

**STALLION SPRINGS COMMUNITY SERVICES
DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2021**

NIGRO & NIGRO^{PC}

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

For the Fiscal Year Ended June 30, 2021

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Stallion Springs Community Services District
Stallion Springs, 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 Stallion Springs Community Services 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

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 Stallion Springs Community Services District, as of June 30, 2021, and the respective changes in financial position 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 management's discussion and analysis information, budgetary comparison information, schedule of proportionate share of the net pension liability, and schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Murrieta, California
December 15, 2021

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

Management's Discussion and Analysis (MD&A) offers readers of Stallion Springs Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased 4.4%, or \$419,623 from the prior year's net position of \$9,538,602 to \$9,958,225, as a result of this year's operations.
- Total revenues from all sources increased by 13.55%, or \$498,879 from \$3,680,564 to \$4,179,443 from the prior year, primarily due to an increase in program revenues of \$548,035.
- Total expenses for the District's operations before depreciation expense increased by 1.90% or \$51,514 from \$2,715,351 to \$2,766,865, from the prior year.

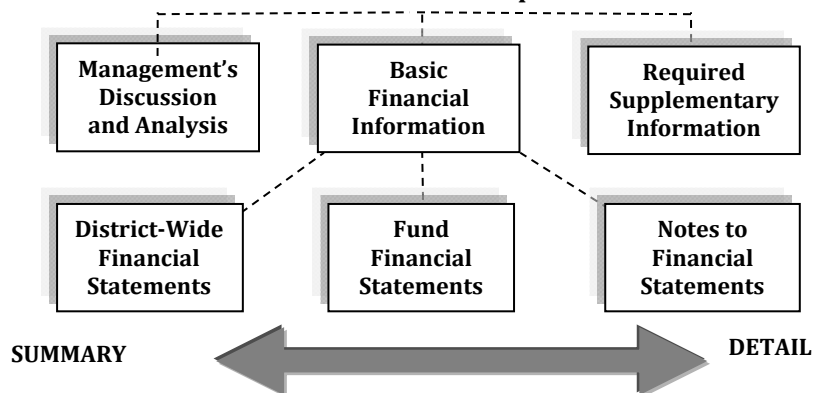
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.

Figure A-1. Organization of Stallion Springs Community Services District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Fund	Proprietary Funds
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services	Activities of the District that operate like a business, such as self-insurance funds
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers compensation claims, health and welfare benefits, and property and liability claims.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
ASSETS:						
Current assets	\$ 2,834,006	\$ 2,353,650	\$ 2,337,986	\$ 1,902,545	\$ 5,171,992	\$ 4,256,195
Capital assets, net	3,981,838	4,296,948	6,077,659	5,798,392	10,059,497	10,095,340
Total assets	6,815,844	6,650,598	8,415,645	7,700,937	15,231,489	14,351,535
DEFERRED OUTFLOWS OF RESOURCES	262,363	235,533	104,753	101,998	367,116	337,531
LIABILITIES:						
Current liabilities	302,853	259,853	473,792	394,660	776,645	654,513
Non-current liabilities	1,872,288	1,905,067	2,925,563	2,501,783	4,797,851	4,406,850
Total liabilities	2,175,141	2,164,920	3,399,355	2,896,443	5,574,496	5,061,363
DEFERRED INFLOWS OF RESOURCES	48,176	57,179	17,708	31,922	65,884	89,101
NET POSITION						
Net investment in capital assets	2,875,411	3,054,472	3,231,321	3,467,682	6,106,732	6,522,154
Unrestricted	1,979,479	1,609,560	1,872,014	1,406,888	3,851,493	3,016,448
Total net position	\$ 4,854,890	\$ 4,664,032	\$ 5,103,335	\$ 4,874,570	\$ 9,958,225	\$ 9,538,602

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$9,958,225 as of June 30, 2021.

By far the largest portion of the District's net position (61% as of June 30, 2021) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal year 2021, the District shows a positive balance in its unrestricted net position of \$3,851,493 that may be utilized in future years.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
REVENUES:						
Program revenues	\$ 1,006,130	\$ 761,910	\$ 2,237,951	\$ 1,934,136	\$ 3,244,081	\$ 2,696,046
General revenues	935,385	922,320	(23)	62,198	935,362	984,518
Total revenues	1,941,515	1,684,230	2,237,928	1,996,334	4,179,443	3,680,564
EXPENSES:						
Operations	1,304,553	1,252,374	1,462,312	1,462,977	2,766,865	2,715,351
Depreciation expense	399,950	444,048	466,179	460,287	866,129	904,335
Interest expense	46,154	51,087	80,672	124,017	126,826	175,104
Total expenses	1,750,657	1,747,509	2,009,163	2,047,281	3,759,820	3,794,790
Change in net position	190,858	(63,279)	228,765	(50,947)	419,623	(114,226)
NET POSITION:						
Beginning of year	4,664,032	4,727,311	4,874,570	4,925,517	9,538,602	9,652,828
End of year	\$ 4,854,890	\$ 4,664,032	\$ 5,103,335	\$ 4,874,570	\$ 9,958,225	\$ 9,538,602

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased by \$419,623 during the fiscal year ended June 30, 2021.

Total revenues from all sources increased by 13.55%, or \$498,879 from \$3,680,564 to \$4,179,443, from the prior year, primarily due to an increase in program revenues of \$548,035.

Total expenses for the District's operations before depreciation expense increased by 1.90% or \$51,514 from \$2,715,351 to \$2,715,351 from the prior year.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2021, the District reported a total fund balance in its governmental funds of \$2,716,331. An amount of \$1,934,298 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District's governmental funds at year-end were \$174,237 less than actual. Actual revenues were greater than the anticipated budget by \$352,901.

