227,283</u>	<u>\$ 149,871</u>	<u>\$ 77,412</u>	<u>\$ -</u>
<u>Investments measured at amortized cost</u>				
Money market funds	10,181			
Total Investments	<u>\$ 237,464</u>			

Investments of the District are governed by the California Government Code and by the District's investment policy. The General Manager of the District acts as the District Finance Officer and Treasurer who is tasked to perform investment functions in accordance with the investment policy. The objectives of the policy are safety, liquidity, yield, and compliance with State and Federal laws and regulations.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments of the District as of June 30, 2021

The table below identifies the investment types the District has that are authorized for the District by the California Government Code or the District's investment policy, where more restrictive, that addresses interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25-40%	None
Negotiable Certificates of Deposit	5 years	30%	5%
Non-negotiable Certificates of Deposit	5 years	\$250,000	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund	N/A	\$65 Million	None

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2021:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Negotiable certificates of deposit	\$ 149,871	\$ -	\$ -	\$ 149,871	\$ -
Money market funds	10,181	10,181			
San Luis Obispo County Investment Pool	77,412	77,412			
	<u>\$ 237,464</u>	<u>\$ 87,593</u>	<u>\$ -</u>	<u>\$ 149,871</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year ended June 30, 2021 for each investment type.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Fiscal Year End</u>			<u>Not Rated</u>
			<u>AAA</u>	<u>AA+</u>	<u>AA-</u>	
Negotiable certificates of deposit	\$ 149,871	N/A	\$ -	\$ -	\$ -	\$ 149,871
Money market funds	10,181	N/A				10,181
San Luis Obispo County Investment Pool	77,412	N/A				77,412
	<u>\$ 237,464</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,464</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

>5% issuer:

<u>Investment Type</u>	<u>Reported Amount</u>
Negotiable certificates of deposit *	\$ 149,871

*- The percentage did not adhere to the District's investment policy.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Deposits are insured up to \$250,000.

At June 30, 2021, none of the District's deposits with financial institutions in excess of Federal depository insurance limits were held in uncollateralized accounts.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due to Other Funds

Individual fund interfund receivable and payable balances at June 30, 2021, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Proprietary Funds:		
Wastewater Fund	\$ 44,669	\$ -
Water Fund	<u> </u>	<u>44,669</u>
Totals	<u>\$ 44,669</u>	<u>\$ 44,669</u>

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – CAPITAL ASSETS

Governmental activities:

	Balance at July 1, 2020	Additions	Deletions	Prior Period Adjustment	Balance at June 30, 2021
Capital assets not being depreciated					
Land	\$ 76,926	\$ -	\$ -	\$ -	\$ 76,926
Construction in progress	4,378				4,378
Total capital assets not being depreciated	<u>\$ 81,304</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 81,304</u>
Capital assets being depreciated					
Buildings, structures, and improvements	\$ 643,360	\$ -	\$ -	\$(143,750)	\$ 499,610
Equipment	1,306,182	435,607			1,741,789
Total capital assets being depreciated	<u>1,949,542</u>	<u>435,607</u>		<u>(143,750)</u>	<u>2,241,399</u>
Less accumulated depreciation	<u>1,448,750</u>	<u>95,154</u>		<u>(14,674)</u>	<u>1,529,230</u>
Total capital assets being depreciated, net	<u>\$ 500,792</u>	<u>\$ 340,453</u>	<u>\$ -</u>	<u>\$(129,076)</u>	<u>\$ 712,169</u>
Net capital assets	<u>\$ 582,096</u>	<u>\$ 340,453</u>	<u>\$ -</u>	<u>\$(129,076)</u>	<u>\$ 793,473</u>

Business-type activities:

