

MENDOCINO CITY COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS 6-7-2023 MEETING AGENDA

MENDOCINO CITY COMMUNITY SERVICES DISTRICT

P. O. BOX 1029

MENDOCINO, CA 95460

Business Phone (707) 937-5790 Treatment Plant (707) 937-5751 Fax (707) 937-3837

AGENDA

REGULAR MEETING

Wednesday, June 7, 2023

5:00 PM

Wastewater Treatment Plant, 10500 Kelly Street, Mendocino

1. CALL TO ORDER
2. APPROVAL OF AGENDA
3. PUBLIC COMMENT: non agenda items
4. COMMUNICATIONS
5. FINANCIAL REPORT
Discussion and Possible Action to Approve District Disbursements/Expenditures.
6. CONSENT AGENDA
All matters on the Consent Agenda are to be approved by one action without discussion unless a Board Member requests separate action on a specific item.
 - a) APPROVAL OF MINUTES from 4-19-23
 - b) APPROVAL OF MINUTES from 5-8-23
7. CORRECTION OF PAST MINUTES
 - a) APPROVAL OF MINUTES from 3-3-23
8. DISCUSSION AND POSSIBLE ACTION REGARDING ANY CONSENT AGENDA ITEM NEEDING SEPARATE ACTION
9. GROUNDWATER MANAGEMENT
Monthly Groundwater Management Report
10. NEW BUSINESS
 - a) Introduction and Discussion of Proposed Budget for Fiscal Year 23-24
 - b) Discussion and Possible Action to approve the Audit for the year end of June 30, 2022
Staff recommends a motion to approve the 21-22 audit, year ending June 30, 2022
 - c) Discussion and Possible Action to support the installation of a County funded EV station
Staff recommends approval to support the installation of a County funded EV station
 - d) Discussion and Possible Action to authorize the District Superintendent to spend up to \$100,000 to address the Treatment Plant Air Supply Line
Staff recommends approval to authorize District Superintendent to spend up to \$100,000 to address the Treatment Plant Air Supply Line
 - e) Discussion and Possible Action to direct Staff to conduct a review and update of all District records and properties related to approved development
Staff is seeking direction from the Board
11. OLD BUSINESS

MENDOCINO CITY COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS 6-7-2023 MEETING AGENDA

12. DISTRICT SUPERINTENDENT'S REPORT
Monthly Report.
13. COMMITTEE UPDATES
14. MATTERS FROM BOARD MEMBERS
15. ADJOURNMENT

STANDING COMMITTEES: For 2023

Finance:----- Dennak Murphy and Ishvi Aum
Personnel:----- Dennak Murphy and Matthew Miksak
Plant Operations:----- Dennak Murphy and Jim Sullivan
Safety:----- Jim Sullivan
Street Lighting:----- Jim Sullivan and Donna Feiner
Groundwater Management:----- Jim Sullivan and Donna Feiner

Pursuant to Americans with Disability Act (ADA Title II), MCCSD will make reasonable arrangements to ensure accessibility to the meeting. If you need special assistance to participate in this meeting, please contact the business office at 707- 937-5790.

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MENDOCINO CITY COMMUNITY SERVICES DISTRICT SPECIAL BOARD MEETING

ACTION MINUTES – APRIL 19, 2023

**BEFORE THE BOARD OF DIRECTORS
FAIR STATEMENT OF PROCEEDINGS**

**(PURSUANT TO CALIFORNIA COMMUNITY SERVICES DISTRICT LAW
Government Code §61000)**

AGENDA ITEM NO. 1 – CALL TO ORDER – 5:00 p.m.

Present: Directors Ishvi Aum, Matthew Miksak, VP Jim Sullivan, and presiding was President Dennak Murphy

Staff Present: Mr. Ryan Rhoades, District Superintendent, Katie Bates, Board Secretary.

Legal Counsel Present: None

Public Present: Michelle Blackwell, Tony Graham

AGENDA ITEM NO. 2. – APPROVAL OF AGENDA

Board Action: Upon motion by VP Sullivan and 2nd by Director Aum, IT IS ORDERED to approve the agenda. The Motion carried by the following vote:

AYE: 4

NO: 0

ABSENT: 1 (Feiner)

AGENDA ITEM NO. 3 –PUBLIC COMMENT

None

AGENDA ITEM NO. 4 – COMMUNICATIONS

Superintendent Rhoades noted MCCSD's press release published in Mendocino Beacon, the Mendo Voice, and on Facebook on the 5th District page.