CAPITAL ASSET ADMINISTRATION

Table A-3: Capital Assets at Year End, Net of Depreciation

	<u>Balance July 1, 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2021</u>
Non-depreciable capital assets	\$ 974,161	\$ -	\$ (92,504)	\$ 881,657
Depreciable capital assets	<u>23,828,496</u>	<u>830,287</u>	<u>92,504</u>	<u>24,751,287</u>
Total capital assets	24,802,657	830,287	-	25,632,944
Accumulated depreciation	<u>(14,707,317)</u>	<u>(866,130)</u>	<u>-</u>	<u>(15,573,447)</u>
Total capital assets, net	<u>\$ 10,095,340</u>	<u>\$ (35,843)</u>	<u>\$ -</u>	<u>\$ 10,059,497</u>

At the end of fiscal year 2021, the District's investment in capital assets amounted to \$10,059,497 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various ongoing road improvements, equipment, and upgraded AMI meters totaling \$830,287.

See Note 3 for further information on the District's capital assets.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSET ADMINISTRATION (continued)

Table A-4: Long-term Debt and Debt Service

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>
Notes payable	<u>\$ 3,573,186</u>	<u>\$ 701,500</u>	<u>\$ (321,921)</u>	<u>\$ 3,952,765</u>

In 2021, the District entered into a \$701,500 loan for the AMI meter project.

See Note 5 for further information on the District's long-term debt.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at (661) 822-3268.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (note 2)	\$ 2,832,495	\$ 2,114,395	\$ 4,946,890
Accounts receivable – services	1,495	223,591	225,086
Property taxes and assessments receivable	16	-	16
Total current assets	2,834,006	2,337,986	5,171,992
Non-current assets:			
Capital assets – not being depreciated (note 3)	73,657	808,000	881,657
Capital assets – being depreciated, net (note 3)	3,908,181	5,269,659	9,177,840
Total non-current assets	3,981,838	6,077,659	10,059,497
Total assets	6,815,844	8,415,645	15,231,489
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows of resources (Note 6)	262,363	104,753	367,116
Total deferred outflows of resources	262,363	104,753	367,116
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	117,675	98,787	216,462
Accrued interest payable	3,573	32,560	36,133
Compensated absences (note 4)	40,454	20,980	61,434
Notes payable (note 5)	141,151	321,465	462,616
Total current liabilities	302,853	473,792	776,645
Non-current liabilities:			
Compensated absences (note 4)	75,128	38,965	114,093
Notes payable (note 5)	965,276	2,524,873	3,490,149
Net pension liability (note 6)	831,884	361,725	1,193,609
Total non-current liabilities	1,872,288	2,925,563	4,797,851
Total liabilities	2,175,141	3,399,355	5,574,496
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows of resources (Note 6)	48,176	17,708	65,884
Total deferred inflows of resources	48,176	17,708	65,884
NET POSITION			
Net investment in capital assets (note 7)	2,875,411	3,231,321	6,106,732
Unrestricted	1,979,479	1,872,014	3,851,493
Total net position	\$ 4,854,890	\$ 5,103,335	\$ 9,958,225

STALLION SPRINGS COMMUNITY SERVICES DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2021*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital and Operating Grants</u>
Primary government:			
Governmental activities:			
General government	\$ 204,641	\$ 56,834	\$ -
Parks and recreation	329,300	62,204	-
Public safety	735,981	378,795	156,727
Roads	480,735	351,570	-
Total governmental activities	<u>1,750,657</u>	<u>849,403</u>	<u>156,727</u>
Business-type activities:			
Water	1,522,654	1,373,732	245,472
Sewer	295,529	375,167	56,315
Solid waste	190,980	187,265	-
Total business-type activities	<u>2,009,163</u>	<u>1,936,164</u>	<u>301,787</u>
Total primary government	<u>\$ 3,759,820</u>	<u>\$ 2,785,567</u>	<u>\$ 458,514</u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Activities (continued)

For the Fiscal Year Ended June 30, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (147,807)	\$ -	\$ (147,807)
Parks and recreation	(267,096)	-	(267,096)
Public safety	(200,459)	-	(200,459)
Roads	(129,165)	-	(129,165)
Total governmental activities	(744,527)	-	(744,527)
Business-type activities:			
Water	-	96,550	96,550
Sewer	-	135,953	135,953
Solid waste	-	(3,715)	(3,715)
Total business-type activities	-	228,788	228,788
Total primary government	(744,527)	228,788	(515,739)
General revenues:			
Property taxes	935,088	-	935,088
Investment earnings	297	(23)	274
Total general revenues	935,385	(23)	935,362
Change in net position	190,858	228,765	419,623
Net position:			
Beginning of year	4,664,032	4,874,570	9,538,602
End of year	\$ 4,854,890	\$ 5,103,335	\$ 9,958,225

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Balance Sheet – Governmental Funds

June 30, 2021

<u>Assets</u>	<u>General Government</u>	<u>Parks and Recreation</u>	<u>Public Safety</u>	<u>Roads</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and investments	\$ 1,806,870	\$ 343,069	\$ 282,281	\$ 400,275	\$ 2,832,495
Accounts receivable – services	1,495	-	-	-	1,495
Property taxes and assessments receivable	-	-	-	16	16
Total assets	\$ 1,808,365	\$ 343,069	\$ 282,281	\$ 400,291	\$ 2,834,006
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 19,474	\$ 72,054	\$ 25,553	\$ 594	\$ 117,675
Total liabilities	19,474	72,054	25,553	594	117,675
Fund balance: (note 8)					
Committed	45,806	4,261	65,515	399,697	515,279
Assigned	-	266,754	-	-	266,754
Unassigned	1,743,085	-	191,213	-	1,934,298
Total fund balance	1,788,891	271,015	256,728	399,697	2,716,331
Total liabilities and fund balance	\$ 1,808,365	\$ 343,069	\$ 282,281	\$ 400,291	\$ 2,834,006

