



**McKinleyville Community Services District**  
**McKinleyville, California**

**Annual Financial Report**  
**For the Fiscal Year Ended**  
**June 30, 2024**



**Board of Directors as of June 30, 2024**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
Scott Binder	President	Elected	12/2020 - 12/2024
James Biteman	Vice President	Appointed	12/2022 - 12/2026
David Couch	Director	Appointed	12/2009 - 12/2026
Dennis Mayo	Director	Appointed	09/2008 - 12/2026
Gregory Orsini	Director	Elected	12/2020 - 12/2024

**McKinleyville Community Services District  
 1656 Sutter Road  
 McKinleyville, California 95519  
 (707) 839-3251**

**McKinleyville Community Services District**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2024**

**McKinleyville Community Services District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2024**

**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Financial Section</b>	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9-10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet of Governmental Fund	12
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	15
Statement of Net Position – Enterprise Fund	16-17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund	18
Statement of Cash Flows – Enterprise Fund	19-20
Notes to the Basic Financial Statements	21-61
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General (Parks and Recreation) Fund	62
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Measure B Fund	63
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Street Lighting Fund	64
Notes to the Required Supplementary Information	65
Schedules of Changes in District’s Net OPEB Liability and Related Ratios	66-67
Schedules of Other Post Employment Benefits Plan Contributions	68
Schedules of the District’s Proportionate Share of the Net Pension Liability	69
Schedules of Pension Plan Contributions	70
<b>Report on Compliance and Internal Controls</b>	
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 <i>Government Auditing Standards</i>	71-72

# **Financial Section**

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# C.J. Brown & Company CPAs

## An Accountancy Corporation

Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

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### **Independent Auditor's Report**

Board of Directors  
McKinleyville Community Services District  
McKinleyville, California

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the McKinleyville Community Services District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the District 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 opinions.

##### ***Responsibilities of Management for the Financial Statements***

The District's management is responsible for the preparation and fair presentation of the 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Independent Auditor's Report, continued**

### ***Auditor's Responsibilities 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 opinions. 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 the District'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

### ***Emphasis of Matter***

As discussed in note 10 to the financial statements, during the fiscal year ended June 30, 2024, the District recorded prior period restatements related to accounts receivable period recognition differences identified during the District's single audit for June 30, 2023 and 2022. In addition, the District recorded prior period restatements for its unbilled receivable at June 30, 2023.

As a result, the District has restated its net position to reflect the effects of the changes. Our opinion is not modified with respect to these matters.

## Independent Auditor's Report, continued

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 62 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 our report dated March 18, 2025, 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 solely 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 the effectiveness of 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.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
March 18, 2025

**McKinleyville Community Services District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2024**

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the McKinleyville Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In 2024, the District’s net position increased by 34.18% or \$13,795,127 to \$54,153,469 as a result of ongoing operations.
- In 2024, the District’s total revenues increased by 87.21% or \$11,193,200 to \$24,028,192.
- In 2024, the District’s total expenses increased by 17.90% or \$1,553,924 to \$10,233,065.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District’s investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year’s revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in it. Think of the District’s net position – the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources – as one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in the District’s property tax base and the type of grants the District applies for to assess the *overall financial health* of the District.

**McKinleyville Community Services District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2024**

**Fund Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance**

*Governmental fund* is used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental fund* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 61.

**Government-wide Financial Analysis**

**Statement of Net Position**

The following table is a summary of the statement of net position at June 30, 2024.

	<b>Condensed Statements of Net Position</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>	
	<u>2024</u>	<u>As Restated 2023</u>	<u>2024</u>	<u>As Restated 2023</u>	<u>2024</u>	<u>As Restated 2023</u>
<b>Assets:</b>						
Current assets	\$ 1,048,733	561,488	33,853,120	32,022,525	34,901,853	32,584,013
Capital assets	9,464,484	4,780,797	49,359,970	41,960,396	58,824,454	46,741,193
<b>Total assets</b>	<u>10,513,217</u>	<u>5,342,285</u>	<u>83,213,090</u>	<u>73,982,921</u>	<u>93,726,307</u>	<u>79,325,206</u>
<b>Deferred outflows of resources</b>	<u>585,786</u>	<u>1,300,033</u>	<u>1,037,494</u>	<u>2,056,687</u>	<u>1,623,280</u>	<u>3,356,720</u>
<b>Liabilities:</b>						
Current liabilities	377,026	303,579	3,554,860	2,309,728	3,931,886	2,613,307
Non-current liabilities	2,853,619	3,362,991	29,988,586	30,803,552	32,842,205	34,166,543
<b>Total liabilities</b>	<u>3,230,645</u>	<u>3,666,570</u>	<u>33,543,446</u>	<u>33,113,280</u>	<u>36,774,091</u>	<u>36,779,850</u>
<b>Deferred inflows of resources</b>	<u>1,595,756</u>	<u>2,147,045</u>	<u>2,826,271</u>	<u>3,396,689</u>	<u>4,422,027</u>	<u>5,543,734</u>
<b>Net position:</b>						
Net investment in capital assets	8,842,016	4,056,025	22,536,546	14,691,193	31,378,562	18,747,218
Restricted	204,795	172,905	5,993,387	9,798,450	6,198,182	9,971,355
Unrestricted	(2,774,209)	(3,400,227)	19,350,934	15,039,996	16,576,725	11,639,769
<b>Total net position</b>	<u>\$ 6,272,602</u>	<u>828,703</u>	<u>47,880,867</u>	<u>39,529,639</u>	<u>54,153,469</u>	<u>40,358,342</u>

**McKinleyville Community Services District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2024**

**Government-wide Financial Analysis, continued**

**Statement of Net Position, continued**

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 exceeded liabilities and deferred inflows of resources by \$54,153,469 as of June 30, 2024. The District's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

**Statement of Activities**

The following table is a summary of the statement of activities.

<b>Condensed Statements of Activities</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>	
	<u>2024</u>	<u>As Restated 2023</u>	<u>2024</u>	<u>As Restated 2023</u>	<u>2024</u>	<u>As Restated 2023</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 737,580	725,969	8,787,763	8,434,160	9,525,343	9,160,129
Operating grants and contributions	262,306	216,265	1,776,720	-	2,039,026	216,265
Capital grants and contributions	4,794,500	-	5,160,973	2,185,339	9,955,473	2,185,339
<b>Total program revenues</b>	<u>5,794,386</u>	<u>942,234</u>	<u>15,725,456</u>	<u>10,619,499</u>	<u>21,519,842</u>	<u>11,561,733</u>
<b>General revenues:</b>						
Property taxes	992,747	744,930	-	-	992,747	744,930
Voter approved taxes	219,825	228,096	-	-	219,825	228,096
Investment earnings	377,940	(78,195)	857,184	350,061	1,235,124	271,866
Gain on disposal of capital assets	-	-	5,016	8,466	5,016	8,466
Other income	55,638	19,901	-	-	55,638	19,901
<b>Total general revenues</b>	<u>1,646,150</u>	<u>914,732</u>	<u>862,200</u>	<u>358,527</u>	<u>2,508,350</u>	<u>1,273,259</u>
<b>Total revenues</b>	<u>7,440,536</u>	<u>1,856,966</u>	<u>16,587,656</u>	<u>10,978,026</u>	<u>24,028,192</u>	<u>12,834,992</u>
<b>Expenses:</b>						
General (Parks & Recreation)	1,764,332	1,443,637	-	-	1,764,332	1,443,637
Measure B	100,780	135,398	-	-	100,780	135,398
Streetlighting	131,525	107,718	-	-	131,525	107,718
Water	-	-	3,764,452	2,845,050	3,764,452	2,845,050
Wastewater	-	-	4,471,976	4,147,338	4,471,976	4,147,338
<b>Total expenses</b>	<u>1,996,637</u>	<u>1,686,753</u>	<u>8,236,428</u>	<u>6,992,388</u>	<u>10,233,065</u>	<u>8,679,141</u>
<b>Changes in net position</b>	<u>5,443,899</u>	<u>170,213</u>	<u>8,351,228</u>	<u>3,985,638</u>	<u>13,795,127</u>	<u>4,155,851</u>
<b>Net position, beginning of year, as restated</b>	<u>828,703</u>	<u>658,490</u>	<u>39,529,639</u>	<u>35,544,001</u>	<u>40,358,342</u>	<u>36,202,491</u>
<b>Net position, end of year</b>	<u>\$ 6,272,602</u>	<u>828,703</u>	<u>47,880,867</u>	<u>39,529,639</u>	<u>54,153,469</u>	<u>40,358,342</u>

Compared to the prior year, net position of the District increased by \$13,795,127 or 34.18% to \$54,153,469 as a result of ongoing operations.

Total revenues increased by 87.21% or \$11,193,200 to \$24,028,192, due primarily to increases of \$7,770,134 in capital grants and contributions, \$1,822,761 in operating grants and contributions, \$963,258 in investment earnings, \$365,214 in charges for services, and \$247,817 in property taxes.

Total expenses increased by 17.90% or \$1,553,924 to \$10,233,065, due primarily to increases of \$919,402 in water fund expenses, \$324,638 in wastewater fund expenses and \$320,695 in general fund (parks and recreation) expenses.

**McKinleyville Community Services District  
Management’s Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2024**

**Government-wide Financial Analysis, continued**

**Changes in fund balance – Governmental fund**

The following table is a summary of the changes in fund balance for the governmental fund for the year ended June 30, 2024.

**Condensed Changes in Fund Balance – Governmental Funds**

	<b>General (Parks and Recreation)</b>	<b>Measure B</b>	<b>Streetlighting</b>	<b>Total Governmental Activities</b>
Fund balance, beginning of year	\$ 925,859	(659,485)	142,393	408,767
Changes in fund balance	<u>436,059</u>	<u>(5,934)</u>	<u>6,138</u>	<u>436,263</u>
Fund balance, end of year	<u>\$ 1,361,918</u>	<u>(665,419)</u>	<u>148,531</u>	<u>845,030</u>

In 2024, total fund balance increased by \$436,263 or 106.73% to \$845,030. The General (Parks and Recreation) fund increased by \$436,059 or 47.10% to \$1,361,918; the Measure B fund decreased by \$5,934 or 0.90% to a deficit fund balance of \$665,419; and the Street Lighting fund increased by \$6,138 or 4.31% to \$148,531.

**Capital Asset Administration**

**Capital Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total District</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Capital assets:						
Non-depreciable assets	\$ 7,118,242	2,229,102	21,440,404	12,453,234	28,558,646	14,682,336
Depreciable assets	<u>7,270,922</u>	<u>7,257,422</u>	<u>59,156,646</u>	<u>58,774,460</u>	<u>66,427,568</u>	<u>66,031,882</u>
Total capital assets	14,389,164	9,486,524	80,597,050	71,227,694	94,986,214	80,714,218
Accumulated depreciation	<u>(4,924,680)</u>	<u>(4,705,727)</u>	<u>(31,237,080)</u>	<u>(29,267,298)</u>	<u>(36,161,760)</u>	<u>(33,973,025)</u>
Total capital assets, net	<u>\$ 9,464,484</u>	<u>4,780,797</u>	<u>49,359,970</u>	<u>41,960,396</u>	<u>58,824,454</u>	<u>46,741,193</u>

At the end of fiscal year 2024, the District’s investment in capital assets amounted to \$58,824,454 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water transmission and distribution systems, and construction-in-process. See note 4 for further discussion.

