

JAMES MARTA & COMPANY LLP

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

WWW.JPMCPCPA.COM

701 HOWE AVENUE, E3
SACRAMENTO, CA 95825

(916) 993-9494
(916) 993-9489 FAX

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

DECEMBER 31, 2021

EXECUTIVE COMMITTEE

Ryan Clausnitzer

President

Vincent Ferrante

Past Chair/President

Elaine Magner

Vice President

Jerry Gilmore

Treasurer

Arlene Schafer

Secretary

* * * *

Neil McCormick

Chief Executive Officer

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

DECEMBER 31, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNDING PROGRESS	16
SUPPLEMENTARY INFORMATION	
GRAPHICAL PRESENTATION OF REVENUES	17
GRAPHICAL PRESENTATION OF EXPENSES	18



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Special Districts Association
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of California Special Districts Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Special Districts Association as of December 31, 2021 and 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of our Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Special Districts Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Special Districts Association ability to continue as a going concern for the year ending December 31, 2021.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

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

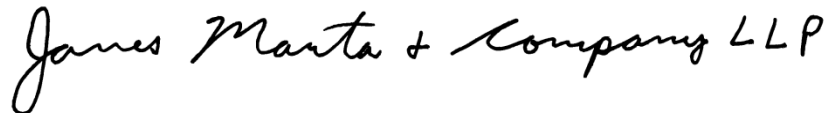
Other Matters

Change in Accounting Principle

As described in Note 1K to the financial statements, the Association implemented ASU 2016-02, Leases, which required a restatement of net assets as of January 1, 2021. Our opinion is not modified with respect to this matter.

Other information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Funding Progress is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Financial Accounting Standards Board. The Graphical Presentation of Revenues and the Graphical Presentation of Expenses are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
March 2, 2022

BASIC FINANCIAL STATEMENTS

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 7,863,678	\$ 7,566,736
Accounts receivable, net	43,112	39,101
Prepaid expenses	63,015	137,344
Total Current Assets	<u>7,969,805</u>	<u>7,743,181</u>
Right-of-Use Assets	995,334	152,424
Noncurrent Assets		
Deposits	1,516	1,516
Capital assets, net of accumulated depreciation (Note 5)	82,056	100,658
Total Noncurrent Assets	<u>83,572</u>	<u>102,174</u>
Total Assets	<u>\$ 9,048,711</u>	<u>\$ 7,997,779</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	\$ 86,569	\$ 57,918
Accrued expenses	181,843	185,700
Unearned revenue	4,049,148	3,818,581
Cash held for others	750	-
Current portion of lease liability (Note 6)	170,947	185,028
Total Current Liabilities	<u>4,489,257</u>	<u>4,247,227</u>
Noncurrent Liabilities		
Pension liability (Note 8)	-	192,420
Lease liability (Note 6)	824,387	-
Total Noncurrent Liabilities	<u>824,387</u>	<u>192,420</u>
Total Liabilities	<u>5,313,644</u>	<u>4,439,647</u>
Net Assets		
Without restrictions (Note 7)	<u>3,735,067</u>	<u>3,558,132</u>
Total Liabilities and Net Assets	<u>\$ 9,048,711</u>	<u>\$ 7,997,779</u>

The accompanying notes are an integral part of this financial statement.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES		
Membership dues	\$ 4,071,707	\$ 3,888,582
Nonprofit administration	179,927	180,093
Publications	39,751	35,590
Educational seminars	162,920	195,287
Special Districts Legislative Days	24,180	26,395
Special District Leadership Academy	101,661	23,955
Board Secretary / Clerk Conference	139,155	121,395
General Manager Leadership Summit	148,542	-
Annual Conference	414,628	-
Magazine advertising	60,630	53,943
Alliance contribution	48,250	49,116
Sponsored programs	209,377	196,178
Interest	(1,084)	116,579
Total Revenues	<u>5,599,644</u>	<u>4,887,113</u>
EXPENSES		
Salaries and benefits	3,871,652	3,461,020
Change in pension liability	(192,420)	64,559
Professional fees (Note 9)	31,264	30,154
Legislative advocacy	209,337	80,524
Educational seminars	16,342	19,550
Special Districts Legislative Days	5,360	2,756
Special District Leadership Academy	56,315	9,869
Board Secretary / Clerk Conference	76,536	33,245
General Manager Leadership Summit	107,773	1,234
Annual Conference	334,314	4,675
Publications for resale	9,972	9,611
Alliance branding	37,333	36,725
Marketing and recruitment	138,373	141,923
Administration	569,013	660,327
Interest	1,666	1,139
Organization and governance	98,909	56,877
Depreciation	50,970	42,079
Total Expenses	<u>5,422,709</u>	<u>4,656,267</u>
Change in Net Assets	176,935	230,846
Net Assets, Beginning of Year	3,590,736	3,327,286
Change in Accounting Principle - See note 1.K	(32,604)	-
Net Assets, Beginning of Year - as restated	<u>3,558,132</u>	<u>3,327,286</u>
Net Assets, End of Year	<u>\$ 3,735,067</u>	<u>\$ 3,558,132</u>

