

**STALLION SPRINGS COMMUNITY SERVICES  
DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2020**

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*For the Fiscal Year Ended June 30, 2020*

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***Financial Section***

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## 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, 2020, 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, 2020, 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, 2020, 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, 2020

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

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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, 2020. 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 decreased 1.2%, or (\$114,226) from the prior year's net position of \$9,652,828 to \$9,538,602, as a result of this year's operations.
- Total revenues from all sources increased by 3.5%, or \$125,881 from \$3,554,683 to \$3,680,564, from the prior year, primarily due to an increase in program revenues of \$232,368.
- Total expenses for the District's operations before depreciation expense decreased by 7.0% or \$175,496 from \$2,501,419 to \$2,325,923, from the prior year.

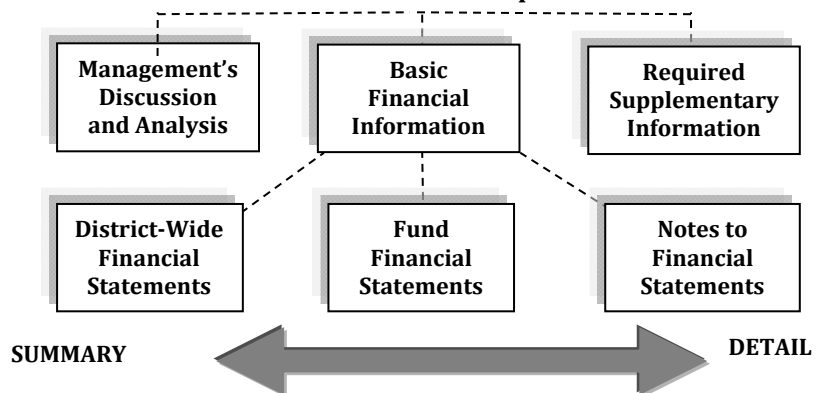
### OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2020*

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**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**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Fund</b>	<b>Proprietary Funds</b>
<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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
<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, 2020*

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### 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, 2020*

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**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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>ASSETS:</b>						
Current assets	\$ 2,353,650	\$ 2,176,437	\$ 1,902,545	\$ 2,090,343	\$ 4,256,195	\$ 4,266,780
Capital assets, net	4,296,948	4,569,192	5,798,392	5,200,565	10,095,340	9,769,757
<b>Total assets</b>	<u>6,650,598</u>	<u>6,745,629</u>	<u>7,700,937</u>	<u>7,290,908</u>	<u>14,351,535</u>	<u>14,036,537</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>235,533</u>	<u>227,500</u>	<u>101,998</u>	<u>97,840</u>	<u>337,531</u>	<u>325,340</u>
<b>LIABILITIES:</b>						
Current liabilities	259,853	254,459	394,660	285,387	654,513	539,846
Non-current liabilities	1,905,067	1,945,228	2,501,783	2,146,111	4,406,850	4,091,339
<b>Total liabilities</b>	<u>2,164,920</u>	<u>2,199,687</u>	<u>2,896,443</u>	<u>2,431,498</u>	<u>5,061,363</u>	<u>4,631,185</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>57,179</u>	<u>46,131</u>	<u>31,922</u>	<u>31,733</u>	<u>89,101</u>	<u>77,864</u>
<b>NET POSITION</b>						
Net investment in capital assets	3,054,472	3,195,584	3,467,682	3,200,565	6,522,154	6,396,149
Unrestricted	1,609,560	1,531,727	1,406,888	1,724,952	3,016,448	3,256,679
<b>Total net position</b>	<u>\$ 4,664,032</u>	<u>\$ 4,727,311</u>	<u>\$ 4,874,570</u>	<u>\$ 4,925,517</u>	<u>\$ 9,538,602</u>	<u>\$ 9,652,828</u>

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 \$9,538,602 as of June 30, 2020.

By far the largest portion of the District's net position (68% as of June 30, 2020) 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 2020, the District shows a positive balance in its unrestricted net position of \$3,016,448 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, 2020*

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**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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>REVENUES:</b>						
Program revenues	\$ 761,910	\$ 748,827	\$ 1,934,136	\$ 1,714,851	\$ 2,696,046	\$ 2,463,678
General revenues	922,320	1,024,433	62,198	66,572	984,518	1,091,005
<b>Total revenues</b>	<b>1,684,230</b>	<b>1,773,260</b>	<b>1,996,334</b>	<b>1,781,423</b>	<b>3,680,564</b>	<b>3,554,683</b>
<b>EXPENSES:</b>						
Operations	1,252,374	1,091,211	1,073,549	1,410,208	2,325,923	2,501,419
Depreciation expense	444,048	2,193,882	961,121	961,121	1,405,169	3,155,003
Interest expense	51,087	60,685	12,611	12,611	63,698	73,296
<b>Total expenses</b>	<b>1,747,509</b>	<b>3,345,778</b>	<b>2,047,281</b>	<b>2,383,940</b>	<b>3,794,790</b>	<b>5,729,718</b>
<b>Change in net position</b>	<b>(63,279)</b>	<b>(1,572,518)</b>	<b>(50,947)</b>	<b>(602,517)</b>	<b>(114,226)</b>	<b>(2,175,035)</b>
<b>NET POSITION:</b>						
Beginning of year	4,727,311	6,299,829	4,925,517	5,528,034	9,652,828	11,827,863
End of year	\$ 4,664,032	\$ 4,727,311	\$ 4,874,570	\$ 4,925,517	\$ 9,538,602	\$ 9,652,828

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 decreased by (\$114,226) during the fiscal year ended June 30, 2020.