**McKinleyville Community Services District  
Management’s Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2024**

**Long-Term Debt Administration**

	Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total District	
	2024	2023	2024	2023	2024	2023
Long-term debt:						
Long-term debt	\$ 622,468	724,772	26,823,424	27,269,203	27,445,892	27,993,975
Total long-term debt:	\$ 622,468	724,772	26,823,424	27,269,203	27,445,892	27,993,975

Long-term debt decreased \$548,083 or 1.96% to \$27,445,892 in 2024, primarily due to principal payments of \$1,009,801, offset by issuance of debt of \$461,718. See note 6 for further discussion.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the District’s current financial position, net position, or operating results in terms of past, present, and future.

**Requests for Information**

This financial report is designed to provide the District’s present users, including funding sources, customers, stakeholders, and other interested parties, with a general overview of the District’s finances and to demonstrate the District’s accountability with an overview of the District’s financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District’s Finance Director, Samantha Howard, at McKinleyville Community Services District, P.O. Box 2037, McKinleyville, California 95519 or (707) 839-3251.

# **Basic Financial Statements**

**McKinleyville Community Services District**  
**Statement of Net Position**  
**June 30, 2024**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
<b>Current assets:</b>			
Cash and cash equivalents (notes 2 & 3)	\$ 561,345	21,066,268	21,627,613
Cash and cash equivalents – restricted (notes 2 & 3)	204,795	5,993,387	6,198,182
Accounts receivable	9,438	1,069,306	1,078,744
Accounts receivable – operating grant	-	1,776,720	1,776,720
Accrued interest receivable	-	12,442	12,442
Prepaid expense	96,723	139,594	236,317
Grant receivables	176,432	3,680,297	3,856,729
Materials and supplies inventory	-	115,106	115,106
<b>Total current assets</b>	<u>1,048,733</u>	<u>33,853,120</u>	<u>34,901,853</u>
<b>Non-current assets:</b>			
Capital assets – not being depreciated (note 4)	7,118,242	21,440,404	28,558,646
Capital assets – being depreciated (note 4)	<u>2,346,242</u>	<u>27,919,566</u>	<u>30,265,808</u>
<b>Total non-current assets</b>	<u>9,464,484</u>	<u>49,359,970</u>	<u>58,824,454</u>
<b>Total assets</b>	<u>10,513,217</u>	<u>83,213,090</u>	<u>93,726,307</u>
<b>Deferred outflows of resources:</b>			
Deferred OPEB outflows (note 7)	166,881	295,564	462,445
Deferred pension outflows (note 8)	<u>418,905</u>	<u>741,930</u>	<u>1,160,835</u>
<b>Total deferred outflows of resources</b>	<u>\$ 585,786</u>	<u>1,037,494</u>	<u>1,623,280</u>

Continued on next page

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Net Position, continued**  
**June 30, 2024**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 75,380	1,400,368	1,475,748
Accrued interest on long-term debt	3,612	291,120	294,732
Accrued salaries and related payables	120,323	2,000	122,323
Customer deposits	8,000	135,074	143,074
Unearned revenue	-	484,597	484,597
Long-term liabilities – due within one year:			
Compensated absences (note 5)	63,743	181,540	245,283
Certificate of participation (note 6)	-	170,000	170,000
Capital lease payable (note 6)	105,968	-	105,968
Notes payable (note 6)	-	890,161	890,161
<b>Total current liabilities</b>	<u>377,026</u>	<u>3,554,860</u>	<u>3,931,886</u>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences (note 5)	-	86,011	86,011
Certificate of participation (note 6)	-	8,248,399	8,248,399
Capital lease payable (note 6)	516,500	-	516,500
Notes payable (note 6)	-	17,514,864	17,514,864
Net other post-employment benefits liability (note 7)	1,264,366	2,239,342	3,503,708
Net pension liability (note 8)	1,072,753	1,899,970	2,972,723
<b>Total non-current liabilities</b>	<u>2,853,619</u>	<u>29,988,586</u>	<u>32,842,205</u>
<b>Total liabilities</b>	<u>3,230,645</u>	<u>33,543,446</u>	<u>36,774,091</u>
<b>Deferred inflows of resources:</b>			
Deferred OPEB inflows (note 7)	1,562,729	2,767,774	4,330,503
Deferred pension inflows (note 8)	33,027	58,497	91,524
<b>Total deferred inflows of resources</b>	<u>1,595,756</u>	<u>2,826,271</u>	<u>4,422,027</u>
<b>Net position: (note 11)</b>			
Net investment in capital assets	8,842,016	22,536,546	31,378,562
Restricted	204,795	5,993,387	6,198,182
Unrestricted	(2,774,209)	19,350,934	16,576,725
<b>Total net position</b>	<u>\$ 6,272,602</u>	<u>47,880,867</u>	<u>54,153,469</u>

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental activities:</b>							
General (Parks & Recreation)	\$ 1,764,332	616,498	262,306	4,794,500	3,908,972	-	3,908,972
Measure B	100,780	-	-	-	(100,780)	-	(100,780)
Street Lighting	131,525	121,082	-	-	(10,443)	-	(10,443)
<b>Total governmental activities</b>	<u>1,996,637</u>	<u>737,580</u>	<u>262,306</u>	<u>4,794,500</u>	<u>3,797,749</u>	<u>-</u>	<u>3,797,749</u>
<b>Business-Type activities:</b>							
Water	3,764,452	4,378,512	-	4,867,989	-	5,482,049	5,482,049
Wastewater	4,471,976	4,409,251	1,776,720	292,984	-	2,006,979	2,006,979
<b>Total business-type activities</b>	<u>8,236,428</u>	<u>8,787,763</u>	<u>1,776,720</u>	<u>5,160,973</u>	<u>-</u>	<u>7,489,028</u>	<u>7,489,028</u>
<b>Total</b>	<u>\$ 10,233,065</u>	<u>9,525,343</u>	<u>2,039,026</u>	<u>9,955,473</u>	<u>3,797,749</u>	<u>7,489,028</u>	<u>11,286,777</u>
<b>General revenues:</b>							
Property taxes					\$ 992,747	-	992,747
Special assessments					219,825	-	219,825
Investment earnings					377,940	857,184	1,235,124
Gain on disposal of capital assets					-	5,016	5,016
Other income					55,638	-	55,638
<b>Total general revenues</b>					<u>1,646,150</u>	<u>862,200</u>	<u>2,508,350</u>
<b>Changes in net position</b>					5,443,899	8,351,228	13,795,127
<b>Net position, beginning of year, as restated (note 10)</b>					<u>828,703</u>	<u>39,529,639</u>	<u>40,358,342</u>
<b>Net position, end of year</b>					<u>\$ 6,272,602</u>	<u>47,880,867</u>	<u>54,153,469</u>

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Balance Sheet of Governmental Funds**  
**June 30, 2024**

	<u>General (Parks and Recreation)</u>	<u>Measure B</u>	<u>Street Lighting</u>	<u>Total Governmental Fund</u>
<b>Assets:</b>				
Cash and investments	\$ 424,027	-	137,318	561,345
Cash and investments – restricted	204,795	-	-	204,795
Accounts receivable	4,541	-	4,897	9,438
Interest receivable	-	-	-	-
Grant receivables	176,432	-	-	176,432
Prepaid expenses	89,743	-	6,980	96,723
Due from other funds (note 9)	663,952	(663,952)	-	-
<b>Total assets</b>	<u>\$ 1,563,490</u>	<u>(663,952)</u>	<u>149,195</u>	<u>1,048,733</u>
<b>Liabilities:</b>				
Accounts payable	\$ 73,249	1,467	664	75,380
Accrued wages and related payables	120,323	-	-	120,323
Deposits	8,000	-	-	8,000
<b>Total liabilities</b>	<u>201,572</u>	<u>1,467</u>	<u>664</u>	<u>203,703</u>
<b>Fund balance: (note 12)</b>				
Nonspendable	89,743	-	6,980	96,723
Restricted	204,795	-	-	204,795
Assigned	63,743	-	141,551	205,294
Unassigned	1,003,637	(665,419)	-	338,218
<b>Total fund balance</b>	<u>1,361,918</u>	<u>(665,419)</u>	<u>148,531</u>	<u>845,030</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,563,490</u>	<u>(663,952)</u>	<u>149,195</u>	<u>1,048,733</u>

Continued on next page

See accompanying notes to the financial statements

**McKinleyville Community Services District**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2024**

**Reconciliation:**

Total Fund Balance of Governmental Fund	\$	845,030
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund balance sheet. However, the statement of net position includes those capital assets. In the current period, these amounts were as follows:</p>		
Capital assets – not being depreciated		7,118,242
Capital assets – being depreciated		2,346,242
<p>Deferred outflows(inflows) of resources are not financial resources(uses) and, therefore, are not reported in the governmental fund balance sheet. However, they are reported in the statement of net position as follows:</p>		
Deferred OPEB outflows		166,881
Deferred OPEB inflows		(1,562,729)
Deferred pension outflows		418,905
Deferred pension inflows		(33,027)
<p>Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:</p>		
Accrued interest on long-term debt		(3,612)
Compensated absences		(63,743)
Long-term debt		(622,468)
Net other post-employment benefit liability		(1,264,366)
Net pension liability		(1,072,753)
Net pension liability		<u>(1,072,753)</u>
Net Position of Governmental Activities	\$	<u>6,272,602</u>

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of Governmental Funds**  
**For the Year Ended June 30, 2024**

	<u>General (Parks and Recreation)</u>	<u>Measure B</u>	<u>Street Lighting</u>	<u>Total Governmental Fund</u>
<b>Revenues</b>				
Property taxes	\$ 992,747	-	-	992,747
Special assessments	-	219,825	-	219,825
Charges for services and facilities	616,498	-	121,082	737,580
Operating grants and contributions	262,306	-	-	262,306
Capital grants and contributions	4,794,500	-	-	4,794,500
Other income	37,805	-	17,833	55,638
Investment returns	370,392	7,548	-	377,940
<b>Total revenues</b>	<u>7,074,248</u>	<u>227,373</u>	<u>138,915</u>	<u>7,440,536</u>
<b>Expenditures</b>				
General government (Parks & Recreation)	1,749,049	-	-	1,749,049
Measure B	-	106,166	-	106,166
Streetlighting	-	-	119,277	119,277
Capital outlay	4,889,140	-	13,500	4,902,640
Debt service:				
Principal	-	102,304	-	102,304
Interest	-	24,837	-	24,837
<b>Total expenditures</b>	<u>6,638,189</u>	<u>233,307</u>	<u>132,777</u>	<u>7,004,273</u>
<b>Excess (Deficit) of revenues over expenditures</b>	<u>436,059</u>	<u>(5,934)</u>	<u>6,138</u>	<u>436,263</u>
<b>Net changes in fund balance</b>	436,059	(5,934)	6,138	436,263
<b>Fund balance, beginning of year</b>	<u>925,859</u>	<u>(659,485)</u>	<u>142,393</u>	<u>408,767</u>
<b>Fund Balance, end of year</b>	<u>\$ 1,361,918</u>	<u>(665,419)</u>	<u>148,531</u>	<u>845,030</u>