The accompanying notes are an integral part of this financial statement.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from members	\$ 5,599,107	\$ 5,043,730
Cash received from administrative services	228,177	229,209
Cash received from other sources	750	(850)
Cash paid for goods and services	(1,624,322)	(1,228,486)
Cash paid for salaries and benefits	(3,871,652)	(3,418,941)
Interest income received	(1,084)	116,579
Interest paid	(1,666)	(1,139)
Net Cash Flows Provided (Used) by Operating Activities	<u>329,310</u>	<u>740,102</u>
Cash Flows From Investing Activities		
Purchase of capital assets	<u>(32,368)</u>	<u>(38,485)</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>(32,368)</u>	<u>(38,485)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	296,942	701,617
Beginning Cash and Cash Equivalents	<u>7,566,736</u>	<u>6,865,119</u>
Ending Cash and Cash Equivalents	<u><u>\$ 7,863,678</u></u>	<u><u>\$ 7,566,736</u></u>
Reconciliation of Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities		
Change in Net Assets	\$ 176,935	\$ 263,450
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	50,970	42,079
(Increase) Decrease in:		
Accounts receivable	(4,011)	57,284
Prepaid expenses	74,329	(76,850)
Increase (Decrease) in:		
Accounts payable and other liabilities	(3,953)	(83,858)
Accrued expenses	(3,857)	29,167
Cash held for others	750	(850)
Deferred revenue	230,567	445,121
Pension liability	(192,420)	64,559
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 329,310</u></u>	<u><u>\$ 740,102</u></u>

The accompanying notes are an integral part of this financial statement.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

California Special Districts Association (CSDA) is a statewide nonprofit organization whose purpose is to initiate, sponsor, promote and carry out plans, policies, and activities in furtherance of subjects relating to special districts in California. CSDA's membership consisted of approximately 1,321 and 1,256 special districts and professional members throughout California as of December 31, 2021 and 2020, respectively. CSDA provides legislative advocacy regarding matters concerning member interests. CSDA also provides conferences, seminars, workshops, and a forum for an interchange of ideas concerning matters relating to districts.

B. BASIS OF ACCOUNTING

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and the related liabilities are recognized when the obligation is incurred.

C. INCOME TAXES

CSDA is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and section 23701(e) of the California Revenue and Taxation Code. Accordingly, the accompanying financial statements include no provision for income taxes.

D. CASH AND CASH EQUIVALENTS

CSDA considers all highly liquid temporary investments with maturities of three months or less, investment in the Local Agency Investment Fund and investment in CalTRUST to be cash equivalents for the purpose of the statements of financial position and cash flows.

E. ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of amounts due from the related affiliates. CSDA considers the remaining accounts receivable balance to be fully collectible.

F. CAPITAL ASSETS

CSDA's capital assets are recorded at acquisition cost. Depreciation on CSDA's capital assets is computed using the straight-line method with lives ranging from 3-7 years. Maintenance and repair costs are expensed as incurred and expenditures for additions and improvements over \$500 are capitalized. Upon retirement or other disposition of capital assets, any gain or loss is included in earnings. Impairment tests on long-lived assets are made when conditions indicate a possible loss. Such impairment tests are based on a comparison of undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset value is written down to its fair market value.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. DEFERRED REVENUES

Deferred revenues consist of membership dues and seminar registration fees received during the year for the subsequent year. The dues and fees will be used to support the general activities of CSDA.

H. REVENUES

Revenues are principally from membership dues, administrative fees, and program activities, which consist of conferences, seminars and workshop fees. Dues are based on each member's operating budget and are assessed to agency members for the unrestricted general activities of CSDA. Fees for attendance at conferences, seminars, and workshops produced by CSDA are reported at the gross amount received.