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

Total Fund Balances - Total Governmental Funds	\$ 2,716,331
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	3,981,838
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	262,363
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(3,573)
Compensated absences	(115,582)
Notes payable	(1,106,427)
Net pension liability	(831,884)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(48,176)
Total adjustments	<u>2,138,559</u>
Net Position of Governmental Activities	<u>\$ 4,854,890</u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021*

	<u>General Government</u>	<u>Parks and Recreation</u>	<u>Public Safety</u>	<u>Roads</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Property taxes	\$ 260,088	\$ 275,000	\$ 400,000	\$ -	\$ 935,088
Special assessments	1,335	-	121,638	339,863	462,836
Charges for services	55,499	62,204	257,157	11,707	386,567
Federal and state aid	-	-	156,727	-	156,727
Investment earnings	479	(3,212)	4,647	(1,617)	297
Total revenues	<u>317,401</u>	<u>333,992</u>	<u>940,169</u>	<u>349,953</u>	<u>1,941,515</u>
Expenditures:					
Current:					
Salaries and benefits	119,867	131,595	552,314	103,861	907,637
Materials and services	10,302	136,582	105,608	64,962	317,454
Capital outlay	-	-	50,091	34,750	84,841
Debt service:					
Principal	-	-	-	136,049	136,049
Interest	-	-	-	46,593	46,593
Total expenditures	<u>130,169</u>	<u>268,177</u>	<u>708,013</u>	<u>386,215</u>	<u>1,492,574</u>
Change in fund balance	<u>187,232</u>	<u>65,815</u>	<u>232,156</u>	<u>(36,262)</u>	<u>448,941</u>
Fund balances:					
Beginning of year	<u>1,601,659</u>	<u>205,200</u>	<u>24,572</u>	<u>435,959</u>	<u>2,267,390</u>
End of year	<u>\$ 1,788,891</u>	<u>\$ 271,015</u>	<u>\$ 256,728</u>	<u>\$ 399,697</u>	<u>\$ 2,716,331</u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities*

For the Fiscal Year Ended June 30, 2021

Net Changes in Fund Balance – Total Governmental Funds	<u>\$ 448,941</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Change in accrued interest payable	439
Change in compensated absences	(19,776)
Change in net pension expense	(59,686)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	84,841
Depreciation expense	(399,950)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the	<u>136,049</u>
Total adjustments	<u>(258,083)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 190,858</u></u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Balance Sheets – Proprietary Funds

June 30, 2021

<u>ASSETS</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 1,336,475	\$ 486,868	\$ 291,052	\$ 2,114,395
Accounts receivable – services	157,251	44,900	21,440	223,591
Total current assets	1,493,726	531,768	312,492	2,337,986
Non-current assets:				
Capital assets – not being depreciated	808,000	-	-	808,000
Capital assets – being depreciated, net	4,406,122	702,626	160,911	5,269,659
Total non-current assets	5,214,122	702,626	160,911	6,077,659
Total assets	6,707,848	1,234,394	473,403	8,415,645
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension related deferred outflows of resources	81,898	22,855	-	104,753
Total deferred outflows of resources	81,898	22,855	-	104,753
Total assets and deferred outflows of resources	\$ 6,789,746	\$ 1,257,249	\$ 473,403	\$ 8,520,398
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 76,821	\$ 12,951	\$ 9,015	\$ 98,787
Accrued interest payable	26,041	6,519	-	32,560
Compensated absences	14,669	6,312	-	20,981
Notes payable	310,413	11,052	-	321,465
Total current liabilities	427,944	36,834	9,015	473,793
Non-current liabilities:				
Compensated absences	27,242	11,722	-	38,964
Notes payable	2,047,011	477,862	-	2,524,873
Net pension liability	282,803	78,922	-	361,725
Total non-current liabilities	2,357,056	568,506	-	2,925,562
Total liabilities	2,785,000	605,340	9,015	3,399,355
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension related deferred inflows of resources	13,844	3,864	-	17,708
Total deferred inflows of resources	13,844	3,864	-	17,708
<u>NET POSITION</u>				
Net investment in capital assets	2,856,698	213,712	160,911	3,231,321
Unrestricted	1,134,204	434,333	303,477	1,872,014
Total net position	3,990,902	648,045	464,388	5,103,335
Total liabilities, deferred inflows of resources and net position	\$ 6,789,746	\$ 1,257,249	\$ 473,403	\$ 8,520,398

STALLION SPRINGS COMMUNITY SERVICES DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2021*

	Water Operations	Sewer Operations	Solid Waste Operations	Total
Operating revenues:				
Water consumption sales	\$ 1,102,620	\$ -	\$ -	\$ 1,102,620
Sewer service charges	-	363,073	-	363,073
Solid waste collection charges	-	-	187,265	187,265
Special assessments	87,669	9,209	-	96,878
Other charges for services	183,443	2,885	-	186,328
Total operating revenues	1,373,732	375,167	187,265	1,936,164
Operating expenses:				
Operations	1,054,044	240,723	167,545	1,462,312
Total operating expenses	1,054,044	240,723	167,545	1,462,312
Operating income before depreciation	319,688	134,444	19,720	473,852
Depreciation expense	(403,612)	(39,132)	(23,435)	(466,179)
Operating income(loss)	(83,924)	95,312	(3,715)	7,673
Non-operating revenue(expense):				
Investment earnings	2,920	1,224	(4,167)	(23)
Interest expense	(64,998)	(15,674)	-	(80,672)
Total non-operating, net	(62,078)	(14,450)	(4,167)	(80,695)
Capital contributions:				
Connection fees	245,472	56,315	-	301,787
Total capital contributions	245,472	56,315	-	301,787
Change in net position	99,470	137,177	(7,882)	228,765
Net position:				
Beginning of year	3,891,432	510,868	472,270	4,874,570
End of year	<u>\$ 3,990,902</u>	<u>\$ 648,045</u>	<u>\$ 464,388</u>	<u>\$ 5,103,335</u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Cash Flows – Proprietary Fund For the Fiscal Year Ended June 30, 2021