Continued on next page

See accompanying notes to the financial statements

**McKinleyville Community Services District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of**  
**Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2024**

**Reconciliation:**

Net Change in Fund Balance of Total Governmental Fund	\$	436,263
<p>Amounts reported for governmental activities in the statement of activities are different because:  Governmental fund reports capital outlays as expenditures. However, in the statement of activities,  the cost of those assets is allocated over their estimated useful lives as depreciation expense as  follows:</p>		
Capital outlay expense		161,690
Capital outlay contribution – land		4,740,950
Depreciation expense		(218,953)
<p>The repayment of principal of long-term debt consumes current financial resources and, therefore,  is reported as debt service principal payments in the governmental fund. However, these  payments have no impact on net position and, therefore, are not reported in the statement of  activities as follows:</p>		
Debt service principal		102,304
<p>Some expenses reported in the statement of activities do not require the use of current financial  resources and, therefore, are not reported as expenses in governmental fund as follows:</p>		
Net change in accrued interest expense on long-term debt		728
Net change in compensated absences for the current period		8,615
Net change in the other post-employment benefit liability for the current period		208,240
Net change in the net pension liability for the current period		4,062
		4,062
Changes in Net Position of Governmental Activities	\$	5,443,899

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Net Position – Enterprise Funds**  
**June 30, 2024**

	<b>Water</b>	<b>Waste water</b>	<b>2024</b>
<b>Current assets:</b>			
Cash and investments	\$ 8,162,912	12,903,356	21,066,268
Cash and investments – restricted	2,069,353	3,924,034	5,993,387
Accounts receivable	519,059	550,247	1,069,306
Accrued interest receivable	-	12,442	12,442
Inflation Reduction Act receivable	-	1,776,720	1,776,720
Grant receivable	2,761,164	919,133	3,680,297
Prepaid expenses	69,797	69,797	139,594
Inventory	88,126	26,980	115,106
<b>Total current assets</b>	<b>13,670,411</b>	<b>20,182,709</b>	<b>33,853,120</b>
<b>Non-current assets:</b>			
Capital assets – not being depreciated	10,480,106	10,960,298	21,440,404
Capital assets – being depreciated	7,223,504	20,696,062	27,919,566
<b>Total non-current assets</b>	<b>17,703,610</b>	<b>31,656,360</b>	<b>49,359,970</b>
<b>Total assets</b>	<b>31,374,021</b>	<b>51,839,069</b>	<b>83,213,090</b>
<b>Deferred outflows of resources:</b>			
Deferred OPEB outflows	131,392	164,172	295,564
Deferred pension outflows	329,825	412,105	741,930
<b>Total deferred outflows of resources</b>	<b>\$ 461,217</b>	<b>576,277</b>	<b>1,037,494</b>

Continued on next page

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Net Position – Enterprise Funds, continued**  
**June 30, 2024**

	<b>Water</b>	<b>Wastewater</b>	<b>2024</b>
<b>Current liabilities:</b>			
Accounts payable	\$ 1,289,303	111,065	1,400,368
Accrued interest payable	66,429	224,691	291,120
Accrued payroll and payroll liabilities	1,751	249	2,000
Customer deposits	119,819	15,255	135,074
Unearned revenue	462,101	22,496	484,597
Long-term liabilities – due within one year:			
Compensated absences	89,786	91,754	181,540
Certificate of participation	90,000	80,000	170,000
Notes payable	183,250	706,911	890,161
<b>Total current liabilities</b>	<b>2,302,439</b>	<b>1,252,421</b>	<b>3,554,860</b>
<b>Non-current liabilities:</b>			
Long-term liabilities – due within one year:			
Compensated absences	42,275	43,736	86,011
Certificate of participation	4,558,950	3,689,449	8,248,399
Notes payable	1,414,700	16,100,164	17,514,864
Net other post-employment benefit liability	995,499	1,243,843	2,239,342
Net pension liability	844,631	1,055,339	1,899,970
<b>Total non-current liabilities</b>	<b>7,856,055</b>	<b>22,132,531</b>	<b>29,988,586</b>
<b>Total liabilities</b>	<b>10,158,494</b>	<b>23,384,952</b>	<b>33,543,446</b>
<b>Deferred inflows of resources:</b>			
Deferred OPEB inflows	1,230,413	1,537,361	2,767,774
Deferred pension inflows	26,005	32,492	58,497
<b>Total deferred inflows of resources</b>	<b>1,256,418</b>	<b>1,569,853</b>	<b>2,826,271</b>
<b>Net position:</b>			
Net investment in capital assets	11,456,710	11,079,836	22,536,546
Restricted	2,069,353	3,924,034	5,993,387
Unrestricted	6,894,263	12,456,671	19,350,934
<b>Total net position</b>	<b>\$ 20,420,326</b>	<b>27,460,541</b>	<b>47,880,867</b>

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2024**

	<b>Water</b>	<b>Wastewater</b>	<b>2024</b>
<b>Operating revenues:</b>			
Water revenue	\$ 4,242,268	-	4,242,268
Sewer revenue	-	4,286,859	4,286,859
Other service charges	136,244	122,392	258,636
	<b>4,378,512</b>	<b>4,409,251</b>	<b>8,787,763</b>
<b>Operating expenses:</b>			
Water purchase	1,278,435	-	1,278,435
Salaries and related expenses	713,739	891,793	1,605,532
Employee benefits, net of GASB 68 and 75	562,342	835,822	1,398,164
Services and supplies	20,342	2,789	23,131
Professional services	57,305	54,713	112,018
Utilities	108,857	235,419	344,276
Insurance expense	60,037	70,543	130,580
Other operating expense	338,000	447,025	785,025
	<b>3,139,057</b>	<b>2,538,104</b>	<b>5,677,161</b>
Operating income before depreciation	1,239,455	1,871,147	3,110,602
Depreciation expense	(456,297)	(1,546,151)	(2,002,448)
	<b>783,158</b>	<b>324,996</b>	<b>1,108,154</b>
<b>Non-operating revenues(expenses):</b>			
Investment earning	383,974	473,210	857,184
Gain on sale of assets	2,508	2,508	5,016
Inflation Reduction Act – operating grant	-	1,776,720	1,776,720
Interest expense	(169,098)	(387,721)	(556,819)
	<b>217,384</b>	<b>1,864,717</b>	<b>2,082,101</b>
<b>Net income before capital contributions</b>	<b>1,000,542</b>	<b>2,189,713</b>	<b>3,190,255</b>
<b>Capital contributions:</b>			
Capacity fees	104,086	180,169	284,255
Contributed capital assets	4,763,903	112,815	4,876,718
	<b>4,867,989</b>	<b>292,984</b>	<b>5,160,973</b>
<b>Changes in net position</b>	<b>5,868,531</b>	<b>2,482,697</b>	<b>8,351,228</b>
<b>Net position, beginning of year, as restated (note 10)</b>	<b>14,551,795</b>	<b>24,977,844</b>	<b>39,529,639</b>
<b>Net position, end of year</b>	<b>\$ 20,420,326</b>	<b>27,460,541</b>	<b>47,880,867</b>

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Cash Flows – Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2024**

	<b>2024</b>
<b>Cash flows from operating activities:</b>	
Cash receipts from customers	\$ 9,107,802
Cash paid to employees	(1,613,660)
Cash paid to vendors and suppliers	(3,149,593)
<b>Net cash provided by operating activities</b>	<b>4,344,549</b>
 <b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(9,402,020)
Proceeds from the sale of capital assets	5,014
Proceeds from capital contributions	2,194,889
Proceeds from loan issuance	461,718
Principal payments on long-term debt	(907,497)
Interest payments on long-term debt	(561,391)
<b>Net cash used in capital and related financing activities</b>	<b>(8,209,287)</b>
 <b>Cash flows from investing activities:</b>	
Interest earnings	901,881
<b>Net cash provided by investing activities</b>	<b>901,881</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,962,857)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>30,022,512</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 27,059,655</b>
 <b>Reconciliation of cash and cash equivalents to statement of net position:</b>	
Cash and investments	\$ 21,066,268
Cash and investments – restricted	5,993,387
<b>Total cash and cash equivalents</b>	<b>\$ 27,059,655</b>

Continued on next page

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Statement of Cash Flows – Enterprise Funds, continued**  
**For the Fiscal Year Ended June 30, 2024**

	<b>2024</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ <u>1,108,154</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation expense	2,002,448
<b>Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:</b>	
(Increase)decrease in assets and deferred outflows:	
Accounts receivable	(110,238)
Prepaid expenses	27,908
Inventory	(13,015)
Deferred OPEB outflows	1,057,141
Deferred pension outflows	(37,948)
Increase(decrease) in liabilities and deferred inflows:	
Accounts payable	609,308
Accrued payroll and payroll liabilities	809
Customer deposits	(2,678)
Unearned revenue	432,955
Compensated absences	(8,128)
Net other post-employment benefit liability	(375,665)
Net pension liability	223,916
Deferred OPEB inflows	(507,904)
Deferred pension inflows	<u>(62,514)</u>
<b>Total adjustments</b>	<u>3,236,395</u>
<b>Net cash provided by operating activities</b>	<b>\$ <u><u>4,344,549</u></u></b>

See accompanying notes to the basic financial statements

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The McKinleyville Community Services District (District) was created on April 7, 1970, when McKinleyville's voters voted 589 "yes" votes against 151 "no" votes to form the District. The District initially had authority to serve water and treat sewer waste. In 1972, the voters added street lighting powers; in 1985 the voters added recreational powers; and in 1995 the voters authorized the construction of the McKinleyville Library.

The District's boundary encompasses 12,140 acres ranging from North Bank Road on the south to Patrick's Creek on the north, and services over 5,300 active water services and 4,470 active sewer connections. The District is an independent special district, governed by a five-member Board of Directors elected by McKinleyville's voters. The District normally conducts a monthly general meeting of the Board of Directors which is held on the first Wednesday of the month.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-type activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities demonstrates the degree to which direct expense of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charge for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charge for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items properly not included among program revenues are reported instead as general revenues.

***Fund Financial Statements***

These statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the difference in fund balance, as presented in these statements, to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Fund Financial Statements, continued*

Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as unbilled but utilized utility services recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operational fund of the District or meets the following criteria:

- a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the total for all governmental and proprietary funds combined; or
- c) The entity has determined that a fund is important to the financial statement user.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Fund Financial Statements, continued*

The funds of the financial reporting entity are described below:

**Governmental Funds**

**General (Parks & Recreation)** – This fund is used for all parks and recreation activities within the District; and accounts for and reports all financial resources not accounted for and reported in another fund.

