



Mission statement of McKinleyville Community Services District:
 “McKinleyville Community Services District provides authorized services
 fundamental to the health and well-being of the community.”

**NOTICE IS HEREBY GIVEN THAT A *Special* MEETING OF THE
 MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS
 AUDIT AND FINANCE COMMITTEE MEETING
 WILL BE HELD
 WEDNESDAY, MARCH 12, 2025 AT 3:00 P.M.**

**LOCATION: MCSD District Office Conference Room
 1656 Sutter Road
 McKinleyville, CA 95519**

MEETING AGENDA

1. Introductions, Call to Order, and Roll Call
2. Pledge of Allegiance
3. Public Comment
4. Consider Recommendation for Approval of FY23-24 Audited Financial Statements and Management Report **P. 3**
 - Attachment 1 – DRAFT FY23-24 Audited Financial Statements **P. 5**
 - Attachment 2 – DRAFT FY23-24 Management Report **P. 91**
5. Consider Recommendation for Approval of FY23-24 Single Audit **P. 105**
 - Attachment 1 – DRAFT FY23-24 Single Audit Report **P. 107**
6. Consider Recommendation for Approval of FY21-22 Single Audit Revision **P. 117**
 - Attachment 1 – DRAFT FY21-22 Revised Single Audit Report **P. 119**
7. Review of 2023-24 OPEB Valuation Report (Informational) **P. 131**
 - Attachment 1 – FY24 OPEB Valuation Report **P. 133**
 - Attachment 2 – FY24 CalPERS CERBT Statement **P. 189**
8. Adjournment

Posted 5:00 p.m. on March 7, 2025

Pursuant to California Government Code Section 54957.5, this agenda and complete packet are available for public inspection on the web at McKinleyvillecsd.com or upon request at the MCSD office, 1656 Sutter Road, McKinleyville.

McKinleyville Community Services District will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 839-3251. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements for accommodations.

McKinleyville Community Services District

AUDIT & FINANCE COMMITTEE

March 12, 2025

TYPE OF ITEM: **ACTION**

ITEM: 4 **Consider Recommendation for Approval of FY23-24 Audited Financial Statements and Management Report**

PRESENTED BY: **Samantha Howard, Finance Director**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommend that the committee listen to the independent auditor’s presentation, review the information provided, discuss, take public comment, and recommend for approval by the Board of Directors the FY23-24 Audited Financial Statements and Management Report.

Discussion:

The District's annual audit for Fiscal Year 23-24 is complete. Attached is a draft of the FY23-24 Audited Financial Statements and a draft of the FY23-24 Management Report. The Management Report and Audit findings and highlights will be presented by Chris Brown & Associates, the District’s auditor. The Audit & Finance Committee should ask questions, review, and discuss the draft documents with Staff and the Auditor. Upon concurrence of the committee for recommendation for approval, the drafts will be finalized and submitted to the Board of Directors for their consideration at the March 18, 2025 special board meeting.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – DRAFT FY23-24 Audited Financial Statements
- Attachment 2 – DRAFT FY23-24 Management Report

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

Working Draft Subject to Review



Board of Directors as of June 30, 2024

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

Working Draft Subject to Review

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

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Financial Section

Working Draft Subject to Review

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Working Draft Subject to Review

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
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.

	Condensed Statements of Net Position					
	Governmental Activities		Business-Type Activities		Total District	
	2024	As Restated 2023	2024	As Restated 2023	2024	As Restated 2023
Assets:						
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
Total assets	10,513,217	5,342,285	83,213,090	73,982,921	93,726,307	79,325,206
Deferred outflows of resources	585,786	1,300,033	1,037,494	2,056,687	1,623,280	3,356,720
Liabilities:						
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
Total liabilities	3,230,645	3,666,570	33,543,446	33,113,280	36,774,091	36,779,850
Deferred inflows of resources	1,595,756	2,147,045	2,826,271	3,396,689	4,422,027	5,543,734
Net position:						
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
Total net position	\$ 6,272,602	828,703	47,880,867	39,529,639	54,153,469	40,358,342

**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.

	Condensed Statements of Activities					
	Governmental Activities		Business-Type Activities		Total District	
	2024	As Restated 2023	2024	As Restated 2023	2024	As Restated 2023
Revenues:						
Program revenues:						
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
Total program revenues	<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>
General revenues:						
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
Total general revenues	<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>
Total revenues	<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>
Expenses:						
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
Total expenses	<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>
Changes in net position	<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>
Net position, beginning of year, as restated	<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>
Net position, end of year	<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

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

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					
	Governmental Activities		Business-Type Activities		Total District	
	2024	2023	2024	2023	2024	2023
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	7,270,922	7,257,422	59,156,646	58,774,460	66,427,568	66,031,882
Total capital assets	14,389,164	9,486,524	80,597,050	71,227,694	94,986,214	80,714,218
Accumulated depreciation	(4,924,680)	(4,705,727)	(31,237,080)	(29,267,298)	(36,161,760)	(33,973,025)
Total capital assets, net	\$ 9,464,484	4,780,797	49,359,970	41,960,396	58,824,454	46,741,193

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.

Working Draft Subject to Review

Basic Financial Statements

Working Draft Subject to Review

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Current assets:			
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
Total current assets	<u>1,048,733</u>	<u>33,853,120</u>	<u>34,901,853</u>
Non-current assets:			
Capital assets – not being depreciated (note 4)	7,118,242	21,440,404	28,558,646
Capital assets – being depreciated (note 4)	2,346,242	27,919,566	30,265,808
Total non-current assets	<u>9,464,484</u>	<u>49,359,970</u>	<u>58,824,454</u>
Total assets	<u>10,513,217</u>	<u>83,213,090</u>	<u>93,726,307</u>
Deferred outflows of resources:			
Deferred OPEB outflows (note 7)	166,881	295,564	462,445
Deferred pension outflows (note 8)	418,905	741,930	1,160,835
Total deferred outflows of resources	<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>
Current liabilities:			
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
Total current liabilities	<u>377,026</u>	<u>3,554,860</u>	<u>3,931,886</u>
Non-current liabilities:			
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
Total non-current liabilities	<u>2,853,619</u>	<u>29,988,586</u>	<u>32,842,205</u>
Total liabilities	<u>3,230,645</u>	<u>33,543,446</u>	<u>36,774,091</u>
Deferred inflows of resources:			
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
Total deferred inflows of resources	<u>1,595,756</u>	<u>2,826,271</u>	<u>4,422,027</u>
Net position: (note 11)			
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
Total net position	<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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
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)
Total governmental activities	1,996,637	737,580	262,306	4,794,500	3,797,749	-	3,797,749
Business-Type activities:							
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
Total business-type activities	8,236,428	8,787,763	1,776,720	5,160,973	-	7,489,028	7,489,028
Total	\$ 10,233,065	9,525,343	2,039,026	9,955,473	3,797,749	7,489,028	11,286,777
General revenues:							
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
Total general revenues					1,646,150	862,200	2,508,350
Changes in net position					5,443,899	8,351,228	13,795,127
Net position, beginning of year, as restated (note 10)					828,703	39,529,639	40,358,342
Net position, end of year					\$ 6,272,602	47,880,867	54,153,469

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>
Assets:				
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)	-	-
Total assets	<u>\$ 1,563,490</u>	<u>(663,952)</u>	<u>149,195</u>	<u>1,048,733</u>
Liabilities:				
Accounts payable	\$ 73,249	1,467	664	75,380
Accrued wages and related payables	120,323	-	-	120,323
Deposits	8,000	-	-	8,000
Total liabilities	<u>201,572</u>	<u>1,467</u>	<u>664</u>	<u>203,703</u>
Fund balance: (note 12)				
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
Total fund balance	<u>1,361,918</u>	<u>(665,419)</u>	<u>148,531</u>	<u>845,030</u>
Total liabilities and fund balance	<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: 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>
Revenues				
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
Total revenues	<u>7,074,248</u>	<u>227,373</u>	<u>138,915</u>	<u>7,440,536</u>
Expenditures				
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
Total expenditures	<u>6,638,189</u>	<u>233,307</u>	<u>132,777</u>	<u>7,004,273</u>
Excess (Deficit) of revenues over expenditures	<u>436,059</u>	<u>(5,934)</u>	<u>6,138</u>	<u>436,263</u>
Net changes in fund balance	436,059	(5,934)	6,138	436,263
Fund balance, beginning of year	<u>925,859</u>	<u>(659,485)</u>	<u>142,393</u>	<u>408,767</u>
Fund Balance, end of year	<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

Working Draft Subject to Review

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

	<u>Water</u>	<u>Wastewater</u>	<u>2024</u>
Current assets:			
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
Total current assets	<u>13,670,411</u>	<u>20,182,709</u>	<u>33,853,120</u>
Non-current assets:			
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
Total non-current assets	<u>17,703,610</u>	<u>31,656,360</u>	<u>49,359,970</u>
Total assets	<u>31,374,021</u>	<u>51,839,069</u>	<u>83,213,090</u>
Deferred outflows of resources:			
Deferred OPEB outflows	131,392	164,172	295,564
Deferred pension outflows	329,825	412,105	741,930
Total deferred outflows of resources	<u>\$ 461,217</u>	<u>576,277</u>	<u>1,037,494</u>

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

	Water	Wastewater	2024
Current liabilities:			
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
Total current liabilities	2,302,439	1,252,421	3,554,860
Non-current liabilities:			
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
Total non-current liabilities	7,856,055	22,132,531	29,988,586
Total liabilities	10,158,494	23,384,952	33,543,446
Deferred inflows of resources:			
Deferred OPEB inflows	1,230,413	1,537,361	2,767,774
Deferred pension inflows	26,005	32,492	58,497
Total deferred inflows of resources	1,256,418	1,569,853	2,826,271
Net position:			
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
Total net position	\$ 20,420,326	27,460,541	47,880,867

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

	<u>Water</u>	<u>Wastewater</u>	<u>2024</u>
Operating revenues:			
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
Total operating revenues	<u>4,378,512</u>	<u>4,409,251</u>	<u>8,787,763</u>
Operating expenses:			
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
Total operating expenses	<u>3,139,057</u>	<u>2,538,104</u>	<u>5,677,161</u>
Operating income before depreciation	1,239,455	1,871,147	3,110,602
Depreciation expense	(456,297)	(1,546,151)	(2,002,448)
Operating income	<u>783,158</u>	<u>324,996</u>	<u>1,108,154</u>
Non-operating revenues(expenses):			
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)
Total non-operating expenses, net	<u>217,384</u>	<u>1,864,717</u>	<u>2,082,101</u>
Net income before capital contributions	<u>1,000,542</u>	<u>2,189,713</u>	<u>3,190,255</u>
Capital contributions:			
Capacity fees	104,086	180,169	284,255
Contributed capital assets	4,763,903	112,815	4,876,718
Total capital contributions	<u>4,867,989</u>	<u>292,984</u>	<u>5,160,973</u>
Changes in net position	<u>5,868,531</u>	<u>2,482,697</u>	<u>8,351,228</u>
Net position, beginning of year, as restated (note 10)	<u>14,551,795</u>	<u>24,977,844</u>	<u>39,529,639</u>
Net position, end of year	<u>\$ 20,420,326</u>	<u>27,460,541</u>	<u>47,880,867</u>

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

	2024
Cash flows from operating activities:	
Cash receipts from customers	\$ 9,107,802
Cash paid to employees	(1,613,660)
Cash paid to vendors and suppliers	(3,149,593)
Net cash provided by operating activities	4,344,549
Cash flows from capital and related financing activities:	
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)
Net cash used in capital and related financing activities	(8,209,287)
Cash flows from investing activities:	
Interest earnings	901,881
Net cash provided by investing activities	901,881
Net decrease in cash and cash equivalents	(2,962,857)
Cash and cash equivalents, beginning of year	30,022,512
Cash and cash equivalents, end of year	\$ 27,059,655
Reconciliation of cash and cash equivalents to statement of net position:	
Cash and investments	\$ 21,066,268
Cash and investments – restricted	5,993,387
Total cash and cash equivalents	\$ 27,059,655

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

	2024
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>1,108,154</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,002,448
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(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	(62,514)
Total adjustments	3,236,395
Net cash provided by operating activities	\$ 4,344,549

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 Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash and cash equivalents	\$ 561,345	21,066,268	21,627,613
Cash and cash equivalents – restricted	204,795	5,993,387	6,198,182
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>
Cash			
Cash	\$ 1,154	-	1,154
Deposits held with financial institutions	4,132,032	5,983,846	10,115,878
Total cash	<u>4,133,186</u>	<u>5,983,846</u>	<u>10,117,032</u>
Cash equivalents			
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)	15,755,111	-	15,755,111
Total cash equivalents	<u>17,494,427</u>	<u>214,336</u>	<u>17,708,763</u>
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.

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	1,806,648	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:

	Amount	Allocation	
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:

Cash Equivalents	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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:

	<u>Balance 2023</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 1,769,744	4,794,500	-	6,564,244
Construction in progress	459,358	94,640	-	553,998
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	556,589	13,500	-	570,089
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	(352,641)	(20,906)	-	(373,547)
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

Working Draft Subject to Review

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:

	Balance 2023	Additions	Payments	Balance 2024	Current Portion	Long-Term Portion
<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	476,539	-	(52,890)	423,649	54,673	368,976
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	1,243,600	-	(93,200)	1,150,400	95,000	1,055,400
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	480,520	-	(16,570)	463,950	-	463,950
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	372,287	-	(12,838)	359,449	-	359,449
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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>127,863</u>	<u>1,271,499</u>
Current	<u>(116,520)</u>		
Non-current	\$ <u>1,027,116</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>51,860</u>	<u>475,509</u>
Current	<u>(54,673)</u>		
Non-current	\$ <u>368,976</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		2,548,288	102,783	2,651,071
Total		13,127,830	<u>2,783,883</u>	<u>15,911,713</u>
Current		<u>(453,149)</u>		
Non-current	\$	<u>12,674,681</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	<u>915,137</u>	<u>50,006</u>	<u>965,143</u>
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	<u>114,700</u>	<u>1,637</u>	<u>116,337</u>
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>		

Working Draft Subject to Review

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	463,950		
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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>1,940,277</u>	<u>5,350,277</u>
Current	(80,000)		
Premium	<u>359,449</u>		
Non-current	\$ <u>3,689,449</u>		

(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:

	2024
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:

	2024
Contributions – employer	\$ -

In fiscal year 2024, the District's 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>
Balance at June 30, 2023	\$ 6,831,080	2,554,128	4,276,952
Changes for the year:			
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
Net change	<u>(614,249)</u>	<u>158,995</u>	<u>(773,244)</u>
Balance at June 30, 2024	\$ <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%):

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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:

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
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:

	Classic	PEPRA
Hire Date	Prior to December 31, 2012	On or after January 1, 2013
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:

	2024
Contributions – employer	\$ 371,742

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:

	2024
Proportionate share of net pension liability	\$ 2,972,723

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:

	Proportionate Share
Proportion – June 30, 2023	0.02368 %
Increase in proportion	0.00015
Proportion – June 30, 2024	0.02383 %

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:

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

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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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
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	-	(166,020)	(166,020)
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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2024</u>
Net investment in capital assets:			
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>
Total net investment in capital assets	<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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2024</u>
Restricted:			
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
Total restricted	<u>\$ 204,795</u>	<u>5,993,387</u>	<u>6,198,182</u>

Unrestricted net position is calculated as follows:

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

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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:

	2024
Nonspendable:	
Prepaid expenses	\$ 96,723
Restricted:	
Teen and community center	7,957
Park & Recreation capital projects – Coastal	7,564
Park & Recreation capital projects – Inland	189,274
Total restricted	204,795
Assigned:	
Compensated absences	63,743
Street lighting	141,551
Total assigned	205,294
Unassigned:	
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	(665,419)
Total unassigned	338,218
Total fund balance	\$ 845,030

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.

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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>		
Revenues:				
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
Total revenues	<u>2,518,075</u>	<u>2,718,069</u>	<u>7,074,248</u>	<u>4,356,179</u>
Expenditures:				
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)
Total expenditures	<u>2,623,795</u>	<u>2,654,014</u>	<u>6,638,189</u>	<u>(3,984,175)</u>
Net change in fund balance	(105,720)	64,055	436,059	<u>22,262</u>
Fund balance, beginning of year	<u>925,859</u>	<u>925,859</u>	<u>925,859</u>	
Fund balance, end of year	<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>		
Revenues:				
Special assessments	\$ 224,000	224,000	219,825	(4,175)
Investment earnings	8,200	8,200	7,548	(652)
Total revenues	<u>232,200</u>	<u>232,200</u>	<u>227,373</u>	<u>(4,827)</u>
Expenditures:				
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
Total expenditures	<u>232,271</u>	<u>232,271</u>	<u>233,307</u>	<u>(1,036)</u>
Net change in fund balance	(71)	(71)	(5,934)	<u>(5,863)</u>
Fund balance, beginning of year	<u>(659,485)</u>	<u>(659,485)</u>	<u>(659,485)</u>	
Fund balance, end of year	<u>\$ (659,556)</u>	<u>(659,556)</u>	<u>(665,419)</u>	

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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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
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)
Total revenues	<u>128,600</u>	<u>128,600</u>	<u>138,915</u>	<u>10,315</u>
Expenditures:				
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
Total expenditures	<u>176,359</u>	<u>176,359</u>	<u>132,777</u>	<u>43,582</u>
Net change in fund balance	<u>(47,759)</u>	<u>(47,759)</u>	6,138	<u>53,897</u>
Fund balance, beginning of year	<u>142,393</u>	<u>142,393</u>	<u>142,393</u>	
Fund balance, end of year	<u>\$ 94,634</u>	<u>94,634</u>	<u>148,531</u>	

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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.

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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	6,831,080	6,942,623	10,010,085	8,608,124	8,455,118	7,913,699	7,305,821
Total OPEB liability – ending	\$ 6,216,831	6,831,080	6,942,623	10,010,085	8,608,124	8,455,118	7,913,699
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	2,554,128	-	-	-	-	-	-
Plan fiduciary net position – ending	2,713,123	2,554,128	-	-	-	-	-
Net OPEB liability	\$ 3,503,708	4,276,952	6,942,623	10,010,085	8,608,124	8,455,118	7,913,699
Covered-employee payroll	\$ 2,096,253	1,836,084	1,548,839	1,389,995	1,362,167	1,511,378	1,470,927
Total OPEB liability as a percentage of covered-employee payroll	167.14%	232.94%	448.25%	720.15%	631.94%	559.43%	538.01%

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	198,243	-	-	-	-	-	-
Contribution deficiency(excess)	\$ 329,986	-	-	-	-	-	-
District's covered payroll	\$ 2,096,253	1,836,084	1,548,839	1,389,995	1,362,167	1,511,378	1,470,927
Contribution's as a percentage of covered payroll	9.46%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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 proportionate share 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	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
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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**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
Cypress, California
March 18, 2025

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McKinleyville Community Services District

Management Report

June 30, 2024

Working Draft Subject to Review

McKinleyville Community Services District

Management Report

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Working Draft Subject to Review

Board of Directors
McKinleyville Community Services District
McKinleyville, California

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the McKinleyville Community Services District (District) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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

Current Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all.