	Water Operations	Sewer Operations	Solid Waste Operations	Total
Cash flows from operating activities:				
Cash receipts from customers and others	\$ 1,412,056	\$ 379,079	\$ 191,799	\$ 1,982,934
Cash paid to employees for salaries and benefits	(483,532)	(68,569)	(13,604)	(565,705)
Cash paid to vendors and suppliers	(515,396)	(164,130)	(243,871)	(923,397)
Net cash provided by (used in) operating activities	413,128	146,380	(65,676)	493,832
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(745,446)	-	-	(745,446)
Proceeds from capital contributions	245,472	56,315	-	301,787
Proceeds from notes payable	701,500	-	-	701,500
Principal payments on notes payable	(175,163)	(10,709)	-	(185,872)
Interest payments on notes payable	(67,750)	(15,817)	-	(83,567)
Net cash provided by (used in) capital/financing activities	(41,387)	29,789	-	(11,598)
Cash flows from investing activities:				
Investment earnings	2,926	1,224	(4,167)	(17)
Net cash provided by (used in) investing activities	2,926	1,224	(4,167)	(17)
Net increase(decrease) in cash	374,667	177,393	(69,843)	482,217
Cash and cash equivalents:				
Beginning of year	961,808	309,475	360,895	1,632,178
End of year	<u>\$ 1,336,475</u>	<u>\$ 486,868</u>	<u>\$ 291,052</u>	<u>\$ 2,114,395</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income(loss)	\$ (83,924)	\$ 95,312	\$ (3,715)	\$ 7,673
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	403,612	39,132	23,435	466,179
Changes in account balances:				
(Increase)decrease in assets:				
Accounts receivable – services	37,700	3,912	4,534	46,146
Property assessments receivable	624	-	-	624
(Increase)decrease in deferred outflows of resources	(2,154)	(601)	-	(2,755)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	29,604	1,864	(89,930)	(58,462)
Compensated absences	11,690	2,301	-	13,991
Net pension liability	27,089	7,561	-	34,650
Increase(decrease) in deferred inflows of resources	(11,113)	(3,101)	-	(14,214)
Total adjustments	497,052	51,068	(61,961)	486,159
Net cash provided by operating activities	\$ 413,128	\$ 146,380	\$ (65,676)	\$ 493,832

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

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Stallion Springs Community Services District (District) serves as the local government for Stallion Springs. The District is similar to a city government, supplying such services as police protection, parks and recreation, potable water, road maintenance, wastewater treatment, and solid waste disposal. The District exists under California State law governing special districts (Government Code, Sec 61000 et. seq.). The District was established by resolution of Kern County Board of Supervisors for the purpose of providing infrastructure services for the newly developing community of Stallion Springs. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, The Financial Reporting Entity. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units as of year-end.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the 'current financial resources' measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The primary revenue sources susceptible to accrual are property taxes, charges for services, and interest associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

Park and Recreation Fund: This fund is used to account for all park and recreation activity within the District's service area.

Public Safety Fund: This fund is used to account for all public safety (police services) within the District's service area.

Roads Fund: This fund is used to account for the revenues received from property assessments and expenditures incurred to maintain and operate the roads within the District's service area.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Enterprise Funds

Water Fund: This fund accounts for the water transmission and distribution operations of the District.

Wastewater Fund: This fund accounts for the wastewater operations of the District.

Solid Waste Fund: This fund accounts for the solid waste collection and disposal operations of the District.

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Receivables - Services

The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible and has not recorded an allowance for doubtful accounts.

4. Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Buildings and improvements	20-30 years
Community center	40 years
Infrastructure, streets and roads	20-40 years
Transmission and distribution systems	10-40 years
Collection systems	10-50 years
Vehicles and equipment	3-10 years

6. 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 position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

7. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. 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 and addition to/deductions from the Plans 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.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Pensions (continued)

The following timeframes are used for pension reporting:

Valuation Date June 30, 2019

Measurement Date June 30, 2020

Measurement Period July 1, 2019 to June 30, 2020

9. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets."

10. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Minimum Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

G. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Kern County Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Kern County Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

The property tax calendar is as follows:

Lien date March 1
Levy date July 1
Due dates November 1 and March 1
Collection dates December 10 and November 10

NOTE 2 – CASH AND INVESTMENTS

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

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 900
Deposits held with financial institutions	469,362
Kern County Treasury Investment Pool (KCTIP)	<u>4,476,629</u>
Total	<u>\$ 4,946,891</u>

Demand Deposits

At June 30, 2021, the carrying amount of the District's demand deposits were \$469,362 and the financial institution's balance were \$471,433. The \$2,072 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits (continued)

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as KCTIP).