Total revenues from all sources increased by 3.5%, or \$125,881 from \$3,554,683 to \$3,680,564, from the prior year, primarily due to an increase in program revenues of \$232,368.

Total expenses for the District's operations before depreciation expense decreased by 7.0% or \$175,496 from \$2,501,419 to \$2,325,923, from the prior year.

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

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### 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, 2020, the District reported a total fund balance in its governmental funds of \$2,267,390. An amount of \$1,538,925 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 \$34,447 less than actual. Actual revenues were greater than the anticipated budget by \$231,182.

### CAPITAL ASSET ADMINISTRATION

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

	Balance July 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable capital assets	\$ 975,279	\$ 92,504	\$ (93,622)	\$ 974,161
Depreciable capital assets	22,599,461	1,137,414	93,622	23,830,497
Total capital assets	23,574,740	1,229,918	-	24,804,658
Accumulated depreciation	(13,804,983)	(904,335)	-	(14,709,318)
Total capital assets, net	\$ 9,769,757	\$ 325,583	\$ -	\$ 10,095,340

At the end of fiscal year 2020, the District's investment in capital assets amounted to \$10,095,340 (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 a parcel of land with a building and well on it totaling \$1,229,918.

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, 2020*

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**CAPITAL ASSET ADMINISTRATION (continued)**

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2020</u>
Notes payable	<u>\$ 3,373,608</u>	<u>\$ 510,000</u>	<u>\$ (310,422)</u>	<u>\$ 3,573,186</u>

In 2020, the District entered into a \$510,000 loan for the lift station project.

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

**FACTORS AFFECTING CURRENT FINANCIAL POSITION**

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

**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, 2020

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and investments (note 2)	\$ 2,342,424	\$ 1,632,178	\$ 3,974,602
Accrued interest receivable	400	6	406
Accounts receivable – services	1,535	269,737	271,272
Property taxes and assessments receivable	9,291	624	9,915
<b>Total current assets</b>	<b>2,353,650</b>	<b>1,902,545</b>	<b>4,256,195</b>
<b>Non-current assets:</b>			
Capital assets – not being depreciated (note 3)	73,657	900,504	974,161
Capital assets – being depreciated, net (note 3)	4,223,291	4,897,888	9,121,179
<b>Total non-current assets</b>	<b>4,296,948</b>	<b>5,798,392</b>	<b>10,095,340</b>
<b>Total assets</b>	<b>6,650,598</b>	<b>7,700,937</b>	<b>14,351,535</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related deferred outflows of resources (Note 6)	235,533	101,998	337,531
<b>Total deferred outflows of resources</b>	<b>235,533</b>	<b>101,998</b>	<b>337,531</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	86,260	157,249	243,509
Accrued interest payable	4,012	35,455	39,467
Compensated absences (note 4)	33,532	16,084	49,616
Notes payable (note 5)	136,049	185,872	321,921
<b>Total current liabilities</b>	<b>259,853</b>	<b>394,660</b>	<b>654,513</b>
<b>Non-current liabilities:</b>			
Compensated absences (note 4)	62,275	29,870	92,145
Notes payable (note 5)	1,106,427	2,144,838	3,251,265
Net pension liability (note 6)	736,365	327,075	1,063,440
<b>Total non-current liabilities</b>	<b>1,905,067</b>	<b>2,501,783</b>	<b>4,406,850</b>
<b>Total liabilities</b>	<b>2,164,920</b>	<b>2,896,443</b>	<b>5,061,363</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related deferred inflows of resources (Note 6)	57,179	31,922	89,101
<b>Total deferred inflows of resources</b>	<b>57,179</b>	<b>31,922</b>	<b>89,101</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets (note 7)	3,054,472	3,467,682	6,522,154
Unrestricted	1,609,560	1,406,888	3,016,448
<b>Total net position</b>	<b>\$ 4,664,032</b>	<b>\$ 4,874,570</b>	<b>\$ 9,538,602</b>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2020*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital and Operating Grants</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 211,180	\$ 38,018	\$ -
Parks and recreation	326,162	102,321	-
Public safety	666,050	127,266	155,948
Roads	544,117	338,357	-
<b>Total governmental activities</b>	<b>1,747,509</b>	<b>605,962</b>	<b>155,948</b>
<b>Business-type activities:</b>			
Water	1,532,382	1,161,556	168,762
Sewer	325,631	364,380	64,360
Solid waste	189,268	175,078	-
<b>Total business-type activities</b>	<b>2,047,281</b>	<b>1,701,014</b>	<b>233,122</b>
<b>Total primary government</b>	<b>\$ 3,794,790</b>	<b>\$ 2,306,976</b>	<b>\$ 389,070</b>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Statement of Activities (continued)

For the Fiscal Year Ended June 30, 2020

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (173,162)	\$ -	\$ (173,162)
Parks and recreation	(223,841)	-	(223,841)
Public safety	(382,836)	-	(382,836)
Roads	(205,760)	-	(205,760)
<b>Total governmental activities</b>	<b>(985,599)</b>	<b>-</b>	<b>(985,599)</b>
<b>Business-type activities:</b>			
Water	-	(202,064)	(202,064)
Sewer	-	103,109	103,109
Solid waste	-	(14,190)	(14,190)
<b>Total business-type activities</b>	<b>-</b>	<b>(113,145)</b>	<b>(113,145)</b>
<b>Total primary government</b>	<b>(985,599)</b>	<b>(113,145)</b>	<b>(1,098,744)</b>
<b>General revenues:</b>			
Property taxes	853,102	-	853,102
Investment earnings	69,218	62,198	131,416
<b>Total general revenues</b>	<b>922,320</b>	<b>62,198</b>	<b>984,518</b>
<b>Change in net position</b>	<b>(63,279)</b>	<b>(50,947)</b>	<b>(114,226)</b>
<b>Net position:</b>			
Beginning of year	4,727,311	4,925,517	9,652,828
End of year	\$ 4,664,032	\$ 4,874,570	\$ 9,538,602