**Measure B** – This fund is a special revenue fund used to account for the assessments collected and used in accordance with Measure B.

**Street Lighting** – This fund is used to account for all street lighting activities within the District.

**Enterprise Funds**

**Water** – This fund accounts for the water transmission and distribution operations of the District.

**Wastewater** – This fund is used for the wastewater service operations of the District.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

*Governmental Accounting Standards Board Statement No. 99*

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

*Governmental Accounting Standards Board Statement No. 100*

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

*Governmental Accounting Standards Board Statement No. 100, continued*

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**D. Financial Statement Elements**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported change in District net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits, money market mutual funds, and external cash management pools (local agency investment fund).

**3. Investments**

The District has adopted an investment policy to deposit funds in financial institutions and external investment pools. Investments are to be made in the following area:

- State of California Local Agency Investment Fund (LAIF)
- California Cooperative Liquid Assets Securities System Fund (CLASS)
- Humboldt County Treasurer's Pool

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**3. Investments, continued**

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Fair Value Measurements**

The District categorizes its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

**5. Restricted Assets**

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

**6. Accounts Receivable**

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

**7. Property Taxes and Assessments**

The Humboldt County Assessor's Office assesses all real and personal property within the County each year. The Humboldt County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The Humboldt County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the Humboldt County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

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

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**8. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipes, and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory items are charged to expense at the time inventory items are withdrawn or consumed.

**9. Prepaids**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**10. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value and/or historical cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

***Governmental Activities***

- Buildings and improvements – 10 to 50 years
- Other infrastructure – 10 to 50 years
- Machinery and equipment – 5 to 10 years
- Vehicles – 5 to 10 years

***Business-Type Activities***

- Buildings and improvements – 10 to 50 years
- Water and wastewater infrastructure – 10 to 50 years
- Machinery and equipment – 5 to 10 years
- Vehicles – 5 to 10 years

**11. Deferred Outflows of Resources**

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

***Post-Employment Benefits Other Than Pensions (OPEB)***

- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with post-employment benefits.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**11. Deferred Outflows of Resources, continued**

*Pensions*

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension asset. This amount will be amortized-in-full against the net pension asset in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a 5 year period.

**12. Compensated Absences**

It is the District's policy to allow employees to accumulate earned but unused vacation and sick time. The vesting method is used to calculate the liability in which 100% of earned vacation time is payable upon separation, and 50% of earned sick time is payable upon separation if requirements are met. All vacation pay and applicable sick pay is accrued when incurred in the government-wide and enterprise fund financial statements.

**13. Pension**

For the purpose of measuring the net pension liability, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and addition to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation date:	June 30, 2022
Measurement date:	June 30, 2023
Measurement period:	July 1, 2022 to June 30, 2023

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**14. Deferred Inflows of Resources**

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net assets applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The District had the following items that qualify for reporting in this category.

*Post-Employment Benefits Other Than Pensions (OPEB)*

- Deferred inflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits.
- Deferred inflow for the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a 5-year period.

*Pensions*

- Deferred inflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution, which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

**15. Net Position**

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and amortization, reduced by debt balances outstanding or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

During the fiscal year ended June 30, 2024, the District shows a negative unrestricted net position balance in the Districts' governmental funds of \$2,774,209 due to current year operating costs exceeding operating revenue. The District intends to reduce the negative unrestricted net position through increases in Measure B assessments, collection of general revenue, and charges for services revenue between its general fund across all funds in future periods.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**16. Fund Balance**

The governmental fund financial statements report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- **Restricted** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned** – the residual classification for the District’s general fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

***Fund Balance Policy***

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by unrestricted, committed, assigned, and unassigned resources as they are needed.

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 balance 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.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, 2024 are classified as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
Cash and cash equivalents	\$ 561,345	21,066,268	21,627,613
Cash and cash equivalents – restricted	<u>204,795</u>	<u>5,993,387</u>	<u>6,198,182</u>
Total	<u>\$ 766,140</u>	<u>27,059,655</u>	<u>27,825,795</u>

Cash and equivalents as of June 30, 2024 consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>Cash</b>			
Cash	\$ 1,154	-	1,154
Deposits held with financial institutions	<u>4,132,032</u>	<u>5,983,846</u>	<u>10,115,878</u>
Total cash	<u>4,133,186</u>	<u>5,983,846</u>	<u>10,117,032</u>
<b>Cash equivalents</b>			
Deposits with Humboldt County Treasurer	1,592,312	214,336	1,806,648
Deposits held with California Local Agency Investment Fund (LAIF)	147,004	-	147,004
Deposits held with California Cooperative Liquid Assets Securities System (CLASS)	<u>15,755,111</u>	<u>-</u>	<u>15,755,111</u>
Total cash equivalents	17,494,427	214,336	17,708,763
Total	<u>\$ 21,627,613</u>	<u>6,198,182</u>	<u>27,825,795</u>

***Authorized Deposits and Investments***

Under the District’s investment guidelines and in accordance with California Government Code Section 53601, the District may invest in the California Local Agency Investment Fund (LAIF), California Cooperative Liquid Assets Security System (CLASS) Funds, and Humboldt County Treasurer’s Pool. The District’s investment guideline and Section 53601 of the California Government Code contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

***State of California Local Agency Fund (LAIF)***

LAIF is regulated by California Government Code Section 16429 and is under the management of the State of California Treasurer’s Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based upon the District’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 are recorded on an amortized cost basis. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four hour period without loss of accrued interest. LAIF detail may be obtained from the State of California Treasurer’s website at [www.treasurer.ca.gov/pmia-laif/index.asp](http://www.treasurer.ca.gov/pmia-laif/index.asp).

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(2) Cash and Cash Equivalents, continued**

***State of California Local Agency Fund (LAIF), continued***

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

***Investment in the California Cooperative Liquid Assets Securities System***

The District is a participant in the California Cooperative Liquid Assets Securities System (CLASS). California CLASS is a Joint Powers Authority investment pool that provides public agencies the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering Participants safety, daily and next-day liquidity, and optimized returns.

California CLASS is managed as stable value NAV pool but does not meet all of the specific criteria outlined in GASB 79 Paragraph 4, therefore, California CLASS Participant's should report their investments in the pool at fair value.

***Humboldt County Treasurer's Pool***

Humboldt County Treasurer's Pool complies with the California Government Code Sections 53601 and 53635, and the investment policy adopted by the Board of Supervisors of the County of Humboldt.

***Custodial Credit Risk***

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(2) Cash and Cash Equivalents, continued**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities, so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

As of June 30, 2024, the District's authorized deposits had the following average maturities:

<u>Cash Equivalents</u>	<u>Total</u>	<u>Average Months Maturity</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 Months or More</u>
California CLASS	\$ 15,755,111	15,755,111	-	-
California Local Agency Investment Fund	147,004	147,004	-	-
Humboldt County Treasurer	1,806,648	-	-	1,806,648
Total	<u>\$ 17,708,763</u>	<u>15,902,115</u>	<u>-</u>	<u>1,806,648</u>

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2024 for each investment type.

<u>Cash Equivalents</u>	<u>Total</u>	<u>Rating at Year End</u>
California CLASS	\$ 15,755,111	Not Rated
California Local Agency Investment Fund	147,004	Not Rated
Humboldt County Treasurer	<u>1,806,648</u>	Not Rated
Total	<u>\$ 17,708,763</u>	

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(2) Cash and Cash Equivalents, continued**

***Concentration of Credit Risk***

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's depository and investment portfolio as of June 30, 2024 were allocated as follows:

	<b>Amount</b>	<b>Allocation</b>
Cash	\$ 1,154	0.00 %
Deposits held with financial institutions	10,115,878	36.35
Deposits with Humboldt County Treasurer	1,806,648	6.49
Deposits held with California Local Agency Investment Fund (LAIF)	147,004	0.53
Deposits held with California CLASS	15,755,111	56.62
Total	\$ 27,825,795	100.00 %

**(3) Investments at Fair Value Hierarchy**

Investments measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2024 are as follows:

		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Cash Equivalents</b>	<b>Total</b>			
Pooled investment fund:				
Humboldt County Treasurer's Fund	\$ 1,806,648	-	1,806,648	-
Total pooled investment fund	1,806,648	-	1,806,648	-
Other pooled funds measured at net asset value				
California CLASS	15,755,111			
California Local Agency Investment Fund	147,004			
	15,902,115			
	\$ 17,708,763			

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(4) Capital Assets**

***Governmental Activities:***

The change in capital assets as of June 30 was as follows:

	<b>Balance 2023</b>	<b>Additions/ Transfers In</b>	<b>Deletions/ Transfers Out</b>	<b>Balance 2024</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Non-depreciable assets:				
Land	\$ 1,769,744	4,794,500	-	6,564,244
Construction in progress	<u>459,358</u>	<u>94,640</u>	<u>-</u>	<u>553,998</u>
Total non-depreciable assets	<u>2,229,102</u>	<u>4,889,140</u>	<u>-</u>	<u>7,118,242</u>
Depreciable assets:				
Buildings and improvements	4,901,928	-	-	4,901,928
Furniture and equipment	307,390	-	-	307,390
Park improvements	1,436,906	-	-	1,436,906
Vehicles	54,609	-	-	54,609
Streetlighting	<u>556,589</u>	<u>13,500</u>	<u>-</u>	<u>570,089</u>
Total depreciable assets	<u>7,257,422</u>	<u>13,500</u>	<u>-</u>	<u>7,270,922</u>
Accumulated depreciation				
Buildings and improvements	(2,705,265)	(172,948)	-	(2,878,213)
Furniture and equipment	(282,849)	(6,017)	-	(288,866)
Park improvements	(1,316,284)	(17,602)	-	(1,333,886)
Vehicles	(48,688)	(1,480)	-	(50,168)
Streetlighting	<u>(352,641)</u>	<u>(20,906)</u>	<u>-</u>	<u>(373,547)</u>
Total accumulated depreciation	<u>(4,705,727)</u>	<u>(218,953)</u>	<u>-</u>	<u>(4,924,680)</u>
Total depreciable assets, net	<u>2,551,695</u>	<u>(205,453)</u>	<u>-</u>	<u>2,346,242</u>
Total capital assets, net	<u>\$ 4,780,797</u>			<u>9,464,484</u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(4) Capital Assets, continued**

***Business-type Activities:***

The change in capital assets as of June 30 was as follows:

	<u>Balance 2023</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 4,874,917	-	-	4,874,917
Construction in progress	<u>7,578,317</u>	<u>9,036,235</u>	<u>(49,065)</u>	<u>16,565,487</u>
Total non-depreciable assets	<u>12,453,234</u>	<u>9,036,235</u>	<u>(49,065)</u>	<u>21,440,404</u>
Depreciable assets:				
Buildings and improvements	815,338	-	-	815,338
Water infrastructure	15,959,090	107,107	-	16,066,197
Wastewater infrastructure	39,541,775	109,420	-	39,651,195
Tools and equipment	1,244,494	-	-	1,244,494
Vehicles	<u>1,213,763</u>	<u>198,323</u>	<u>(32,664)</u>	<u>1,379,422</u>
Total depreciable assets	<u>58,774,460</u>	<u>414,850</u>	<u>(32,664)</u>	<u>59,156,646</u>
Accumulated depreciation				
Buildings and improvements	(405,478)	(26,853)	-	(432,331)
Water infrastructure	(8,729,265)	(405,690)	-	(9,134,955)
Wastewater infrastructure	(18,245,619)	(1,438,607)	-	(19,684,226)
Tools and equipment	(1,154,099)	(26,353)	-	(1,180,452)
Vehicles	<u>(732,837)</u>	<u>(104,945)</u>	<u>32,666</u>	<u>(805,116)</u>
Total accumulated depreciation	<u>(29,267,298)</u>	<u>(2,002,448)</u>	<u>32,666</u>	<u>(31,237,080)</u>
Total depreciable assets, net	<u>29,507,162</u>	<u>(1,587,598)</u>	<u>2</u>	<u>27,919,566</u>
Total capital assets, net	<u>\$ 41,960,396</u>			<u>49,359,970</u>

Depreciation expense was charged to various functions for the year ended June 30, 2024 as follows:

Governmental activities:	
General (Parks and Recreation)	\$ 198,047
Streetlighting	<u>20,906</u>
Total governmental activities	<u>218,953</u>
Business-type activities	
Water Fund	456,297
Wastewater Fund	<u>1,546,151</u>
Total business-type activities	<u>2,002,448</u>
	<u>\$ 2,221,401</u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(5) Compensated Absences**

The change in compensated absences balances as of June 30 was as follows:

***Governmental Activities***

	<u>Balance 2023</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2024</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
\$	72,358	54,328	(62,943)	63,743	63,743	-

***Business-type Activities***

	<u>Balance 2023</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2024</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
\$	275,678	146,792	(154,919)	267,551	181,540	86,011

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt**

The change in long-term debt at June 30 was as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2024</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
<i>Governmental Activities:</i>						
Capital lease payable						
PPFCC Lease (Umpqua Loan)	\$ 724,772	-	(102,304)	622,468	105,968	516,500
Total capital lease payable	<u>724,772</u>	<u>-</u>	<u>(102,304)</u>	<u>622,468</u>	<u>105,968</u>	<u>516,500</u>
Total governmental activities	<u>724,772</u>	<u>-</u>	<u>(102,304)</u>	<u>622,468</u>	<u>105,968</u>	<u>516,500</u>
<i>Business-type Activities</i>						
Notes payable						
Water fund						
ARRA Loan	42,718	-	(12,053)	30,665	12,057	18,608
Davis-Grunsky Act Loan	1,257,729	-	(114,093)	1,143,636	116,520	1,027,116
I-Bank Loan	<u>476,539</u>	<u>-</u>	<u>(52,890)</u>	<u>423,649</u>	<u>54,673</u>	<u>368,976</u>
Total Water fund	<u>1,776,986</u>	<u>-</u>	<u>(179,036)</u>	<u>1,597,950</u>	<u>183,250</u>	<u>1,414,700</u>
Wastewater fund						
State Revolving Fund Loan #3	13,573,683	-	(445,853)	13,127,830	453,149	12,674,681
State Revolving Fund Microgrid Loan	2,067,127	461,718	-	2,528,845	158,762	2,370,083
Pialorsi Property Loan	<u>1,243,600</u>	<u>-</u>	<u>(93,200)</u>	<u>1,150,400</u>	<u>95,000</u>	<u>1,055,400</u>
Total Wastewater fund	<u>16,884,410</u>	<u>461,718</u>	<u>(539,053)</u>	<u>16,807,075</u>	<u>706,911</u>	<u>16,100,164</u>
Total notes payable	<u>18,661,396</u>	<u>461,718</u>	<u>(718,089)</u>	<u>18,405,025</u>	<u>890,161</u>	<u>17,514,864</u>
Certificate of participation						
Water fund						
Revenue Series 2021A	4,270,000	-	(85,000)	4,185,000	90,000	4,095,000
Premium	<u>480,520</u>	<u>-</u>	<u>(16,570)</u>	<u>463,950</u>	<u>-</u>	<u>463,950</u>
Total Water fund	<u>4,750,520</u>	<u>-</u>	<u>(101,570)</u>	<u>4,648,950</u>	<u>90,000</u>	<u>4,558,950</u>
Wastewater fund						
Revenue Series 2021B	3,485,000	-	(75,000)	3,410,000	80,000	3,330,000
Premium	<u>372,287</u>	<u>-</u>	<u>(12,838)</u>	<u>359,449</u>	<u>-</u>	<u>359,449</u>
Total Wastewater fund	<u>3,857,287</u>	<u>-</u>	<u>(87,838)</u>	<u>3,769,449</u>	<u>80,000</u>	<u>3,689,449</u>
Total certificate of participation	<u>8,607,807</u>	<u>-</u>	<u>(189,408)</u>	<u>8,418,399</u>	<u>170,000</u>	<u>8,248,399</u>
Total business-type activities	<u>27,269,203</u>	<u>461,718</u>	<u>(907,497)</u>	<u>26,823,424</u>	<u>1,060,161</u>	<u>25,763,263</u>
Total long-term debt	<u>\$ 27,993,975</u>	<u>461,718</u>	<u>(1,009,801)</u>	<u>27,445,892</u>	<u>1,166,129</u>	<u>26,279,763</u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt, continued**

***Public Property Financing Corporation of California Lease***

For the purpose of financing the construction of the District’s Teen and Community Center Project, in October 2014, the District leased the site of the Teen and Community Center Project and the improvements thereon to the Public Property Financing Corporation of California (PPFCC), who then leased the property back to the District while assigning all of its rights, title, and interest in the lease agreement, including its rights to received lease payments, to Umpqua Bank. Semi-annual lease payments include interest at 3.55% per annum and are due each May and November through November 2029. The District’s repayment obligation is secured by a 50% pledge of its Measure B Assessment revenues received each fiscal year.

Future lease payments are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 105,968	21,486	127,454
2026	109,764	17,691	127,455
2027	113,696	13,759	127,455
2028	117,768	9,688	127,456
2029	121,986	5,470	127,456
2030	53,286	1,102	54,388
Total	622,468	69,196	691,664
Current	(105,968)		
Non-current	\$ 516,500		

***ARRA Loan***

In 2011, the District entered into a loan agreement with the California Energy Resources Conservation and Development Commission for the purpose of financing water system improvements. The loan amount totaled \$165,100 and bears an interest rate of 1.00% per annum. Semi-annual principal and interest payments of \$6,225 are due June and December of each year. Repayment commenced on December 2012 and continues through December 2026.

Future debt service on the loan is as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 12,057	275	12,332
2026	12,179	153	12,332
2027	6,429	31	6,460
Total	30,665	459	31,124
Current	(12,057)		
Non-current	\$ 18,608		

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt, continued**

***Davis-Grunsky Act Loan***

In 1971, the District entered into a loan agreement with the State of California for a construction loan to finance improvements to the District's water system. The loan amount was not to exceed \$3,673,000 and bears an interest rate of 2.50% per annum. Annual payment of principal is due January of each year, and semi-annual payments of interest are due January and July of each year. The terms of the loan agreement defers payment of interest for the first 10 years with such interest to be repaid over the remaining 50 years of the loan. The District was required to establish a reserve fund in an amount specified by the State. The District is subject to levy taxes or special assessments to repay the loan should it not have sufficient resources available to make the scheduled payments.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 116,520	24,758	141,278
2026	119,007	22,271	141,278
2027	121,557	19,722	141,279
2028	124,170	17,109	141,279
2029	126,848	14,430	141,278
2030-2033	<u>535,534</u>	<u>29,573</u>	<u>565,107</u>
Total	1,143,636	<u><u>127,863</u></u>	<u><u>1,271,499</u></u>
Current	<u>(116,520)</u>		
Non-current	\$ <u><u>1,027,116</u></u>		

***I-Bank Loan***

In 2012, the District entered into a loan agreement with the California Infrastructure and Economic Development Bank for the purpose of financing improvements to its water system. The loan amount totaled \$956,034 and bears an interest rate of 3.37% per annum. Annual payment of principal is due August of each year, and semi-annual payments of interest are due February and August of each year. Repayment is to continue through August 2030. The loan is secured by a pledge of and lien on the water enterprise fund's net revenues, subject and subordinate to any lien securing senior debt.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 54,673	13,356	68,029
2026	56,515	11,482	67,997
2027	58,420	5,265	63,685
2028	60,388	8,561	68,949
2029	62,424	6,526	68,950
2030-2031	<u>131,229</u>	<u>6,670</u>	<u>137,899</u>
Total	423,649	<u><u>51,860</u></u>	<u><u>475,509</u></u>
Current	<u>(54,673)</u>		
Non-current	\$ <u><u>368,976</u></u>		

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt, continued**

***State Revolving Fund Loans No. 3***

In 2015, the District entered into a loan agreement with the State Water Resources Control Board for the purpose of financing a wastewater management facility improvement project. The loan amount totaled \$15,569,506 and bears an interest rate of 1.60% per annum. Effective July 1, 2021, 0.60% of the routine interest will be reclassified as the Small Community Grant Fee. Annual payment of principal and interest/fee are due September of each year and continues through September 2048. The District is subject to levy taxes or assessments to repay the loan should it not have sufficient resources available to make the scheduled payments.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest/Fee</u>	<u>Total</u>
2025	\$ 453,149	209,883	663,032
2026	460,394	202,638	663,032
2027	467,754	195,278	663,032
2028	475,231	187,801	663,032
2029	482,829	180,204	663,033
2030-2034	2,532,032	783,128	3,315,160
2035-2039	2,740,877	574,284	3,315,161
2040-2044	2,967,276	347,884	3,315,160
2045-2048	<u>2,548,288</u>	<u>102,783</u>	<u>2,651,071</u>
Total	13,127,830	<u><u>2,783,883</u></u>	<u><u>15,911,713</u></u>
Current	<u>(453,149)</u>		
Non-current	\$ <u><u>12,674,681</u></u>		

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt, continued**

***State Revolving Fund Microgrid Loan***

In 2018, the District entered into an agreement with the State Water Resources Control Board (State) whereby the State agrees to provide project funds in the amount of \$4,969,180. A portion of the amount totaling \$2,484,590 is anticipated to be forgiven and the estimated amount totaling \$2,484,590 of the principal will be due to the State. The effective loan will bear an interest rate of 1.80% per annum; however, in lieu of the interest, the District agreed to pay administrative service charge/Small Community Grant Fee. Annual payments of principal and administrative service charge/Small Community Grant Fee are due December of each year and continues through December 2039. At June 30, 2024 the project completed and payment begins in 2025.