Superintendent Rhoades noted a comment received today, 4/19/23 on the draft MOU with MUSD, posted below:

Directors Miksak, Aum, Feiner, Sullivan, and Murphy, Superintendent Rhoades;

We appreciate the opportunity to comment on the 4/19/23 Regular Meeting of the MCCSD Board of Directors in the matter of Item 9(b), Discussion and Possible Action to adopt a MOU with MUSD.

Many of your customers share concerns we have for the revised MOU slated for discussion and possible action today. Of primary concern is an omission in the opening paragraph which effectively removes original language describing the planned water supply and storage project as one, "*for the benefit of the village of Mendocino*". As a member of the Board of Directors at the time the MCCSD applied to the Department of Water Resources for an Urban and Multibenefit Drought Relief Grant which secured the \$4,932,000 million in grant funding necessary to advance the project, a project she supported, Christina can confirm that the town of Mendocino and Fire Departments were intended to be the principal beneficiaries of water produced by the project. The project was framed this way to the community to reduce its dependence on importing water from neighboring water districts to meet customers' needs. The MUSD school district maintains a State permitted public water system and is one of several neighboring systems our town has relied upon in the past. According to the current terms of the MOU the school district is being given priority to the water. This does not resolve the town of Mendocino's dependence on neighboring systems.

We protest the terms of this agreement which give the school district priority to "all water on MUSD property". The MCCSD covers a district of a single square mile; the *MUSD covers a far greater area, 240 times larger*. Despite the fact that the MCCSD was responsible for securing nearly 5 million dollars in grant funding and that it will be responsible for proportionate costs including operation and maintenance of the storage tanks, well development, groundwater extraction, and any water accessed by them, as well as being responsible for other costs associated with well maintenance, use, and replacement, by the terms of the MOU, the MCCSD appears willing to accept whatever may be remaining from school district needs. This agreement, as written, fails to specify what those needs are, leaving many residents of Mendocino, us among them, very concerned that the district is giving away water originally that was intended for them. By all appearances, this is a poor business decision. We urge that MCCSD return to discussions with MUSD, this time public and properly-noticed, which would result in renegotiating the terms of the MOU so that it will better benefit the community.

Another concern we share is with regard to the eligibility, distribution, allocation, and users' costs of any water used by MCCSD rate-payers. Under current terms, the "equitable access to water during periods of drought will be mutually determined between MUSD and MCCSD *once all MUSD potable water needs are met*". This language is not only vague but vulnerable to interpretation, and has not included the opportunity for public comment. While serving on the board of the MCCSD, former Director O'Rourke and I pressed for developing and establishing criteria *in advance* for the equitable allocation and distribution of any water stored. Our concerns were dismissed. Land acquisition or annexation also needs discussion, especially since grant funding sources will often cover the cost. It is our hope that newer board members may be more effective today in understanding the importance of prudent decision-making and in protecting our community and its residents' future water needs.

Without more equitable terms, we do not support the MOU as written and urge the board to renegotiate it and establish distribution criteria prior to entering any agreement with MUSD. We are concerned that proceeding otherwise would be negligent.

We ask that our comments be read during today's discussion of Item 9(b) and request that staff please place them into the public record.

Thank you,

Christina and Bob Aranguren

cc: Michelle Blackwell

bcc: Interested parties

AGENDA ITEM NO. 5- FINANCIAL REPORT

Board Comment: Director Aum and President Murphy

Staff Comment: Superintendent Rhoades and District Secretary Bates

Board Action: Upon motion by VP Sullivan and 2nd by Director Miksak, IT IS ORDERED to approve the March disbursements. The Motion carried by the following vote:

AYE: 4

NO: 0

ABSENT: 1 (Feiner)

AGENDA ITEM NO. 6: CONSENT AGENDA

APPROVAL OF 2-27-23 and 3-3-23 MINUTES

Board Action: Upon motion by Director Aum, seconded by Director Miksak, IT IS ORDERED to approve the consent agenda. The Motion carried by the following vote:

AYE: 4

NO: 0

ABSENT: 1 (Feiner)

AGENDA ITEM NO. 7: DISCUSSION AND POSSIBLE ACTION REGARDING ANY CONSENT AGENDA ITEM NEEDING SEPARATE ACTION

None

AGENDA ITEM NO. 8- GROUNDWATER MANAGEMENT

Presenter: Ryan Rhoades

AGENDA ITEM NO. 9 – NEW BUSINESS

- a) Discussion and Possible Action to adopt Resolution 2023-315: RESOLUTION OF MENDOCINO CITY COMMUNITY SERVICES DISTRICT TO RESCIND RESOLUTION 2023-308 AND DECLARE NO WATER SHORTAGE CONDITION EXISTS AT THIS TIME