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Balance Sheet – Governmental Funds

June 30, 2020

<u>Assets</u>	<u>General Government</u>	<u>Parks and Recreation</u>	<u>Public Safety</u>	<u>Roads</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and investments	\$ 1,615,913	\$ 255,533	\$ 37,062	\$ 433,916	\$ 2,342,424
Accrued interest receivable	367	-	8	25	400
Accounts receivable – services	1,535	-	-	-	1,535
Property taxes and assessments receivable	-	-	6,192	3,099	9,291
<b>Total assets</b>	<b>\$ 1,617,815</b>	<b>\$ 255,533</b>	<b>\$ 43,262</b>	<b>\$ 437,040</b>	<b>\$ 2,353,650</b>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 16,156	\$ 50,333	\$ 18,690	\$ 1,081	\$ 86,260
<b>Total liabilities</b>	<b>16,156</b>	<b>50,333</b>	<b>18,690</b>	<b>1,081</b>	<b>86,260</b>
<b>Fund balance: (note 8)</b>					
Committed	32,152	8,501	55,154	435,959	531,766
Assigned	-	196,699	-	-	196,699
Unassigned	1,569,507	-	(30,582)	-	1,538,925
<b>Total fund balance</b>	<b>1,601,659</b>	<b>205,200</b>	<b>24,572</b>	<b>435,959</b>	<b>2,267,390</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,617,815</b>	<b>\$ 255,533</b>	<b>\$ 43,262</b>	<b>\$ 437,040</b>	<b>\$ 2,353,650</b>



## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2020

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 2,267,390</b>
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	4,296,948
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.	235,533
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	(4,012)
Compensated absences	(95,807)
Notes payable	(1,242,476)
Net pension liability	(736,365)
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.	<u>(57,179)</u>
Total adjustments	<u>2,396,642</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 4,664,032</u></b>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT***Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2020*

	<u>General Government</u>	<u>Parks and Recreation</u>	<u>Public Safety</u>	<u>Roads</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes:					
Property taxes	\$ 272,888	\$ 245,000	\$ 335,214	\$ -	\$ 853,102
Special assessments	1,358	-	118,759	331,783	451,900
Charges for services	36,660	102,321	8,507	6,574	154,062
Federal and state aid	-	-	155,948	-	155,948
Investment earnings	46,054	4,229	4,560	14,375	69,218
<b>Total revenues</b>	<u>356,960</u>	<u>351,550</u>	<u>622,988</u>	<u>352,732</u>	<u>1,684,230</u>
<b>Expenditures:</b>					
Current:					
Salaries and benefits	82,402	161,644	493,657	103,885	841,588
Materials and services	45,694	93,499	93,218	74,536	306,947
Capital outlay	80,655	82,045	9,104	-	171,804
Debt service:					
Principal	-	-	-	131,132	131,132
Interest	-	-	-	51,510	51,510
<b>Total expenditures</b>	<u>208,751</u>	<u>337,188</u>	<u>595,979</u>	<u>361,063</u>	<u>1,502,981</u>
<b>Change in fund balance</b>	148,209	14,362	27,009	(8,331)	181,249
<b>Fund balances:</b>					
Beginning of year	1,453,450	190,838	(2,437)	444,290	2,086,141
End of year	<u>\$ 1,601,659</u>	<u>\$ 205,200</u>	<u>\$ 24,572</u>	<u>\$ 435,959</u>	<u>\$ 2,267,390</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, 2020*

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<b>Net Changes in Fund Balance – Total Governmental Funds</b>	<u>\$ 181,249</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	423
Change in compensated absences	(24,316)
Change in net pension expense	(79,523)
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	171,804
Depreciation expense	(444,048)
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>131,132</u>
<b>Total adjustments</b>	<u>(244,528)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (63,279)</u></u>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Balance Sheets – Proprietary Funds

June 30, 2020

<u>ASSETS</u>	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
<b>Current assets:</b>				
Cash and investments	\$ 961,808	\$ 309,475	\$ 360,895	\$ 1,632,178
Accrued interest receivable	6	-	-	6
Accounts receivable – services	194,950	48,812	25,975	269,737
Property assessments receivable	624	-	-	624
<b>Total current assets</b>	<b>1,157,388</b>	<b>358,287</b>	<b>386,870</b>	<b>1,902,545</b>
<b>Non-current assets:</b>				
Capital assets – not being depreciated	835,700	64,804	-	900,504
Capital assets – being depreciated, net	4,036,589	676,954	184,345	4,897,888
<b>Total non-current assets</b>	<b>4,872,289</b>	<b>741,758</b>	<b>184,345</b>	<b>5,798,392</b>
<b>Total assets</b>	<b>6,029,677</b>	<b>1,100,045</b>	<b>571,215</b>	<b>7,700,937</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Pension related deferred outflows of resources	79,744	22,254	-	101,998
<b>Total deferred outflows of resources</b>	<b>79,744</b>	<b>22,254</b>	<b>-</b>	<b>101,998</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 6,109,421</b>	<b>\$ 1,122,299</b>	<b>\$ 571,215</b>	<b>\$ 7,802,935</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 47,217	\$ 11,087	\$ 98,945	\$ 157,249
Accrued interest payable	28,793	6,662	-	35,455
Compensated absences	10,577	5,507	-	16,084
Notes payable	175,163	10,709	-	185,872
<b>Total current liabilities</b>	<b>261,750</b>	<b>33,965</b>	<b>98,945</b>	<b>394,660</b>
<b>Non-current liabilities:</b>				
Compensated absences	19,644	10,226	-	29,870
Notes payable	1,655,924	488,914	-	2,144,838
Net pension liability	255,714	71,361	-	327,075
<b>Total non-current liabilities</b>	<b>1,931,282</b>	<b>570,501</b>	<b>-</b>	<b>2,501,783</b>
<b>Total liabilities</b>	<b>2,193,032</b>	<b>604,466</b>	<b>98,945</b>	<b>2,896,443</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pension related deferred inflows of resources	24,957	6,965	-	31,922
<b>Total deferred inflows of resources</b>	<b>24,957</b>	<b>6,965</b>	<b>-</b>	<b>31,922</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	3,041,202	242,135	184,345	3,467,682
Unrestricted	850,230	268,733	287,925	1,406,888
<b>Total net position</b>	<b>3,891,432</b>	<b>510,868</b>	<b>472,270</b>	<b>4,874,570</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 6,109,421</b>	<b>\$ 1,122,299</b>	<b>\$ 571,215</b>	<b>\$ 7,802,935</b>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT***Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2020*