Current Year Comment and Recommendation, continued

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance as of June 30, 2024.

Prior Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance as of June 30, 2023.

* * * * *

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

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

APPENDIX

McKinleyville Community Services District

Audit/Finance Committee Letter

June 30, 2024

Working Draft Subject to Review

Board of Directors
McKinleyville Community Services District
McKinleyville, California

We have audited the financial statements of the McKinleyville Community Services District (District) as of and for the year ended June 30, 2024, and have issued our report thereon dated March 18, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 30, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses, if any, and material noncompliance, and other matters noted during our audit in a separate letter to you dated March 18, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards:

As auditors of the District, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

- Management’s estimate of the fair value of cash and investments which is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of capital assets depreciation which is based on historical estimates of each capitalized item’s useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the net other post-employment benefit (OPEB) liability, OPEB expense, and deferred OPEB outflows/inflows which are based on an actuarial valuation that was conducted by a third-party actuary. We evaluated the basis, methods, and assumptions used by the actuary in calculating these amounts for the District to determine that they are reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the defined benefit pension plan’s net pension liability, pension expense, and deferred pension outflows/inflows which are based on an actuarial valuation which was conducted by a third-party actuary. We evaluated the basis, methods, and assumptions used by the actuary to calculate these amounts for the District to determine that they are reasonable in relation to the financial statements taken as a whole.

Qualitative Aspects of the Entity's Significant Accounting Practices, continued

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- The disclosure of fair value of cash and investments in Note 2 to the basic financial statements which represents amounts susceptible to market fluctuations.
- The disclosure of capital assets, net in Note 4 to the basic financial statements which is based on historical information which could differ from actual useful lives of each capitalized item.
- The disclosure of the District's net OPEB liability in Note 7 to the basic financial statements which is based on actuarial assumptions which could differ from actual costs.
- The disclosure of the District's defined benefit pension plan in Note 8 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. All misstatements, including material misstatements (if any), that we identified as a result of our audit procedures are included on the Schedule of Adjusting Journal Entries on pages 5 through 9. The journal entries were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 18, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

We appreciate the cooperation extended us by Patrick Kaspari, General Manager, and Samantha Howard, Finance Director, in the performance of our audit testwork. We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

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

McKinleyville Community Services District
 Schedule of Audit Adjusting Journal Entries
 June 30, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
CPE - To record IRS refund pertaining to MCS D Microgrid Project Notice of Completion dated 6/7/2024.			
551-10101-057	Sewer Inflation Reduction Receivable - IRS	1,776,720.00	
551-53000-000	Sewer Inflation Reduction Act Revenue		1,776,720.00
Total		<u>1,776,720.00</u>	<u>1,776,720.00</u>
Adjusting Journal Entries JE # 2			
AJE - To record County interest receivable per review of County G/L reports at June 30, 2024. Interest was accrued based on the year end County Cash Balance \$1,647,103.83 x Rate of Return of 3.19% per County Treasurers Report at June 30, 2024.			
551-10301-000	ACCRUED INTEREST RECEIVABLE	10,782.89	
551-50001-000	INT. REVENUE		10,782.89
Total		<u>10,782.89</u>	<u>10,782.89</u>
Adjusting Journal Entries JE # 3			
GASB 68 Entry #1 - To reclassify prior year year contribution to net pension liability at June 30, 2024.			
501-23210-000	Pension Liability	97,052.00	
551-23210-000	Pension Liability	117,059.00	
951-23210-000	Pension Liability	135,339.00	
501-15500-000	Pension Deferred Outflows		97,052.00
551-15500-000	Pension Deferred Outflows		117,059.00
951-15500-000	Pension Deferred Outflows		135,339.00
Total		<u>349,450.00</u>	<u>349,450.00</u>
Adjusting Journal Entries JE # 4			
GASB 68 Entry #2 - To reclassify current year year contribution from expense to deferred outflows at June 30, 2024.			
501-15500-000	Pension Deferred Outflows	105,622.00	
551-15500-000	Pension Deferred Outflows	131,972.00	
951-15500-000	Pension Deferred Outflows	134,149.00	
501-61050-000	WATER PensionExp Act		105,622.00
551-61050-000	SEWER PensionExp Act		131,972.00
951-32101-000	FUND BALANCE - RESTRICTED		134,149.00
Total		<u>371,743.00</u>	<u>371,743.00</u>
Adjusting Journal Entries JE # 5			
GASB 68 Entry #3 - To adjust net pension liability, deferred outflows, and deferred inflows at June 30, 2024.			
501-15500-000	Pension Deferred Outflows	2,156.00	
501-23500-000	Pension Deferred Inflows	28,847.00	
501-61050-000	WATER PensionExp Act	150,963.00	
551-15500-000	Pension Deferred Outflows	12,309.00	
551-23500-000	Pension Deferred Inflows	33,667.00	
551-61050-000	SEWER PensionExp Act	210,085.00	
951-23500-000	Pension Deferred Inflows	43,463.00	
951-32101-000	FUND BALANCE - RESTRICTED	130,087.00	
501-23210-000	Pension Liability		181,966.00
551-23210-000	Pension Liability		256,061.00
951-15500-000	Pension Deferred Outflows		24,892.00
951-23210-000	Pension Liability		148,658.00
001-10001-000	CHANGE FUND		
Total		<u>611,577.00</u>	<u>611,577.00</u>

McKinleyville Community Services District
 Schedule of Audit Adjusting Journal Entries
 June 30, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
AJE- To record contributed construction of the Washington Terrace Subdivision System conveyed to the district in April 2024.			
501-12210-000	TRANS. & DISTRIBUTION LINES	100,073.53	
551-12210-000	TRANS. & DISTRIBUTION LINES	103,509.47	
901-12401-000	STREET LIGHTS	13,500.00	
501-51011-000	CONTRIB.CONSTR.		100,073.53
551-51011-000	CONTRIB.CONSTR.		103,509.47
901-51011-000	CONTRIB.CONSTR.		13,500.00
Total		217,083.00	217,083.00
Adjusting Journal Entries JE # 7			
AJE - To remove District adjustment to OPEB liability account made prior to the audit at June 30, 2024. These accounts are adjusted based on the actuarial valuation report plus any CERBT contributions multiplied by the			
501-23200-000	OPEB LIABILITY - RETIREE MED	21,931.38	
551-23200-000	OPEB LIABILITY - RETIREE MED	16,948.90	
951-23200-000	OPEB LIABILITY - RETIREE MED	24,674.72	
501-61060-000	WATER OPEBexActuarial		21,931.38
551-61060-000	SEWER OPEBexActuarial		16,948.90
951-32101-000	FUND BALANCE - RESTRICTED		24,674.72
Total		63,555.00	63,555.00
Adjusting Journal Entries JE # 8			
GASB 75 Entry #1 - To adjust net OPEB liability, deferred outflows, deferred inflows at June 30, 2024.			
501-23200-000	OPEB LIABILITY - RETIREE MED	189,824.00	
501-23510-000	OPEB Deferred Inflows	254,377.00	
501-61060-000	WATER OPEBexActuarial	37,557.00	
551-23200-000	OPEB LIABILITY - RETIREE MED	185,841.00	
551-23510-000	OPEB Deferred Inflows	253,527.00	
551-61060-000	SEWER OPEBexActuarial	136,015.00	
951-23200-000	OPEB LIABILITY - RETIREE MED	388,579.00	
951-23510-000	OPEB Deferred Inflows	507,826.00	
501-15550-000	OPEB Deferred Outflows		481,758.00
551-15550-000	OPEB Deferred Outflows		575,383.00
951-15550-000	OPEB Deferred Outflows		688,165.00
951-32101-000	FUND BALANCE - RESTRICTED		208,240.00
Total		1,953,546.00	1,953,546.00
Adjusting Journal Entries JE # 9			
AJE - To adjust beginning equity differences noted in Fund 001 and Fund 004 at June 30, 2024.			
001-33001-000	PRIOR PERIOD ADJUSTMENT	870.49	
004-62295-000	MEASURE B ASSMT OTHER	5,203.99	
001-52000-000	OTHER INCOME		870.49
004-33001-000	PRIOR PERIOD ADJUSTMENT		5,203.99
Total		6,074.48	6,074.48

McKinleyville Community Services District
 Schedule of Audit Adjusting Journal Entries
 June 30, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 10			
AJE - To clear erroneous balances in funds 951 and 999 at June 30, 2024.			
951-10099-000	FUND CASH BALANCE	0.02	
999-10011-000	CASH IN BANK - CHECKING	0.02	
999-32001-000	FUND BALANCE - UNRES. UNDESIG.	210.00	
999-62195-000	CWS BAD CK EXP	605.00	
951-32101-000	FUND BALANCE - RESTRICTED		0.02
999-10011-000	CASH IN BANK - CHECKING		650.00
999-10099-000	FUND CASH BALANCE		0.02
999-10101-000	ACCOUNTS RECEIVABLE/UTILITY		95.00
999-62196-000	WEB BAD CK INC		70.00
Total		815.04	815.04
Adjusting Journal Entries JE # 11			
CPE - To record McKinleyville Community Forest 14001-465 (Fund 901) at June 30, 2024.			
901-14001-465	McKinleyville Community Forest	16,036.30	
901-30010-000	INVESTMENT IN FIXED ASSETS		16,036.30
Total		16,036.30	16,036.30
Adjusting Journal Entries JE # 12			
CPE - To record McKinleyville Community Forest land contribution acquired January 2024.			
901-12101-000	LAND	3,877,928.00	
901-30010-000	INVESTMENT IN FIXED ASSETS		3,877,928.00
Total		3,877,928.00	3,877,928.00
Adjusting Journal Entries JE # 13			
CPE - To record deferred interest on Microgrid Loan at June 30, 2024.			
551-64001-000	INT. EXPENSE	44,254.95	
551-22050-000	SRF Microgrid Loan		44,254.95
Total		44,254.95	44,254.95
Adjusting Journal Entries JE # 14			
CPE - To record Microgrid Loan accrued interest on at June 30, 2024.			
551-64001-000	INT. EXPENSE	14,939.10	
551-21005-000	ACCRUED INTEREST		14,939.10
Total		14,939.10	14,939.10
Adjusting Journal Entries JE # 15			
AJE - To adjust CPE #12 for contributions from Green Diamond Resources Company and The Trust for Public Land which should be part of the land contribution recorded in AJE#12.			
001-64000-000	EXPEND-C. ASSET	857,072.00	
001-64000-000	EXPEND-C. ASSET	59,500.00	
901-12101-000	LAND	857,072.00	
901-12101-000	LAND	59,500.00	
001-51011-000	GENERAL (PARKS) CONTRIB.CONSTR.		857,073.00
001-51011-000	GENERAL (PARKS) CONTRIB.CONSTR.		59,499.00
901-30010-000	INVESTMENT IN FIXED ASSETS		857,072.00
901-30010-000	INVESTMENT IN FIXED ASSETS		59,500.00
Total		1,833,144.00	1,833,144.00
Adjusting Journal Entries JE # 16			
AJE - To record McKinleyville Community Forest land contribution acquired January 2024 for General Fund.			
001-64000-000	EXPEND-C. ASSET	3,877,928.00	
001-51011-000	GENERAL (PARKS) CONTRIB.CONSTR.		3,877,928.00
Total		3,877,928.00	3,877,928.00

McKinleyville Community Services District
 Schedule of Audit Adjusting Journal Entries
 June 30, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 17			
PPA - To prior period adjust FY 2023 unbilled receivable which was calculated using the wrong UB register to base the calculation. Please also see AJE #18 for the reversal.			
501-10104-000	UNPROCESSED UTILITY BILLS	309,621.33	
501-32001-000	FUND BALANCE - UNRES. UNDESIG.	237,275.74	
501-10104-000	UNPROCESSED UTILITY BILLS		237,275.74
501-32001-000	FUND BALANCE - UNRES. UNDESIG.		309,621.33
Total		546,897.07	546,897.07
Adjusting Journal Entries JE # 18			
AJE - To reverse prior year unbilled receivable accrual difference recorded in PPA #17 from accounts receivable to revenue at June 30, 2024.			
501-10104-000	UNPROCESSED UTILITY BILLS	237,275.74	
501-40001-000	MTR. WATER SALE	309,621.33	
501-10104-000	UNPROCESSED UTILITY BILLS		309,621.33
501-40001-000	MTR. WATER SALE		237,275.74
Total		546,897.07	546,897.07
Adjusting Journal Entries JE # 19			
AJE - To reduce grants receivable for Microgrid grant for expenses double booked as noted during SEFA testing for June 30, 2024.			
551-55001-000	ALL OTHER FEDERAL GRANTS	49,910.00	
551-10107-57	SOLAR PROJECT RECEIVABLE		49,910.00
Total		49,910.00	49,910.00
Adjusting Journal Entries JE # 20			
PPA - To prior period adjust grant receivables accrual difference due to reconciliation performed during 2023 single audit (revenue and expense cut off - 2022 SEFA Reconciliation) at June 30, 2024.			
501-32001-000	FUND BALANCE - UNRES. UNDESIG.	26,013.65	
551-10107-000	GRANTS RECEIVABLE	728,599.53	
501-10107-000	GRANTS RECEIVABLE		26,013.65
551-32001-000	FUND BALANCE - UNRES. UNDESIG.		728,599.53
Total		754,613.18	754,613.18
Adjusting Journal Entries JE # 21			
PPA - To prior period adjust / reverse accrual difference correction recorded in PPA#20 for FY2022 in FY2023 at June 30, 2024			
501-10107-000	GRANTS RECEIVABLE	26,013.65	
551-32001-000	FUND BALANCE - UNRES. UNDESIG.	728,599.53	
501-32001-000	FUND BALANCE - UNRES. UNDESIG.		26,013.65
551-10107-000	GRANTS RECEIVABLE		728,599.53
Total		754,613.18	754,613.18
Adjusting Journal Entries JE # 22			
PPA - To prior period adjust grant receivables accrual difference due to reconciliation performed during 2023 single audit (revenue and expense cut off - 2023 SEFA Reconciliation) at June 30, 2024.			
501-32001-000	FUND BALANCE - UNRES. UNDESIG.	27,370.58	
551-10107-000	GRANTS RECEIVABLE	491,591.27	
501-10107-000	GRANTS RECEIVABLE		27,370.58
551-32001-000	FUND BALANCE - UNRES. UNDESIG.		491,591.27
Total		518,961.85	518,961.85

McKinleyville Community Services District
 Schedule of Audit Adjusting Journal Entries
 June 30, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 23			
AJE - To prior period adjust / reverse accrual difference correction recorded in PPA#20 for FY2022 in FY2023 at June 30, 2024.			
501-10107-000	GRANTS RECEIVABLE	27,370.58	
551-55001-000	ALL OTHER FEDERAL GRANTS	491,591.27	
501-55000-000	WATER FEMA GRANTS		27,370.58
551-10107-000	GRANTS RECEIVABLE		491,591.27
Total		<u>518,961.85</u>	<u>518,961.85</u>
Total Adjusting Journal Entries		<u>18,716,430.96</u>	<u>18,716,430.96</u>
Proposed Journal Entries			
Proposed Journal Entries JE # 100			
PAJE - To record LAIF market value adjustment at June 30, 2024..			
551-50001-000	INT. REVENUE	541.56	
551-10030-071	Market Value LAIF		541.56
Total		<u>541.56</u>	<u>541.56</u>
Proposed Journal Entries JE # 101			
PAJE - To record CA Class market value adjustment at June 30, 2024.			
551-50001-000	INT. REVENUE	3,495.59	
551-10030-071	Market Value LAIF		3,495.59
Total		<u>3,495.59</u>	<u>3,495.59</u>
Total Proposed Journal Entries		<u>4,037.15</u>	<u>4,037.15</u>
Total All Journal Entries		<u>18,720,468.11</u>	<u>18,720,468.11</u>

Legend:

AJE	Audit Adjusting Journal Entry
PPA	Prior Period Audit / Restatement Adjusting Journal Entry
GASB 68	GASB 68 Adjusting Journal Entry (Pension)
GASB 75	GASB 75 Adjusting Journal Entry (OPEB)
CPE	Client Prepared Adjusting Journal Entry
PAJE	Proposed Adjusting Journal Entry - Not Posted

Not applicable

Exhibits/Attachments:

- Attachment 1 – DRAFT FY23-24 Single Audit Report



McKinleyville Community Services District

Single Audit Report

For the Fiscal Year Ended June 30, 2024

McKinleyville Community Services District
Single Audit Report
For the Fiscal Year Ended June 30, 2024

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Working Draft Subject to Review

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
McKinleyville Community Services District
McKinleyville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities of the McKinleyville Community Services District (District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic 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.

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

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*.