Presenter: Superintendent Rhoades

Board Action: Upon motion by Director Miksak, seconded by VP Sullivan, IT IS ORDERED to approve Resolution 2023-316. The Motion carried by the following vote:

AYE: 4

NO: 0

ABSENT: 1 (Feiner)

b) Discussion and Possible Action to adopt an MOU with MUSD

Staff Comment: Superintendent Rhoades

Board Comment: Director Aum, VP Sullivan, President Murphy

Public Comment: Michelle Blackwell

Board Action: Upon motion by Director Miksak, seconded by VP Sullivan, IT IS ORDERED to adopt the MOU with MUSD. The Motion carried by the following vote:

AYE: 4

NO: 0

ABSENT: 1 (Feiner)

c) Discussion and Possible Action to adopt Resolution 2023-316: RESOLUTION OF MENDOCINO CITY COMMUNITY SERVICES DISTRICT TO AMEND 4.1 OF THE MCCSD PERSONNEL MANUAL, HOLIDAYS

Staff Comment: Superintendent Rhoades, District Secretary Bates

Board Comment: Director Aum, VP Sullivan, President Murphy

Public Comment: Michelle Blackwell

Board Action: Upon motion by Director Feiner, seconded by Director Aum, IT IS ORDERED to approve Resolution 2023-316. The Motion carried by the following vote:

AYE: 4

NO: 0

ABSENT: 1 (Feiner)

AGENDA ITEM NO. 10- OLD BUSINESS

None

AGENDA ITEM No. 11 – SECRETARY’S REPORT

Presenter: Katie Bates

AGENDA ITEM NO. 12: SUPERINTENDENT’S REPORT

Staff Comment: Ryan Rhoades

Board Comment: Directors Aum, and President Murphy

Public Comment: Michelle Blackwell

AGENDA ITEM NO. 13- COMMITTEE UPDATES

None

AGENDA ITEM NO. 14: MATTER FROM BOARD MEMBERS

Board Comment: Director Aum

AGENDA ITEM NO. 18: ADJOURNMENT

IT IS ORDERED to approve adjourning the meeting at 6:42 p.m.

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- *Minutes are considered draft until adopted/approved by the Board of Directors*
- *Please reference the District's website to obtain additional resource information for the Board of Directors: www.mccsd.com.*

Thank you for your interest in the proceedings of the Mendocino City Community Services District

Board of Directors

STANDING COMMITTEES:

- Finance:----- Dennak Murphy and Ishvi Aum
- Personnel:----- Dennak Murphy and Matthew Miksak
- Plant Operations:----- Dennak Murphy and Jim Sullivan
- Safety: ----- Jim Sullivan
- Street Lighting:----- Donna Feiner and Jim Sullivan
- Groundwater Management:----- Donna Feiner and Jim Sullivan

Respectfully submitted,

Ryan Rhoades and Katie Bates

MENDOCINO CITY COMMUNITY SERVICES DISTRICT

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MENDOCINO CITY COMMUNITY SERVICES DISTRICT SPECIAL BOARD MEETING

ACTION MINUTES – May 8, 2023

**BEFORE THE BOARD OF DIRECTORS
FAIR STATEMENT OF PROCEEDINGS
(PURSUANT TO CALIFORNIA COMMUNITY SERVICES DISTRICT LAW
Government Code §61000)**

AGENDA ITEM NO. 1 – CALL TO ORDER – OPEN SESSION 10:31 a.m.

Present: Directors Ishvi Aum, Donna Feiner, Vice President Jim Sullivan and presiding was President Dennak Murphy

Staff Present: Katie Bates, Board Secretary and Ryan Rhoades, District Superintendent

Legal Counsel Present: Chris Hamer and Jim Jackson

Public Present: Tom Tetzlaff

AGENDA ITEM NO. 2. – APPROVAL OF AGENDA

Director Feiner moved to approve the agenda. Director Aum 2nd. All in favor. Absent: Matthew Miksak

AGENDA ITEM NO. 3 – PUBLIC COMMENT: non agenda items

Mr. Tetzlaff voiced concerns about Groundwater Management.