	<b>Water Operations</b>	<b>Sewer Operations</b>	<b>Solid Waste Operations</b>	<b>Total</b>
<b>Operating revenues:</b>				
Water consumption sales	\$ 1,024,272	\$ -	\$ -	\$ 1,024,272
Sewer service charges	-	350,774	-	350,774
Solid waste collection charges	-	-	175,078	175,078
Special assessments	85,992	8,879	-	94,871
Other charges for services	51,292	4,727	-	56,019
<b>Total operating revenues</b>	<b>1,161,556</b>	<b>364,380</b>	<b>175,078</b>	<b>1,701,014</b>
<b>Operating expenses:</b>				
Operations	1,032,406	254,738	165,833	1,452,977
<b>Total operating expenses</b>	<b>1,032,406</b>	<b>254,738</b>	<b>165,833</b>	<b>1,452,977</b>
Operating income before depreciation	129,150	109,642	9,245	248,037
Depreciation expense	(398,774)	(38,078)	(23,435)	(460,287)
<b>Operating income(loss)</b>	<b>(269,624)</b>	<b>71,564</b>	<b>(14,190)</b>	<b>(212,250)</b>
<b>Non-operating revenue(expense):</b>				
Investment earnings	40,865	10,645	10,688	62,198
Interest expense	(101,201)	(22,816)	-	(124,017)
Cost of debt issuance	-	(10,000)	-	(10,000)
<b>Total non-operating, net</b>	<b>(60,336)</b>	<b>(22,171)</b>	<b>10,688</b>	<b>(71,819)</b>
<b>Capital contributions:</b>				
Connection fees	168,762	64,360	-	233,122
<b>Total capital contributions</b>	<b>168,762</b>	<b>64,360</b>	<b>-</b>	<b>233,122</b>
<b>Change in net position</b>	<b>(161,198)</b>	<b>113,753</b>	<b>(3,502)</b>	<b>(50,947)</b>
<b>Net position:</b>				
Beginning of year	4,052,630	397,115	475,772	4,925,517
End of year	\$ 3,891,432	\$ 510,868	\$ 472,270	\$ 4,874,570

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Statement of Cash Flows – Proprietary Fund For the Fiscal Year Ended June 30, 2020

	Water Operations	Sewer Operations	Solid Waste Operations	Total
<b>Cash flows from operating activities:</b>				
Cash receipts from customers and others	\$ 1,101,846	\$ 360,357	\$ 175,519	\$ 1,637,722
Cash paid to employees for salaries and benefits	(480,458)	(68,155)	(13,517)	(562,130)
Cash paid to vendors and suppliers	(542,137)	(189,029)	(63,278)	(794,444)
<b>Net cash provided by operating activities</b>	<b>79,251</b>	<b>103,173</b>	<b>98,724</b>	<b>281,148</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(281,095)	(587,403)	(189,616)	(1,058,114)
Proceeds from capital contributions	168,762	64,360	-	233,122
Proceeds from notes payable	-	510,000	-	510,000
Cost of debt issuance	-	(10,000)	-	(10,000)
Principal payments on notes payable	(168,913)	(10,377)	-	(179,290)
Interest payments on notes payable	(74,000)	(16,154)	-	(90,154)
<b>Net cash used in capital/financing activities</b>	<b>(355,246)</b>	<b>(49,574)</b>	<b>(189,616)</b>	<b>(594,436)</b>
<b>Cash flows from investing activities:</b>				
Investment earnings	40,913	10,651	10,688	62,252
<b>Net cash provided by investing activities</b>	<b>40,913</b>	<b>10,651</b>	<b>10,688</b>	<b>62,252</b>
<b>Net increase(decrease) in cash</b>	<b>(235,082)</b>	<b>64,250</b>	<b>(80,204)</b>	<b>(251,036)</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	1,196,890	245,225	441,099	1,883,214
End of year	<u>\$ 961,808</u>	<u>\$ 309,475</u>	<u>\$ 360,895</u>	<u>\$ 1,632,178</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
<b>Operating income(loss)</b>	<b>\$ (269,624)</b>	<b>\$ 71,564</b>	<b>\$ (14,190)</b>	<b>\$ (212,250)</b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation expense	398,774	38,078	23,435	460,287
<b>Changes in account balances:</b>				
(Increase)decrease in assets:				
Accounts receivable – services	(59,553)	(13,844)	441	(72,956)
Accounts receivable – other	-	9,733	-	9,733
Property assessments receivable	(157)	88	-	(69)
(Increase)decrease in deferred outflows of resources	(3,251)	(907)	-	(4,158)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	(18,409)	(13,077)	89,038	57,552
Compensated absences	4,093	3,898	-	7,991
Net pension liability	27,230	7,599	-	34,829
Increase(decrease) in deferred inflows of resources	148	41	-	189
<b>Total adjustments</b>	<b>348,875</b>	<b>31,609</b>	<b>112,914</b>	<b>493,398</b>
<b>Net cash provided by operating activities</b>	<b>\$ 79,251</b>	<b>\$ 103,173</b>	<b>\$ 98,724</b>	<b>\$ 281,148</b>

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2020

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### 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, 2020

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### 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, 2020

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### 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, 2020

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### 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, 2020

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### 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, 2020

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### 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)

##### 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."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

##### 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, 2020

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### 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.

### NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2020, consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 900
Deposits held with financial institutions	266,352
Kern County Treasury Investment Pool (KCTIP)	<u>3,707,350</u>
Total	<u>\$ 3,974,602</u>

#### Demand Deposits

At June 30, 2020, the carrying amount of the District's demand deposits were \$266,352 and the financial institution's balance were \$268,194. The \$1,842 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2020

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### 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).

As of June 30, 2020, \$0 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

#### Investments

Investments as of June 30, 2020 consisted of the following:

Type of Investments	Measurement Focus	Fair Value	Maturity
			12 Months or Less
Kern County Treasury Investment Pool	Level 2	\$ 3,707,350	\$ 3,707,350
<b>Total investments</b>		<b>\$ 3,707,350</b>	<b>\$ 3,707,350</b>

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2020

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### 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](http://www.kcttc.co.kern.ca.us).

The Kern County Treasurer has indicated to the District that as of June 30, 2020, the value of the County's portfolio approximated \$3.6 billion and the portfolio holds no derivative products. The District's investment with the Kern County Treasurer's Office as of June 30, 2020 was \$3,707,350. KCTIP's fair value factor of 1.02212% as of June 30, 2020 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, 2020, 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, 2020

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#### 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, 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2020</u>
Non-depreciable assets:				
Land	\$ 73,657	\$ -	\$ -	\$ 73,657
Construction-in-progress	52,220	-	(52,220)	-
Total non-depreciable assets	<u>125,877</u>	<u>-</u>	<u>(52,220)</u>	<u>73,657</u>
Depreciable assets:				
Buildings and improvements	1,086,097	129,458	52,220	1,267,775
Community center	2,065,865	33,240	-	2,099,105
Infrastructure, streets and roads	8,683,723	-	-	8,683,723
Vehicles and equipment	1,162,393	9,106	-	1,171,499
Total depreciable assets	<u>12,998,078</u>	<u>171,804</u>	<u>52,220</u>	<u>13,222,102</u>
Accumulated depreciation:				
Buildings and improvements	(386,535)	(43,817)	-	(430,352)
Community center	(563,011)	(57,056)	-	(620,067)
Infrastructure, streets and roads	(6,712,050)	(301,497)	-	(7,013,547)
Vehicles and equipment	(893,167)	(41,678)	-	(934,845)
Total accumulated depreciation	<u>(8,554,763)</u>	<u>(444,048)</u>	<u>-</u>	<u>(8,998,811)</u>
Total depreciable assets, net	<u>4,443,315</u>	<u>(272,244)</u>	<u>52,220</u>	<u>4,223,291</u>
Total capital assets, net	<u>\$ 4,569,192</u>	<u>\$ (272,244)</u>	<u>\$ -</u>	<u>\$ 4,296,948</u>



## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2020

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#### 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	\$ 46,610
Parks and recreation	65,362
Public safety	17,467
Roads	<u>314,609</u>
Total	<u>\$ 444,048</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, 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Non-depreciable assets:				
Land	\$ 808,000	\$ -	\$ -	\$ 808,000
Construction-in-progress	<u>41,402</u>	<u>92,504</u>	<u>(41,402)</u>	<u>92,504</u>
Total non-depreciable assets	<u>849,402</u>	<u>92,504</u>	<u>(41,402)</u>	<u>900,504</u>
Depreciable assets:				
Water transmission and distribution	7,815,720	226,521	-	8,042,241
Wastewater collection	1,420,329	522,600	41,402	1,984,331
Solid waste collection	89,783	153,321	-	243,104
Vehicles and equipment	<u>273,550</u>	<u>63,168</u>	<u>-</u>	<u>336,718</u>
Total depreciable assets	<u>9,599,382</u>	<u>965,610</u>	<u>41,402</u>	<u>10,606,394</u>
Accumulated depreciation:				
Water transmission and distribution	(3,724,461)	(384,506)	-	(4,108,967)
Wastewater collection	(1,269,298)	(38,077)	-	(1,307,375)
Solid waste collection	(89,783)	(15,332)	-	(105,115)
Vehicles and equipment	<u>(164,677)</u>	<u>(22,372)</u>	<u>-</u>	<u>(187,049)</u>
Total accumulated depreciation	<u>(5,248,219)</u>	<u>(460,287)</u>	<u>-</u>	<u>(5,708,506)</u>
Total depreciable assets, net	<u>4,351,163</u>	<u>505,323</u>	<u>41,402</u>	<u>4,897,888</u>
Total capital assets, net	<u>\$ 5,200,565</u>	<u>\$ 597,827</u>	<u>\$ -</u>	<u>\$ 5,798,392</u>

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2020

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**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, 2020 were as follows:

<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>	<b>Current Portion</b>	<b>Long-term Portion</b>
\$ 109,454	\$ 102,556	\$ (70,249)	\$ 141,761	\$ 49,616	\$ 92,145