Purpose of this Report

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

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

Working Draft Subject to Review

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

Board of Directors
McKinleyville Community Services District
McKinleyville, California

Report on Compliance for Each Major Federal Program

We have audited the McKinleyville Community Services District’s (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2024. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the McKinleyville Community Services District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basin for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance, continued

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

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

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

We have audited financial statements of the governmental activities, and each major fund information of the District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements. We issued our report thereon dated March 18, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards on page 6 is presented for purposes of additional analysis as required by the *Uniform Guidance* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

**McKinleyville Community Services District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024**

<u>Federal Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Amount Receivable June 30, 2023</u>	<u>Grant Expenditures</u>	<u>Grant Funds Received by June 30, 2024</u>	<u>Amount Receivable June 30, 2024</u>
U.S. Environmental Protection Agency					
Major Program:					
Clean Water State Revolving Fund (CWSRF)					
Passed Through – California State Water Resources Control Board:					
C-06-8221-110 (Microgrid)	66.458	\$ 492,501	326,534	-	819,035
C-06-8393-110 (Recycled Water)	66.458	51,522	12,489	64,011	-
Total for CFDA No.	66.458	544,023	339,023	64,011	819,035
U.S. Department of Homeland Security					
Federal Emergency Management Agency					
Major Program:					
Hazard Mitigation Grant Program (HMGP)					
Passed Through - California Emergency Management Agency:					
FEMA-4344-DR-CA (4.5 Mg Tank)	97.039	\$ 136,205	4,593,526	1,944,004	2,785,727
FEMA-4353-DR-CA (Sewer Undercrossings)	97.039	13,280	-	-	13,280
FEMA-4558-DR-CA (McCluski & Hewitt Tanks)	97.039	22,365	99,109	109,792	11,682
FEMA-4482-DR-CA (Seismic Retrofit Fischer Sewer Lift St'n)	97.039	-	47,173	3,752	43,421
Total for CFDA No.	97.039	171,850	4,739,808	2,057,548	2,854,110
Program:					
Public Assistance Program (PA)					
Passed Through - California Emergency Management Agency:					
FEMA-4683-DR-CA (Protective Measures)	97.036	18,370	-	18,370	-
Total for CFDA No.	97.036	18,370	-	18,370	-
Total Federal Awards		\$ 734,243	5,078,831	2,139,929	3,673,145

Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Statement of Activities:

Program revenues:

Charges for federal award grants	\$ <u>5,078,831</u>
Total federal awards	5,078,831
Add – Accounts receivable – federal funding – June 30, 2023	734,243
Less – Accounts receivable – federal funding – June 30, 2024	<u>(3,673,145)</u>
Federal receipts or revenues recognized per Schedule	<u>\$ 2,139,929</u>

McKinleyville Community Services District
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

(1) Summary of Significant Accounting Policies

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

(2) Basis of Accounting

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

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

(3) Relationship to Annual Financial Report

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

(4) Relationship to Federal Financial Report

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

(5) Contingencies

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

(6) Indirect Cost Rate

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

**McKinleyville Community Services District
Schedule of Findings and Questioned Cost
Fiscal Year Ended June 30, 2024**

Section I—Summary of Auditor’s Results	Response
<i>Basic Financial Statements</i>	
Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a) (Uniform Guidance):	No
Identification of major programs tested include:	
U.S. Environmental Protection Agency	
Passed Through – California State Water Resources Control Board	
Clean Water State Revolving Fund – CFDA No. 66.458	
Passed Through – California Emergency Management Agency	
Hazard Mitigation Grant Program – CFDA No. 97.039	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

Section IV—Prior Year Findings and Questioned Costs

No matters were reported.

McKinleyville Community Services District

AUDIT & FINANCE COMMITTEE

March 12, 2025

TYPE OF ITEM: **ACTION**

ITEM: 6 **Consider Recommendation for Approval of FY21-22 Single Audit Revision**

PRESENTED BY: **Samantha Howard, Finance Director**

TYPE OF ACTION: **Roll Call Vote**

Recommendation:

Staff recommend that the committee listen to the independent auditor's presentation, review the information provided, discuss, take public comment, and recommend for approval by the Board of Directors the FY21-22 Revised Single Audit Report.

Discussion:

Title 2, *Code of Federal Regulations, Part 22, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F – Audit Requirements (Uniform Guidance) requires non-federal entities that expend equal to or in excess of \$750,000 in federal awards in a fiscal year to have an audit performed in accordance with the Single Audit Act.

During the fiscal year 2021-22, the District expended federal awards in excess of \$750,000. A single audit was conducted, and a report was issued prior to the March 31, 2022 deadline. In the fiscal year 2022-23, federal awards were not expended in excess of \$750,000 and a single audit was not required. However, a Schedule of Expenditures of Federal Awards was provided to the District's independent auditors for review. During the review, the auditor discovered timing errors in expenditures and concluded that the 2021-22 single audit was inaccurate, requiring revision.

District staff studied the data and provided an accurate 2021-22 Schedule of Expenditure of Federal Awards and all supporting evidence so that the independent auditor could revise the 2021-22 Single Audit Report. See attachment 1.

The Audit & Finance Committee should ask questions, review, and discuss the draft document with Staff and the Auditor. Upon concurrence of the committee for recommendation for approval, the draft will be finalized and submitted to the Board of Directors for their consideration at the March 18, 2025 special board meeting.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – DRAFT FY21-22 Revised Single Audit Report



McKinleyville Community Services District

Single Audit Report

For the Fiscal Year Ended June 30, 2022

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

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Working Draft Subject to Review

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
McKinleyville Community Services District
McKinleyville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities of the McKinleyville Community Services District (District) as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

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*.

Purpose of this Report

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

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

Working Draft Subject to Review

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

Board of Directors
McKinleyville Community Services District
McKinleyville, California

Report on Compliance for Each Major Federal Program

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

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

Basin for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance, continued

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

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

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

We have audited financial statements of the governmental activities, and each major fund information of the District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements. We issued our report thereon dated March 18, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards on page 6 is presented for purposes of additional analysis as required by the *Uniform Guidance* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

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

<u>Federal Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Amount Receivable June 30, 2021</u>	<u>Grant Expenditures</u>	<u>Grant Funds Received by June 30, 2022</u>	<u>Amount Receivable June 30, 2022</u>
U.S. Environmental Protection Agency					
Major Program:					
Clean Water State Revolving Fund (CWSRF)					
Passed Through – California State Water Resources Control Board:					
C-06-8221-110 (Microgrid)	66.458	\$ 882,315	3,033,194	3,152,833	762,676
C-06-8393-110 (Recycled Water)	66.458	43,054	50,301	75,000	18,355
Total for CFDA No.	66.458	<u>925,369</u>	<u>3,083,495</u>	<u>3,227,833</u>	<u>781,031</u>
U.S. Department of Homeland Security					
Federal Emergency Management Agency					
Major Program:					
Hazard Mitigation Grant Program (HMGP)					
Passed Through – California Emergency Management Agency:					
FEMA-4344-DR-CA (4.5 Mg Tank)	97.039	\$ 225,366	112,501	228,549	109,318
FEMA-4353-DR-CA (Sewer Undercrossings)	97.039	132,803	-	119,523	13,280
FEMA-4558-DR-CA (McCluski & Hewitt Tanks)	97.039	1,388	-	-	1,388
Total for CFDA No.	97.039	<u>359,557</u>	<u>112,501</u>	<u>348,072</u>	<u>123,986</u>
Total Federal Awards		<u>\$ 1,284,926</u>	<u>3,195,996</u>	<u>3,575,905</u>	<u>905,017</u>

Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Statement of Activities:

Program revenues:

Charges for federal award grants	\$ <u>3,195,996</u>
Total federal awards	3,195,996
Add – Accounts receivable – federal funding – June 30, 2021	1,284,926
Less – Accounts receivable – federal funding – June 30, 2022	<u>(905,017)</u>
Federal receipts or revenues recognized per Schedule	\$ <u>3,575,905</u>

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

(1) Summary of Significant Accounting Policies

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

(2) Basis of Accounting

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

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

(3) Relationship to Annual Financial Report

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

(4) Relationship to Federal Financial Report

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

(5) Contingencies

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

(6) Indirect Cost Rate

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

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

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

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

Section II—Financial Statement Findings

Material Weakness

Criteria: The State Controller’s Minimum Audit Requirements for California Special Districts require an annual audit is required by a public accounting firm. A primary component of this requirement is that the auditor is independent and not part of management’s decision making or controls. As part of annual engagement communication, the auditor assumes prior to the start of our audit fieldwork: that accounts have been properly reconciled, that prepared year-end schedules and accounting records are accurate, and that the accounts and records have been reviewed by a member of management with suitable skill, knowledge, and experience.

Condition: During our audit, we noted that grant revenue and expenditures were not properly recognized in the correct period when the District’s grant expenditures were incurred. This is due to the lack of a process and controls necessary to track grant expenditures to grant receipts with proper cutoff. As a result, prior period adjustments were recorded to properly recognize the grant awards in the 2022 reporting period.

Cause: The District’s year-end closing processes and controls did not reasonably ensure that balances are properly reconciled at year-end.

Effect: The District’s financial statements contained material misstatements.

Recommendation: The District implement standard operating procedures for year-end closing processes and controls to reasonably ensure that balances are properly reconciled at year-end.

View of Responsible Officials: Management agrees with the audit finding. The District will review and amend its existing policies and procedures to ensure effective internal controls over the preparation and review of the District’s year-end closing of its books and records.

Corrective Action Plan: The District’s Finance Director will update its standard operating procedures to accurately record and report all transactions. Thereafter, management and the manager of finance and administration plan to review all account balances for certain relationships, proper cut-off, and accuracy.

Name of Contact Person: Patrick Kaspari, General Manager

Proposed Completion Date: Immediately

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

Section IV—Prior Year Findings and Questioned Costs

No matters were reported.

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To fully realize the benefits of the Section 115 Trust the District's actuary has recommended the District contribute to the Section 115 Trust its annual Actuarially Determined Contribution (ADC) which is a combination of service cost, amortization of the NOL, administrative expenses and interest. This amount for FY24/25 was determined, per the report (page 17), to be \$569,324. While funding this amount annually is not feasible for the District at this time, District staff asks the Committee to approve a budgetary placeholder of \$250,000 to contribute to the Section 115 Trust for fiscal year 2025-26. This number is \$36,382.48 above the OPEB premiums paid for the FY24/25 and 43.9% of the recommended contribution.

As the budget process progresses, staff will work to balance the budget with the contribution amount of \$250,000. However, this contribution amount may be subject to decrease if the budget does not allow for the full \$250,000.

Alternatives:

Take No Action

Fiscal Analysis:

For OPEB, the District pays health insurance premiums monthly for retirees, these expenses are paid from the District's operating budgets. To fully realize the benefits of the Section 115 Trust the District's actuary has recommended the District contribute to the Section 115 Trust its annual Actuarially Determined Contribution (ADC). This amount for FY24-25 was determined per the report (page 17) to be \$569,324. While funding this amount annually is not feasible for the District at this time, it is recommended the District determine a consistent amount above the monthly premiums to contribute to the Trust so the Trust can earn interest and take advantage of a higher discount rate.

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – FY24 OPEB Valuation Report
- Attachment 2 – FY24 CalPERS CERBT Statement

McKinleyville Community Services District

**GASB 75 OPEB Valuation Report Measured as of June 30, 2024
for Disclosures for the Fiscal Year Ending June 30, 2024**

January 13, 2025



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(415) 801-5987

January 13, 2025

Samantha Howard
Finance Director
McKinleyville Community Services District
1656 Sutter Road
McKinleyville, California 95519

Re: McKinleyville Community Services District GASB 75 OPEB Plan Valuation Report Measured as of June 30, 2024

Dear Ms. Howard:

At your request, we completed an actuarial valuation of the retiree health and welfare benefits valued as of June 30, 2023, and measured as of June 30, 2024, for the McKinleyville Community Services District. This is a full valuation. Please use the information in this report for your financial statements for the fiscal year ending June 30, 2024. This valuation is based on input from the District and from CalPERS, as well as our understanding of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75).

We greatly appreciate your business. If you have any questions, please feel free to call us at (415) 801-5987.

Best Regards,

A handwritten signature in blue ink that reads "Roger T. Burton".

Roger T. Burton, FSA, MAAA, FCA

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Purpose of the Report

Precision Actuarial prepared this report to meet employer financial accounting requirements under GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (GASB 75), issued in June 2015, as amended by GASB Statement No. 85. This report includes information with respect to the obligation to provide future retiree health and welfare benefits for the fiscal year ending June 30, 2024.

Valuation Date: June 30, 2023

Measurement Date: June 30, 2024

Report Date: June 30, 2024

Application to Financials

This report provides assets, liabilities, and expenses for use in the District's 2024 financial reports.

The District should use the liabilities, assets, and expense measured as of June 30, 2024, for its financial statements for the year ending June 30, 2024.

Update procedures were used to roll the total OPEB liability forward to the measurement date.

The report also provides the actuarially determined contributions (ADCs) for funding purposes for reporting for the fiscal years ending June 30, 2025, 2026, and 2027. The ADC for the fiscal year ending June 30, 2027 is an estimate and we recommend that the District have a roll-forward report produced for the fiscal year ending June 30, 2025, that updates this estimate.

Changes Since the Prior Valuation

This valuation is a full valuation. We updated:

- Census
- Premiums
- Healthcare trends
- Decrement timing
- Discount rate from 4.10% to 4.45%
- Benefit payments
- Contributions
- Assets

Statement on Future Measurements

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Executive Summary

Overview

Actuarial Certification

Our determinations reflect the provisions and methods prescribed by GASB 75. In preparing this report, we relied on assets, employee census, plan design, and administrative fees provided directly or indirectly by the plan sponsor, and demographic assumptions provided by CalPERS. CalPERS' actuaries set the premium rates using community rating. We did not attempt to verify that the community-rated premium rates represent the true cost of claims and administrative fees.

We based the results in this report on this information, along with the actuarial assumptions and methods used herein. In our opinion, the assumptions used represent reasonable expectations of anticipated plan experience. We reviewed the census information for reasonableness, but we did not audit it.

Actuarial computations under GASB 75 fulfill employer accounting and financial reporting requirements. The calculations are consistent with our understanding of GASB 75. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in our report. Accordingly, additional determinations may be necessary for other purposes, such as judging benefit security at termination.

It is our professional judgment that the combined effect of the assumptions and methods applied in developing this report, other than those prescribed, set by law, or that we did not select and are unable to assess for reasonableness for the purpose of the measurement, is expected to have no significant bias on the results.


We measured the plan's benefit obligations in this valuation using the appropriate methods prescribed by GASB and Actuarial Standards of Practice. We measured the plan's assets using the market value. The funded status measure reflects the comparison of plan assets to obligations. The funded status measure is appropriate for assessing the sufficiency of the plan's assets to cover the estimated cost of settling the plan's benefit obligations. The funded status measure shows what percentage of the plan's benefit obligations are covered by the plan's assets. The measure is also appropriate for assessing the need for, or amount of, future contributions, as those amounts are recalculated periodically to reflect updates in the obligations and assets.

No third-party recipient of Precision Actuarial's work product should rely solely on Precision Actuarial's work product. Any third-party recipient should engage qualified professionals for advice appropriate to their own needs.

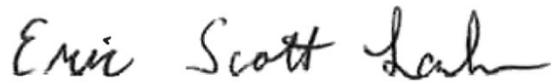
There is no relationship between Precision Actuarial, its owners, subcontractors, or staff; GovInvest; or the McKinleyville Community Services District beyond the contractual services that we perform for the McKinleyville Community Services District.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and that we prepared it in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable "Actuarial Standards of Practice" and "Actuarial Compliance Guidelines" as promulgated by the American Academy of Actuaries.

The undersigneds are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



Roger T. Burton, FSA, MAAA, FCA
Chief Actuary



E. Scott Lanham, FSA, MAAA, FCA, EA
Senior Consulting Actuary

Executive Summary

Accounting Summary

A summary of the key valuation results follows.

	<i>Prior Report</i>	<i>Current Report</i>
Valuation Date:	June 30, 2021	June 30, 2023
Measurement Date:	June 30, 2023	June 30, 2024
Report Date:	June 30, 2023	June 30, 2024
Present Value of Future Benefits (PVFB)		
Active Employees	\$ 9,220,725	\$ 8,559,015
Retirees	+ 2,007,609	+ 2,234,980
Total Present Value of Future Benefits	= 11,228,334	10,793,995
Present Value of Future Normal Costs (PVFNC)	- 4,397,254	4,577,164
Total OPEB Liability (TOL)	= \$ 6,831,080	\$ 6,216,831
OPEB Liability		
Active Employees	\$ 4,823,471	\$ 3,981,851
Retirees	+ 2,007,609	+ 2,234,980
Total OPEB Liability (TOL)	= 6,831,080	6,216,831
Fiduciary Net Position (FNP)	- 2,554,128	2,713,123
Net OPEB Liability (NOL)	= \$ 4,276,952	\$ 3,503,708
Plan FNP as a Percentage of the TOL	37.39%	43.64%
Plan FNP as a Percentage of the PVFB	22.75%	25.14%
Covered Payroll	\$ 1,836,084	\$ 2,096,253
Net OPEB Liability as a Percentage of Covered Payroll	232.94%	167.14%
	Measurement Period:	2022-2023
	Reporting Period:	2023-2024
Expense	\$ 202,578	\$ 258
Actuarially Determined Contribution (ADC)*	-	528,229

Net Position Chart (NOL not shown if ≤ 0)



*The Actuarially Determined Contribution includes the implicit subsidy. It is not the amount that the District contributes directly to the fund. See page 17 for the District's direct contribution.

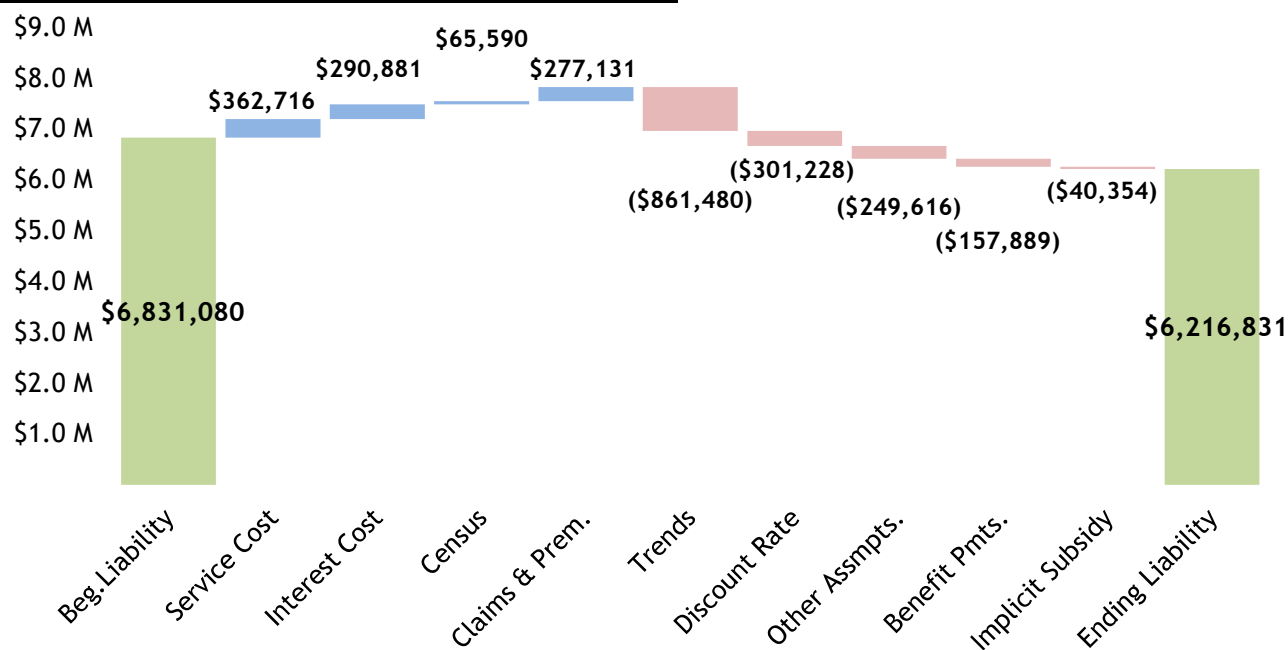
Executive Summary

Reconciliation of the Change in the Total OPEB Liability

A detailed reconciliation of the changes to the Total OPEB Liability since the prior valuation report follows.