I. ADMINISTRATIVE FEES

CSDA provides administrative services for various affiliated parties. The administrative fees are based on pre-set annual amounts and on a pro rata share of administrative overhead expenses, as well as a percentage of personnel costs and premiums paid by its members.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

K. CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the FASB issued ASU 2016-02, Leases. The new accounting standard is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective in the year ending December 31, 2020, with early implementation allowed; however, due to the COVID-19 pandemic, this implementation date was delayed for one year. As a result, the Association elected to implement this update in the year ending December 31, 2021. The effect on beginning net assets in conjunction with this implementation was \$32,604 as indicated as a change in accounting principle on the Statement of Activities.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. AFFILIATED PARTIES

CSDA provides administrative and marketing services for California Special Districts Association Finance Corporation (CSDAFC) and Special District Leadership Foundation (SDLF). CSDAFC made payments of \$47,031 to CSDA in 2021. CSDAFC made payments of \$29,588 to CSDA in 2020. SDLF paid \$10,000 to CSDA in 2021 and 2020.

CSDA provides marketing products, services and sponsorships to the Special District Risk Management Authority (SDRMA). SDRMA paid \$137,000 to CSDA in 2021 and 2020, of which \$50,000 went to SDLF each year.

CSDA is a co-sponsor of Institute for Local Government (ILG) and receives workshop tools, articles, and training to CSDA. CSDA paid \$80,000 to ILG in 2021 and 2020.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2021 and 2020 consisted of the following:

<u>Account</u>	<u>2021</u>	<u>2020</u>
Petty Cash	\$ 600	\$ 600
Cash in Bank	2,593,787	888,707
Local Agency Investment Fund	266,309	265,148
CSDA Advocacy Fund	395,467	371,823
CalTRUST	4,607,515	6,040,458
Total	<u>\$ 7,863,678</u>	<u>\$ 7,566,736</u>

Cash in Bank

Sum of all deposits accounts in each bank were insured up to \$250,000 during 2021 and 2020 by the Federal Depository Insurance Corporation (FDIC). As of December 31, 2021, CSDA's deposits were \$2,393,358 in Five Star Bank and \$200,429 in Wells Fargo Bank respectively. The deposit balance for Wells Fargo is fully insured. The uninsured balance of the Five Star Bank deposit balance is \$2,143,358.

Local Agency Investment Fund

The CSDA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Foundation's investment pool is reported in the accompanying financial statements at amounts based upon the Foundation's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. At December 31, 2021 and 2020, the interest rate for the LAIF account was .5 % and 1.93 %, respectively, and there was no significant difference between the fair market value and the carrying amount.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

3. CASH AND CASH EQUIVALENTS - CONTINUED

CalTRUST

CalTRUST is a Joint Powers Authority created by public agencies to provide a convenient method for agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. Following the investment policy direction established by the Board of Trustees, the primary objective of the investment manager is to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the participants and the final objective shall be to maximize the yield in a manner consistent with the first two objectives. The objective of the investment policy is to obtain the best possible return commensurate with the degree of risk that participants are willing to assume in obtaining such return. CSDA invests in the CalTRUST Medium and Short Term Funds. The average annual interest yield for the Medium Term Fund was approximately -0.57% and 3.36% and the weighted average maturity was 2.01 years and 1.90 years at December 31, 2021 and 2020, respectively. The average annual interest yield for the Short Term Fund was approximately -0.07% and 1.59% and the weighted average maturity was 0.86 and 0.76 years at December 31, 2021 and 2020 respectively.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents CSDA's financial assets at December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 7,863,678	\$ 7,566,736
Accounts receivable	43,112	39,101
Total financial assets	<u>7,906,790</u>	<u>7,605,837</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 7,906,790</u>	<u>\$ 7,605,837</u>

CSDA's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.36M). As part of this liquidity plan, excess cash is sometimes invested in short-term and medium-term investments.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

5. CAPITAL ASSETS

Capital assets as of December 31, 2021 and 2020 consisted of the following:

	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Total Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Balance</u>
Balance - December 31, 2019	\$ 417,816	\$ 182,154	\$ 599,970	\$ (495,718)	\$ 104,252
Additions	38,485	-	38,485	(42,079)	(3,594)
Deletions	(179,759)	-	(179,759)	179,759	-
Balance - December 31, 2020	<u>\$ 276,542</u>	<u>\$ 182,154</u>	<u>\$ 458,696</u>	<u>\$ (358,038)</u>	<u>\$ 100,658</u>
Additions	24,431	7,937	32,368	(50,970)	(18,602)
Deletions	-	-	-	-	-
Balance - December 31, 2021	<u><u>\$ 300,973</u></u>	<u><u>\$ 190,091</u></u>	<u><u>\$ 491,064</u></u>	<u><u>\$ (409,008)</u></u>	<u><u>\$ 82,056</u></u>

6. OPERATING LEASE

CSDA leases two office spaces under a non-cancelable operating lease which was originally set to expire in December 31, 2021. On August 3, 2021, CSDA renegotiated their lease. The renegotiated lease expires in 2026. The right-of-use assets obtained in exchange for these operating leases were \$995,334 as of December 31, 2021. The remaining lease term for these leases is 5 years, and the discount rate used to calculate the present value of leases was 4.00%. The maturity of the leases are as follows:

<u>Year ending December 31:</u>	<u>Total</u>
2022	\$ 170,947
2023	184,256
2024	198,298
2025	213,109
2026	<u>228,724</u>
Total lease liability	<u><u>\$ 995,334</u></u>

The annual lease payments related to the office space were \$192,430 and \$189,991 for the years ended December 31, 2021 and 2020, respectively.

CSDA leases 10 parking spaces from Special Districts Risk Management Authority (SDRMA). The lease is a month-to-month agreement. The payments for parking spaces were \$14,640 in 2021 and 2020.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

7. NET ASSETS WITHOUT RESTRICTIONS

The Board has designated amounts of net assets without restrictions to provide for the future needs of CSDA. The following designations have been identified:

	Minimum Target Balance	Balance December 31, 2021	Balance December 31, 2020
Designated for:			
Operating Reserves Fund	\$ 2,782,472	\$ 1,819,937	\$ 1,722,954
Capital Replacement Fund	50,000	81,976	80,593
Capital Technology Fund	50,000	57,154	56,080
Special Projects Fund	200,000	220,926	216,509
Building Fund	200,000	200,000	99,014
CSDA Advocacy Fund	1,000,000	360,498	327,197
Retiree Health Reimbursement Fund	500,000	525,457	515,847
Dues Stabilization Fund	405,164	324,788	309,092
Total Designated Funds	<u>\$ 5,187,636</u>	<u>\$ 3,590,736</u>	<u>\$ 3,327,286</u>
Net Income (<i>subject to board allocation</i>)		144,331	263,450
Total Net Asset Without Restrictions		<u>\$ 3,735,067</u>	<u>\$ 3,590,736</u>

The Board designated balances above for 2021 and 2020 does not include \$144,331 and \$263,450 of net assets without restrictions that will be subject to allocation by the Board at a future meeting and presented as unrestricted net assets.

Advocacy Fund

Per Policy 5.15, CSDA is required to maintain an Advocacy Fund. No revenue that is considered public funds shall be deposited into or be a part of this fund. The sole source of the Advocacy Fund shall be from private income received from all revenues considered to be private such as those received for administrative services, advertising, sponsorships and dues from business affiliates.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

8. EMPLOYEE RETIREMENT PLAN

A. PLAN DESCRIPTION

CSDA's defined benefit pension plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CSDA's retirement plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating agencies within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. CSDA selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. All regular full-time employees are eligible to participate upon their hire date. Part-time employees are eligible once they have worked a minimum of 1,000 hours. Employees vest after five years in the plan and there is no partial vesting. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

B. FUNDING POLICY

CSDA is required to contribute the actuarially determined amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions used are those by the CalPERS Board of Administration. The required employer contribution rate for January 2021 through June 2021 was 8.794%, and for July 2021 through December 2021 was 8.65% for most employees. CSDA also contributes the employee's share which was 7% for both 2021 and 2020. However, 22 employees participate in the Public Employees' Pension Reform Act (PEPRA) and the employees are required to contribute 6.75%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

C. ANNUAL PENSION COST

For 2021, CSDA's annual required contribution was \$214,973 and they also paid the employees share of \$89,407 for a total pension expense of \$304,379. The required contribution for 2021 was determined as part of the June 30, 2020 actuarial valuation. A summary of principle assumptions and methods used to determine the annual required contribution is shown on the following page.