**NOTE 5 - NOTES PAYABLE**

Changes in the notes payables amounts for the fiscal year ended June 30, 2020 were as follows:

	<b>Balance July 1, 2019</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance June 30, 2020</b>
<b>Governmental-activities:</b>				
<b>Road fund:</b>				
Road project note	\$ 1,373,608	\$ -	\$ (131,132)	\$ 1,242,476
<b>Business-type activities:</b>				
<b>Water fund:</b>				
Bornt property and well note	2,000,000	-	(168,913)	1,831,087
<b>Sewer fund:</b>				
Lift station project note	-	510,000	(10,377)	499,623
Total	3,373,608	<u>\$ 510,000</u>	<u>\$ (310,422)</u>	3,573,186
Less: current portion due	<u>(300,045)</u>			<u>(321,921)</u>
Long-term portion due	<u>\$ 3,073,563</u>			<u>\$ 3,251,265</u>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2020

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#### 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>
2021	\$ 136,049	\$ 46,593	\$ 182,642
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
2026-2028	<u>509,263</u>	<u>38,663</u>	<u>547,926</u>
Totals	1,242,476	<u>\$ 218,660</u>	<u>\$ 1,461,136</u>
Less: current	<u>(136,049)</u>		
Long-term	<u>\$ 1,106,427</u>		

##### Business-type Activities

###### **2019 Bornt Property and Well Installment Note**

On December 18, 2018, 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>
2021	\$ 175,163	\$ 67,750	\$ 242,913
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
2026-2029	<u>888,019</u>	<u>83,634</u>	<u>971,653</u>
Totals	1,831,087	<u>\$ 355,131</u>	<u>\$ 2,186,218</u>
Less: current	<u>(175,163)</u>		
Long-term	<u>\$ 1,655,924</u>		

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2020

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#### NOTE 5 – NOTES PAYABLE (continued)

##### Business-type Activities (continued)

###### **2020 Lift Station Project**

On January 1, 2019, 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 1<sup>st</sup> and February 1<sup>st</sup> 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>
2021	10,709	15,817	1,499	\$ 28,025
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
2026-2030	66,821	65,595	6,250	138,666
2031-2035	78,218	54,015	5,181	137,414
2036-2040	91,560	40,460	3,930	135,950
2041-2045	107,178	24,592	2,466	134,236
2046-2049	98,763	6,445	752	105,960
Totals	499,623	\$ 266,595	\$ 25,742	\$ 791,960
Less: current	<u>(10,709)</u>			
Long-term	<u>\$ 488,914</u>			

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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**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:

<b>Description</b>	<b>Miscellaneous Plans</b>	<b>Safety Plans</b>	<b>Total</b>
Pension related deferred outflows	\$ 185,450	\$ 152,081	\$ 337,531
Net pension liability	594,682	468,758	1,063,440
Pension related deferred inflows	58,040	31,061	89,101

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):

	<b>Miscellaneous Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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%	6.250%
Required employer contribution rates	7.634%	6.842%

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

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

**A. General Information about the Pension Plan (continued)**

**The Plans (continued)**

	<b>Safety Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
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%	11.500%
Required employer contribution rates	17.614%	12.141%

**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, 2019 and 2018 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, 2019, the following Miscellaneous Plans members were covered by the benefit terms:

<b>Plan Members</b>	<b>Miscellaneous Plans</b>		<b>Total</b>
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>	
Active members	3	7	10
Transferred and terminated members	10	3	13
Retired members and beneficiaries	6	1	7
<b>Total plan members</b>	<b>19</b>	<b>11</b>	<b>30</b>

# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2020

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### 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, 2019, 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
<b>Total plan members</b>	<b>6</b>	<b>3</b>	<b>9</b>

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, 2020

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### 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, 2019 and 2018 (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, 2020, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 53,496	\$ 27,682	\$ 81,178
Contributions – members	16,016	24,461	40,477
<b>Total contributions</b>	<b>\$ 69,512</b>	<b>\$ 52,143</b>	<b>\$ 121,655</b>

Contributions for the Safety Plans for the year ended June 30, 2020, were as follows:

Contribution Type	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 47,269	\$ 19,152	\$ 66,421
Contributions – members	9,825	16,197	26,022
<b>Total contributions</b>	<b>\$ 57,094</b>	<b>\$ 35,349</b>	<b>\$ 92,443</b>



# STALLION SPRINGS COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2020

### 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 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, 2019:

<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>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2018 (Measurement Date)	\$ 2,516,782	\$ 1,985,425	\$ 531,357
Balance as of June 30, 2019 (Measurement Date)	\$ 2,695,830	\$ 2,101,147	\$ 594,683
<b>Change in Plan Net Pension Liability</b>	<b>\$ 179,048</b>	<b>\$ 115,722</b>	<b>\$ 63,326</b>

<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>
<b>CalPERS – Safety Plan:</b>			
Balance as of June 30, 2018 (Measurement Date)	\$ 2,062,021	\$ 1,641,275	\$ 420,746
Balance as of June 30, 2019 (Measurement Date)	\$ 2,180,131	\$ 1,711,373	\$ 468,758
<b>Change in Plan Net Pension Liability</b>	<b>\$ 118,110</b>	<b>\$ 70,098</b>	<b>\$ 48,012</b>

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2018). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2019 fiscal year).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

**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)*

(6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share percentage of the net pension liability for the Miscellaneous Plans for the June 30, 2019, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	
<b>CalPERS – Miscellaneous Plan</b>			
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.014850%	0.014099%	0.000751%
Percentage of Plan (PERF C) Net Pension Liability	0.005803%	0.005514%	0.000289%

The District’s proportionate share percentage of the net pension liability for the Safety Plans for the June 30, 2019, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	
<b>CalPERS – Safety Plan</b>			
Measurement Date	June 30, 2019	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.007509%	0.007171%	0.000338%
Percentage of Plan (PERF C) Net Pension Liability	0.004575%	0.004366%	0.000209%

For the year ended June 30, 2020, the District recognized pension expense/(credit) in the amounts of \$137,287 for the CalPERS Miscellaneous Plans and \$120,696 for the CalPERS Safety Plans.