Total OPEB Liability as of Measurement Date June 30, 2023 / Report Date June 30, 2023	\$ 6,831,080
Service Cost	362,716
Interest Cost	290,881
Differences Between Expected and Actual Experience	
<i>Change in Census</i>	65,590
<i>Change in Claims and Premiums</i>	277,131
Total Differences Between Expected and Actual Experience	342,721
Changes of Assumptions	
<i>Change in Healthcare Trends</i>	(861,480)
<i>Change in Discount Rate from 4.10% to 4.45%</i>	(301,228)
<i>Change in Other Assumptions</i>	(249,616)
Total Changes of Assumptions	(1,412,324)
Benefit Payments	(157,889)
Implicit Subsidy Credit	(40,354)
Total OPEB Liability as of Measurement Date June 30, 2024 / Report Date June 30, 2024	\$ 6,216,831

Reconciliation of the Change in the Total OPEB Liability



Accounting Information

Statement of Fiduciary Net Position

Measurement Date: June 30, 2024

Report Date: June 30, 2024

Assets

Cash and Deposits	\$	-
Securities Lending Cash Collateral		-
Total Cash		-
Receivables:		
Contributions		-
Due from Broker for Investments Sold		-
Investment Income (Interest on Investments)		-
Other		-
Total Receivables		-
Investments:		
Domestic Fixed Income Securities		-
Domestic Equities		-
Investment Funds		2,713,123
International Equities		-
Real Estate		-
Total Investments		<u>2,713,123</u>
Total Assets	\$	<u>2,713,123</u>

Liabilities

Payables:		
Investment Management Fees	\$	-
Due to Broker for Investments Purchased		-
Collateral Payable for Securities Lending		-
Other		-
Total Liabilities	\$	-

Net Position Restricted for Postemployment Benefits Other than Pensions \$ 2,713,123

Accounting Information

Statement of Changes to the Fiduciary Net Position

	<i>Prior Report</i>	<i>Current Report</i>
Measurement Date:	June 30, 2023	June 30, 2024
Report Date:	June 30, 2023	June 30, 2024
Additions		
Investment Income:		
Net Appreciation in the Fair Value of Investments	\$ 54,577	\$ 161,195
Interest and Dividends	-	-
Less Investment Expense, Other than from Securities Lending	-	929
Net Income from Investing, Other than from Securities Lending	54,577	160,266
Securities Lending Income	-	-
Less Securities Lending Expense	-	-
Net Income from Securities Lending	-	-
Other Income/(Expense)	-	-
Net Investment Income (a)	54,577	160,266
Contributions:		
Employer – District's Contributions	2,634,681	157,889
Employer – Implicit Subsidy	41,102	40,354
Total Contributions (b)	2,675,783	198,243
Total Additions (c) = (a) + (b)	2,730,360	358,509
Deductions		
Benefit Payments	134,581	157,889
Implicit Subsidy Credit	41,102	40,354
Administrative Expense	549	1,271
Total Deductions (d)	176,232	199,514
Net Increase in Net Position = (c) – (d)	2,554,128	158,995
Net Position Restricted for Postemployment Benefits Other than Pensions		
Beginning of Year	-	2,554,128
Net Increase in Net Position	2,554,128	158,995
End of Year	\$ 2,554,128	\$ 2,713,123

Accounting Information

Changes in the Net OPEB Liability

The funded status of the Plan as of the fiscal year-end, as well as other required disclosure information, follows.

	<i>Increase / (Decrease)</i>		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) – (b)
Balance as of:			
Measurement Date June 30, 2023 /			
Report Date June 30, 2023	<u>\$ 6,831,080</u>	<u>\$ 2,554,128</u>	<u>\$ 4,276,952</u>
Changes for the year:			
Service Cost	362,716		362,716
Interest	290,881		290,881
Changes of Benefit Terms	-		-
Differences Between Expected and Actual Experience	342,721		342,721
Changes of Assumptions	(1,412,324)		(1,412,324)
Net Investment Income		160,266	(160,266)
Contributions			
Employer – District's Contributions		157,889	(157,889)
Employer – Implicit Subsidy		40,354	(40,354)
Benefit Payments	(157,889)	(157,889)	-
Implicit Subsidy Credit	(40,354)	(40,354)	-
Administrative Expense		(1,271)	1,271
Other Miscellaneous Income/(Expense)	-	-	-
Net Change	<u>(614,249)</u>	<u>158,995</u>	<u>(773,244)</u>
Balance as of:			
Measurement Date June 30, 2024 /			
Report Date June 30, 2024	<u>\$ 6,216,831</u>	<u>\$ 2,713,123</u>	<u>\$ 3,503,708</u>

Accounting Information

Development of Deferred Outflows and Inflows of Resources

Balances as of Measurement Date June 30, 2024 / Report Date June 30, 2024

Deferred Outflows and Inflows of Resources Arising from Differences Between Expected and Actual Experience

Measurement Date – June 30:	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in Expense Through Measurement Date June 30, 2024 (c)	Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2018	\$ -	\$ -	\$ -	\$ -	\$ -
2019	-	-	-	-	-
2020	-	(2,563,217)	(1,281,610)	-	(1,281,607)
2021	11,520	-	4,608	6,912	-
2022	-	(4,584,910)	(1,375,473)	-	(3,209,437)
2023	-	(164,934)	(32,986)	-	(131,948)
2024	342,721	-	34,619	308,102	-
Total				\$ 315,014	\$ (4,622,992)

Deferred Outflows and Inflows of Resources Arising from Changes in Assumptions

Measurement Date – June 30:	Increase in Total Liability (a)	Decrease in Total Liability (b)	Amounts Recognized in Expense Through Measurement Date June 30, 2024 (c)	Deferred Outflows of Resources (a) – (c)	Deferred Inflows of Resources (b) – (c)
2018	\$ -	\$ -	\$ -	\$ -	\$ -
2019	-	(102,116)	(74,724)	-	(27,392)
2020	2,063,476	-	1,031,740	1,031,736	-
2021	794,185	-	317,676	476,509	-
2022	870,713	-	261,213	609,500	-
2023	-	(447,802)	(89,560)	-	(358,242)
2024	-	(1,412,324)	(142,659)	-	(1,269,665)
Total				\$ 2,117,745	\$ (1,655,299)

Accounting Information

Development of Deferred Outflows and Inflows of Resources

Balances as of Measurement Date June 30, 2024 / Report Date June 30, 2024

Deferred Outflows and Inflows of Resources Arising from Differences Between Projected and Actual Earnings on Investments

Measurement Date – June 30:	Investment Earnings Less Than Projected (a)	Investment Earnings Greater Than Projected (b)	Amounts Recognized in Expense Through Measurement Date June 30, 2024 (c)	Deferred Outflows of Resources (d) = (a) – (c)	Deferred Inflows of Resources (e) = (b) – (c)	Net (f) = (d) + (e)
2018	\$ -	\$ -	\$ -	\$ -	\$ -	
2019	-	-	-	-	-	
2020	-	-	-	-	-	
2021	-	-	-	-	-	
2022	-	-	-	-	-	
2023	7,150	-	2,860	4,290	-	
2024	-	(33,521)	(6,705)	-	(26,816)	
Total				\$ 4,290	\$ (26,816)	\$ (22,526)

Accounting Information

Expense and Deferred Outflows and Inflows

	Measurement Period:	2023-2024
	Reporting Period:	2023-2024
Expense		
Service Cost	\$	362,716
Interest on Total OPEB Liability		290,881
Changes of Benefit Terms		-
Recognized Differences Between Expected and Actual Experience		(695,535)
Recognized Changes of Assumptions		172,945
Projected Earnings on OPEB Plan Investments		(126,745)
Recognized Differences Between Projected and Actual Earnings		(5,275)
Administrative Expense		1,271
Other Miscellaneous (Income)/Expense		-
Total Expense	\$	258

	Report Year Ending June 30, 2024	
	Deferred Outflows of Resources	(Deferred Inflows of Resources)
Differences Between Expected and Actual Experience	\$ 315,014	\$ (4,622,992)
Changes of Assumptions	2,117,745	(1,655,299)
Net Difference Between Projected and Actual Earnings on Plan Investments	-	(22,526)
Total	\$ 2,432,759	\$ (6,300,817)

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

	Report Year Ending June 30:	Deferred Outflows/(Inflows)
	2025	\$ (527,865)
	2026	(527,865)
	2027	(517,895)
	2028	(516,837)
	2029	(510,137)
	Remaining	(1,267,459)

Accounting Information

Interest on the Liability and Earnings, and Investment Gain/Loss

For the report year ending June 30, 2024

	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total OPEB Liability (d) = (a) × (b) × (c)
Interest on Total OPEB Liability				
Beginning Total OPEB Liability	\$ 6,831,080	100%	4.10%	\$ 280,074
Service Cost	362,716	100%	4.10%	14,871
Benefit Payments	(157,889)	50%	4.10%	(3,237)
Implicit Subsidy	(40,354)	50%	4.10%	(827)
Total Interest on Total OPEB Liability				\$ 290,881

	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (d) = (a) × (b) × (c)
Projected Earnings on Plan Investments				
Beginning Plan Fiduciary Net Position Excluding Receivables	\$ 2,554,128	100%	5.00%	\$ 127,706
Employer Contributions	-	50%	5.00%	-
Benefit Payments from Trust	-	50%	5.00%	-
Administrative Expense	(1,271)	50%	5.00%	(32)
Other Miscellaneous Income/ (Expense)	-	100%	5.00%	-
Total Projected Earnings (Investment Expense)				127,674 (929)
Net Projected Earnings				\$ 126,745

	Amount
Investment Gain / Loss	
Net Projected Earnings	\$ 126,745
Actual Net Earnings	- 160,266
Investment (Gain) / Loss	\$ (33,521)

Accounting Information

Reconciliation of Expense

	Asset / (Liability)			Deferred Outflows / (Inflows)				Expense / (Credit)	Asset / (Liability)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) + (b)	Differences Between Expected and Actual Experience (d)	Changes in Assumptions (e)	Differences Between Projected and Actual Earnings on Investments (f)	Net Deferrals (g) = Σ[(d):(f)]	Expense (h)	Impact on the Statement of Net Position (i) = (c) + (g) - (h)
Balance as of:									
Measurement Date June 30, 2023 / Report Date June 30, 2023	\$ (6,831,080)	\$ 2,554,128	\$ (4,276,952)	\$ (5,346,234)	\$ 2,047,715	\$ 5,720	\$ (3,292,799)		\$ (7,569,751)
Service Cost	(362,716)		(362,716)					362,716	
Interest on Total OPEB Liability	(290,881)		(290,881)					290,881	
Changes of Benefit Terms	-		-					-	
Differences Between Expected and Actual Experience	(342,721)		(342,721)	342,721			342,721		-
Changes in Assumptions	1,412,324		1,412,324		(1,412,324)		(1,412,324)		-
Differences Between Projected and Actual Earnings on Investments		33,521	33,521			(33,521)	(33,521)		-
Projected Earnings on OPEB Plan Investments		126,745	126,745					(126,745)	
Contributions									
Employer – District's Contribution		157,889	157,889						157,889
Employer – Implicit Subsidy		40,354	40,354						40,354
Benefit Payments	157,889	(157,889)	-						-
Implicit Subsidy Credit	40,354	(40,354)	-						-
Administrative Expense		(1,271)	(1,271)					1,271	
Other Income/(Expense)		-	-					-	
Recognition of Differences Between Expected and Actual Experience				695,535			695,535	(695,535)	
Recognition of Changes in Assumptions					(172,945)		(172,945)	172,945	
Recognition of Differences Between Projected and Actual Earnings on Investments						5,275	5,275	(5,275)	
Annual Expense								\$ 258	(258)
Net Change	614,249	158,995	773,244	1,038,256	(1,585,269)	(28,246)	(575,259)		197,985
Balance as of:									
Measurement Date June 30, 2024 / Report Date June 30, 2024	\$ (6,216,831)	\$ 2,713,123	\$ (3,503,708)	\$ (4,307,978)	\$ 462,446	\$ (22,526)	\$ (3,868,058)		\$ (7,371,766)

Accounting Information

Impact on the Statement of Net Position

Impact on the Statement of Net Position

	Measurement Date:	June 30, 2023	June 30, 2024	
	Report Date:	June 30, 2023	June 30, 2024	Change During Period
Total OPEB Liability / (Asset)	\$	6,831,080	6,216,831	\$ (614,249)
(Fiduciary Net Position)		(2,554,128)	(2,713,123)	(158,995)
Net OPEB Liability / (Asset)		<u>4,276,952</u>	<u>3,503,708</u>	<u>(773,244)</u>
Deferred Amounts				
Deferred Inflows		5,797,166	6,300,817	503,651
(Deferred Outflows)		(2,504,367)	(2,432,759)	71,608
Differences between Projected and Actual Investment Earnings		(5,720)	22,526	28,246
Net Deferred Inflows / (Outflows)		<u>3,292,799</u>	<u>3,868,058</u>	<u>575,259</u>
Impact on the Statement of Net Position		<u><u>7,569,751</u></u>	<u><u>7,371,766</u></u>	<u><u>(197,985)</u></u>

Change in Net Position During Report Year

	Measurement Date:	June 30, 2024	
	Report Date:	June 30, 2024	
Impact on the Statement of Net Position, Report Year Ending June 30, 2023		7,569,751	
OPEB Expense / (Income)		258	
(Employer Contributions Reported for the Year)		(198,243)	
(Adjustment to Employer Contributions Reported in the Prior Year)		-	
Impact on the Statement of Net Position for the Report Year Ending June 30, 2024		<u><u>7,371,766</u></u>	

OPEB Expense

	Measurement Date:	June 30, 2024	
	Report Date:	June 30, 2024	
Deterioration / (Improvement) in Net Position		(197,985)	
Employer Contributions Reported for the Year		198,243	
Adjustment to Employer Contributions Reported in the Prior Year		-	
OPEB Expense / (Income) for the Report Year Ending June 30, 2024		<u><u>258</u></u>	

Accounting Information

Sample Journal Entries

Suggested Journal Entries for the Report Year ending June 30, 2024

Beginning Balance	Debit (Outflow)	Credit (Inflow)
Net OPEB Liability/Asset	\$ -	\$ 4,276,952
Differences between Expected and Actual Experience	8,064	5,354,298
Changes of Assumptions	2,490,583	442,868
Differences between Projected and Actual Investment Earnings	5,720	-
Impact on Statement of Net Position	7,569,751	-
 Ending Balance	 Debit (Outflow)	 Credit (Inflow)
Net OPEB Liability/Asset	\$ -	\$ 3,503,708
Differences between Expected and Actual Experience	315,014	4,622,992
Changes of Assumptions	2,117,745	1,655,299
Differences between Projected and Actual Investment Earnings	-	22,526
Impact on Statement of Net Position	7,371,766	-
 OPEB-Expense Journal Entries	 Debit	 Credit
Net OPEB Liability/Asset	\$ 773,244	\$ -
Differences between Expected and Actual Experience	Deferred Outflows 306,950	-
	Deferred Inflows 731,306	-
Changes of Assumptions	Deferred Outflows -	372,838
	Deferred Inflows -	1,212,431
Differences between Projected and Actual Investment Earnings	Deferred Outflows -	5,720
	Deferred Inflows -	22,526
OPEB Expense/Credit	-	197,985
Total	1,811,500	1,811,500
Change to the Impact on the Statement of Net Position	-	197,985

Accounting Information

Sample Journal Entries

Suggested Journal Entries for the Report Year ending June 30, 2024

	<u>Debit</u>	<u>Credit</u>
Journal Entries – Benefits Paid Outside of the Trust¹		
OPEB Expense	\$ 157,889	\$ -
Employer Contributions for Retiree Benefits During the Fiscal Year	-	157,889
Journal Entries – Implicit Subsidy²		
OPEB Expense	\$ (40,354)	\$ -
Premium Expense During the Fiscal Year	-	(40,354)

¹ The entries here assume that when cash is used to pay benefits that the trust does not reimburse, an account called "Employer Contributions for Retiree Benefits During the Fiscal Year" was debited (increased). These entries reassign the benefit payments to the OPEB Expense. If the OPEB Expense account was originally debited, then these entries are unnecessary.

² These entries assume that when premiums are paid for active employees, an account called "Premium Expense During the Fiscal Year" is debited (increased). This entry reverses the portion of the premium payments that represent implicit subsidies, recorded as a retiree liability, and assigns that value to the OPEB Expense.

Accounting Information

Amortization of the Net OPEB Liability

A summary of the information used to establish the amortization amount for the current year and the following year, with respect to the Net OPEB Liability, follows. If the Net OPEB Liability is negative, it is an asset.

The District is amortizing the Net OPEB Liability using a level-percent-of-pay method on a closed basis. Remaining years of amortization as of the report date of June 30, 2024: 19 years

	Measurement Period:	2024-2025	2025-2026	<i>Estimated</i> 2026-2027
	Report Date (June 30):	<u>2025</u>	<u>2026</u>	<u>2027</u>
Total OPEB Liability		\$ 6,388,178	\$ 6,655,854	\$ 7,111,668
Fiduciary Net Position	-	<u>2,680,526</u>	<u>2,804,859</u>	<u>2,899,732</u>
Net OPEB Liability	=	<u>\$ 3,707,652</u>	<u>\$ 3,850,995</u>	<u>\$ 4,211,936</u>

All values measured at the beginning of the measurement period.

Amortization Type		Closed	Closed	Closed
Interest Rate Used to Determine Amortization		5.00%	4.45%	4.45%
Assumed Rate of Payroll Growth		2.80%	2.80%	2.80%
Amortization Period		19 years	18 years	17 years
Amount Recognized, Beginning of Year	\$	234,528	\$ 244,118	\$ 280,566

It is the policy of the District to allow negative amortizations.

Accounting Information

Actuarially Determined Contribution (ADC)

The calculation of the Actuarially Determined Contribution (ADC) follows. The ADC is based on the District's funding policy. The ADC is calculated as of the end of the year.

	Measurement Period:	2024-2025	2025-2026	<i>Estimated</i> 2026-2027
	Report Date (June 30):	<u>2025</u>	<u>2026</u>	<u>2027</u>
Service Cost		\$ 306,409	\$ 367,421	\$ 377,709
Amortization of the Net OPEB Liability		234,528	244,118	280,566
Administrative Expense		1,340	1,330	1,361
Interest		<u>27,047</u>	<u>27,272</u>	<u>29,354</u>
ADC		\$ 569,324	\$ 640,141	\$ 688,990
Discount Rate for ADC Calculation		5.00%	4.45%	4.45%
ADC Components				
District's Contribution to the Trust Fund		\$ 365,953	\$ 420,876	\$ 452,582
Credit for Retiree Benefit Payments Outside of the Trust		160,070	166,624	180,572
Credit for Implicit Subsidy		<u>43,301</u>	<u>52,641</u>	<u>55,836</u>
ADC		\$ 569,324	\$ 640,141	\$ 688,990
ADC as a Percentage of Payroll		26.42%	28.90%	30.25%

District's Funding Policy

The District's funding policy is to contribute to the Trust Fund when possible and pay benefits outside of the Trust Fund, until the Trust Fund is fully funded.