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

8. EMPLOYEE RETIREMENT PLAN - CONTINUED

Annual Required Contribution

For Classic and PEPRA *

Valuation Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Level Percent of Payroll
Asset Valuation Method:	Market Value
Actuarial Assumptions:	
Inflation Rate:	2.5%
Discount Rate:	7.0%
Projected Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return**:	7.0%
Mortality:	Derived using CalPERS' Membership Data for all Funds

* both Classic and PEPRA use the same actuarial assumptions

** Net of pension plan investment expenses, including inflation

Three Year Trend Information - CSDA Retirement Plan

Year Ended	Annual Pension		Net Pension
	Cost (APC)	% of APC Contributed	Obligation
12/31/2019	\$ 168,380	100%	\$ 127,861
12/31/2020	\$ 286,828	100%	\$ 192,420
12/31/2021	\$ 175,000	100%	\$ -

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

9. PROFESSIONAL FEES

Professional fees for the year ended December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Audit fees	\$ 14,200	\$ 13,800
Legal fees	<u>17,064</u>	<u>16,354</u>
Total	<u><u>\$ 31,264</u></u>	<u><u>\$ 30,154</u></u>

10. RETIREE HEALTH REIMBURSEMENT FUND

CSDA has a Retiree Health Reimbursement Arrangement. This is a defined contribution plan that would provide the retiree with \$250/month retroactive to their first month of employment to use towards qualified health expenses. This benefit is provided only after employees meet the eligibility requirements outlined in Policy 5.03.

11. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the CSDA’s operations and financial results at this time.

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended December 31, 2021 through March 2, 2022, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements other than what is disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

SCHEDULE OF FUNDING PROGRESS

DECEMBER 31, 2021

The schedule below is funding progress for CalPERS in conjunction with footnote 8.