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2020

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#### 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, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 147,599	\$ -
Difference between actual and proportionate share of employer contributions	-	(55,252)
Adjustment due to differences in proportions	70,452	-
Differences between expected and actual experience	71,909	(3,200)
Differences between projected and actual earnings on pension plan investments	-	(16,846)
Changes in assumptions	<u>47,571</u>	<u>(13,802)</u>
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b><u>\$ 337,531</u></b>	<b><u>\$ (89,100)</u></b>

The District will recognize \$147,599 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, 2020.

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, 2020*

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**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>
2021	\$ 83,782
2022	3,087
2023	10,607
2024	3,356
<b>Total</b>	<b>\$ 100,832</b>

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ending June 30, 2019 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2018, total pension liability, respectively. The June 30, 2019, 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	2.75%
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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2018 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, 2020

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

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

##### *Discount Rate*

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the CalPERS Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability for PERF C.

The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net 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 of 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 to 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.

<b>Investment Type</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>1</sup></b>	<b>Real Return Years 11+<sup>2</sup></b>
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>		

<sup>1</sup> An expected inflation of 2.5% is used for years 1-10.

<sup>2</sup> An expected inflation of 3.0% is used for years 11+.

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2020*

**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, 2020 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 7.150%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Miscellaneous Plan	\$ 957,280	\$ 594,683	\$ 295,384

For the year ended June 30, 2020 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 7.150%</u>	<u>Discount Rate + 1% 8.15%</u>
CalPERS – Safety Plan	\$ 767,530	\$ 468,758	\$ 223,811

***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, 2020, 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>
<b>Net investment in capital assets:</b>			
Capital assets – not being depreciated	\$ 73,657	\$ 900,504	\$ 974,161
Capital assets – being depreciated, net	4,223,291	4,897,888	9,121,179
Notes payable – current portion	(136,049)	(185,872)	(321,921)
Notes payable – non-current portion	(1,106,427)	(2,144,838)	(3,251,265)
<b>Total net investment in capital assets</b>	<b>\$ 3,054,472</b>	<b>\$ 3,467,682</b>	<b>\$ 6,522,154</b>

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2020

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#### NOTE 8 – FUND BALANCES

At June 30, 2020, fund balances of the District’s governmental funds were classified as follows:

Description	General Government	Parks and Recreation	Public Safety	Roads	Total Governmental Funds
<b>Committed</b>					
Roads	\$ -	\$ -	\$ -	\$ 435,959	\$ 435,959
Compensated absences	32,152	8,501	55,154	-	95,807
<b>Total committed</b>	32,152	8,501	55,154	435,959	531,766
<b>Assigned:</b>					
Parks and recreation	-	196,699	-	-	196,699
<b>Unassigned</b>	1,569,507	-	(30,582)	-	1,538,925
<b>Total fund balance</b>	<u>\$ 1,601,659</u>	<u>\$ 205,200</u>	<u>\$ 24,572</u>	<u>\$ 435,959</u>	<u>\$ 2,267,390</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, 2020

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### 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:

<b>A. Entity</b>	SDRMA	
<b>B. Purpose</b>	To pool member contributions and realize the advantages of self-insurance	
<b>C. Participants</b>	As of June 30, 2019 – 509 member agencies	
<b>D. Governing board</b>	Seven representatives employed by members	
<b>E. District payments for FY 2020:</b>		
Property/Liability policy	\$53,585	
Workers' compensation policy	\$42,682	
<b>F. Condensed financial information</b>	June 30, 2019	
<b>Statement of net position:</b>		<b>June 30, 2019</b>
<b>Total assets</b>		<u>\$ 117,357,664</u>
<b>Deferred outflows</b>		<u>590,733</u>
<b>Total liabilities</b>		<u>61,466,303</u>
<b>Deferred inflows</b>		<u>117,531</u>
<b>Net position</b>		<u>\$ 56,364,563</u>
<b>Statement of revenues, expenses and changes in net position:</b>		
<b>Total revenues</b>		\$ 76,136,955
<b>Total expenses</b>		<u>(74,357,125)</u>
<b>Change in net position</b>		1,779,830
<b>Beginning – net position</b>		<u>54,584,733</u>
<b>Ending – net position</b>		<u>\$ 56,364,563</u>
<b>G. Member agencies share of year-end financial position</b>		Not Calculated



## **STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2020*

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#### **NOTE 10 – RISK MANAGEMENT (continued)**

At June 30, 2020, 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 2020, 2019, and 2018. 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, 2020, 2019, and 2018.