The ADC is the sum of the service cost, the amortization of the net OPEB liability, and the administrative expense, plus interest (if applicable). For payment of the ADC, however, it comprises three parts: the benefit payments paid outside of District the Trust Fund, the credit for the implicit subsidy, and the contribution to the Trust Fund. If the total of the service cost, amortization, and administrative expense is less than the total of the benefit payments and implicit subsidy (if benefit payments are paid outside of the Trust Fund), the contribution to the Trust Fund will be negative and is typically set to zero.

The plan's funding policy will produce high contribution amounts until the unfunded amount is fully amortized in 2044, and then will reduce to an amount to cover the service cost, with interest, going forward.

Accounting Information

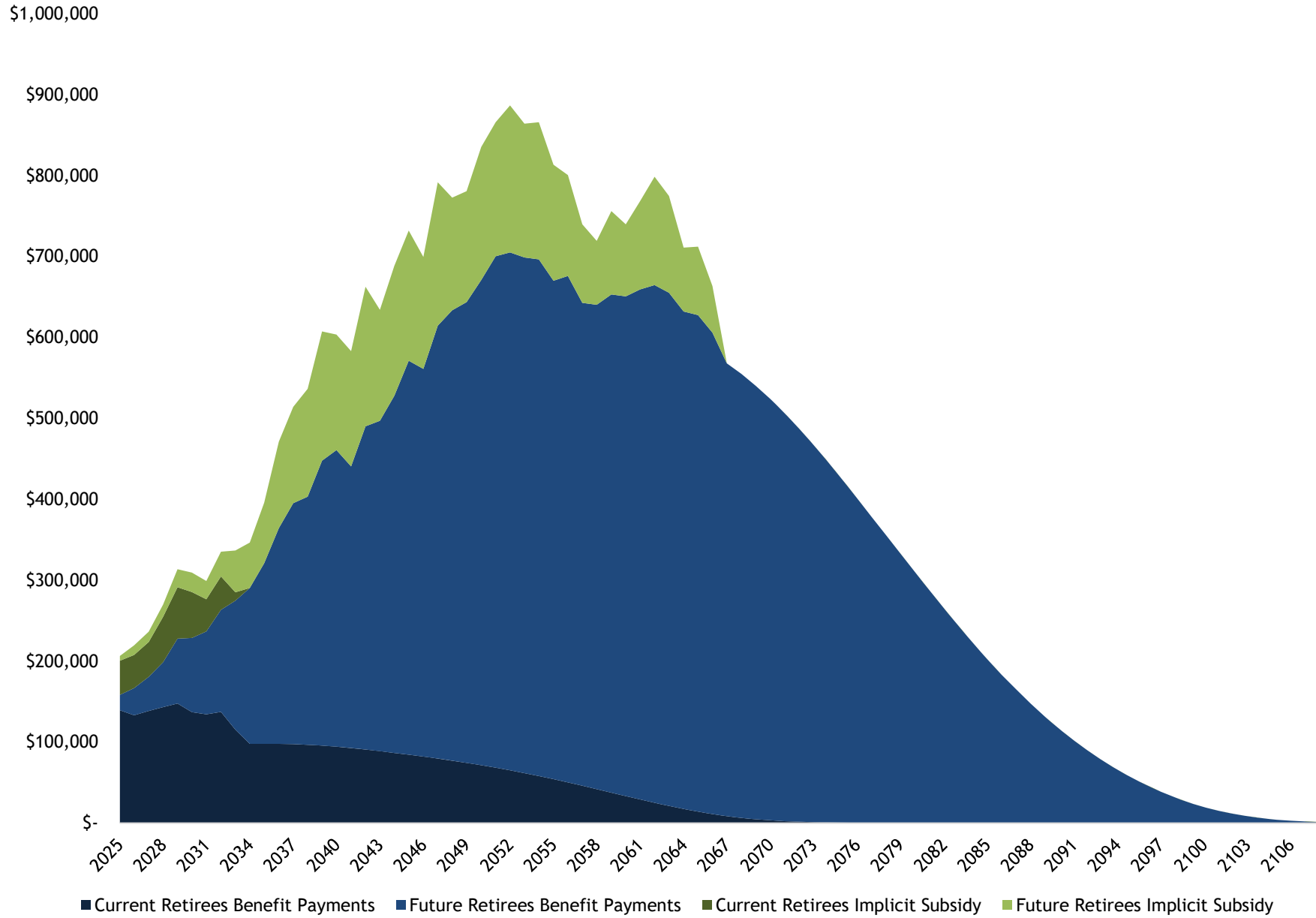
Projection of Benefit Payments

Projected benefit payments for current participants follow. "Future Retirees" are employees currently working, but projected to retire and receive benefits. The projections do not include benefits for employees hired in the future.

Measurement Period Ending	Projected Retiree Benefit Payments			Projected Implicit Subsidy			Grand Total
June 30:	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2025	\$ 139,148	\$ 19,070	\$ 158,218	\$ 42,134	\$ 6,001	\$ 48,135	\$ 206,353
2026	133,150	33,474	166,624	40,787	11,854	52,641	219,265
2027	138,285	42,287	180,572	43,105	12,731	55,836	236,408
2028	143,007	55,667	198,674	56,062	14,989	71,051	269,725
2029	147,627	80,113	227,740	63,529	22,346	85,875	313,615
2030	136,798	91,724	228,522	56,818	24,046	80,864	309,386
2031	134,227	102,330	236,557	39,723	22,646	62,369	298,926
2032	137,276	125,908	263,184	41,522	30,377	71,899	335,083
2033	115,209	159,281	274,490	10,584	51,672	62,256	336,746
2034	97,596	192,653	290,249	-	56,304	56,304	346,553
2035	97,788	223,212	321,000	-	74,555	74,555	395,555
2036	97,683	266,467	364,150	-	106,979	106,979	471,129
2037	97,269	297,728	394,997	-	119,187	119,187	514,184
2038	96,533	306,497	403,030	-	133,375	133,375	536,405
2039	95,475	352,277	447,752	-	159,507	159,507	607,259
2040	94,122	366,695	460,817	-	142,669	142,669	603,486
2041	92,515	347,997	440,512	-	142,632	142,632	583,144
2042	90,685	399,465	490,150	-	172,517	172,517	662,667
2043	88,672	408,122	496,794	-	137,262	137,262	634,056
2044	86,523	441,133	527,656	-	160,771	160,771	688,427
2045	84,272	486,879	571,151	-	160,977	160,977	732,128
2046	81,927	479,218	561,145	-	138,157	138,157	699,302
2047	79,479	534,941	614,420	-	177,280	177,280	791,700
2048	76,913	556,554	633,467	-	139,216	139,216	772,683
2049	74,209	569,395	643,604	-	137,194	137,194	780,798
2050	71,334	599,453	670,787	-	164,566	164,566	835,353
↓	↓	↓	↓	↓	↓	↓	↓

Accounting Information

Projected Benefit Payments for Current Participants



Accounting Information

Projection of Contributions

Measurement Period Ending	Payroll			Projected Contributions*		
	Current Employees	Future Employees	Total	Current Participants	Related to Payroll of Future Employees	Total = Benefit Payments
June 30:	(a)	(b)	(c)	(d) = (f) - (e)	(e) = (b) × 22.51%**	(f)
2025	2,154,948	-	2,154,948	206,353	-	206,353
2026	2,136,948	78,338	2,215,286	201,631	17,634	219,265
2027	2,129,359	147,955	2,277,314	203,103	33,305	236,408
2028	2,120,387	220,691	2,341,078	220,048	49,677	269,725
2029	2,077,905	328,724	2,406,629	239,619	73,996	313,615
2030	2,038,110	435,904	2,474,014	211,264	98,122	309,386
2031	2,010,290	532,996	2,543,286	178,949	119,977	298,926
2032	1,969,795	644,703	2,614,498	189,960	145,123	335,083
2033	1,918,276	769,428	2,687,704	163,548	173,198	336,746
2034	1,844,447	918,512	2,762,959	139,796	206,757	346,553
2035	1,782,971	1,057,352	2,840,322	157,545	238,010	395,555
2036	1,714,804	1,205,048	2,919,852	199,873	271,256	471,129
2037	1,645,796	1,355,812	3,001,607	208,991	305,193	514,184
2038	1,579,332	1,506,320	3,085,652	197,332	339,073	536,405
2039	1,509,518	1,662,532	3,172,050	233,023	374,236	607,259
2040	1,445,388	1,815,480	3,260,868	194,822	408,664	603,486
2041	1,378,582	1,973,590	3,352,172	138,889	444,255	583,144
2042	1,285,279	2,160,754	3,446,033	176,281	486,386	662,667
2043	1,199,090	2,343,432	3,542,522	106,549	527,507	634,056
2044	1,112,155	2,529,557	3,641,713	119,024	569,403	688,427
2045	1,012,516	2,731,165	3,743,681	117,343	614,785	732,128
2046	917,540	2,930,964	3,848,504	39,542	659,760	699,302
2047	820,533	3,135,729	3,956,262	85,847	705,853	791,700
2048	723,782	3,343,255	4,067,038	20,116	752,567	772,683
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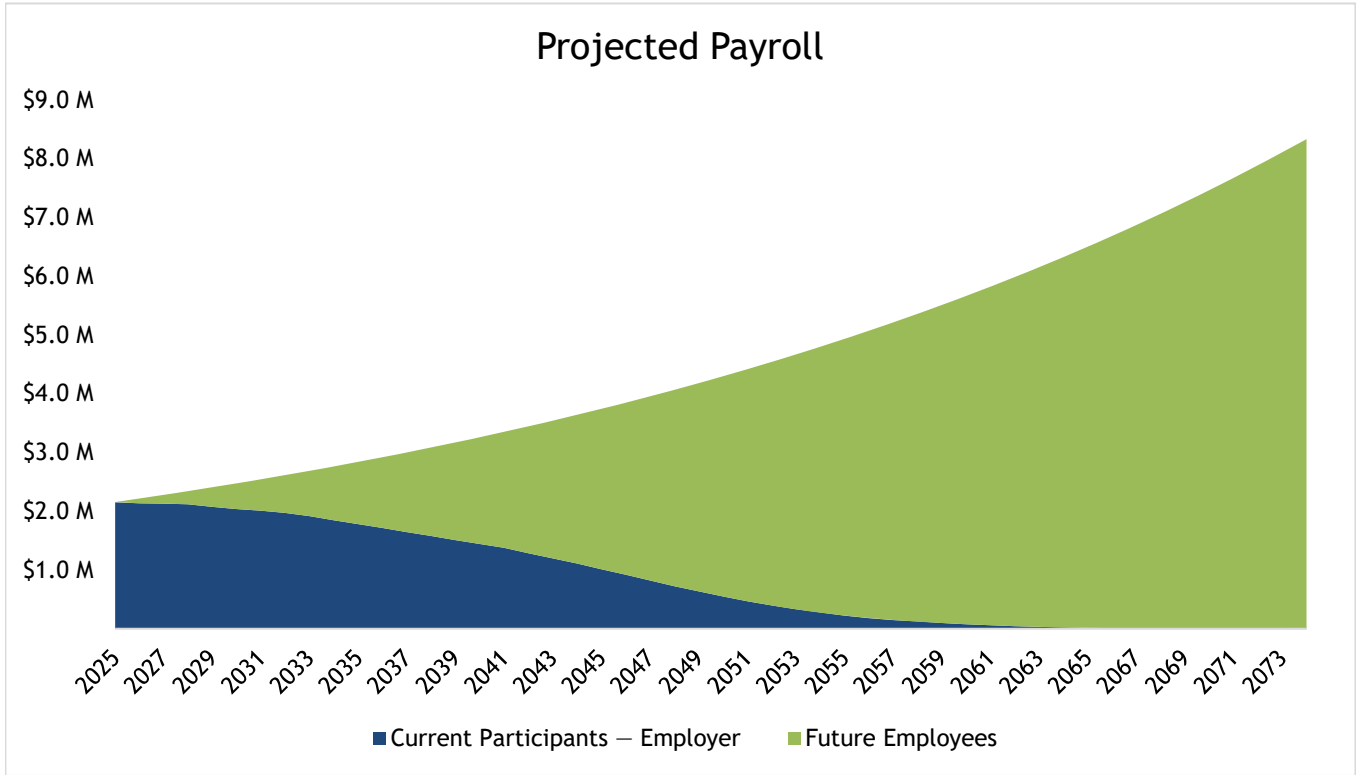
*The contributions for the first three years are calculated separately. Contributions for subsequent years use the percentages shown.

**The service cost percentage was determined in the prior report. If benefit payments are higher, they are used in place of the calculated amount.

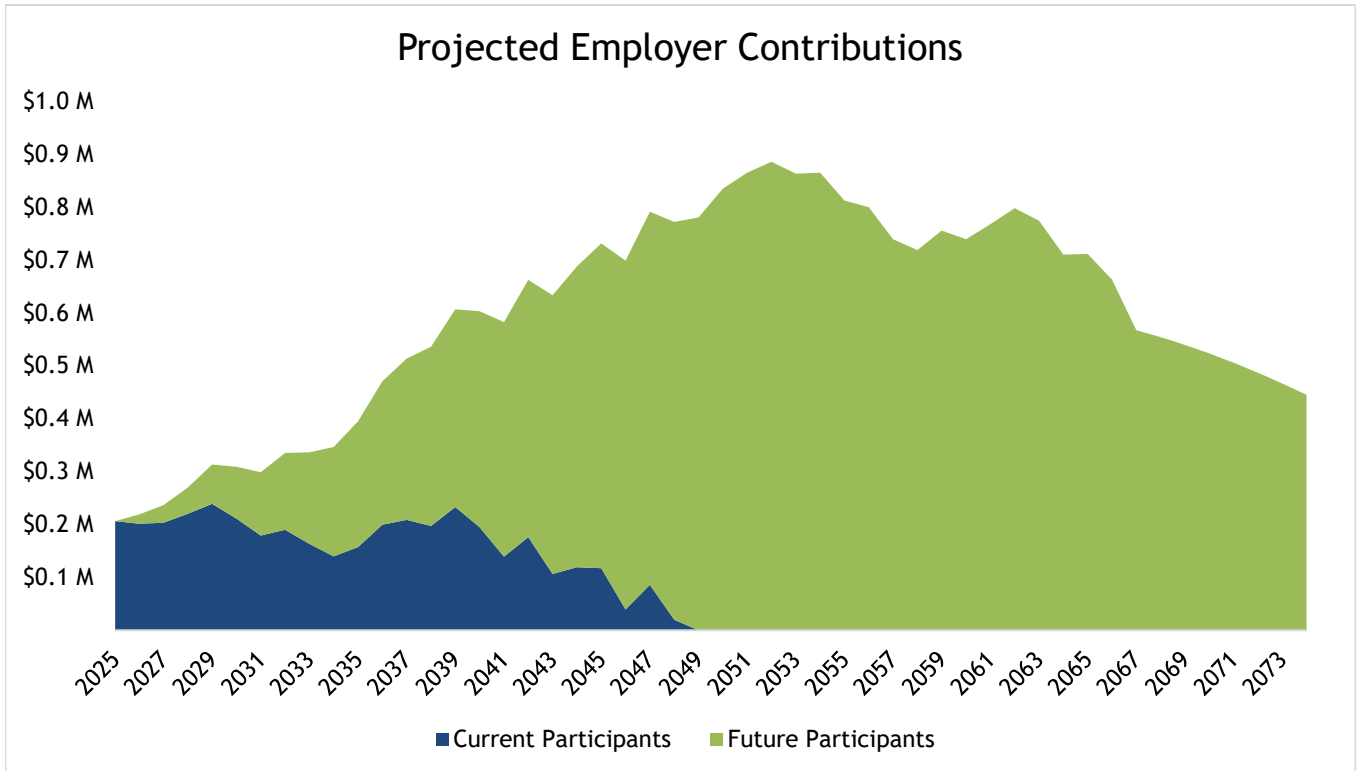
Accounting Information

Projection of Contributions Charts

Projected Payroll for Current and Future Employees



Projected Employer Contributions for Current and Future Plan Participants



Accounting Information

Projection of Fiduciary Net Position

Current Participants Only

Measurement Period Ending June 30:	Investment Rate of Return (a)	Projected Beginning Fiduciary Net Position (b)	Total Contributions for Current Participants (c)	Projected Benefit Payments (Including Implicit Subsidy) (d)	Projected Administrative Expense (e)	Projected Investment Earnings (f)	Projected Ending Fiduciary Net Position (g) = $\Sigma [(b) : (f)]$
2025	3.50%	\$ 2,713,123	\$ 206,353	\$ (206,353)	\$ (1,300)	\$ 94,937	\$ 2,806,760
2026	3.50%	2,806,760	201,631	(219,265)	(1,330)	97,905	2,885,701
2027	3.50%	2,885,701	203,103	(236,408)	(1,361)	100,393	2,951,428
2028	3.50%	2,951,428	220,048	(269,725)	(1,392)	102,406	3,002,765
2029	3.50%	3,002,765	239,619	(313,615)	(1,424)	103,777	3,031,122
2030	5.50%	3,031,122	211,264	(309,386)	(1,457)	163,973	3,095,516
2031	5.50%	3,095,516	178,949	(298,926)	(1,491)	166,913	3,140,961
2032	5.50%	3,140,961	189,960	(335,083)	(1,525)	168,720	3,163,033
2033	5.50%	3,163,033	163,548	(336,746)	(1,560)	169,161	3,157,436
2034	5.50%	3,157,436	139,796	(346,553)	(1,596)	167,929	3,117,012
2035	5.50%	3,117,012	157,545	(395,555)	(1,633)	164,845	3,042,214
2036	5.50%	3,042,214	199,873	(471,129)	(1,671)	159,816	2,929,103
2037	5.50%	2,929,103	208,991	(514,184)	(1,709)	152,661	2,774,862
2038	5.50%	2,774,862	197,332	(536,405)	(1,748)	143,245	2,577,286
2039	5.50%	2,577,286	233,023	(607,259)	(1,788)	131,410	2,332,672
2040	5.50%	2,332,672	194,822	(603,486)	(1,829)	117,008	2,039,187
2041	5.50%	2,039,187	138,889	(583,144)	(1,871)	99,887	1,692,948
2042	5.50%	1,692,948	176,281	(662,667)	(1,914)	79,684	1,284,332
2043	5.50%	1,284,332	106,549	(634,056)	(1,958)	56,078	810,945
2044	5.50%	810,945	119,024	(688,427)	(2,003)	28,888	268,427
2045	5.50%	268,427	117,343	(732,128)	(2,049)	-	-
2046	5.50%	-	39,542	(699,302)	(2,096)	-	-
2047	5.50%	-	85,847	(791,700)	(2,144)	-	-
2048	5.50%	-	20,116	(772,683)	(2,193)	-	-
2049	5.50%	-	-	(780,798)	(2,243)	-	-
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Accounting Information