	Balance at July 1, 2020	Additions	Deletions	Prior Period Adjustment	Balance at June 30, 2021
Capital assets not being depreciated					
Land	\$ 301,889	\$ -	\$ -	\$ -	\$ 301,889
Construction in progress	252,430	174,028			426,458
Total capital assets not being depreciated	<u>\$ 554,319</u>	<u>\$ 174,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728,347</u>
Capital assets being depreciated					
Building and improvements	\$ 8,167,463	\$ 511,081	\$ -	\$ 143,750	\$ 8,822,294
Plant and equipment	697,717	26,996			724,713
Total capital assets being depreciated	<u>8,865,180</u>	<u>538,077</u>		<u>143,750</u>	<u>9,547,007</u>
Less accumulated depreciation	<u>3,728,799</u>	<u>267,474</u>		<u>14,674</u>	<u>4,010,947</u>
Total capital assets being depreciated, net	<u>\$ 5,136,381</u>	<u>\$ 270,603</u>	<u>\$ -</u>	<u>\$ 129,076</u>	<u>\$ 5,536,060</u>
Net capital assets	<u>\$ 5,690,700</u>	<u>\$ 444,631</u>	<u>\$ -</u>	<u>\$ 129,076</u>	<u>\$ 6,264,407</u>

Governmental Activities:

Unallocated	\$ 95,154
Total governmental activities depreciation expense	<u>\$ 95,154</u>

Business-type Activities:

Water services	\$ 190,788
Wastewater services	76,686
Total business-type activities depreciation expense	<u>\$ 267,474</u>

**SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the fiscal year ended June 30, 2021:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Current Portion
Governmental Activities:					
Compensated Absences	\$ 6,485	\$ 7,615	\$ 6,239	\$ 7,861	\$ 2,538
Capital Lease		397,070		397,070	34,208
Other Post Employment Benefits Obligation	31,969	14,684	737	45,916	
Net Pension Liability	41,024	9,345	6,065	44,304	
Total Governmental Activities	\$ 79,478	\$ 428,714	\$ 13,041	\$ 495,151	\$ 36,746
Business-Type Activities:					
Compensated Absences	\$ 23,694	\$ 18,334	\$ 20,589	\$ 21,439	\$ 6,390
Notes Payable	226,204		42,612	183,592	43,867
Bonds Payable	1,084,516		19,274	1,065,242	20,117
Other Post Employment Benefits Obligation	127,880	58,742	2,944	183,678	
Net Pension Liability	164,096	61,323	48,203	177,216	
Total Business-Type Activities	\$ 1,626,390	\$ 138,399	\$ 133,622	\$ 1,631,167	\$ 70,374

NOTE 6 – NOTE PAYABLE

In October 1994, the District was issued a note payable from the State of California totaling \$969,969, payable in semiannual payments of \$24,486 with an interest rate of 2.955% due April 1, 2025. At June 30, 2021, the principal balance outstanding was \$183,592. The required note principal and interest payments are as follows:

For the Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 43,867	\$ 5,104	\$ 48,971
2023	45,173	3,798	48,971
2024	46,513	2,458	48,971
2025	48,039	1,067	49,106
Total	\$ 183,592	\$ 12,427	\$ 196,019

NOTE 7 – BONDS PAYABLE

2008 Certificate of Participation Bonds

United States Department of Agriculture Certificate of Participation Bonds were issued on August 1, 2008 totaling \$1,250,000, payable in semiannual payments, with an interest rate of 4.375%, due August 1, 2048. At June 30, 2021, the bonds principal balance outstanding was \$1,065,242. The required bond principal and interest payments are as shown on the following page:

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – BONDS PAYABLE (Continued)

2008 Certificate of Participation Bonds (Continued)

For the Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 20,117	\$ 46,164	\$ 66,281
2023	20,997	45,265	66,262
2024	21,916	44,326	66,242
2025	22,875	43,346	66,221
2026	23,875	42,324	66,199
2027-2031	135,989	194,643	330,632
2032-2036	168,456	161,466	329,922
2037-2041	208,675	120,368	329,043
2042-2046	258,495	69,457	327,952
2047-2049	183,847	12,294	196,141
Total	\$ 1,065,242	\$ 779,653	\$ 1,844,895

NOTE 8 – CAPITAL LEASE

In July 2020, the District entered into a capital lease with PNC Equipment Finance, LLC for a fire engine. Any time over the course of the lease, the District may exercise the purchase option based on the value of the fire engine. At the end of the lease agreement, the purchase option is \$1. In the event of default of the lease, the District must pay all lease payment for that fiscal year and the lessor may retake possession of the fire engine.