#### **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.

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***Required Supplementary Information***

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**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2020*

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	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 241,300	\$ 241,300	\$ 272,888	\$ 31,588
Special assessments	-	-	1,358	1,358
Charges for services	5,000	5,000	36,660	31,660
Investment earnings	9,000	9,000	46,054	37,054
<b>Total revenues</b>	<u>255,300</u>	<u>255,300</u>	<u>356,960</u>	<u>101,660</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	78,950	78,950	82,402	(3,452)
Materials and services	20,960	20,960	45,694	(24,734)
Capital outlay	50,000	50,000	80,655	(30,655)
<b>Total expenditures</b>	<u>149,910</u>	<u>149,910</u>	<u>208,751</u>	<u>(58,841)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 105,390</u>	<u>\$ 105,390</u>	148,209	<u>\$ 42,819</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>1,453,450</u>	
End of year			<u>\$ 1,601,659</u>	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – Parks and Recreation Department*  
*For the Fiscal Year Ended June 30, 2020*

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	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 245,000	\$ 245,000	\$ 245,000	\$ -
Charges for services	72,000	72,000	102,321	30,321
Investment earnings	-	-	4,229	4,229
<b>Total revenues</b>	<u>317,000</u>	<u>317,000</u>	<u>351,550</u>	<u>34,550</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	174,514	174,514	161,644	12,870
Materials and services	117,393	117,393	93,499	23,894
Capital outlay	15,000	15,000	82,045	(67,045)
<b>Total expenditures</b>	<u>306,907</u>	<u>306,907</u>	<u>337,188</u>	<u>(30,281)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 10,093</u>	<u>\$ 10,093</u>	14,362	<u>\$ 4,269</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>190,838</u>	
End of year			<u>\$ 205,200</u>	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – Public Safety Fund*  
*For the Fiscal Year Ended June 30, 2020*

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	<u>Adopted Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 330,000	\$ 330,000	\$ 335,214	\$ 5,214
Special assessments	105,000	105,000	118,759	13,759
Charges for services	600	600	8,507	7,907
Federal and state aid	100,000	100,000	155,948	55,948
Investment earnings	1,000	1,000	4,560	3,560
<b>Total revenues</b>	<u>536,600</u>	<u>536,600</u>	<u>622,988</u>	<u>86,388</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	523,048	523,048	493,657	29,391
Materials and services	76,388	76,388	93,218	(16,830)
Capital outlay	-	-	9,104	(9,104)
<b>Total expenditures</b>	<u>599,436</u>	<u>599,436</u>	<u>595,979</u>	<u>3,457</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (62,836)</u>	<u>\$ (62,836)</u>	27,009	<u>\$ 89,845</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>(2,437)</u>	
End of year			<u>\$ 24,572</u>	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT***Budgetary Comparison Schedule – Roads Fund**For the Fiscal Year Ended June 30, 2020*

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	<b>Adopted Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>				
Special assessments	\$ 327,000	\$ 327,000	\$ 331,783	\$ 4,783
Charges for services	-	-	6,574	(6,574)
Investment earnings	4,000	4,000	14,375	10,375
<b>Total revenues</b>	<b>331,000</b>	<b>331,000</b>	<b>352,732</b>	<b>8,584</b>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	93,667	93,667	103,885	(10,218)
Materials and services	85,972	85,972	74,536	11,436
Capital outlay	-	-	-	-
Debt service:				
Principal	131,132	131,132	131,132	-
Interest	101,510	101,510	51,510	50,000
<b>Total expenditures</b>	<b>412,281</b>	<b>412,281</b>	<b>361,063</b>	<b>51,218</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (81,281)</b>	<b>\$ (81,281)</b>	<b>(8,331)</b>	<b>\$ 59,802</b>
<b>FUND BALANCES:</b>				
Beginning of year			444,290	
End of year			\$ 435,959	

**STALLION SPRINGS COMMUNITY SERVICES DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2020*

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous & Safety Plans**

<b>Measurement Date:</b>	<b>June 30, 2019<sup>1</sup></b>	<b>June 30, 2018<sup>1</sup></b>	<b>June 30, 2017<sup>1</sup></b>	<b>June 30, 2016<sup>1</sup></b>	<b>June 30, 2015<sup>1</sup></b>	<b>June 30, 2014<sup>1</sup></b>
District's Proportion of the Net Pension Liability	0.010378%	0.009880%	0.009598%	0.009196%	0.008028%	0.009784%
District's Proportionate Share of the Net Pension Liability	\$ 1,063,441	\$ 952,103	\$ 942,875	\$ 795,742	\$ 551,036	\$ 608,837
District's Covered Payroll	\$ 749,525	\$ 646,671	\$ 732,560	\$ 717,700	\$ 696,800	\$ 676,506
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	141.88%	147.23%	128.71%	110.87%	79.08%	90.00%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.19%	79.21%	78.85%	78.40%	74.06%	73.31%

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

## STALLION SPRINGS COMMUNITY SERVICES DISTRICT

### Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2020

#### Last Ten Fiscal Years

#### California Public Employees' Retirement System (CalPERS) Miscellaneous & Safety Plans

Fiscal Year:	2019-20 <sup>1</sup>	2018-19 <sup>1</sup>	2017-18 <sup>1</sup>	2016-17 <sup>1</sup>	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially Determined Contribution <sup>2</sup>	\$ 147,599	\$ 121,054	\$ 106,520	\$ 95,425	\$ 81,864	\$ 70,491	\$ 65,246
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(147,599)	(121,054)	(106,520)	(95,425)	(81,864)	(70,491)	(65,246)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll <sup>3</sup>	\$ 760,522	\$ 749,525	\$ 646,671	\$ 732,560	\$ 717,700	\$ 696,800	\$ 676,506
Contributions as a Percentage of Covered Payroll	19.41%	16.15%	16.47%	13.03%	11.41%	10.12%	9.64%

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

#### Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)



## **STALLION SPRINGS COMMUNITY SERVICES DISTRICT**

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2020*

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### **NOTES TO SCHEDULE**

#### **Budgetary Comparison Schedules**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

#### **Schedule of Proportionate Share of the Net Pension Liability**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

#### **Schedule of Pension Contributions**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

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***Other Independent Auditors' Report***

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**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, 2020, 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, 2020.

**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, 2020