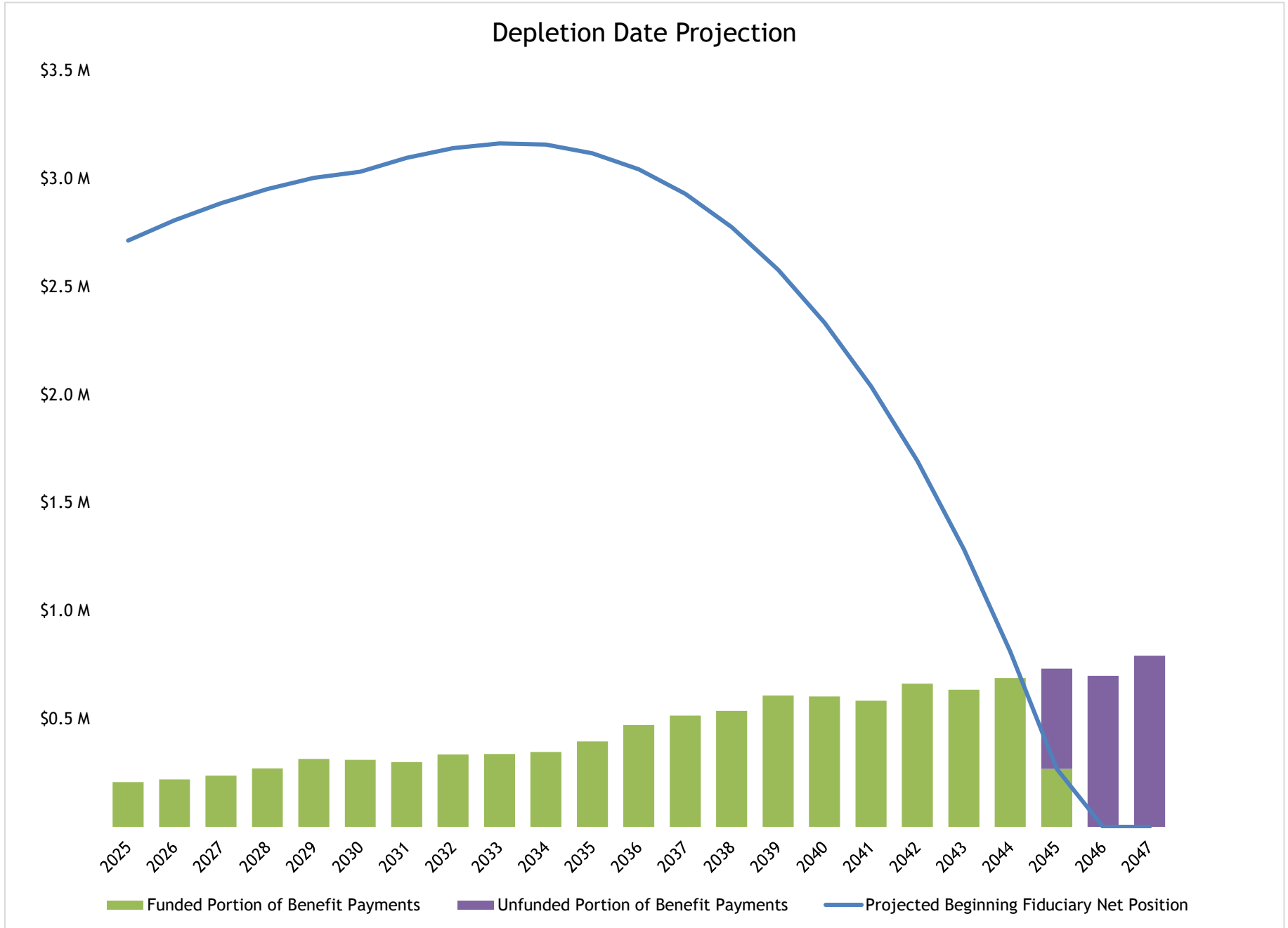
Depletion Date Projection

Current Participants Only

The investment earnings are determined using an investment rate of return of 3.50% for years 1-5 and 5.50% for years 5+

Measurement Period Ending June 30:	Projected Beginning Fiduciary Net Position	Total Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments at the Investment Rate of Return	Present Value of Unfunded Benefit Payments at 4.09%	Present Value of Benefit Payments at an Equivalent Single Discount Rate of 4.45%
2025	\$ 2,713,123	\$ 206,353	\$ 206,353	\$ -	\$ 202,834	\$ -	\$ 201,909
2026	2,806,760	219,265	219,265	-	208,237	-	205,403
2027	2,885,701	236,408	236,408	-	216,926	-	212,027
2028	2,951,428	269,725	269,725	-	239,128	-	231,602
2029	3,002,765	313,615	313,615	-	268,637	-	257,815
2030	3,031,122	309,386	309,386	-	230,469	-	243,503
2031	3,095,516	298,926	298,926	-	211,068	-	225,247
2032	3,140,961	335,083	335,083	-	224,264	-	241,735
2033	3,163,033	336,746	336,746	-	213,627	-	232,584
2034	3,157,436	346,553	346,553	-	208,387	-	229,160
2035	3,117,012	395,555	395,555	-	225,453	-	250,420
2036	3,042,214	471,129	471,129	-	254,529	-	285,557
2037	2,929,103	514,184	514,184	-	263,307	-	298,375
2038	2,774,862	536,405	536,405	-	260,366	-	298,009
2039	2,577,286	607,259	607,259	-	279,392	-	322,999
2040	2,332,672	603,486	603,486	-	263,181	-	307,317
2041	2,039,187	583,144	583,144	-	241,052	-	284,306
2042	1,692,948	662,667	662,667	-	259,643	-	309,313
2043	1,284,332	634,056	634,056	-	235,482	-	283,349
2044	810,945	688,427	688,427	-	242,345	-	294,539
2045	268,427	732,128	268,427	463,701	89,568	203,870	299,891
2046	-	699,302	-	699,302	-	295,373	274,242
2047	-	791,700	-	791,700	-	321,261	297,249
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Accounting Information



Accounting Information

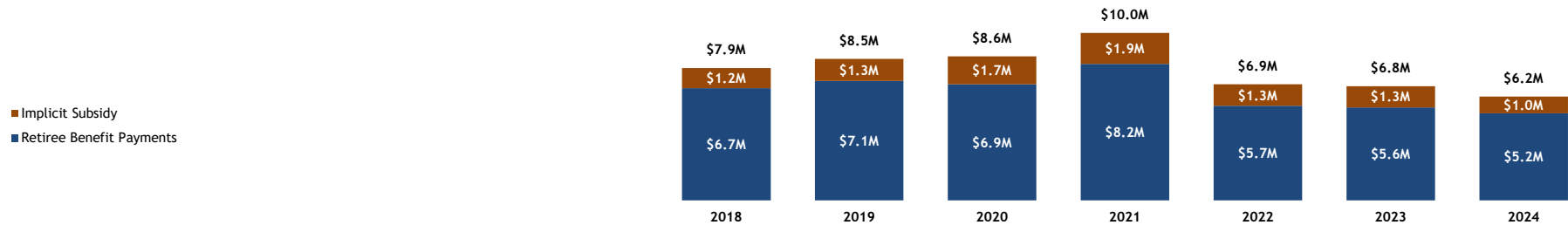
Schedule of Implicit Subsidy Liability (Not a Required Schedule)

Actuarial standard of practice (ASOP) number 6, "Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions," requires the inclusion of the implicit subsidy in OPEB valuations.

The implicit subsidy arises when an employer allows a retiree and the retiree's dependents to continue on the plans for active employees, and pay the active-employee premiums. Retirees are not paying the true cost of their benefits because they have higher costs than active employees, and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are set for Medicare retirees separately, and are set to be sufficient to cover the true costs of the Medicare retirees. Thus, there is no implicit subsidy for Medicare retirees.

Measurement Date (June 30):	2018	2019	2020	2021	2022	2023	2024
Report Date (June 30):	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Retiree Benefit Payments	\$ 6,706,306	\$ 7,145,232	\$ 6,948,386	\$ 8,154,990	\$ 5,655,998	\$ 5,565,126	\$ 5,213,810
Implicit Subsidy	<u>1,207,393</u>	<u>1,309,886</u>	<u>1,659,738</u>	<u>1,855,095</u>	<u>1,286,625</u>	<u>1,265,954</u>	<u>1,003,021</u>
Total OPEB Liability	\$ 7,913,699	\$ 8,455,118	\$ 8,608,124	\$ 10,010,085	\$ 6,942,623	\$ 6,831,080	\$ 6,216,831
Discount Rate	3.50%	3.62%	2.45%	1.92%	3.69%	4.10%	4.45%

Retiree Benefit Payments and Implicit Subsidy



Accounting Information

Schedule of Deferred Outflows and Inflows of Resources

Schedule of Deferred Outflows and Inflows of Resources						Increase/(Decrease) in Expense: Measurement / Report Years Ending June 30:						
	Measurement Period	Base Amount	Amount Previously Recognized	Recognition Period	Remaining Period	Recognized	Deferred→					Remaining
						2024	2025	2026	2027	2028	2029	
Differences Between Expected and Actual Experience	2017-2018	\$ -	\$ -	9.5	3.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2018-2019	-	-	8.2	3.2	-	-	-	-	-	-	-
	2019-2020	(2,563,217)	(1,025,288)	10.0	6.0	(256,322)	(256,322)	(256,322)	(256,322)	(256,322)	(256,319)	-
	2020-2021	11,520	3,456	10.0	7.0	1,152	1,152	1,152	1,152	1,152	1,152	1,152
	2021-2022	(4,584,910)	(916,982)	10.0	8.0	(458,491)	(458,491)	(458,491)	(458,491)	(458,491)	(458,491)	(916,982)
	2022-2023	(164,934)	(16,493)	10.0	9.0	(16,493)	(16,493)	(16,493)	(16,493)	(16,493)	(16,493)	(49,483)
	2023-2024	342,721	-	9.9	9.9	34,619	34,619	34,619	34,619	34,619	34,619	135,007
Changes of Assumptions	2017-2018	-	-	9.5	3.5	-	-	-	-	-	-	-
	2018-2019	(102,116)	(62,270)	8.2	3.2	(12,454)	(12,454)	(12,454)	(2,484)	-	-	-
	2019-2020	2,063,476	825,392	10.0	6.0	206,348	206,348	206,348	206,348	206,348	206,344	-
	2020-2021	794,185	238,257	10.0	7.0	79,419	79,419	79,419	79,419	79,419	79,419	79,414
	2021-2022	870,713	174,142	10.0	8.0	87,071	87,071	87,071	87,071	87,071	87,071	174,145
	2022-2023	(447,802)	(44,780)	10.0	9.0	(44,780)	(44,780)	(44,780)	(44,780)	(44,780)	(44,780)	(134,342)
	2023-2024	(1,412,324)	-	9.9	9.9	(142,659)	(142,659)	(142,659)	(142,659)	(142,659)	(142,659)	(556,370)
Differences Between Projected and Actual Earnings	2017-2018	-	-	5.0	0.0	-	-	-	-	-	-	-
	2018-2019	-	-	5.0	0.0	-	-	-	-	-	-	-
	2019-2020	-	-	5.0	1.0	-	-	-	-	-	-	-
	2020-2021	-	-	5.0	2.0	-	-	-	-	-	-	-
	2021-2022	-	-	5.0	3.0	-	-	-	-	-	-	-
	2022-2023	7,150	1,430	5.0	4.0	1,430	1,430	1,430	1,430	-	-	-
	2023-2024	(33,521)	-	5.0	5.0	(6,705)	(6,705)	(6,705)	(6,705)	(6,701)	-	-
Summary of Deferred Outflows and Inflows of Resources												
Measurement Period: July 1, 2023 - June 30, 2024												
Fiscal Reporting Period: July 1, 2023 - June 30, 2024												
Measurement/Report Years Ending June 30:						2024	2025	2026	2027	2028	2029	Remaining
Differences Between Expected and Actual Experience						\$ (695,535)	\$ (695,535)	\$ (695,535)	\$ (695,535)	\$ (695,535)	\$ (695,532)	\$ (830,306)
Changes of Assumptions						172,945	172,945	172,945	182,915	185,399	185,395	(437,153)
Differences Between Projected and Actual Earnings						(5,275)	(5,275)	(5,275)	(5,275)	(6,701)	-	-
Total						\$ (527,865)	\$ (527,865)	\$ (527,865)	\$ (517,895)	\$ (516,837)	\$ (510,137)	\$ (1,267,459)

Accounting Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

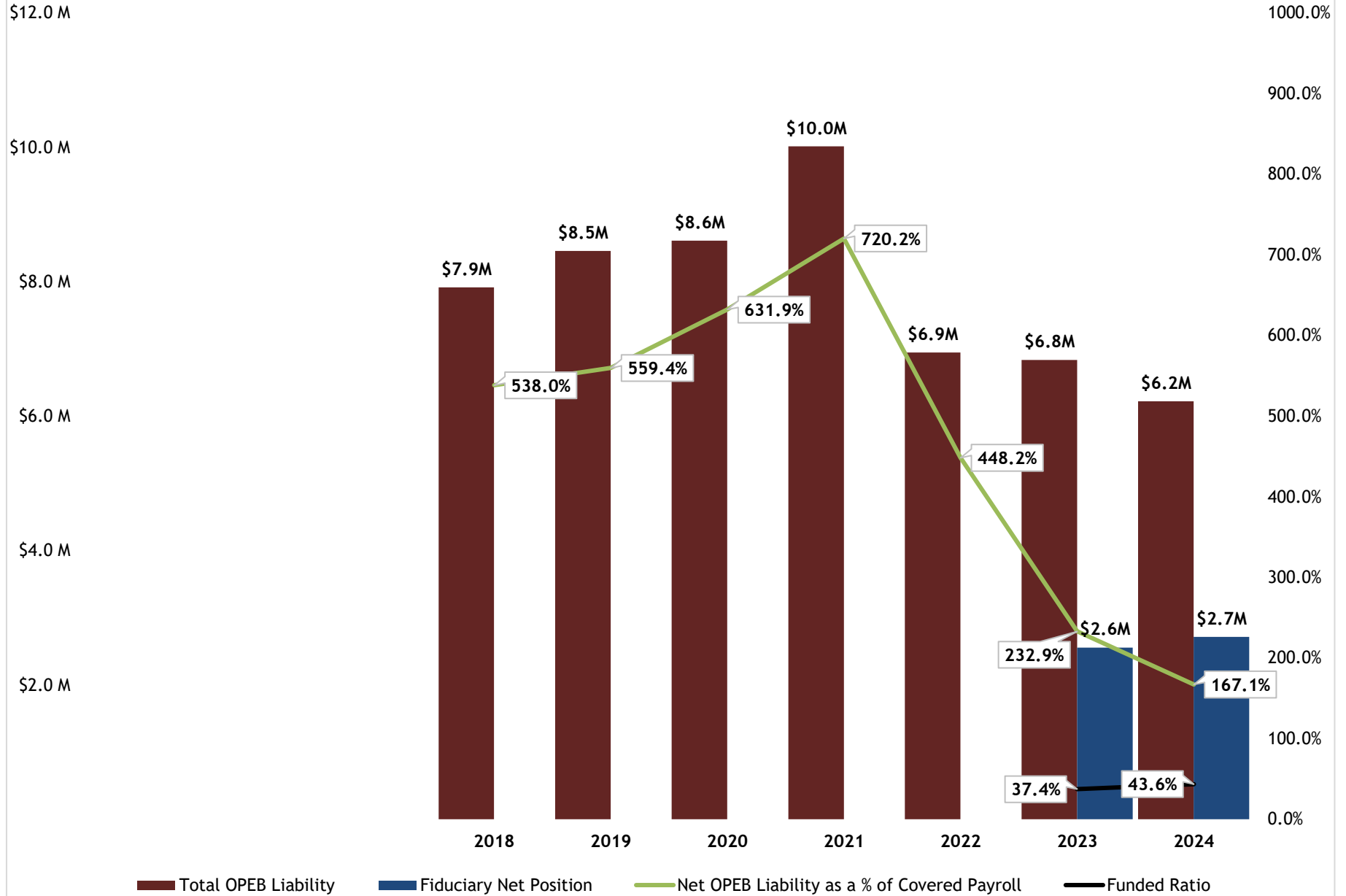
GASB 75 requires a disclosure of the changes in the Net OPEB Liability for the last ten fiscal years, or for as many years as are available.

Measurement Date (June 30):	2018	2019	2020	2021	2022	2023	2024
Report Date (June 30):	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total OPEB Liability							
Service Cost	\$ 478,977	\$ 493,346	\$ 482,408	\$ 526,898	\$ 618,445	\$ 408,820	\$ 362,716
Interest	253,523	288,256	320,814	221,939	202,404	268,056	290,881
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	(2,563,217)	11,520	(4,584,910)	(164,934)	342,721
Changes of Assumptions	-	(102,116)	2,063,476	794,185	870,713	(447,802)	(1,412,324)
Benefit Payments	(96,421)	(102,866)	(102,866)	(108,641)	(140,756)	(134,581)	(157,889)
Implicit Rate Subsidy Credit	(28,201)	(35,201)	(47,609)	(43,940)	(33,358)	(41,102)	(40,354)
Net Change in Total OPEB Liability	607,878	541,419	153,006	1,401,961	(3,067,462)	(111,543)	(614,249)
Total OPEB Liability – Beginning	<u>7,305,821</u>	<u>7,913,699</u>	<u>8,455,118</u>	<u>8,608,124</u>	<u>10,010,085</u>	<u>6,942,623</u>	<u>6,831,080</u>
Total OPEB Liability – Ending (a)	<u>\$ 7,913,699</u>	<u>\$ 8,455,118</u>	<u>\$ 8,608,124</u>	<u>\$ 10,010,085</u>	<u>\$ 6,942,623</u>	<u>\$ 6,831,080</u>	<u>\$ 6,216,831</u>
Plan Fiduciary Net Position							
Net Investment Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,577	\$ 160,266
Employer – District’s Contributions	96,421	102,866	102,866	108,641	140,756	2,634,681	157,889
Employer – Implicit Subsidy	28,201	35,201	47,609	43,940	33,358	41,102	40,354
Benefit Payments	(96,421)	(102,866)	(102,866)	(108,641)	(140,756)	(134,581)	(157,889)
Implicit Subsidy Credit	(28,201)	(35,201)	(47,609)	(43,940)	(33,358)	(41,102)	(40,354)
Administrative Expense	-	-	-	-	-	(549)	(1,271)
Other Miscellaneous Income/(Expense)	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-	-	2,554,128	158,995
Plan Fiduciary Net Position – Beginning	-	-	-	-	-	-	<u>2,554,128</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,554,128</u>	<u>\$ 2,713,123</u>
Net OPEB Liability							
District’s Net OPEB Liability – Ending = (a) – (b)	\$ 7,913,699	\$ 8,455,118	\$ 8,608,124	\$ 10,010,085	\$ 6,942,623	\$ 4,276,952	\$ 3,503,708
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability							
Covered Payroll	\$ 1,470,927	\$ 1,511,378	\$ 1,362,167	\$ 1,389,995	\$ 1,548,839	\$ 1,836,084	\$ 2,096,253
District’s Net OPEB Liability as a Percentage of Covered Payroll	538.0%	559.4%	631.9%	720.2%	448.2%	232.9%	167.1%

Notes to schedule: the District adopted GASB 75 for the fiscal year ending June 30, 2018.