Director Feiner stated how valuable it is to read meters

AGENDA ITEM NO. 4 –ADJOURNMENT TO CLOSED SESSION

Presenter: Dennak Murphy

AGENDA ITEM NO. 6–RETURN FROM RECESS 11:30 a.m. Continue Special Meeting

a. Call to Order

Present: Directors Ishvi Aum, Donna Feiner, Vice President Jim Sullivan and presiding was President Dennak Murphy

Staff Present: Katie Bates, Board Secretary and Ryan Rhoades, District Superintendent

Public Present: Steve Gomes

Board consulted with council regarding ongoing litigation and provided counsel with direction regarding Gomes v MCCSD

AGENDA ITEM NO. 7- PUBLIC COMMENT

Mr. Gomes asked the Board to repeat the report out from closed session

AGENDA ITEM NO. 8- ADJOURNMENT

Meeting is adjourned 11:32 a.m.

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Safety: ----- Jim Sullivan

Street Lighting:----- Donna Feiner and Jim Sullivan

Groundwater Management:----- Donna Feiner and Jim Sullivan

Respectfully submitted,

Katie Bates

MENDOCINO CITY COMMUNITY SERVICES DISTRICT

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MENDOCINO CITY COMMUNITY SERVICES DISTRICT EMERGENCY BOARD MEETING

ACTION MINUTES – March 3, 2023

**BEFORE THE BOARD OF DIRECTORS
FAIR STATEMENT OF PROCEEDINGS
(PURSUANT TO CALIFORNIA COMMUNITY SERVICES DISTRICT LAW
Government Code §61000)**

AGENDA ITEM NO. 1 – CALL TO ORDER – 9:02 am.

Present: Director Donna Feiner, Vice President Jim Sullivan, and presiding was President Dennak Murphy

Staff Present: Mr. Ryan Rhoades, District Superintendent, Katie Bates, Board Secretary.

Legal Counsel Present: None

Public Present: None

AGENDA ITEM NO. 2. – APPROVAL OF AGENDA

Staff Comment: Superintendent Rhoades notes that the meeting should have been titled a Special Meeting rather than an Emergency Meeting

Board Action: Upon motion by Director Feiner and 2nd by VP Sullivan, IT IS ORDERED to approve the agenda. The Motion carried by the following vote:

AYE: 3

NO: 0

ABSENT: 2 (Miksak and Aum)

AGENDA ITEM NO. 3 –PUBLIC COMMENT

None

AGENDA ITEM NO. 4 – COMMUNICATIONS

None

AGENDA ITEM NO. 5 – NEW BUSINESS

- a) Discussion and Possible Action to adopt RESOLUTION NO 2023-311 OF THE MENDOCINO CITY COMMUNITY SERVICES DISTRICT TO AUTHORIZE THE PURSUIT OF STATE WATER RESOURCES CONTROL BOARD FUNDING FOR RECYCLED WATER SYSTEM UPGRADES

Board Action: Upon motion by Director Feiner and 2nd by VP Sullivan, IT IS ORDERED to approve Resolution 2023-311. The Motion carried by the following vote:

AYE: 3

NO: 0

ABSENT: 2 (Miksak and Aum)

- b) Discussion and Possible Action to adopt RESOLUTION NO 2023-312 OF THE MENDOCINO CITY COMMUNITY SERVICES DISTRICT TO AUTHORIZE THE PURSUIT OF STATE WATER RESOURCES CONTROL BOARD FUNDING FOR WASTEWATER SYSTEM PLANNING AND UPGRADES

Board Action: Upon motion by Director Feiner and 2nd by VP Sullivan, IT IS ORDERED to approve Resolution 2023-312. The Motion carried by the following vote:

AYE: 3

NO: 0

ABSENT: 2 (Miksak and Aum)

- c) Discussion and Possible Action to approve cost up to \$16000 to complete the fix to the influent pump and suction line

Staff Comment: Ryan Rhoades

Board Comment: Director Feiner and VP Sullivan

Board Action: Upon motion by Director Feiner and 2nd by VP Sullivan, IT IS ORDERED to approve Resolution 2023-311. The Motion carried by the following vote:

AYE: 3

NO: 0

ABSENT: 2 (Miksak and Aum)

AGENDA ITEM NO. 7- COMMITTEE UPDATES

Director Feiner and VP Sullivan give update on GWM Committee Meeting from 3/1/23

AGENDA ITEM NO. 8: MATTER FROM BOARD MEMBERS

AGENDA ITEM NO. 9: ADJOURNMENT

IT IS ORDERED to approve adjourning the meeting at 9:38 a.m.