Investments

Investments as of June 30, 2021 consisted of the following:

<u>Type of Investments</u>	<u>Measurement Focus</u>	<u>Fair Value</u>	<u>Maturity</u>
			<u>12 Months or Less</u>
Kern County Treasury Investment Pool	Level 2	\$ 4,476,629	\$ 4,476,629
Total investments		<u>\$ 4,476,629</u>	<u>\$ 4,476,629</u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in the following investments:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Kern County Treasury Investment Pool	None	None	None
Money Market Mutual Funds	N/A	None	None

County of Kern Treasury Investment Pool

The District is a voluntary participant in the Kern County Treasury Investment Pool (KCTIP) pursuant to Government Code Section 53694. KCTIP is subject to regulatory oversight by the Kern County Treasury Oversight Committee, as required by California government Code Section 27143. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Kern County Investment Pool's Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Kern Treasurer's Office - 1115 Truxtun Avenue, 2nd Floor, Bakersfield, CA 93301 or the Treasurer and Tax Collector's website at www.kcttc.co.kern.ca.us.

The Kern County Treasurer has indicated to the District that as of June 30, 2021, the value of the County's portfolio approximated \$4.45 billion and the portfolio holds no derivative products. The District's investment with the Kern County Treasurer's Office as of June 30, 2021 was \$4,476,629. KCTIP's fair value factor of 1.00829% as of June 30, 2021 was used to calculate the fair value of the investments in the KCTIP.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Credit Risk

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 a nationally recognized statistical rating organization. As of June 30, 2021, the District's investment in the KCTIP was rated by Standard & Poor's as Aa2 as noted in the table above.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in the KCTIP.

NOTE 3 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for governmental activities for the year were as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2021</u>
Non-depreciable assets:				
Land	\$ 73,657	\$ -	\$ -	\$ 73,657
Construction-in-progress	-	-	-	-
Total non-depreciable assets	<u>73,657</u>	<u>-</u>	<u>-</u>	<u>73,657</u>
Depreciable assets:				
Buildings and improvements	1,267,775	-	-	1,267,775
Community center	2,099,105	-	-	2,099,105
Infrastructure, streets and roads	8,683,723	34,750	-	8,718,473
Vehicles and equipment	1,171,499	50,091	-	1,221,590
Total depreciable assets	<u>13,222,102</u>	<u>84,841</u>	<u>-</u>	<u>13,306,943</u>
Accumulated depreciation:				
Buildings and improvements	(430,352)	(43,562)	-	(473,914)
Community center	(620,067)	(57,056)	-	(677,123)
Infrastructure, streets and roads	(7,013,547)	(252,646)	-	(7,266,193)
Vehicles and equipment	(934,845)	(46,687)	-	(981,532)
Total accumulated depreciation	<u>(8,998,811)</u>	<u>(399,951)</u>	<u>-</u>	<u>(9,398,762)</u>
Total depreciable assets, net	<u>4,223,291</u>	<u>(315,110)</u>	<u>-</u>	<u>3,908,181</u>
Total capital assets, net	<u>\$ 4,296,948</u>	<u>\$ (315,110)</u>	<u>\$ -</u>	<u>\$ 3,981,838</u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 3 – CAPITAL ASSETS (continued)

Governmental Activities (continued)

Depreciation expense was charged to governmental activities as follows:

<u>Depreciation Expense per Fund</u>	
General government	\$ 46,354
Parks and recreation	65,362
Public safety	22,477
Roads	<u>265,758</u>
Total	<u>\$ 399,951</u>

Business-Type Activities and Proprietary Funds

Changes in capital assets for business-type activities for the year were as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2021</u>
Non-depreciable assets:				
Land	\$ 808,000	\$ -	\$ -	\$ 808,000
Construction-in-progress	92,504	-	(92,504)	-
Total non-depreciable assets	<u>900,504</u>	<u>-</u>	<u>(92,504)</u>	<u>808,000</u>
Depreciable assets:				
Water transmission and distribution	8,042,241	745,446	27,700	8,815,387
Wastewater collection	1,984,331	-	64,804	2,049,135
Solid waste collection	243,104	-	-	243,104
Vehicles and equipment	336,718	-	-	336,718
Total depreciable assets	<u>10,606,394</u>	<u>745,446</u>	<u>92,504</u>	<u>11,444,344</u>
Accumulated depreciation:				
Water transmission and distribution	(4,108,967)	(389,343)	-	(4,498,310)
Wastewater collection	(1,307,375)	(39,132)	-	(1,346,507)
Solid waste collection	(105,115)	(15,332)	-	(120,447)
Vehicles and equipment	(187,049)	(22,372)	-	(209,421)
Total accumulated depreciation	<u>(5,708,506)</u>	<u>(466,179)</u>	<u>-</u>	<u>(6,174,685)</u>
Total depreciable assets, net	<u>4,897,888</u>	<u>279,267</u>	<u>92,504</u>	<u>5,269,659</u>
Total capital assets, net	<u>\$ 5,798,392</u>	<u>\$ 279,267</u>	<u>\$ -</u>	<u>\$ 6,077,659</u>

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 4 - COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually. Years of service: 0-5 years = 2 weeks, 6-10 years = 3 weeks, more than 10 years = 4 weeks.