Accounting Information

Schedule of Changes in the Net OPEB Liability and Related Ratios



Accounting Information

Schedule of Investment Returns

A schedule of investment returns for the last ten fiscal years, or for as many years as are available if less than ten years are available, follows.

Measurement Date (June 30):	2023	2024
Report Date (June 30):	<u>2023</u>	<u>2024</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.37%	6.28%

The annual money-weighted rate of return, net of investment expenses, is the net investment income for the year divided by the average net position for the year (less investment expenses).

Investment Returns



Accounting Information

Schedule of Contributions

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available.

Employer Fiscal Year:	2023-2024
FYE Date (June 30):	2024
Actuarially Determined Contribution (ADC)	\$ 528,229
Less: Contributions Made in Relation to the ADC	198,243
Contribution Deficiency (Excess)	329,986
Covered Payroll	\$ 2,096,253
Contributions as a Percentage of Covered Payroll	9.46%

ADC, Contributions, and Percentage of Payroll



Notes to Schedule:

Assumptions and Methods

- Actuarial Cost Method: Entry-age normal, level percent of pay
- Amortization Method: Closed period, level percent of pay
- Amortization Period: 20 years
- Inflation: 2.30%
- Assumed Payroll Growth: 2.80%
- Healthcare Trend Rates: 7.40%, trending down to 4.14%
- Rate of Return on Assets: 3.50%
- Mortality Rate: CalPERS Rates. See appendix.
- Retirement Rates: CalPERS Rates. See appendix.

Accounting Information

Draft Notes to the Financial Statements

A draft of the required notes to the District's financial statements, based on the requirements of GASB 75 and our understanding of the District's retiree health plan, follows.

Notes to the Financial Statements for the Year Ended June 30, 2024

Summary of Significant Accounting Policies

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and the OPEB expense information about the fiduciary net position of the District's OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Note X – Other Post-Employment Benefits (OPEB)

Plan Description

The District administers an agent multiple-employer defined-benefit post-employment healthcare plan (the Plan). Dependents are eligible to enroll, and benefits continue to surviving spouses.

Benefits Provided

Retirees are eligible for medical benefits if they retire directly from the District at least 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.

Employees Covered by Benefit Terms

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

<u>Category</u>	<u>Count</u>
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	9
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	27
Total	36

Accounting Information

Draft Notes to the Financial Statements

Contributions

The District makes contributions based on an actuarially determined rate.

Contribution rate:	30.25% for 19 years, 17.38% thereafter.
Reporting period contributions: \$	198,243 (Includes implicit subsidy credit.)

Financial Report

The District issues a stand-alone financial report that is available to the public. The report is available at: <https://mckinleyvillecsd.ca.gov/files/d57c83f0a/2023+FS+McCSD.pdf>

Net OPEB Liability

The District's total OPEB liability was valued as of June 30, 2023, and was used to calculate the net OPEB liability measured as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	June 30, 2023	June 30, 2024	
Discount Rate	4.10%	4.45%	
Investment Rate of Return	5.00%	3.50% / 5.50%	1-5 years / 6+ years
Inflation	2.30%	2.30%	
Healthcare Cost Trend Rates			
Pre-Medicare	5.75%	7.40% *	
Medicare	5.40%	4.20% *	
Salary Increases	2.80%	2.80% **	
Mortality Rates	Based on CalPERS Tables		

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the CalPERS Pension Assumption Model, effective November 17, 2021.
- Inactive employees (retirees) pay the cost of benefits in excess of the District's contribution.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate

GASB 75 allows the use of a discount rate that is up to the expected long-term rate of return on the assets in the Trust set aside to pay benefits, if the plan sponsor makes regular contributions to the Trust such that the assets are not depleted at any point in the future. If the Plans' actuary determines that contributions are not sufficient to keep the Trust funded, a blend of the long-term rate of return and the yield or index rate for 20-year, tax-exempt municipal bonds will be used for the periods when the Trust funds are not sufficient to cover benefit payments. Based on this requirement, and with the approval of the plan sponsor, the discount rate used to measure the total OPEB liability is 4.45%.

*Trending down to 4.14% over 52 years. Applies to calendar years.

**Additional merit-based increases based on CalPERS merit salary increase tables.

Accounting Information

Draft Notes to the Financial Statements

Long-Term Expected Real Rate of Return

The long-term expected rate of return is determined using the long-term rates of return developed by the CalPERS Investment Office for financial reporting after September 30, 2022.

<u>Asset Class</u>	<u>1-20 Year Projected Compound Return</u>	<u>Strategy I</u>	<u>Strategy II</u>	<u>Strategy III</u>
		<u>Allocation</u>		
Global Equity	6.8%	49%	34%	23%
Fixed Income	3.7%	23%	41%	51%
REITS	6.0%	20%	17%	14%
TIPS	2.8%	5%	5%	9%
Commodities	3.4%	3%	3%	3%
Total/Average		100%	100%	100%

<u>CERBT</u>	<u>Inflation</u>	<u>Expected Compound Return</u>		
Expected Compound Return (1-5 Years)	2.4%	5.1%	4.2%	3.5%
Expected Compound Return (6-20 Years)	2.3%	6.3%	5.9%	5.5%
Expected Compound Return (1-20 Years)	2.3%	6.0%	5.5%	5.0%
Expected Volatility		12.1%	9.9%	8.4%

<u>Plan</u>	<u>Inflation</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
Expected Compound Return (1-20 Years)	2.3%	n/a	n/a	4.45%

The Plan's expected return is weighted by the Plan's expected cash flow.

Short-Term/Long-Term Liabilities

	<u>Amount</u>
Current OPEB Liability	\$ 201,862
Non-Current OPEB Liability	6,014,969
Total OPEB Liability	\$ 6,216,831

Expected Average Remaining Service Lives (EARSL)

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in the OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period follows. Note, however, that for calculation purposes, we use 1 when calculating amortizations if the EARSL is less than 1 year.

EARSL: 9.9 years

Accounting Information

Draft Notes to the Financial Statements

<i>Changes in the Net OPEB Liability</i>	<i>Increase/(Decrease)</i>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance as of Report Date June 30, 2023	\$ 6,831,080	\$ 2,554,128	\$ 4,276,952
Changes for the Year:			
Service Cost	362,716		362,716
Interest	290,881		290,881
Changes of Benefit Terms	-		-
Differences Between Expected and Actual Experience	342,721		342,721
Changes of Assumptions	(1,412,324)		(1,412,324)
Contributions			
Employer – District's 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 Subsidy Credit	(40,354)	(40,354)	-
Administrative Expense		(1,271)	1,271
Other Miscellaneous Income/(Expense)	-	-	-
Net Change	(614,249)	158,995	(773,244)
Balance as of Report Date June 30, 2024	\$ 6,216,831	\$ 2,713,123	\$ 3,503,708

Accounting Information

Draft Notes to the Financial Statements

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

Sensitivity of the total and net OPEB liability to changes in the discount rate. The total and net OPEB liability of the District, as well as what the District's total and net OPEB liability would be if they were calculated using a discount rate that is one percentage point lower (3.45%) or one percentage point higher (5.45%) follows:

	1% Decrease 3.45%	Discount Rate 4.45%	1% Increase 5.45%
Total OPEB Liability (Asset)	\$ 7,136,787	\$ 6,216,831	\$ 5,460,831
Increase (Decrease)	919,956		(756,000)
% Change	14.8%		-12.2%
Net OPEB Liability (Asset)	\$ 4,423,664	\$ 3,503,708	\$ 2,747,708
Increase (Decrease)	919,956		(756,000)
% Change	26.3%		-21.6%

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend for this valuation started at 7.40% and decreased to 4.14% over 52 years. The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.40%) or one percentage point higher (8.40%) than current healthcare cost trend rates follows:

	1% Decrease 6.40%	Trend Rate 7.40%	1% Increase 8.40%
Total OPEB Liability (Asset)	\$ 5,243,941	\$ 6,216,831	\$ 7,466,476
Increase (Decrease)	(972,890)		1,249,645
% Change	-15.6%		20.1%
Net OPEB Liability (Asset)	\$ 2,530,818	\$ 3,503,708	\$ 4,753,353
Increase (Decrease)	(972,890)		1,249,645
% Change	-27.8%		35.7%

Accounting Information

Draft Notes to the Financial Statements

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

For the report year ended June 30, 2024, the District recognized an OPEB expense of \$258. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Actual and Expected Experience	\$ 315,014	\$ (4,622,992)
Changes of Assumptions	2,117,745	(1,655,299)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(22,526)
Total	<u>\$ 2,432,759</u>	<u>\$ (6,300,817)</u>

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

<u>Report Year Ending June 30:</u>	<u>Amount</u>
2025	\$ (527,865)
2026	(527,865)
2027	(517,895)
2028	(516,837)
2029	(510,137)
Remaining	(1,267,459)

Basis of Valuation

Substantive Plan

A summary of the substantive plan used as the basis of the valuation follows.

All Retirees	
Duration of coverage	Retiree's lifetime.
Conditions of coverage	Retire directly from the District.
Dependent coverage	Retirees may cover dependents on their medical plan at the same rates as active employees.
Dependent coverage after Retiree's death	Medical benefits continue to surviving spouse of retiree, or on death of active employee while eligible for retirement.
Benefit types	Medical only.
Medical plan choices	Same as actives.

Medical Benefits	
Eligibility	Age 50 with 5 years of service.
District-Paid Medical Benefits for Retirees	Employees hired before 1/1/2017: 100%. Employees hired on or after 1/1/2017: 100% up to PPO rate.
District-Paid Medical Benefits for Dependents	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.

Basis of Valuation

Participant Summary

Census Date: June 30, 2023
Age and service determined as of the census date.

Active Participants											
Age	Years of Service										Total
	< 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
< 25		1									1
25-29	2										2
30-34	1	1		1							3
35-39		1	2		1						4
40-44	1	2	1	1							5
45-49		1	1		2						4
50-54	1			1	1	1					4
55-59		2					1				3
60-64							1				1
65-69											
70+											
Total	5	8	4	3	4	1	2				27

Average Active Participant Age: 43.3
Average Years of Service: 9.1

Changes from Prior Census

Active Participants	Count
Prior Census	24
Hires	7
Terminations*	(3)
Retirements	(1)
Current Census	27

Inactive Participants			
Age	Retiree	Spouse	Total
< 50			
50-54		1	1
55-59	2	2	4
60-64	2	1	3
65-69	1		1
70-74	1	2	3
75-79	3	2	5
80-84			
85-89			
90+			
Total	9	8	17

Inactive Participants	Retiree	Spouse	Total
Prior Census	8	7	15
Retirements	1	1	2
Deaths*	0	0	0
Current Census	9	8	17

*Includes withdrawals

Average Inactive Participant Age: 67.8

Basis of Valuation

Participant Summary Charts

Census Date: June 30, 2023

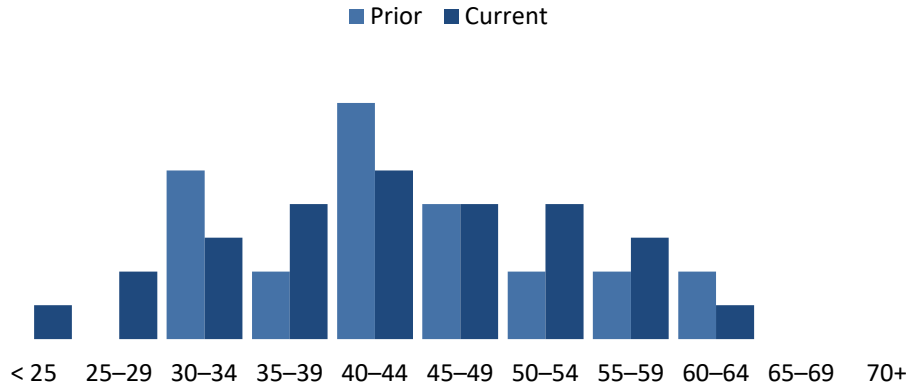
Age and service determined as of the census date.

Average Active

Participant Age

Prior Report:	44.5
Current:	43.3
Change:	(1.2)
% Change:	-2.7%

Actives by Age Bracket

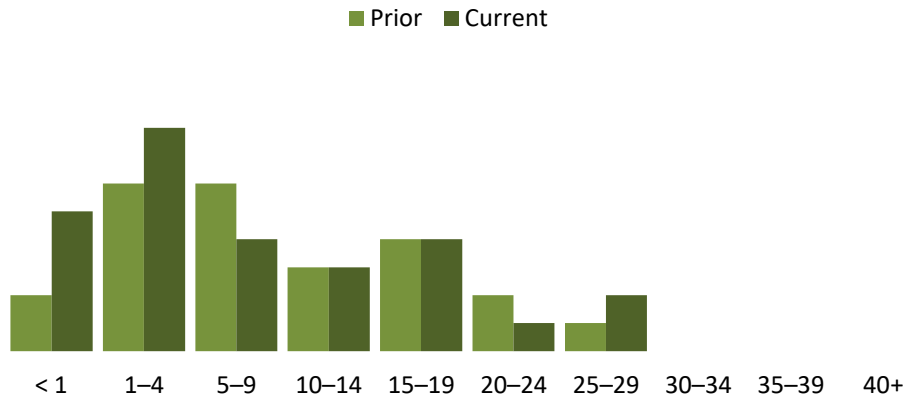


Average Years of

Service

Prior Report:	9.8
Current:	9.1
Change:	(0.7)
% Change:	-7.1%

Actives by Years of Service

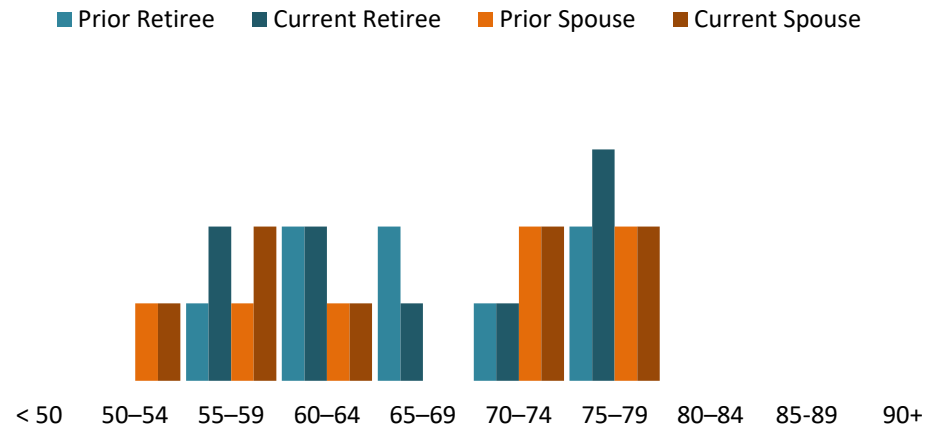


Average Inactive

Participant Age

Prior Report:	68.0
Current:	67.8
Change:	(0.2)
% Change:	-0.3%

Inactives by Age Bracket



Basis of Valuation

Actuarial Assumptions

A summary of the actuarial assumptions used for this valuation follows. We considered the reasonableness of each assumption independently based on its own merits, consistent with each other assumption, and the combined impact of all assumptions.

Assumption	Rates
Actuarial Cost Method	Entry-Age Normal, Level Percentage of Salary
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Report Date	June 30, 2024
Discount Rate	The discount rate selected is 4.45%. GASB 75 allows the use of a discount rate that is up to the expected long-term rate of return on the assets in the Trust set aside to pay benefits, if the plan sponsor makes regular contributions to the Trust such that the assets are not depleted at any point in the future. If the Plans' actuary determines that contributions are not sufficient to keep the Trust funded, a blend of the long-term rate of return and the yield or index rate for 20-year, tax-exempt municipal bonds will be used for the periods when the Trust funds are not sufficient to cover benefit payments.
Mortality	Same as CalPERS. See appendix.
Termination Rates	Same as CalPERS. See appendix. Also known as "turnover".
Disability	Same as CalPERS. See appendix.
Retirement	Same as CalPERS. See appendix.
Annual Per Capita Claims Cost	Developed using the District's actual premiums and demographics with standard age-related risk scores. Assumed annual per capita claims costs follow:

Age	Males	Females
50	\$ 13,587	\$ 16,112
55	17,664	18,626
60-64	22,667	22,165

Basis of Valuation

Actuarial Assumptions

Assumption	Rates
Aging or Morbidity Factors	Included in claims costs above.
Participant Contributions	None.
Salary Increases	2.80% The salary increase is used to determine the growth in the aggregate payroll. Individual Salary Increases: 2021 CalPERS Merit Salary Increases.
Inflation Rate	2.30%. Same as CalPERS.
Marital Status	Current Retirees: Actual spouse coverage is used. Future retirees: 100% assumed to be married.
Spouse Gender	Assumes spouse of opposite gender for current and future retirees.
Spouse Age Difference	Actual spouse age is used for current retirees. Assumes males are three years older than females for future retirees.
Participation	Current Retirees: Actual coverage data is used. Future retirees: 100% are assumed to elect coverage.

Basis of Valuation

Actuarial Assumptions

Assumption

Rates

2023 Premiums

Premiums used to develop aged claims.

Pre-Medicare	Employee	Two-Party	Family
Advantage PPO	\$ 741.43	\$ 1,482.86	\$ 1,964.79
CalCare HMO	1,261.65	2,523.30	3,343.37
CDHP	674.02	1,348.04	1,786.15

Medicare	Employee	Two-Party	Family
UHC PPO	404.70	809.40	1,214.10

Trend Rates

Medical long-term trends from Society of Actuaries "Long Term Healthcare Cost Trends Model v2023_1f" using baseline assumptions. Applied to both claims and premiums.