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Safety: ----- Jim Sullivan
Street Lighting:----- Donna Feiner and Jim Sullivan
Groundwater Management:----- Donna Feiner and Jim Sullivan

Respectfully submitted,

Ryan Rhoades and Katie Bates

Memo

To: Board of Directors
From: Katie Bates
cc: Ryan Rhoades
Date: May 24, 2023
Re: Proposed 23-24 Budget

Staff worked with our bookkeeper and the Finance Committee over the last few months to come up with the proposed budgets you see today. Staff took their suggestions and wound up making a cleaner document.

Staff pulled the Outfall repair and maintenance out from general repair and maintenance since the California State Lands Commission is requiring more annual attention be given it each year, we decided to give it its own line item.

We have included \$40,000 to replace our roof under repair and maintenance, but hope to be reimbursed by GSRMA or FEMA.

We increased the legal notice/ publications budget from \$0 last year to \$25,000 to potentially publish an updated Ordinance in the paper.

MCCSD has saved \$20,000 in employee health benefits costs this year thanks to the Cafeteria Plan the Board adopted in September of 2022.

Operational costs continue to rise, but thanks to the newly adopted rate increase, MCCSD is projected to be able to put money in reserves for the first time in the past 3 years; upwards of ~\$227,000. The District is in a better financial position than it was this time last year.

Memo

To: MCCSD Board of Directors
From: District Superintendent
cc: Jim Jackson
Date: May 25, 2023
Re: Groundwater Management Report

The 2022-23 Rain Year

October 1, 2022 was the beginning of the 2022-23 rain year. Average annual precipitation in Mendocino is 39.72 inches, and average rainfall in May is 1.41" inches. 1.54" inches of rainfall has been measured in the District for the month, as of May 25, 2023 (Figure 1, Table 1).