Future debt service on the loan is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 158,762	34,266	193,028
2026	150,367	42,661	193,028
2027	153,074	39,955	193,029
2028	155,829	37,200	193,029
2029	158,634	34,395	193,029
2030-2034	837,042	128,099	965,141
2035-2039	915,137	50,006	965,143
Total	2,528,845	<u>366,582</u>	<u>2,895,427</u>
Current	<u>(158,762)</u>		
Non-current	<u>\$ 2,370,083</u>		

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt, continued**

***Pialorsi Property Loan***

On March 2020, the District entered into a loan agreement with JPMorgan Chase Bank, NA for the purpose of financing the acquisition of property to expand the District’s ability to recycle reclaimed wastewater. The loan amount totaled \$1,508,500 and bears an interest rate of 1.90% per annum. Semi-annual payments of principal and interest are due September and March of each year and continues through March 2035.

Future debt service on the loan is as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$	95,000	21,408	116,408
2026		96,800	19,595	116,395
2027		98,700	17,747	116,447
2028		100,500	15,863	116,363
2029		102,500	13,944	116,444
2030-2034		542,200	39,634	581,834
2035		114,700	1,637	116,337
Total		1,150,400	<u>129,828</u>	<u>1,280,228</u>
Current		<u>(95,000)</u>		
Non-current	\$	<u>1,055,400</u>		

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt, continued**

***Revenue Certificate of Participation, Series 2021A and Series 2021B***

On December 2021, the District issued the Revenue Certificate of Participation, Series 2021A and Series 2021B for the purpose of financing certain capital improvements to its water system including a 4.5 million gallon water tank, three highway sewer crossings, and a water and sewer mainline replacement. The Certificate of Participation, Series 2021A was designated for the water project and the Certificate of Participation, Series 2021B was designated for the wastewater project.

The amount issued for the Certificate of Participation, Series 2021A totaled \$4,335,000 and bears interest rates ranging from 2.25% to 4.00% per annum. Annual payments of principal are due August of each year and semi-annual payments of interest are due August and February of each year and will continue through August 2051.

Future debt service on the certificate of participation is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 90,000	145,300	235,300
2026	95,000	141,600	236,600
2027	100,000	157,700	257,700
2028	100,000	133,700	233,700
2029	105,000	129,600	234,600
2030-2034	600,000	579,500	1,179,500
2035-2039	700,000	478,800	1,178,800
2040-2044	785,000	389,738	1,174,738
2045-2049	945,000	230,500	1,175,500
2050-2052	665,000	40,500	705,500
Total	4,185,000	<u>2,426,938</u>	<u>6,611,938</u>
Current	(90,000)		
Premium	<u>463,950</u>		
Non-current	\$ <u>4,558,950</u>		

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(6) Long-term Debt, continued**

***Revenue Certificate of Participation, Series 2021A and Series 2021B, continued***

The amount issued for the Certificate of Participation, Series 2021B total \$3,560,000 and bears interest rates ranging from 2.25% to 4.00% per annum. Annual payments of principal are due September of each year and semi-annual payments of interest are due September and March of each year and continues through September 2051.

Future debt service on the certificate of participation is as follows:

Year	Principal	Interest	Total
2025	\$ 80,000	113,575	193,575
2026	80,000	111,175	191,175
2027	85,000	108,806	193,806
2028	85,000	106,363	191,363
2029	85,000	103,813	188,813
2030-2034	485,000	469,638	954,638
2035-2039	570,000	388,688	958,688
2040-2044	630,000	316,819	946,819
2045-2049	765,000	188,100	953,100
2050-2052	545,000	33,300	578,300
Total	3,410,000	1,940,277	5,350,277
Current	(80,000)		
Premium	359,449		
Non-current	\$ 3,689,449		

**(7) Other Post Employment Benefit Plan**

***Plan Description***

The District administers a single-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date. Dependents are eligible to enroll, and benefits continue to surviving spouses. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. The District's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The District participates in the California Employers' Retiree Benefit Trust (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

***Benefits Provided***

Retirees are eligible for medical benefits if they retire directly from the District at least at age 50 with 5 years of service. Employees hired before January 1, 2017 receive 100% district-paid coverage. Employees hired on or after January 1, 2017 receive 100% of the PPO rate. Dental benefits are not covered.

The District's share of family coverage is subject to a cap. The District's contribution toward family coverage will not increase by more than the greater of 5%, or the actual percentage increase in the cost of dependent coverage.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(7) Other Post-Employment Benefit Plan, continued**

***Employees Covered by Benefit Terms***

At June 30, 2023 (the census/valuation date), the following employees were covered by the benefit terms:

	<b>2024</b>
Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	27
Total plan membership	36

***Contributions***

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. The District pays 100% of its share of the cost of health insurance for retirees under any group plan offered by the District's Health Program, subject to certain restrictions as determined by the District. Currently, contributions are not required from plan members. The District has established a trust for the purpose of holding funds that have been irrevocably contributed by the District toward funding of its OPEB obligation. This trust is being administered by the California Employers' Retiree Benefit Trust (CERBT). Annually, the Board of Directors determines the amount that the District will fund the trust.

As of the fiscal year ended June 30, the contributions made towards the CERBT trust account on behalf of the District were as follows:

	<b>2024</b>
Contributions – employer	\$ <u><u>          -</u></u>

In fiscal year 2024, the Districts contribution payments of retiree medical premiums from the CERBT trust account amounted to \$157,889. This funding contribution is reported as part of the District's plan fiduciary position.

***Actuarial Assumptions and Other Inputs***

The District's net OPEB liability in the June 30, 2023 actuarial valuation, which was measured as of June 30, 2024 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.45%
Inflation	2.30%
Salary increases	2.80% wage inflation plus seniority, merit, and promotion salary increases based on CalPERS Experience Study and Review of Actuarial Assumptions published in November 2021
Healthcare cost trend rates	Based on 2021 Getzen model that reflects actual premium increases from 2021 to 2022, followed by 5.50% (non-Medicare)/5.30%(Medicare), gradually decreasing to an ultimate rate of 4.04% in 2075
Mortality rates*	Based on CalPERS tables

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(7) Other Post-Employment Benefit Plan, continued**

*Actuarial Assumptions and Other Inputs, continued*

\* The mortality table (previous page) used was developed based on CalPERS Experience Study and Review of Actuarial Assumptions published on November 17, 2021 for Public Agency Miscellaneous members. Sample pre-retirement, post-retirement non-disabled, and post-retirement disabled base mortality rates are projected fully generationally using 80% of MP-2020 mortality improvement scale.

*Discount Rate*

The discount rate used to measure the net OPEB liability has been updated from 4.10% as of June 30, 2023, to 4.45% as of June 30, 2024, based on changes in the municipal bond index, which caused a decrease in the liability. The District's OPEB Plan is a funded plan; therefore, the discount rate was set to the rate of Fidelity General Obligation AA 20-year bonds, as of the valuation date.

*Changes in the Net OPEB Liability*

During the year ended June 30, changes in net OPEB liability was as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
<b>Balance at June 30, 2023</b>	\$ 6,831,080	2,554,128	4,276,952
<b>Changes for the year:</b>			
Service cost	362,716	-	362,716
Interest	290,881	-	290,881
Differences between expected and actual experience	342,721	-	342,721
Changes in assumptions or other inputs	(1,412,324)	-	(1,412,324)
Employer contributions	-	157,889	(157,889)
Employer implicit subsidy	-	40,354	(40,354)
Net investment income	-	160,266	(160,266)
Benefit payments	(157,889)	(157,889)	-
Implicit rate subsidy fulfilled	(40,354)	(40,354)	-
Trust administrative expenses	-	(1,271)	1,271
<b>Net change</b>	<u>(614,249)</u>	<u>158,995</u>	<u>(773,244)</u>
<b>Balance at June 30, 2024</b>	\$ <u>6,216,831</u>	<u>2,713,123</u>	<u>3,503,708</u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.45%) or 1-percentage-point higher (5.45 %) than the current discount rate (4.45%):

	<u>Discount Rate 1% Lower</u>	<u>Valuation Discount Rate</u>	<u>Discount Rate 1% Higher</u>
District's net OPEB liability	\$ <u>4,423,664</u>	<u>3,503,708</u>	<u>2,747,708</u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(7) Other Post-Employment Benefit Plan, continued**

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rates that is 1-percentage-point lower (4.50% non-Medicare/4.30% Medicare decreasing to 3.04%) or 1-percentage-point higher (6.50% non-Medicare/6.30% Medicare decreasing to 5.04%) than the current healthcare cost trend rates (5.50% non-Medicare/5.30% Medicare decreasing to 4.04%):

	<b>Trend 1% Lower</b>	<b>Valuation Trend</b>	<b>Trend 1% Higher</b>
District's net OPEB liability	\$ 2,530,818	3,503,708	4,753,353

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

For the year ended June 30, 2024, the District recognized OPEB income of \$34,668. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related OPEB as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	(4,307,977)
Changes of assumptions or other inputs	462,445	-
Net difference between projected and actual earnings on investments	-	(22,526)
Total	\$ 462,445	(4,330,503)

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

<b>Fiscal Year Ending June 30,</b>	<b>Deferred Net Outflows(Inflows) of Resources</b>
2025	\$ (527,865)
2026	(527,865)
2027	(517,895)
2028	(516,837)
2029	(510,137)
Thereafter	(1,267,459)

***Schedules of Changes in the District's Net OPEB Liability and Related Ratios***

***Schedules of Other Post-Employment Benefits Plan Contributions***

See pages 66 through 68 for the Required Supplementary Schedules.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(8) Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 Q Street, Sacramento, California 95811.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law and took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plan's provision and benefits in effect at June 30, 2024, are summarized as follows:

	<b>Classic</b>	<b>PEPRA</b>
	Prior to December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a percentage of eligible compensation	1.43% to 2.42%	1.00% to 2.50%
Required employee contribution rates	6.92%	7.75%
Required employer contribution rates	11.84%	7.68%

***Contributions***

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

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(8) Defined Benefit Pension Plan, continued**

*Contributions, continued*

For the fiscal year ended June 30, 2024, the contributions to the were as follows:

	<u><b>2024</b></u>
Contributions – employer	\$ <u><u>371,742</u></u>

*Net Pension Liability*

As of the fiscal year ended June 30, 2024, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u><b>2024</b></u>
Proportionate share of net pension liability	\$ <u><u>2,972,723</u></u>

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2024, the net pension liability of the Plan is measured as of June 30, 2023 (the measurement date). The total pension liability for the Plan’s miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 (the valuation date), rolled forward to June 30, 2023, 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 of the net pension liability for the Plan’s miscellaneous risk pool as of the measurement date June 30, 2023, was as follows:

	<u><b>Proportionate</b></u>
	<u><b>Share</b></u>
Proportion – June 30, 2023	0.02368 %
Increase in proportion	<u>0.00015</u>
Proportion – June 30, 2024	<u><u>0.02383</u></u> %

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(8) Defined Benefit Pension Plan, continued**

*Deferred Pension Outflows (Inflows) of Resources*

For the year ended June 30, 2024, the District recognized pension expense of \$141,683. As of the fiscal year ended June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 371,742	-
Difference between actual and expected experience	128,305	-
Change in assumptions	179,477	-
Net differences between projected and actual earnings on plan investments	481,311	-
Change in employer's proportion	-	(49,528)
Differences between employer's contributions and proportionate share of contributions	-	(41,996)
Total	<u>\$ 1,160,835</u>	<u>(91,524)</u>

As of June 30, 2024, the District reported \$371,742 as deferred outflows of resources related to contributions subsequent to the measurement date. Pension contributions subsequent to the measurement date for the year ended June 30, 2024, will be recognized as a reduction of the net pension liability for the year ended June 30, 2025.