The future minimum payment obligation for the capital lease payable are shown below:

For the Fiscal Year Ending June 30	
2022	\$ 47,192
2023	47,192
2024	47,192
2025	47,192
2026	47,192
2027-2031	235,962
Total	471,922
Less: amount representing in interest	<u>74,852</u>
Present value of net minimum payments	<u>\$ 397,070</u>

NOTE 9 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – PENSION PLANS (Continued)

A. General Information about the Pension Plans (Continued)

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 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Pre-Retirement Option Settlement. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Classic Member Hired Prior to January 1, 2013	New Member Hired On or after January 1, 2013
Hire Date		
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.46% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%
Required employer contribution rates	14.508% + \$14,334	7.794% + \$4,670

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$62,323 for the Miscellaneous Plan for the fiscal year ended June 30, 2021.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net position liability was \$221,520. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2020, the District's proportion was 0.00525%, which increased by 0.00013% from June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$62,137. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 62,323	\$ -
Changes in assumptions		1,580
Differences between expected and actual experience	11,416	
Net difference between projected and actual earnings on retirement plan investments	6,581	
Adjustment due to differences in proportion	5,385	1,565
Changes in proportion and differences between District contributions and proportionate share of contributions	39,225	
	<u>\$ 124,930</u>	<u>\$ 3,145</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$62,323 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal year ending June 30,	Amount
2022	\$ 22,221
2023	22,721
2024	11,361
2025	3,159
	<u>\$ 59,462</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Mortality (1)	Derived using CalPERS' Membership Data for all Funds

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table please refer to the 2017 experience study report.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. 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 7.65 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits were calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

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

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

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

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 333,564
Current Discount Rate	7.15%
Net Pension Liability	\$ 221,520
1% Increase	8.15%
Net Pension Liability	\$ 128,941

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2021, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2021.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

Plan administration. The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

Benefits provided. Active employees are subject to 70% of the premium, up to a \$900 cap. The District joined PEMHCA in 2001 and is under the unequal method, where the District contributes up to a cap equal to 5% times the number of years the District in PEMHCA, times the active contribution cap. Survivor benefits are available. The District does not contribute dental, vision or life insurance premiums towards retirees.

Active employees hired before May 1, 2013 may retire at age 55 with 5 years of service. The employer paid benefit is equal to 70% of the premium, up to a \$900 cap. One active employee hired before May 1, 2013 has a special contract with the District providing paid benefit up to a cap of \$1,200 per month.

Active employees hired after May 1, 2013 may retire at age 62 with 10 years of service. The employer paid benefit is equal to 70% of the premium, up to a \$900 cap, with a vesting schedule ranging from 10 years of service at 50% to 20 years of service at 100% of benefit.

Employees Covered

As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active plan members	6
Inactive employees or beneficiaries currently receiving benefits	0
Total	<u>6</u>

The District currently finances benefits on a pay-as-you-go basis.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Net OPEB Liability

The District's Net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated July 1, 2019, standard actuarial update procedures were used to project/discount from the valuation date to the measurement date.

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

Salary increases	3.00%
Inflation rate	3.00%
Medical cost trend rate	5.90% for 2020 and decreasing 0.10 percent each year to an ultimate rate of 5.00 percent for 2029 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 2.45 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long Term Expected Return of Plan Investments	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2020	June 30, 2019	4.00%	3.13%	3.13%
June 30, 2021	June 30, 2020	4.00%	2.45%	2.45%

Change of assumptions. For the June 30, 2020 measurement date, the discount rate was decreased from 3.13% to 2.45%.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	
(Valuation Date July 1, 2019)	\$ 159,849
Changes recognized for the measurement period:	
Service cost	40,592
Interest	6,217
Changes of assumptions	26,617
Benefit payments	(3,681)
Net Changes	69,745
Balance at June 30, 2021	
(Measurement Date June 30, 2020)	\$ 229,594

Sensitivity of the OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current discount rate:

	1% Decrease 1.45%	Current Rate 2.45%	1% Increase 3.45%
OPEB Liability	\$ 276,678	\$ 229,594	\$ 191,721