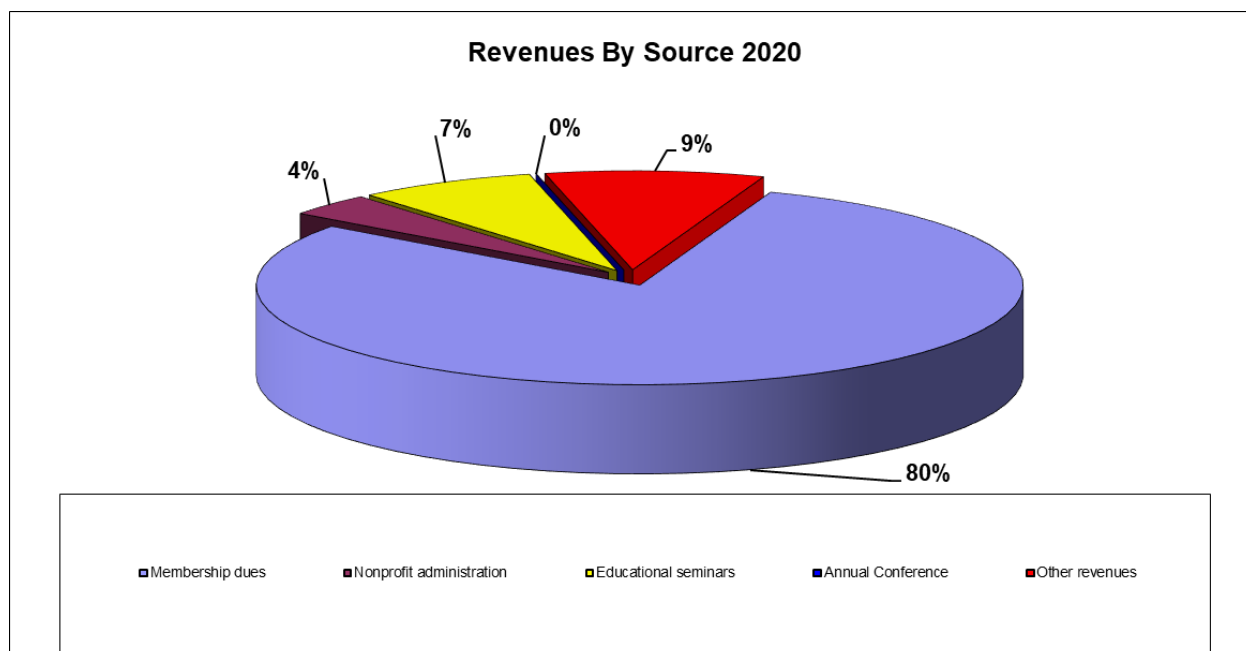
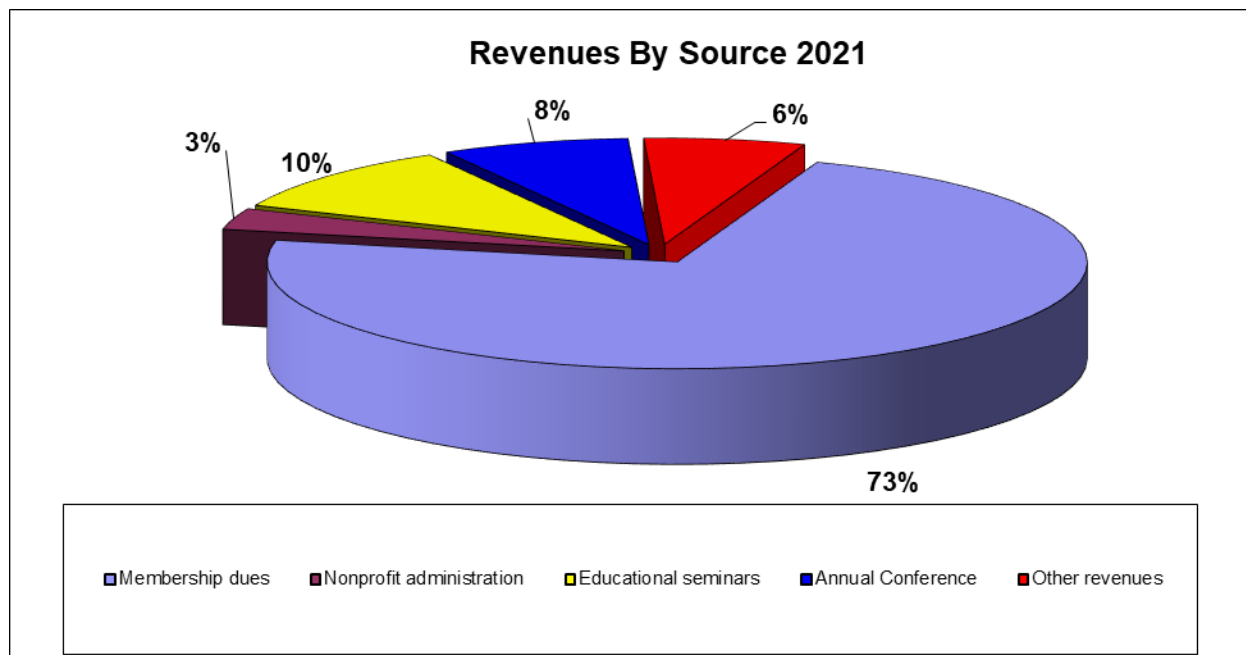
Classic							
Valuation		Actuarial Asset	Under/(Over)	Funded		Under(Over)	
Date	Accrued Liability	Value	Funded Liability	Ratio	Covered Payroll	Funded Liability as % of payroll	
6/30/2018	\$ 3,421,464	\$ 3,097,680	\$ 323,784	90.5%	\$ 1,207,862	26.8%	
6/30/2019	\$ 3,949,871	\$ 3,823,785	\$ 126,086	96.8%	\$ 1,223,100	10.3%	
6/30/2020	\$ 4,521,107	\$ 4,261,792	\$ 259,315	94.3%	\$ 1,215,916	21.3%	
PEPRA							
Valuation		Actuarial Asset	Under/(Over)	Funded		Under(Over)	
Date	Accrued Liability	Value	Funded Liability	Ratio	Covered Payroll	Funded Liability as % of payroll	
6/30/2018	\$ 262,772	\$ 239,620	\$ 23,152	91.2%	\$ 848,857	2.7%	
6/30/2019	\$ 390,244	\$ 351,231	\$ 39,013	90.0%	\$ 970,892	4.0%	
6/30/2020	\$ 576,314	\$ 514,516	\$ 61,798	89.3%	\$ 1,192,648	5.2%	

SUPPLEMENTARY INFORMATION

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

GRAPHICAL PRESENTATION OF REVENUES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

GRAPHICAL PRESENTATION OF EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