- The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation related to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

The changes to the compensated absences balance at June 30, 2021 were as follows:

Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current Portion	Long-term Portion
\$ 141,761	\$ 109,097	\$ (75,331)	\$ 175,527	\$ 61,434	\$ 114,093

NOTE 5 - NOTES PAYABLE

Changes in the notes payables amounts for the fiscal year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions	Payments	Balance June 30, 2021
Governmental-activities:				
Road fund:				
Road project note	\$ 1,242,476	\$ -	\$ (136,049)	\$ 1,106,427
Business-type activities:				
Water fund:				
Bornt property and well note	1,831,087	-	(175,163)	1,655,924
AMI meter project note	-	701,500	-	701,500
Sewer fund:				
Lift station project note	499,623	-	(10,709)	488,914
Total	3,573,186	\$ 701,500	\$ (321,921)	3,952,765
Less: current portion due	(321,921)			(462,615)
Long-term portion due	\$ 3,251,265			\$ 3,490,150

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 5 – NOTES PAYABLE (continued)

Governmental Activities

2018 Road Installment Note Payable

On May 30, 2018, the District signed an installment agreement note payable for \$1,500,000 with the Municipal Finance Corporation in order to perform road improvements within the District. The note is scheduled to mature in fiscal year 2028. Principal and interest annual installments of \$182,642 are payable on May 30th of each year at a rate of 3.75%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	141,151	41,491	182,642
2023	146,444	36,198	182,642
2024	151,936	30,706	182,642
2025	157,633	25,009	182,642
2026	163,545	19,097	182,642
2027-2028	345,719	19,565	365,284
Totals	1,106,428	<u>\$ 172,066</u>	<u>\$ 1,278,494</u>
Less: current	<u>(141,151)</u>		
Long-term	<u>\$ 965,277</u>		

Business-type Activities

2019 Bornt Property and Well Installment Note

On December 18, 2019, the District signed an installment agreement note payable for \$2,000,000 with the Municipal Finance Corporation in order to purchase a parcel of land with a building and well on the property. The note is scheduled to mature in fiscal year 2029. Principal and interest annual installments of \$242,913 are payable on January 28th of each year at a rate of 3.70%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	181,644	61,269	242,913
2023	188,365	54,548	242,913
2024	195,334	47,579	242,913
2025	202,562	40,351	242,913
2026	210,056	32,857	242,913
2027-2029	677,963	50,776	728,739
Totals	1,655,924	<u>\$ 287,380</u>	<u>\$ 1,943,304</u>
Less: current	<u>(181,644)</u>		
Long-term	<u>\$ 1,474,280</u>		

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 5 – NOTES PAYABLE (continued)

Business-type Activities (continued)

2020 Lift Station Project

On January 1, 2020, the District signed an installment agreement note payable for \$510,000 with iBank in order to provide funding for the District’s lift station project. The note is scheduled to mature in fiscal year 2049. Principal installments are payable on August 1st and interest installments are payable on August 1st and February 1st of each year at a rate of 3.20%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Fee</u>	<u>Total</u>
2022	11,052	15,468	1,467	27,987
2023	11,405	15,109	1,434	27,948
2024	11,770	14,738	1,399	27,907
2025	12,147	14,356	1,364	27,867
2026	12,536	13,961	1,328	27,825
2027-2031	68,959	63,423	6,049	138,431
2032-2036	80,721	51,472	4,947	137,140
2037-2041	94,490	37,483	3,656	135,629
2042-2046	110,608	21,108	2,145	133,861
2047-2049	75,226	3,661	456	79,343
Totals	488,914	<u>\$ 250,779</u>	<u>\$ 24,245</u>	<u>\$ 763,938</u>
Less: current	<u>(11,052)</u>			
Long-term	<u>\$ 477,862</u>			

2021 AMI Meter Project

In 2021, the District executed a lease purchase agreement note payable for \$701,500 in order to provide funding for the District’s AMI meter project. The note is scheduled to mature in fiscal year 2027. Principal and interest installments are payable on November 1st and May 1st of each year at a rate of 3.134%. Annual debt service requirements on the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	128,768	48,078	176,846
2023	107,536	17,112	124,648
2024	110,932	13,716	124,648
2025	114,436	10,212	124,648
2026	118,050	6,598	124,648
2027	121,778	2,870	124,648
Totals	701,500	<u>\$ 98,586</u>	<u>\$ 800,086</u>
Less: current	<u>(128,768)</u>		
Long-term	<u>\$ 572,732</u>		

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN

Summary

The following total balances on the statement of net position will be addressed in this footnote as follows:

<u>Description</u>	<u>Miscellaneous Plans</u>	<u>Safety Plans</u>	<u>Total</u>
Pension related deferred outflows	\$ 190,460	\$ 176,656	\$ 367,116
Net pension liability	657,681	535,928	1,193,609
Pension related deferred inflows	32,196	33,688	65,884

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees’ Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plans

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<u>Miscellaneous Plans</u>	
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>
Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.0% to 2.0%	1.0% to 2.0%
Required member contribution rates	7.000%	6.750%
Required employer contribution rates	8.081%	6.985%

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

The Plans (continued)

	Safety Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.4% to 3.0%
Required member contribution rates	9.000%	12.000%
Required employer contribution rates	18.928%	13.034%

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2020 and 2019 Annual Actuarial Valuation Reports. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2020, the following Miscellaneous Plans members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	3	8	11
Transferred and terminated members	10	1	11
Retired members and beneficiaries	6	1	7
Total plan members	19	10	29

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description, Benefits Provided, and Employees Covered (continued)

At June 30, 2020, the following Safety Plans members were covered by the benefit terms:

Plan Members	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	1	2	3
Transferred and terminated members	3	1	4
Retired members and beneficiaries	2	-	2
Total plan members	6	3	9

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based on the average final 36 months of compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based on the average final 36 months of compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.15% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2020 and 2019 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the Miscellaneous Plans for the year ended June 30, 2021, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 61,680	\$ 36,141	\$ 97,821
Contributions – members	16,580	28,719	45,299
Total contributions	\$ 78,260	\$ 64,860	\$ 143,120

Contributions for the Safety Plans for the year ended June 30, 2021, were as follows:

Contribution Type	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 55,592	\$ 28,302	\$ 83,894
Contributions – members	10,455	26,023	36,478
Total contributions	\$ 66,047	\$ 54,325	\$ 120,372

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan 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 proportionate share 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 following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous and Safety Plans for the fiscal year ended June 30, 2020 (Measurement Date):

