



**McKinleyville Community Services District**

**Single Audit Report**

**For the Fiscal Year Ended June 30, 2022**

**McKinleyville Community Services District**  
**Single Audit Report**  
**For the Fiscal Year Ended June 30, 2022**

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**Independent Auditor's 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  
McKinleyville Community Services District  
McKinleyville, 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 the governmental activities of the McKinleyville Community Services District (District) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2023.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

**Independent Auditor's 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*, continued**

***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 did not provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company CPAs**  
Cypress, California  
January 4, 2023



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**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance in Accordance with the *Uniform Guidance***

Board of Directors  
McKinleyville Community Services District  
McKinleyville, California

***Report on Compliance for Each Major Federal Program***

We have audited the McKinleyville Community Services District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the McKinleyville Community Services District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basin for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*, continued**

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control Over Compliance***

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

**Independent Auditor’s Report on Compliance for Each Major Program and on  
Internal Control over Compliance Required by the *Uniform Guidance*, continued**

***Report on Internal Control Over Compliance, continued***

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor’s Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited financial statements of the governmental activities, and each major fund information of the District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements. We issued our report thereon dated January 4, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards on page 6 is presented for purposes of additional analysis as required by the *Uniform Guidance* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company CPAs**  
Cypress, California  
June 9, 2023

**McKinleyville Community Services District  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2022**

<u>Federal Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Award Number</u>	<u>Grant Expenditures</u>
U.S. Environmental Protection Agency			
<b>Major Program:</b>			
Clean Water State Revolving Fund			
<b>Pass Through - California State Water Resources Control Board</b>			
Wastewater System Energy Efficiency and Renewable Energy Project	<b>66.458</b>	C-06-8221-110	\$ 3,106,716
Wastewater Recycling Expansion Project	<b>66.458</b>	C-06-8393-110	<u>34,727</u>
<b>Total for CFDA No.</b>	<b>66.458</b>		<u>3,141,443</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency			
Hazard Mitigation Grant Program (HMGP)			
<b>Directly Awarded:</b>			
4.5 MG Water Reservoir Project	<b>97.039</b>	4344-68-012R	144,261
Sewer Highway Crossing Retrofit Supplement	<b>97.039</b>	4344-59-14	<u>15,836</u>
<b>Total for CFDA No.</b>	<b>97.039</b>		<u>160,097</u>
U.S. Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds			
<b>Pass Through - California State Water Resources Control Board</b>			
California Water Arrearages Payment Program	<b>21.027</b>	CA1210016	49,178
California Wastewater Arrearages Payment Program	<b>21.027</b>	CA240093	<u>26,427</u>
<b>Total for CFDA No.</b>	<b>21.027</b>		<u>75,605</u>
<b>Total Federal Awards</b>			<u>\$ 3,377,145</u>

**McKinleyville Community Services District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

**(1) Summary of Significant Accounting Policies**

The McKinleyville Community Services District (District) include expenditures in its Schedule of Expenditures of Federal Awards (SEFA Schedule) for federal awards received indirectly by the District from a nonfederal agency, State of California – California State Water Resources Control Board and federal awards received directly by the District from a federal agency, U.S Department of Homeland Security. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that was funded with other state, local, or other nonfederal funds are excluded from the accompanying SEFA schedule.

**(2) Basis of Accounting**

The accompanying SEFA Schedule has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

Expenditures reported on the SEFA Schedule are recognized following the cost principles contained in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance*).

**(3) Relationship to Annual Financial Report**

Amounts reported in the accompanying SEFA Schedule agree to amounts reported within the District's Annual Financial Report.

**(4) Relationship to Federal Financial Report**

Amounts reported in the accompanying SEFA Schedule agree with amounts reported within federal financial reports.

**(5) Contingencies**

Under the terms of federal grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits could lead to a request for reimbursement to grantor agencies.

**(6) Indirect Cost Rate**

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**McKinleyville Community Services District  
Schedule of Findings and Questioned Cost  
Fiscal Year Ended June 30, 2022**

<b>Section I—Summary of Auditor’s Results</b>	<b>Response</b>
<b><i>Basic Financial Statements</i></b>	
Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No
<b><i>Federal Awards</i></b>	
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a) (Uniform Guidance):	No
Identification of major programs tested include:	
U.S. Environmental Protection Agency	
Pass Through – California State Water Resources Control Board	
Clean Water State Revolving Fund – CFDA No. 66.458	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No
<b>Section II—Financial Statement Findings</b>	
None noted for Fiscal Year 2021-2022.	
<b>Section III—Federal Award Findings and Questioned Costs</b>	
None noted for Fiscal Year 2021-2022.	