As of June 30, 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows(Inflows) of Resources</u>
2025	\$ 183,531
2026	127,005
2027	373,222
2028	13,811

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(8) Defined Benefit Pension Plan, continued**

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2023, actuarial valuation were determined using the following actuarial assumptions and methods:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.30% until PPPA floor on purchasing power applies; 2.30% thereafter

\* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

***Discount Rate***

The discount rate used to measure the total pension liability as of June 30, 2023, for the PERF C was 6.90%. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plan's investments were applied to all periods of projected benefit payments to determine the total pension liability.

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

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(8) Defined Benefit Pension Plan, continued**

***Discount Rate***

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

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1-10</u>
Global Equity - Cap-weighted	30.00 %	4.45 %
Global Equity Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	(0.59)
Total	<u>100.00 %</u>	

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

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

At June 30, 2024, the discount rate comparison was as follows:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>5.90%</u>	<u>6.90%</u>	<u>7.90%</u>
District's net pension liability	\$ <u>4,486,746</u>	<u>2,972,723</u>	<u>1,726,551</u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(8) Defined Benefit Pension Plan, continued**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See pages 69 and 70 for the Required Supplementary Information.

**(9) Internal Transfers**

*Inter-fund Operational Transfers*

Inter-fund receivables/payables are used to move financial resources between the General (Parks & Recreation) fund, the Measure B fund, and the Street Lighting fund, as advances to temporarily support the operations of each respective fund.

As of June 30, 2024, inter-fund receivables/payables between the District’s funds were as follows:

<b>Receivable From</b>	<b>Payable To</b>	<b>Amount</b>
	General	
Measure B	(Parks & Recreation)	\$ <u>663,952</u>
	<b>Payable to General Fund</b>	\$ <u><u>663,952</u></u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(10) Restatement of Net Position**

***Water and Wastewater – Capital Contribution and Accounts Receivable – Federal Grants***

During the fiscal year ended June 30, 2024, the District determined that grant awards sourcing from Environmental Protection Agency (EPA) and the Federal Emergency Management Agency in its water and wastewater funds were not correctly recognized as capital contributions when the grant award related project expenditures were incurred in the fiscal years ended June 30, 2023 and 2022. In addition, the outstanding grant award receivable was not recorded to its receivable accounts. Accordingly, the District has adjusted its net position.

***Water – Unbilled Receivable Accrual***

During the fiscal year ended June 30, 2024, the District determined that the calculation of its water fund unbilled receivable accrual used incorrect source reports for the fiscal year ended June 30, 2023. Accordingly, the District has adjusted its net position.

The adjustments to net position are as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Business-type Activities</u>
Net position at June 30, 2021, as previously stated	\$ 11,593,015	21,273,675	32,866,690
Effect of adjustments to grants receivable for federal grants accrual	<u>(26,014)</u>	<u>728,600</u>	<u>702,586</u>
Change in net position, as previously reported	630,334	1,344,391	1,974,725
Net position at June 30, 2022, as restated	<u>12,197,335</u>	<u>23,346,666</u>	<u>35,544,001</u>
Effect of adjustments to grants receivable to reverse prior year accrual	26,014	(728,600)	(702,586)
Effect of adjustments to grants receivable for federal grants accrual	(27,371)	491,591	464,220
Effect of adjustment to accounts receivable to reverse incorrect unbilled receivable accrual	(237,275)	-	(237,275)
Effect of adjustment to accounts receivable to record correct unbilled receivable accrual	<u>309,621</u>	<u>-</u>	<u>309,621</u>
Subtotal adjustments to net position	<u>70,989</u>	<u>(237,009)</u>	<u>(166,020)</u>
Change in net position, as previously reported	2,283,471	1,868,187	4,151,658
Net position at June 30, 2023, as restated	<u>\$ 14,551,795</u>	<u>24,977,844</u>	<u>39,529,639</u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(10) Restatement of Net Position, continued**

The effect of the water and wastewater fund changes to the District's total net position are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net position at June 30, 2021, as previously stated	\$ 921,181	32,866,690	33,787,871
Effect of adjustments to grants receivable for federal grants accrual	-	702,586	702,586
Change in net position, as previously reported	(262,691)	1,974,725	1,712,034
Net position at June 30, 2022, as restated	<u>658,490</u>	<u>35,544,001</u>	<u>36,202,491</u>
Effect of adjustments to grants receivable to reverse prior year accrual	-	(702,586)	(702,586)
Effect of adjustments to grants receivable for federal grants accrual	-	464,220	464,220
Effect of adjustment to accounts receivable to reverse incorrect unbilled receivable accrual	-	(237,275)	(237,275)
Effect of adjustment to accounts receivable to record correct unbilled receivable accrual	-	309,621	309,621
Subtotal adjustments to net position	<u>-</u>	<u>(166,020)</u>	<u>(166,020)</u>
Change in net position, as previously reported	170,213	4,151,658	4,321,871
Net position at June 30, 2023, as restated	<u>\$ 828,703</u>	<u>39,529,639</u>	<u>40,358,342</u>

**(11) Net Position**

Net investment in capital assets is calculated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024</b>
<b>Net investment in capital assets:</b>			
Capital assets – not being depreciated	\$ 7,118,242	21,440,404	28,558,646
Capital assets – being depreciated	2,346,242	27,919,566	30,265,808
Long-term debt – current portion	(105,968)	(1,060,161)	(1,166,129)
Long-term debt – long-term portion	<u>(516,500)</u>	<u>(25,763,263)</u>	<u>(26,279,763)</u>
<b>Total net investment in capital asse</b>	<u>\$ 8,842,016</u>	<u>22,536,546</u>	<u>31,378,562</u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(11) Net Position, continued**

Restricted net position is calculated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024</b>
<b>Restricted:</b>			
Debt service	\$ -	5,993,387	5,993,387
Teen and community center	7,957	-	7,957
Park & Recreation capital projects – Coastal	7,564	-	7,564
Park & Recreation capital projects – Inland	189,274	-	189,274
<b>Total restricted</b>	<b>\$ 204,795</b>	<b>5,993,387</b>	<b>6,198,182</b>

Unrestricted net position is calculated as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2024</b>
<b>Unrestricted:</b>			
Reserved	\$ 205,294	267,551	472,845
Unreserved	(2,979,503)	19,083,383	16,103,880
<b>Total unrestricted</b>	<b>\$ (2,774,209)</b>	<b>19,350,934</b>	<b>16,576,725</b>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(12) Fund Balance**

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.16 for a description of these categories). Fund balance and their funding composition at June 30, 2024, are as follows:

	<u>2024</u>
<b>Nonspendable:</b>	
Prepaid expenses	\$ <u>96,723</u>
<b>Restricted:</b>	
Teen and community center	7,957
Park & Recreation capital projects – Coastal	7,564
Park & Recreation capital projects – Inland	<u>189,274</u>
<b>Total restricted</b>	<u>204,795</u>
<b>Assigned:</b>	
Compensated absences	63,743
Street lighting	<u>141,551</u>
<b>Total assigned</b>	<u>205,294</u>
<b>Unassigned:</b>	
General (Parks and Recreation)	
Operating fund	732,896
Repair and replacement fund	3,200
Catastrophe	95,725
Other post-employment benefits	171,816
Measure B	<u>(665,419)</u>
<b>Total unassigned</b>	<u>338,218</u>
<b>Total fund balance</b>	<u>\$ <u>845,030</u></u>

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(13) 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.

At June 30, 2024, 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 and Employment Practices Liability: Total risk financing limits of \$5.0 Million combined single limit at \$5.0 Million per occurrence, subject to the following deductibles:
  - \$500 per occurrence for third party general liability property damage;
  - \$1,000 per occurrence for third party auto liability property damage;
  - 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met, as provided in the Memorandum of Coverage's.
- Employee Dishonesty Coverage: A total of \$1 Million per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, Disappearance and Destruction coverage's effective July 1, 2023.
- Property Loss: Replacement cost, for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 Billion per occurrence, subject to a \$1,000 deductible per occurrence, effective July 1, 2023.
- Boiler and Machinery: Replacement cost up to \$100 Million per occurrence, subject to a \$1,000 deductible, effective July 1, 2023.
- Public Officials Personal Liability: \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage's, deductible of \$1,000 per claim, effective July 1, 2023.
- Comprehensive and Collision: on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits; fully self-funded by SDRMA; Policy No. LCA-SDRMA-2023-24, effective July 1, 2023.
- Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, effective July 1, 2023.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2024. 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 material IBNR claim payables as of June 30, 2024.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 101***

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 102***

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 103***

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 104***

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**(15) Commitments and Contingencies**

***Commitments***

The District has a contract with the Humboldt Bay Municipal Water District (HBMWD) to purchase water. Under the contract, the District pays the HBMWD a rate that includes cost allocations of various factors designed to cover costs associated with the operation, maintenance, repair, and replacement of the HBMWD’s base water facilities and drinking water treatment facilities.