Sensitivity of the OPEB liability to changes in the healthcare trend rates. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (4.90%)	Healthcare Cost Trend Rate (5.90%)	1% Increase (6.90%)
OPEB Liability	\$ 202,260	\$ 229,594	\$ 250,567

SAN MIGUEL COMMUNITY SERVICES DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$28,386. As of the fiscal year ended June 30, 2021, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 2,910	\$ -
Difference between expected and actual experience		24,546
Change in assumptions	36,940	7,829
	<u>\$ 39,850</u>	<u>\$ 32,375</u>

The \$2,910 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expenses as follows:

Fiscal year Ending June 30,	<u>Amount</u>
2022	\$ (278)
2023	(278)
2024	(278)
2025	(278)
2026	(278)
Afterwards	5,955
	<u>\$ 4,565</u>

NOTE 11 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

<u>Fund</u>	<u>Excess Expenditures</u>
Fire Fund	
Professional services	\$ 16,813
Capital outlay	\$ 426,608

NOTE 12 – CONTINGENCIES AND COMMITMENTS

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment of \$(129,076) in governmental activities and \$129,076 in the water fund to reclass capital assets to the proper fund.

SUPPLEMENTARY INFORMATION

SAN MIGUEL COMMUNITY SERVICES DISTRICT
FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 417,997	\$ 417,997	\$ 431,847	\$ 13,850
Service charges and fees	11,100	11,100	19,451	8,351
Mutual aid			203,415	203,415
Investment income			958	958
Miscellaneous income	20,000	20,000	26,648	6,648
Total revenues	449,097	449,097	682,319	233,222
Expenditures:				
Salaries and wages	198,180	307,332	301,585	5,747
Payroll taxes and benefits	33,278	34,854	27,668	7,186
Workers compensation	7,260	10,435	10,044	391
Maintenance and repairs	45,479	70,479	39,098	31,381
Miscellaneous	26,600	35,609	25,617	9,992
Office supplies and expense	6,375	4,375	1,996	2,379
Supplies	74,171	63,871	29,520	34,351
Professional services	17,800	23,346	40,159	(16,813)
Dues, permits, and fees	11,492	9,792	8,461	1,331
Communications	20,936	19,486	13,379	6,107
Employee travel and training	4,000	2,000	1,526	474
Utilities	2,220	5,255	2,858	2,397
Capital outlay			426,608	(426,608)
Total expenditures	447,791	586,834	928,519	(341,685)
Excess of revenues over (under) expenditures	1,306	(137,737)	(246,200)	(108,463)
Other Financing Sources (Uses):				
Proceed from capital lease			397,070	397,070
Total other financing sources (uses)			397,070	397,070
Change in fund balance	1,306	(137,737)	150,870	288,607
Fund balance - July 1, 2020	851,181	851,181	851,181	
Fund balance - June 30, 2021	\$ 852,487	\$ 713,444	\$ 1,002,051	\$ 288,607

SAN MIGUEL COMMUNITY SERVICES DISTRICT
STREET LIGHTING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 124,439	\$ 124,439	\$ 130,125	\$ 5,686
Investment income			1,805	1,805
Miscellaneous income			11,759	11,759
Total revenues	124,439	124,439	143,689	19,250
Expenditures:				
Salaries and wages	13,149	13,149	11,762	1,387
Payroll taxes and benefits	3,252	3,944	3,392	552
Workers compensation	100	400	590	(190)
Maintenance and repairs	14,570	15,140	7,243	7,897
Miscellaneous	1,000	1,390	1,025	365
Office supplies and expense	518	568	271	297
Supplies	1,800	1,800	1,413	387
Professional services	30,408	17,408	4,172	13,236
Dues, permits, and fees	182	182	145	37
Communications	1,423	1,423	297	1,126
Employee travel and training	1,000	1,000	24	976
Utilities	100	24,344	21,381	2,963
Capital outlay		10,799	8,999	1,800
Total expenditures	67,502	91,547	60,714	30,833
Excess of revenues over (under) expenditures	56,937	32,892	82,975	50,083
Fund balance - July 1, 2020	578,219	578,219	578,219	
Fund balance - June 30, 2021	\$ 635,156	\$ 611,111	\$ 661,194	\$ 50,083