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2019 (Measurement Date)	\$ 2,695,830	\$ 2,101,147	\$ 594,683
Balance as of June 30, 2020 (Measurement Date)	\$ 2,811,577	\$ 2,153,896	\$ 657,681
Change in Plan Net Pension Liability	\$ 115,747	\$ 52,749	\$ 62,998
<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Safety Plan:			
Balance as of June 30, 2019 (Measurement Date)	\$ 2,180,131	\$ 1,711,373	\$ 468,758
Balance as of June 30, 2020 (Measurement Date)	\$ 2,364,250	\$ 1,828,322	\$ 535,928
Change in Plan Net Pension Liability	\$ 184,119	\$ 116,949	\$ 67,170

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

The District's proportionate share percentage of the net pension liability for the Miscellaneous Plans for the June 30, 2020, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
CalPERS – Miscellaneous Plan			
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.015592%	0.014850%	0.000742%
Percentage of Plan (PERF C) Net Pension Liability	0.006045%	0.005803%	0.000242%

The District's proportionate share percentage of the net pension liability for the Safety Plans for the June 30, 2020, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
CalPERS – Safety Plan			
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.008044%	0.007509%	0.000535%
Percentage of Plan (PERF C) Net Pension Liability	0.004926%	0.004575%	0.000351%

For the year ended June 30, 2021, the District recognized pension expense/(credit) in the amounts of \$129,966 for the CalPERS Miscellaneous Plan and \$129,115 for the CalPERS Safety Plan.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 181,715	\$ -
Difference between actual and proportionate share of employer contributions	-	(59,407)
Adjustment due to differences in proportions	78,765	-
Differences between expected and actual experience	75,450	-
Differences between projected and actual earnings on pension plan investments	31,185	-
Changes in assumptions	-	(6,476)
Total Deferred Outflows/(Inflows) of Resources	\$ 367,115	\$ (65,883)

The District will recognize \$181,715 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

The 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 32,663
2023	41,137
2024	30,512
2025	15,205
Total	\$ 119,517

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2020 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability, respectively. The June 30, 2020, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2019 valuations were based on the results of an actuarial experience study for the years 1997 to 2011.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Long-term Expected Rate of Return

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

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

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

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	50.0%	5.25%	5.71%
Fixed Income	28.0%	0.99%	2.43%
Inflation Assets	0.0%	0.45%	3.36%
Private Equity	8.0%	6.83%	6.95%
Real Estate	13.0%	4.50%	5.13%
Liquidity	1.0%	-0.55%	-1.05%
	<u>100.0%</u>		

¹ An expected inflation of 2.5% is used for years 1-10.

² An expected inflation of 3.0% is used for years 11+.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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.

Subsequent Events

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

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

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

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

For the year ended June 30, 2021 for the CalPERS Miscellaneous Plans:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Miscellaneous Plan	\$ 1,031,833	\$ 657,681	\$ 348,531

For the year ended June 30, 2021 for the CalPERS Safety Plans:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Safety Plan	\$ 857,002	\$ 535,928	\$ 272,456

Pension Plan Fiduciary Net Position

Detailed information about the pension 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.

NOTE 7 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2021, the net investment in capital assets was calculated as follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net investment in capital assets:			
Capital assets – not being depreciated	\$ 73,657	\$ 808,000	\$ 881,657
Capital assets – being depreciated, net	3,908,181	5,269,659	9,177,840
Notes payable – current portion	(141,151)	(321,465)	(462,616)
Notes payable – non-current portion	(965,276)	(2,524,873)	(3,490,149)
Total net investment in capital assets	\$ 2,875,411	\$ 3,231,321	\$ 6,106,732

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – FUND BALANCES

At June 30, 2021, fund balances of the District’s governmental funds were classified as follows:

Description	General Government	Parks and Recreation	Public Safety	Roads	Total Governmental Funds
Committed					
Roads	\$ -	\$ -	\$ -	\$ 399,697	\$ 399,697
Compensated absences	45,806	4,261	65,515	-	115,582
Total committed	45,806	4,261	65,515	399,697	515,279
Assigned:					
Parks and recreation	-	266,754	-	-	266,754
Unassigned	1,743,085	-	191,213	-	1,934,298
Total fund balance	<u>\$ 1,788,891</u>	<u>\$ 271,015</u>	<u>\$ 256,728</u>	<u>\$ 399,697</u>	<u>\$ 2,716,331</u>

NOTE 9 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. Further information about SDRMA is as follows:

A. Entity	SDRMA	
B. Purpose	To pool member contributions and realize the advantages of self-insurance	
C. Participants	As of June 30, 2020 – 505 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2021:		
Property/Liability policy	\$75,545	
Workers' compensation policy	\$63,982	
F. Condensed financial information	June 30, 2020	
Statement of net position:		June 30, 2020
Total assets		<u>\$ 130,676,871</u>
Deferred outflows		<u>595,599</u>
Total liabilities		<u>70,083,643</u>
Deferred inflows		<u>246,193</u>
Net position		<u>\$ 60,942,634</u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 82,459,850
Total expenses		<u>(77,881,779)</u>
Change in net position		4,578,071
Beginning – net position		<u>56,364,563</u>
Ending – net position		<u>\$ 60,942,634</u>
G. Member agencies share of year-end financial position		Not Calculated

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 10 – RISK MANAGEMENT (continued)

At June 30, 2021, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$750 million per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$100,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2021, 2020, and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021, 2020, and 2019.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 15, 2021, the date which the financial statements were available to be issued.