***Grant Awards***

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

***Litigation***

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

**McKinleyville Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2024**

**(16) Subsequent Event**

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of March 18, 2025, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

## **Required Supplementary Information**

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**McKinleyville Community Services District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual – General (Parks and Recreation) Fund**  
**For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 773,676	733,794	992,747	258,953
Charge for services and facilities	535,330	553,500	616,498	62,998
Operating grants and contributions	1,500	1,500	262,306	260,806
Capital grants and contributions	1,134,000	1,310,000	4,794,500	3,484,500
Other income	33,569	44,275	37,805	(6,470)
Investment earnings	40,000	75,000	370,392	295,392
<b>Total revenues</b>	<u>2,518,075</u>	<u>2,718,069</u>	<u>7,074,248</u>	<u>4,356,179</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,118,170	1,070,090	1,239,060	(168,970)
Materials and services	342,625	283,924	509,989	(226,065)
Capital outlay	1,163,000	1,300,000	4,889,140	(3,589,140)
<b>Total expenditures</b>	<u>2,623,795</u>	<u>2,654,014</u>	<u>6,638,189</u>	<u>(3,984,175)</u>
<b>Net change in fund balance</b>	(105,720)	64,055	436,059	<u>22,262</u>
<b>Fund balance, beginning of year</b>	<u>925,859</u>	<u>925,859</u>	<u>925,859</u>	
<b>Fund balance, end of year</b>	\$ <u>820,139</u>	<u>989,914</u>	<u>1,361,918</u>	

**McKinleyville Community Services District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual – Measure B Fund**  
**For the Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Special assessments	\$ 224,000	224,000	219,825	(4,175)
Investment earnings	8,200	8,200	7,548	(652)
<b>Total revenues</b>	<u>232,200</u>	<u>232,200</u>	<u>227,373</u>	<u>(4,827)</u>
<b>Expenditures:</b>				
Salaries and benefits	78,368	78,368	79,700	(1,332)
Materials and services	26,450	26,450	26,466	(16)
Debt service				
Principal	102,304	102,304	102,304	-
Interest	25,149	25,149	24,837	312
<b>Total expenditures</b>	<u>232,271</u>	<u>232,271</u>	<u>233,307</u>	<u>(1,036)</u>
<b>Net change in fund balance</b>	(71)	(71)	(5,934)	<u>(5,863)</u>
<b>Fund balance, beginning of year</b>	<u>(659,485)</u>	<u>(659,485)</u>	<u>(659,485)</u>	
<b>Fund balance, end of year</b>	<u>\$ (659,556)</u>	<u>(659,556)</u>	<u>(665,419)</u>	

**McKinleyville Community Services District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget to Actual – Street Lighting Fund**  
**For the Year Ended June 30, 2024**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>Revenues:</b>				
Charge for services and facilities	\$ 110,000	110,000	121,082	11,082
Other income	18,500	18,500	17,833	(667)
Investment earnings	100	100	-	(100)
<b>Total revenues</b>	<u>128,600</u>	<u>128,600</u>	<u>138,915</u>	<u>10,315</u>
<b>Expenditures:</b>				
Salaries and payroll expenses	58,872	58,872	52,668	6,204
Materials and services	44,487	44,487	66,609	(22,122)
Capital outlay	73,000	73,000	13,500	59,500
<b>Total expenditures</b>	<u>176,359</u>	<u>176,359</u>	<u>132,777</u>	<u>43,582</u>
<b>Net change in fund balance</b>	(47,759)	(47,759)	6,138	<u>53,897</u>
<b>Fund balance, beginning of year</b>	<u>142,393</u>	<u>142,393</u>	<u>142,393</u>	
<b>Fund balance, end of year</b>	<u>\$ 94,634</u>	<u>94,634</u>	<u>148,531</u>	

**McKinleyville Community Service District**  
**Notes to the Required Supplementary Information**  
**June 30, 2024**

**Basis of Budgeting**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's General Manager prepares and submits a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government and proprietary funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types and the accrual basis for proprietary fund. The adopted budget becomes operative on July 1.

The Board of Directors must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the General (Parks and Recreation), Measure B, and Street Lighting funds.

**McKinleyville Community Service District**  
**Schedules of Changes in District's Net OPEB Liability and Related Ratios**  
**For the Fiscal Year Ended June 30, 2024**  
**Last Ten Years\***

**Other Post-Employment Benefits Payable**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 362,716	408,820	618,445	526,898	482,408	493,346	478,977
Interest	290,881	268,056	202,404	221,939	320,814	288,256	253,523
Difference between expected and actual experience	342,721	(164,934)	(4,584,910)	11,520	(2,563,217)	-	-
Change of assumptions or other inputs	(1,412,324)	(447,802)	870,713	794,185	2,063,476	(102,116)	-
Benefit payments	(157,889)	(134,581)	(140,756)	(108,641)	(102,866)	(102,866)	(96,421)
Implicit rate subsidy fulfilled	(40,354)	(41,102)	(33,358)	(43,940)	(47,609)	(35,201)	(28,201)
Net change in total OPEB liability	(614,249)	(111,543)	(3,067,462)	1,401,961	153,006	541,419	607,878
Total OPEB liability – beginning	<u>6,831,080</u>	<u>6,942,623</u>	<u>10,010,085</u>	<u>8,608,124</u>	<u>8,455,118</u>	<u>7,913,699</u>	<u>7,305,821</u>
Total OPEB liability – ending	<u>\$ 6,216,831</u>	<u>6,831,080</u>	<u>6,942,623</u>	<u>10,010,085</u>	<u>8,608,124</u>	<u>8,455,118</u>	<u>7,913,699</u>
Plan fiduciary net position							
Contributions – employer	157,889	2,675,783	174,114	152,581	150,476	138,067	124,622
Net investment income	160,266	54,577	-	-	-	-	-
Benefits payments	(157,889)	(175,683)	(174,114)	(152,581)	(150,476)	(138,067)	(124,622)
Administrative expense	(1,271)	(549)	-	-	-	-	-
Net change in plan fiduciary net position	158,995	2,554,128	-	-	-	-	-
Plan fiduciary net position – beginning	<u>2,554,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position – ending	<u>2,713,123</u>	<u>2,554,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 3,503,708</u>	<u>4,276,952</u>	<u>6,942,623</u>	<u>10,010,085</u>	<u>8,608,124</u>	<u>8,455,118</u>	<u>7,913,699</u>
Covered-employee payroll	<u>\$ 2,096,253</u>	<u>1,836,084</u>	<u>1,548,839</u>	<u>1,389,995</u>	<u>1,362,167</u>	<u>1,511,378</u>	<u>1,470,927</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>167.14%</u>	<u>232.94%</u>	<u>448.25%</u>	<u>720.15%</u>	<u>631.94%</u>	<u>559.43%</u>	<u>538.01%</u>

Continued on next page.

**McKinleyville Community Service District**  
**Schedules of Changes in District's Net OPEB Liability and Related Ratios, continued**  
**For the Fiscal Year Ended June 30, 2024**  
**Last Ten Years\***

**Notes to Schedule**

***Change in Benefit Terms***

There were no changes to benefit terms.

***Change of Assumptions***

In fiscal year 2024, the discount rate changed from 4.10% to 4.45%. In fiscal year 2023, the discount rate changed from 3.69% to 4.10%. In fiscal year 2022, the discount rate changed from 1.92% to 3.69%. In fiscal year 2021, the discount rate changed from 2.45% to 1.92%. In fiscal year 2020, the discount rate changed from 3.62% to 2.45%. Other changes in assumption are as follows:

Assumptions	2024	2023	2022	2019	2018
Aging/Morbidity factor	Based on CalPERS Experience Study and Review of Actuarial Assumptions published November 2021	Based on CalPERS Experience Study and Review of Actuarial Assumptions published November 2021	Based on CalPERS Experience Study and Review of Actuarial Assumptions published November 2021	Based on actual CalPERS HMO and PPO population data.	Based on a Society of Actuaries study.
Participant contributions	No changes noted	No changes noted	No changes noted	Based on service at retirement and employee group.	Based on hire date.
Salary increases	2.80%	2.80%	2.80%	2.750%	3.000%
Marital status	Percentage of active employees assumed to elect spousal coverage have increased from 85% to 100%.	Percentage of active employees assumed to elect spousal coverage have increased from 85% to 100%.	Percentage of active employees assumed to elect spousal coverage have increased from 85% to 100%.	Current retirees: actual spouse coverage is used. Future retirees: 85% assumed to be married.	Current retirees: actual spouse coverage is used. Future retirees: none noted.

\* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

**McKinleyville Community Service District**  
**Schedules of Other Post Employment Benefits Plan Contributions**  
**For the Fiscal Year Ended June 30, 2024**  
**Last Ten Years\***

<u>Description</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarial determined contribution	\$ 528,229	-	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	<u>198,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency(excess)	<u>\$ 329,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	<u>\$ 2,096,253</u>	<u>1,836,084</u>	<u>1,548,839</u>	<u>1,389,995</u>	<u>1,362,167</u>	<u>1,511,378</u>	<u>1,470,927</u>
Contribution's as a percentage of covered payroll	<u>9.46%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

**Notes to Schedule**

The Schedule of OPEB Plan Contributions is a required supplemental schedule for funded OPEB plans. The District's funding began in fiscal year 2023 and will report contribution data in the table above, beginning fiscal year 2024.

\* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

**McKinleyville Community Service District**  
**Schedules of the District's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2024**  
**Last Ten Years**

<u>Description</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's proportion of the net pension liability(asset)	0.02383%	0.02368%	0.02544%	0.02113%	0.02051%	0.01969%	0.01948%	0.01878%	0.01728%	0.01805%
District's proportionate share of the net pension liability(asset)	\$ 2,972,723	2,735,488	1,375,759	2,299,309	2,101,815	1,897,638	1,931,634	1,625,303	1,186,322	1,123,351
District's covered payroll	\$ 1,636,566	1,462,609	1,615,780	1,430,283	1,404,807	1,390,558	1,313,591	1,260,867	1,214,824	1,084,395
District's proportionate share of the net pension liability(asset)as a percentage of its covered payroll	181.64%	187.03%	85.15%	160.76%	149.62%	136.47%	147.05%	128.90%	97.65%	103.59%
Plan's fiduciary net position as a percentage of the total pension liability	73.45%	74.01%	85.17%	74.40%	75.26%	75.26%	73.31%	74.06%	78.40%	83.21%

Notes to schedule:

There were no changes in benefits.

Changes in assumptions:

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

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

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

The discount rate was reduced from 7.65% to 7.15%

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

The inflation rate was reduced from 2.75% to 2.50%

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

There were no changes in assumptions.

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

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%

The inflation rate was reduced from 2.50% to 2.30%

From fiscal year June 30, 2023 to June 30, 2024:

There were no changes in assumptions.

**McKinleyville Community Service District**  
**Schedules of Pension Plan Contributions**  
**As of June 30, 2024**  
**Last Ten Years**

<u>Description</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 347,695	349,450	312,417	281,677	251,463	212,575	187,417	162,865	155,352	126,683
Contributions in relation to the actuarially determined contribution	<u>(347,695)</u>	<u>(349,450)</u>	<u>(312,417)</u>	<u>(281,677)</u>	<u>(251,463)</u>	<u>(212,575)</u>	<u>(187,417)</u>	<u>(163,266)</u>	<u>(155,352)</u>	<u>(126,683)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	(401)	-	-
District's covered payroll	\$ 1,796,561	1,636,566	1,462,609	1,615,780	1,430,283	1,404,807	1,390,558	1,313,591	1,260,867	1,214,824
Contribution's as a percentage of covered-payroll	<u>19.35%</u>	<u>21.35%</u>	<u>21.36%</u>	<u>17.43%</u>	<u>17.58%</u>	<u>15.13%</u>	<u>13.48%</u>	<u>12.40%</u>	<u>12.32%</u>	<u>10.43%</u>
Notes to schedule:										
Valuation date	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry Age									
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	15 year Smoothed Market Method								
Inflation	2.30%	2.30%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	7.15% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

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

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# **Report on Internal Controls and Compliance**

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# C.J. Brown & Company CPAs

## An Accountancy Corporation

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Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

### **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 McKinleyville Community Services District (District), which comprise the statement of net position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2025.

#### **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. 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 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 Controls 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 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.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
March 18, 2025