Calendar Year	Pre-Medicare	Medicare
2023	7.40%	4.20%
2024	6.80%	4.17%
2025	6.20%	4.14%
2026	5.60%	4.14%
2027	5.50%	4.14%
2028	5.39%	4.14%
2029	5.29%	4.14%
2030	5.18%	4.14%
2031-2074
2075+	4.14%	4.14%

This section includes a brief summary of GASB 75, as well as definitions of some of the key terminology used in this report.

About GASB 75

In General. In June 2015 the Governmental Accounting Standards Board released GASB 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. GASB 75 replaced GASB 45 for fiscal years beginning after June 15, 2017, for employers that sponsor OPEB plans. The provisions in GASB 75 are similar to the provisions of GASB 68 for pensions.

Accounting. GASB 75 requires a liability known as the Net OPEB Liability (NOL). The employer recognizes the NOL on its balance sheet. The employer also recognizes an OPEB expense in the income statement. GASB 45 recorded the Unfunded Accrued Actuarial Liability (UAAL) in the notes to the financial statement, whereas GASB 75 records the NOL, which is very similar to the UAAL with just a few technical differences, on the balance sheet.

Financial Statement Impact (Employers). One of the biggest changes to the financial statements of governmental employers that provide OPEB is the reporting of the OPEB liability on the face of the statements rather than in the footnotes. Governments that do not provide OPEB through a trust are required to recognize the entire OPEB liability in the financial statements. For governments that provide OPEB through an OPEB plan that is administered through a trust, the government’s OPEB liability is recognized net of the amount of the OPEB plan’s fiduciary net position.

Changes to the Measurement of the Total OPEB Liability. Measurement of the OPEB liability includes discounting future benefit payments for current and former employees and their beneficiaries to their present value and allocating the present value over past and future periods of the employee service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The calculation continues to include employee-related events, such as projected salary increases and projected years of service, if they affect the amount of OPEB payments employees will receive, as well as provisions for automatic cost-of-living adjustments (COLAs) and other automatic benefits. Additionally, ad hoc COLAs and other ad hoc benefit changes, which are made at the discretion of the government, are included in projections as well, if they routinely recur.

GASB 75 requires governments to discount projected OPEB payments to their present value. Under the new standard, governments discount the projected OPEB payments to be made in each year and the amount of plan assets (if a government administers the OPEB through a trust) available for providing those benefits to current active and inactive employees and their beneficiaries. Similar to the pension standards, the discount rate used is based on whether the plan assets are projected to be sufficient to make future payments. If the plan assets are sufficient, governments discount future payments using the long-term expected rate of return. If projected plan assets are insufficient to make all future payments to current and inactive employees and their beneficiaries, or if there are no plan assets held in trust, the discount rate is based on a high-quality 20-year tax-exempt general obligation municipal bond yield or index rate. “High-quality” is defined as being rated AA or higher (or an equivalent rating).

Cost Method. The Entry Age Normal Cost method must be used.

About GASB 75 (continued)

Factors that affect a government's OPEB liability, such as actual earnings on plan investments when the OPEB plan is administered as a trust, employee compensation changes, interest on the outstanding OPEB liability, contributions from employees and employers, and actual demographic and economic changes that are not in line with assumptions made in the actuarial calculations, are considered when determining the government's OPEB expense. A government's annual OPEB expense is calculated with consideration for factors affecting the OPEB liability within the reporting period. Several causes of changes in OPEB liability are immediately factored into the calculation of OPEB expense for the period, such as benefits earned each year, interest on the total OPEB liability, changes in benefit terms, and projected earnings on plan investments, if administered through a trust.

Governments are required to recognize deferred outflows of resources or deferred inflows of resources and then introduce into the expense calculation, systematically and rationally over the average remaining years of employment (active employees and inactive employees, including retirees), the effect on the total OPEB liability of differences between assumptions and actual experience.

Key Terminology

Actuarially Determined Contribution	A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Actuarial Present Value of Projected Benefit Payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Agent Employer	An employer whose employees are provided with OPEB through an agent multiple-employer defined-benefit OPEB plan.
Closed Period	A specific number of years that is counted from one date, which declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth until no years remain.
Contributions	Additions to an OPEB plan's fiduciary net position for amounts from employers, non-employer contributing entities, or employees.
Dates and Periods	
• Census Date	The date of the census. It is usually the same as the Valuation Date .
• Measurement Date	The date on which assets are measured. The liabilities are rolled forward to this date from the Valuation Date , should it differ, using actuarial roll-forward techniques.
• Measurement Period	The year ending on the Measurement Date .
• Report Date	The date on which the amounts are reported in the financial statements. It is the same as the fiscal year-end. It may be up to one year ahead of the Measurement Date , with no roll-forward of liabilities or assets required.
• Reporting Period	The year ending on the Report Date . It is the same as the fiscal year.
• Valuation Date	The date on which the liabilities are valued.
Deferred Inflows and Outflows of Resources	The portion of the changes in the Net OPEB Liability that are not recognized in the current pension expense and are recognized in later periods. The changes deferred include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on OPEB plan investments.

Key Terminology (continued)

Defined-Benefit OPEB	OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation, or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums. OPEB that does not have all of the terms of defined contribution OPEB is classified as defined-benefit OPEB.
Discount Rate	The single rate of return that reflects the following: a. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return. b. A yield or index rate for 20-year, tax-exempt general-obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions in (a) are not met.
Fiduciary Net Position	The market value of assets as of the Measurement Date .
Implicit Subsidy	The implicit subsidy arises when an employer allows a retiree and the retiree's dependents to continue on the plans for active employees, and pay the active-employee premiums. Retirees are not paying the true cost of their benefits because they have higher costs than active employees, and therefore are partially subsidized by the active employees. Once a retiree reaches Medicare eligibility, the rates are set for Medicare retirees separately, and are set to be sufficient to cover the true costs of the Medicare retirees. Thus, there is no implicit subsidy for Medicare retirees.
Net OPEB Liability	The Total OPEB Liability minus the Fiduciary Net Position .
Normal Cost	See Service Cost .
Other Postemployment Benefits (OPEB)	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payment for sick leave.
Projected Benefit Payments	All benefits estimated to be payable through OPEB plan to current active and inactive employees as a result of their past service and their expected future service.

Key Terminology (continued)

Service Cost	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years. Also called Normal Cost .
Substantive Plan	The plan terms as understood by the employer and the plan members at the time of the valuation, including only changes to plan terms that have been made and communicated to employees.
Total OPEB Liability	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined-benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Appendix

Decrement Tables

The valuation used the following decrement tables from the CalPERS OPEB Assumption Model, dated November 17, 2021:

Mortality	<u>Source Table</u>
Miscellaneous Employees	Mort and Disb Rates_PA Misc
Disability	<u>Source Table</u>
Miscellaneous Employees	Mort and Disb Rates_PA Misc
Terminated Refund Rates	
Miscellaneous Employees	Term Refund Rates_PA Misc Male
Terminated Vested Rates	
Miscellaneous Employees	Term Vested Rates_PA Misc Male
Salary Scale Rates	
Miscellaneous Employees	Salary Scale Rates_PA Misc
Service Retirement Rates	
Miscellaneous Employees	
• 2.0% at 55	Rx PA Misc 2% @ 55
• 2.0% at 62	Rx PA Misc 2% @ 62

Sample Mortality and Disability Rates

Attained Age	Public Agency Miscellaneous													
	Pre-Retirement Mortality				Post-Retirement Mortality						Disability			
	Male Assumptions		Female Assumptions		Male Assumptions			Female Assumptions			Male Assumptions		Female Assumptions	
	Non Industrial Death	Industrial Death	Non Industrial Death	Industrial Death	Healthy Recipients	Non Industrially Disabled	Industrially Disabled	Healthy Recipients	Non Industrially Disabled	Industrially Disabled	Non Industrial Disability	Industrial Disability	Non Industrial Disability	Industrial Disability
1	0.000160	0.000000	0.000030	0.000000	0.000150	0.000150	0.000150	0.000150	0.000150	0.000150	0.000000	0.000000	0.000000	0.000000
5	0.000160	0.000000	0.000030	0.000000	0.000100	0.000100	0.000100	0.000070	0.000070	0.000070	0.000000	0.000000	0.000000	0.000000
10	0.000160	0.000000	0.000030	0.000000	0.000090	0.000090	0.000090	0.000080	0.000080	0.000080	0.000000	0.000000	0.000000	0.000000
15	0.000180	0.000000	0.000100	0.000000	0.000170	0.000170	0.000170	0.000090	0.000090	0.000090	0.000000	0.000000	0.000000	0.000000
20	0.000390	0.000000	0.000140	0.000000	0.000390	0.004110	0.001460	0.000140	0.002330	0.000530	0.000070	0.000000	0.000040	0.000000
25	0.000330	0.000000	0.000130	0.000000	0.000330	0.003360	0.001540	0.000130	0.001870	0.000690	0.000070	0.000000	0.000090	0.000000
30	0.000440	0.000000	0.000190	0.000000	0.000440	0.004520	0.001820	0.000190	0.003010	0.000990	0.000170	0.000000	0.000330	0.000000
35	0.000580	0.000000	0.000290	0.000000	0.000580	0.006030	0.002080	0.000290	0.005040	0.001360	0.000350	0.000000	0.000650	0.000000
40	0.000750	0.000000	0.000390	0.000000	0.000750	0.007790	0.002440	0.000390	0.007300	0.001770	0.000910	0.000000	0.001190	0.000000
45	0.000930	0.000000	0.000540	0.000000	0.000930	0.011200	0.003140	0.000540	0.010190	0.002270	0.001490	0.000000	0.001850	0.000000
50	0.001340	0.000000	0.000810	0.000000	0.002710	0.017270	0.004370	0.001990	0.014390	0.003110	0.001540	0.000000	0.001930	0.000000
55	0.001980	0.000000	0.001230	0.000000	0.003910	0.022170	0.006230	0.003250	0.017340	0.005500	0.001390	0.000000	0.001290	0.000000
60	0.002870	0.000000	0.001790	0.000000	0.005750	0.026810	0.009350	0.004550	0.019620	0.008680	0.001240	0.000000	0.000940	0.000000
65	0.004030	0.000000	0.002500	0.000000	0.008560	0.033320	0.013930	0.006120	0.022760	0.011900	0.001090	0.000000	0.000830	0.000000
70	0.005940	0.000000	0.004040	0.000000	0.013400	0.040560	0.021890	0.009960	0.029100	0.018580	0.000970	0.000000	0.000540	0.000000
75	0.009330	0.000000	0.006880	0.000000	0.024000	0.054650	0.034980	0.017830	0.041600	0.031340	0.000970	0.000000	0.000350	0.000000
80	0.015150	0.000000	0.011490	0.000000	0.043800	0.080440	0.059320	0.034030	0.061120	0.051830	0.000970	0.000000	0.000350	0.000000
85	0.000000	0.000000	0.000000	0.000000	0.082740	0.116950	0.102440	0.061660	0.093850	0.080450	0.000970	0.000000	0.000350	0.000000
90	0.000000	0.000000	0.000000	0.000000	0.145390	0.167700	0.167390	0.110860	0.143960	0.124340	0.000970	0.000000	0.000350	0.000000
95	0.000000	0.000000	0.000000	0.000000	0.247020	0.247020	0.247020	0.203640	0.203640	0.203640	0.000000	0.000000	0.000000	0.000000
100	0.000000	0.000000	0.000000	0.000000	0.361980	0.361980	0.361980	0.315820	0.315820	0.315820	0.000000	0.000000	0.000000	0.000000
105	0.000000	0.000000	0.000000	0.000000	0.522290	0.522290	0.522290	0.446790	0.446790	0.446790	0.000000	0.000000	0.000000	0.000000
110	0.000000	0.000000	0.000000	0.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	0.000000	0.000000	0.000000	0.000000
115	0.000000	0.000000	0.000000	0.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	0.000000	0.000000	0.000000	0.000000
120	0.000000	0.000000	0.000000	0.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	0.000000	0.000000	0.000000	0.000000

Notes:

- 1) Pre-Retirement and Post-Retirement mortality rates include generational mortality improvement at 80% of the MP 2020 table published by the Society of Actuaries.
- 2) Miscellaneous Plans usually have Industrial Death rates set to zero unless the agency has specifically contracted for Industrial Death benefits. If so, each Non-Industrial Death rate shown above will be split into two components: 99% will become the Non-Industrial Death rate and 1% will become the Industrial Death rate.
- 3) The Miscellaneous Non-Industrial Disability rates are used for Local Prosecutors.
- 4) Normally, Industrial Disability rates are zero for miscellaneous plans unless the agency has specifically contracted for Industrial Disability benefits. If so, each miscellaneous non-industrial disability rate will be split into two components: 50% will become the Non-Industrial Disability rate and 50% will become the Industrial Disability rate.

Appendix

Sample Termination Rates

Entry Ages		Sample Terminated Refund Rates (Male) Public Agency Miscellaneous								
Service	15	20	25	30	35	40	45	50	55	59
0	0.18514	0.18514	0.17686	0.16306	0.14927	0.14899	0.14871	0.15086	0.15301	0.15473
5	0.04625	0.04625	0.04232	0.03576	0.02921	0.02611	0.02301	0.02387	0.02474	0.02543
10	0.01124	0.01124	0.01013	0.00828	0.00644	0.00484	0.00325	0.00324	0.00324	0.00323
15	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
20	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
25	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
30	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
35	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
40	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
45	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
50	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

Entry Ages		Sample Terminated Vested Rates (Male) Public Agency Miscellaneous								
Service	15	20	25	30	35	40	45	50	55	59
0	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5	0.03808	0.03808	0.03808	0.03576	0.03344	0.03007	0.02670	0.02221	0.00000	0.00000
10	0.02646	0.02646	0.02646	0.02544	0.02441	0.01965	0.01489	0.00000	0.00000	0.00000
15	0.01804	0.01804	0.01804	0.01660	0.01515	0.01190	0.00000	0.00000	0.00000	0.00000
20	0.01410	0.01410	0.01410	0.01097	0.00785	0.00000	0.00000	0.00000	0.00000	0.00000
25	0.00844	0.00844	0.00844	0.00642	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
30	0.00471	0.00471	0.00471	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
35	0.00378	0.00378	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
40	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
45	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
50	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

Notes:

When a member is eligible to retire, the termination with vested benefits probability is set to zero.

Appendix

Sample Salary Scale Rates

Entry Ages		Public Agency Miscellaneous												
Service	15	20	25	30	35	40	45	50	55	60	65	70	75	79
0	0.0764	0.0764	0.0764	0.0621	0.0621	0.0521	0.0521	0.0521	0.0521	0.0521	0.0521	0.0521	0.0521	0.0521
5	0.0378	0.0378	0.0378	0.0276	0.0276	0.0187	0.0187	0.0187	0.0187	0.0187	0.0187	0.0187	0.0187	0.0187
10	0.0201	0.0201	0.0201	0.0126	0.0126	0.0108	0.0108	0.0108	0.0108	0.0108	0.0108	0.0108	0.0108	0.0108
15	0.0155	0.0155	0.0155	0.0102	0.0102	0.0071	0.0071	0.0071	0.0071	0.0071	0.0071	0.0071	0.0071	0.0071
20	0.0119	0.0119	0.0119	0.0083	0.0083	0.0047	0.0047	0.0047	0.0047	0.0047	0.0047	0.0047	0.0047	0.0047
25	0.0091	0.0091	0.0091	0.0067	0.0067	0.0031	0.0031	0.0031	0.0031	0.0031	0.0031	0.0031	0.0031	0.0031
30	0.0070	0.0070	0.0070	0.0054	0.0054	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
35	0.0070	0.0070	0.0070	0.0054	0.0054	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
40	0.0070	0.0070	0.0070	0.0054	0.0054	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
45	0.0070	0.0070	0.0070	0.0054	0.0054	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
50	0.0070	0.0070	0.0070	0.0054	0.0054	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020

Appendix

Matrix of Sample Service Retirement Assumption Rates

Attained Ages				Public Agency Miscellaneous 2% @ 55			
Service	50	55	60	65	70	75	79
0	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5	0.01400	0.04500	0.05900	0.16700	0.22900	1.00000	1.00000
10	0.01400	0.04200	0.06400	0.18700	0.22900	1.00000	1.00000
15	0.01700	0.05300	0.08300	0.21000	0.22900	1.00000	1.00000
20	0.02100	0.08600	0.11500	0.26200	0.22900	1.00000	1.00000
25	0.02300	0.09800	0.15400	0.28800	0.22900	1.00000	1.00000
30	0.02400	0.12300	0.17000	0.29100	0.22900	1.00000	1.00000
35	0.02400	0.16400	0.18600	0.29100	0.22900	1.00000	1.00000
40	0.00000	0.18400	0.18800	0.29100	0.22900	1.00000	1.00000
45	0.00000	0.00000	0.18800	0.29100	0.22900	1.00000	1.00000
50	0.00000	0.00000	0.00000	0.29100	0.22900	1.00000	1.00000

Attained Ages				Public Agency Miscellaneous 2% @ 62			
Service	50	55	60	65	70	75	79
0	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5	0.00000	0.01000	0.03100	0.10800	0.12000	1.00000	1.00000
10	0.00000	0.01900	0.05100	0.14100	0.15600	1.00000	1.00000
15	0.00000	0.02800	0.07100	0.17300	0.19300	1.00000	1.00000
20	0.00000	0.03600	0.09100	0.20600	0.22900	1.00000	1.00000
25	0.00000	0.06100	0.11100	0.23900	0.26500	1.00000	1.00000
30	0.00000	0.09600	0.13800	0.30000	0.33300	1.00000	1.00000
35	0.00000	0.15200	0.18300	0.34800	0.38700	1.00000	1.00000
40	0.00000	0.18000	0.20400	0.36000	0.40000	1.00000	1.00000
45	0.00000	0.00000	0.20400	0.36000	0.40000	1.00000	1.00000
50	0.00000	0.00000	0.00000	1.00000	1.00000	1.00000	1.00000

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Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$2,709,446.41	\$2,554,127.66
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	4,242.09	161,195.26
Administrative Expenses	(326.89)	(1,271.08)
Investment Expense	(239.04)	(929.27)
Other	0.00	0.00
Ending Balance	\$2,713,122.57	\$2,713,122.57
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	\$2,713,122.57	\$2,713,122.57

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	154,316.762	154,316.762
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	154,316.762	154,316.762
Period Beginning Unit Value	17.557693	16.551201
Period Ending Unit Value	17.581516	17.581516

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

Statement of Transaction Detail for the Quarter Ending 06/30/2024

McKinleyville Community Services District

Entity #: SKB8-3058001188-001



Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
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Client Contact:
CERBT4U@CalPERS.ca.gov