Required Supplementary Information

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Taxes:				
Property taxes	\$ 200,000	\$ 200,000	\$ 260,088	\$ 60,088
Special assessments	-	-	1,335	1,335
Charges for services	5,600	5,600	55,499	49,899
Investment earnings	18,000	18,000	479	(17,521)
Total revenues	<u>223,600</u>	<u>223,600</u>	<u>317,401</u>	<u>93,801</u>
EXPENDITURES:				
Current:				
Salaries and benefits	92,067	92,067	119,867	(27,800)
Materials and services	24,473	24,473	10,302	14,171
Capital outlay	-	-	-	-
Total expenditures	<u>116,540</u>	<u>116,540</u>	<u>130,169</u>	<u>(13,629)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 107,060</u>	<u>\$ 107,060</u>	187,232	<u>\$ 80,172</u>
FUND BALANCES:				
Beginning of year			<u>1,601,659</u>	
End of year			<u>\$ 1,788,891</u>	

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – Parks and Recreation Department
For the Fiscal Year Ended June 30, 2021

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Taxes:				
Property taxes	\$ 200,000	\$ 200,000	\$ 275,000	\$ 75,000
Charges for services	75,000	75,000	62,204	(12,796)
Investment earnings	-	-	(3,212)	(3,212)
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>333,992</u>	<u>58,992</u>
EXPENDITURES:				
Current:				
Salaries and benefits	151,131	174,514	131,595	42,919
Materials and services	101,681	117,393	136,582	(19,189)
Capital outlay	-	-	-	-
Total expenditures	<u>252,812</u>	<u>291,907</u>	<u>268,177</u>	<u>23,730</u>
NET CHANGE IN FUND BALANCES	<u>\$ 22,188</u>	<u>\$ (16,907)</u>	65,815	<u>\$ 82,722</u>
FUND BALANCES:				
Beginning of year			<u>205,200</u>	
End of year			<u>\$ 271,015</u>	

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – Public Safety Fund
For the Fiscal Year Ended June 30, 2021

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Taxes:				
Property taxes	\$ 475,000	\$ 475,000	\$ 400,000	\$ (75,000)
Special assessments	110,000	110,000	121,638	11,638
Charges for services	500	500	257,157	256,657
Federal and state aid	150,000	150,000	156,727	6,727
Investment earnings	100	100	4,647	4,547
Total revenues	<u>735,600</u>	<u>735,600</u>	<u>940,169</u>	<u>204,569</u>
EXPENDITURES:				
Current:				
Salaries and benefits	682,022	682,022	552,314	129,708
Materials and services	99,575	99,575	105,608	(6,033)
Capital outlay	53,000	53,000	50,091	2,909
Total expenditures	<u>834,597</u>	<u>834,597</u>	<u>708,013</u>	<u>126,584</u>
NET CHANGE IN FUND BALANCES	<u>\$ (98,997)</u>	<u>\$ (98,997)</u>	232,156	<u>\$ 331,153</u>
FUND BALANCES:				
Beginning of year			<u>24,572</u>	
End of year			<u>\$ 256,728</u>	

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – Roads Fund
For the Fiscal Year Ended June 30, 2021

	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Special assessments	\$ 327,000	\$ 327,000	\$ 339,863	\$ 12,863
Charges for services	-	-	11,707	(11,707)
Investment earnings	4,000	4,000	(1,617)	(5,617)
Total revenues	<u>331,000</u>	<u>331,000</u>	<u>349,953</u>	<u>(4,461)</u>
EXPENDITURES:				
Current:				
Salaries and benefits	99,653	99,653	103,861	(4,208)
Materials and services	91,472	91,472	64,962	26,510
Capital outlay	-	-	34,750	(34,750)
Debt service:				
Principal	182,642	182,642	136,049	46,593
Interest	50,000	50,000	46,593	3,407
Total expenditures	<u>423,767</u>	<u>423,767</u>	<u>386,215</u>	<u>37,552</u>
NET CHANGE IN FUND BALANCES	<u>\$ (92,767)</u>	<u>\$ (92,767)</u>	<u>(36,262)</u>	<u>\$ 33,091</u>
FUND BALANCES:				
Beginning of year			<u>435,959</u>	
End of year			<u>\$ 399,697</u>	

STALLION SPRINGS COMMUNITY SERVICES DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.009784%	\$ 608,837	\$ 676,506	90.00%	82.39%
June 30, 2015	0.008028%	551,036	696,800	79.08%	85.06%
June 30, 2016	0.009196%	795,742	717,700	110.87%	80.16%
June 30, 2017	0.009598%	942,875	732,560	128.71%	78.89%
June 30, 2018	0.009880%	952,103	646,671	147.23%	79.21%
June 30, 2019	0.010378%	1,063,440	749,525	141.88%	78.19%
June 30, 2020	0.010970%	1,193,609	930,709	128.25%	76.94%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only seven years are shown.

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 70,491	\$ (70,491)	\$ -	\$ 696,800	10.12%
June 30, 2016	81,864	(81,864)	-	717,700	11.41%
June 30, 2017	95,425	(95,425)	-	732,560	13.03%
June 30, 2018	106,520	(106,520)	-	646,671	16.47%
June 30, 2019	121,054	(121,054)	-	749,525	16.15%
June 30, 2020	147,599	(147,599)	-	930,709	15.86%
June 30, 2021	181,715	(181,715)	-	1,014,071	17.92%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment exper

Retirement Age

Miscellaneous 2.0%@60 and 2.0%@62

Safety 3.0%@55 and 2.7%@57

Mortality

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first implementation year; therefore, only seven years are shown.

Other Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Stallion Springs Community Services District
Stallion Springs, California

We have audited, in accordance with the 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, the financial statements of Stallion Springs Community Services District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Stallion Springs Community Services District's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stallion Springs Community Services District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stallion Springs Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stallion Springs Community Services District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stallion Springs Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
December 15, 2021