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS
Last 10 Years*
As of June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 40,592	\$ 36,290	\$ 13,857	\$ 13,453
Interest on the total OPEB liability	6,217	6,132	4,091	3,674
Actual and expected experience difference		(29,504)	(11,745)	
Changes in assumptions	26,617	15,099		
Benefit payments	(3,681)	(2,525)	(5,049)	(2,562)
Net change in total OPEB Liability	<u>69,745</u>	<u>25,492</u>	<u>1,154</u>	<u>14,565</u>
Total OPEB liability - beginning	159,849	134,357	133,203	118,638
Total OPEB liability - ending	<u>\$ 229,594</u>	<u>\$ 159,849</u>	<u>\$ 134,357</u>	<u>\$ 133,203</u>
Covered payroll:	\$ 346,086	\$ 354,500	\$ 375,473	\$ 344,324
Total OPEB Liability as a percentage of covered payroll:	66.34%	45.09%	35.78%	38.69%

*- Fiscal year 2018 was the 1st year of implementation, therefore only four years are shown.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years*
As of June 30, 2021

The District's contribution for the fiscal year ended June 30, 2021 was \$2,910. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2021, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2020 was \$2,438. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2019 was \$1,588. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2019, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

The District's contribution for the fiscal year ended June 30, 2018 was \$3,904. The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implementation, therefore only four years are shown.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Last 10 Years*
 As of June 30, 2021

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability	0.00204%	0.00200%	0.00196%	0.00191%
Proportionate share of the net pension liability	\$ 221,520	\$ 205,120	\$ 188,568	\$ 189,718
Covered payroll	\$ 500,343	\$ 354,500	\$ 274,239	\$ 190,663
Proportionate share of the net pension liability as percentage of covered payroll	44.3%	57.9%	68.8%	99.5%
Plan's total pension liability	\$ 43,702,930,887	\$ 41,426,453,489	\$ 38,944,855,364	\$ 37,161,348,332
Plan's fiduciary net position	\$ 32,822,501,335	\$ 31,179,414,067	\$ 29,308,589,559	\$ 27,244,095,376
Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Proportion of the net pension liability	0.00200%	0.00211%	0.00201%	
Proportionate share of the net pension liability	\$ 173,264	\$ 145,045	\$ 125,163	
Covered payroll	\$ 140,038	\$ 174,026	\$ 205,120	
Proportionate share of the net pension liability as percentage of covered payroll	123.7%	83.3%	61.0%	
Plan's total pension liability	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631	
Plan's fiduciary net position	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515	
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%	

Notes to Schedule:

Changes in assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected ages of general employees.

*- Fiscal year 2015 was the 1st year of implementation, thus only seven years are shown.

SAN MIGUEL COMMUNITY SERVICES DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2021

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 62,323	\$ 54,268	\$ 58,116	\$ 28,201
Contribution in relation to the actuarially determined contributions	62,323	54,268	58,116	28,201
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 510,668	\$ 500,343	\$ 354,500	\$ 274,239
Contributions as a percentage of covered payroll	12.20%	10.85%	16.39%	10.28%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contribution (actuarially determined)	\$ 22,800	\$ 19,438	\$ 26,154	
Contribution in relation to the actuarially determined contributions	22,800	19,438	26,154	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 190,663	\$ 140,038	\$ 174,026	
Contributions as a percentage of covered payroll	11.96%	13.88%	15.03%	

Notes to Schedule

Valuation Date:	6/30/2014			
Actuarial cost method	Entry Age Normal			
Asset valuation method	5-year smoothed market			
Amortization method	The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll.			
Discount rate	7.50%			
Amortization growth rate	3.75%			
Price inflation	3.25%			
Salary increases	3.75% plus merit component based on employee classification and years of service			
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.			
Valuation Date:	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate:	7.000%	7.250%	7.375%	7.65%
Inflation:	2.500%	2.625%		

*- Fiscal year 2015 was the 1st year of implementation, thus only seven years are shown.