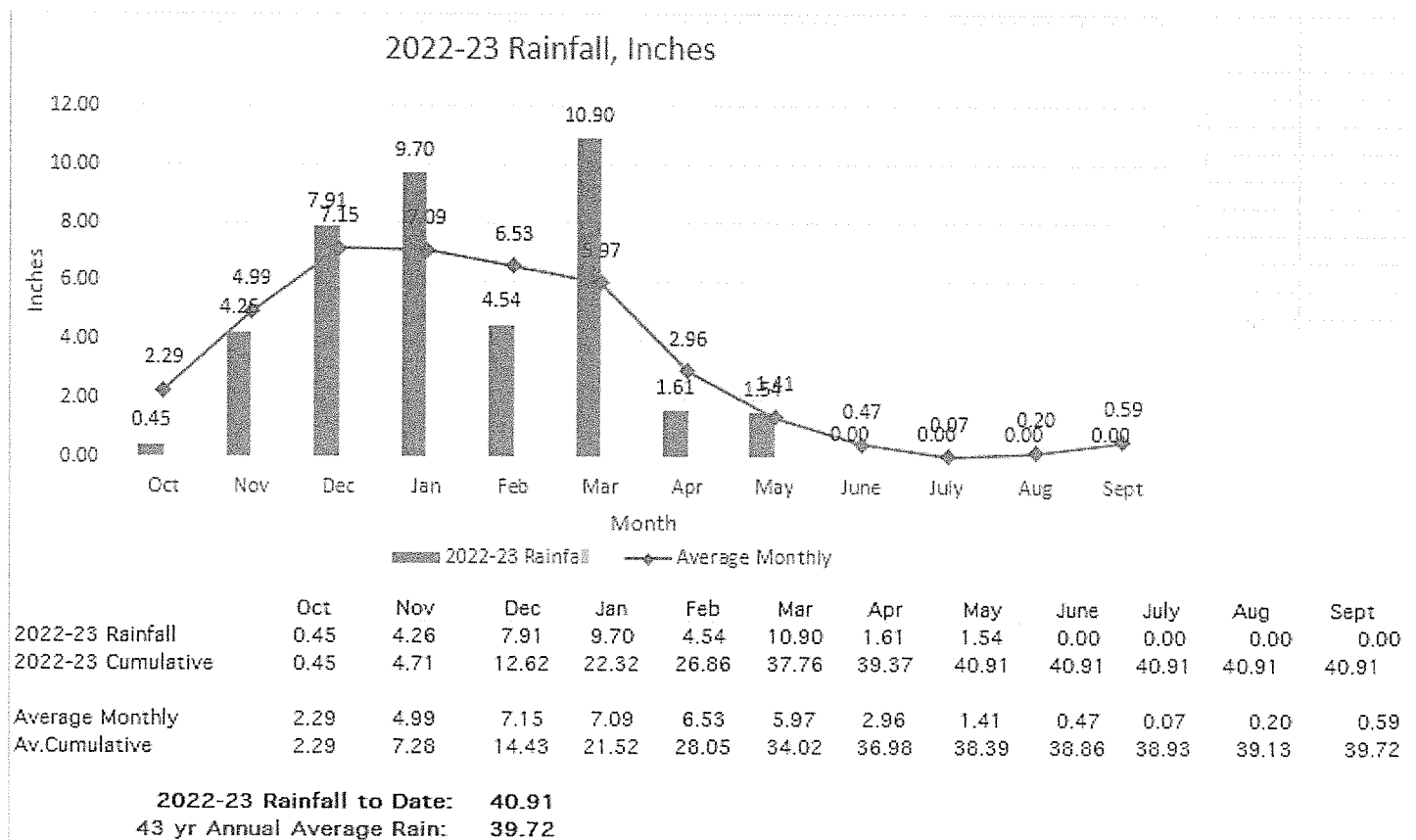


Figure 1, Table 1

Total Rainfall for Rain Year 2021-22 was 33.82” inches. Mendocino received 85% of normal annual rainfall during the last water year. By May 25, 2023, total rainfall since October 1, 2022 was 40.91” inches, 103% of average annual rainfall.

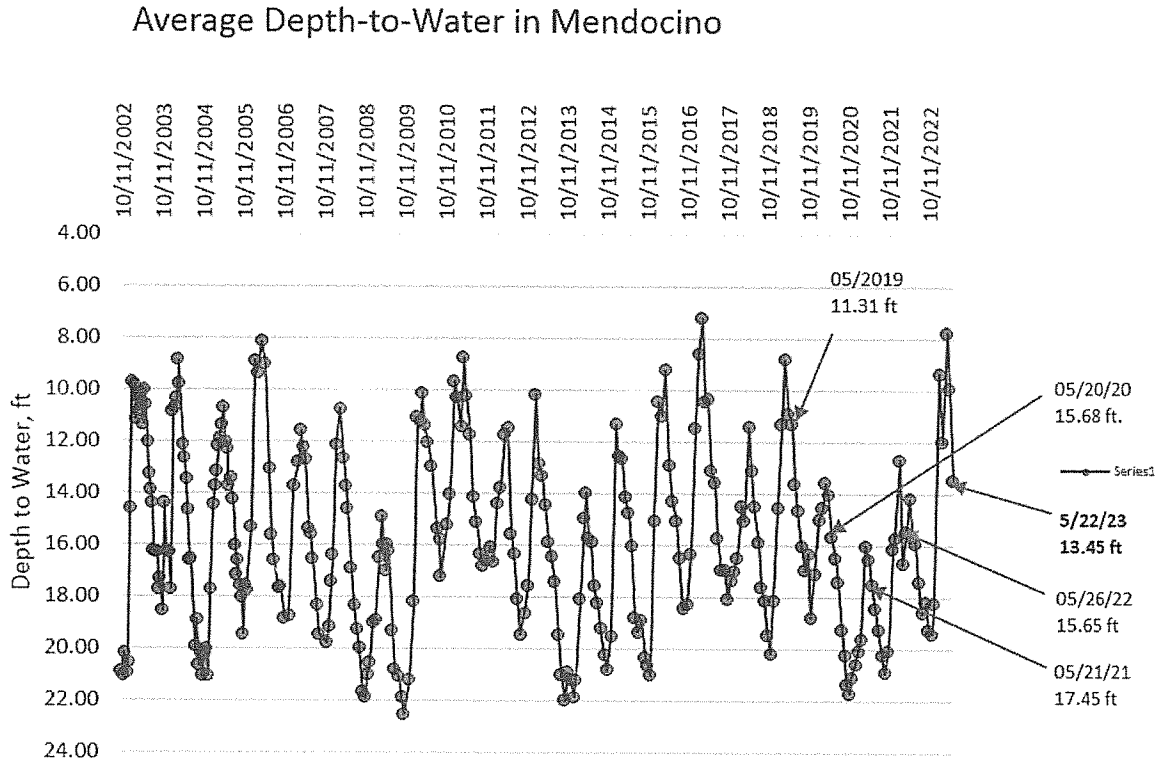
DAILY TOTAL RAINFALL													
2022-23												Elevation 72 Feet	
Data From : Community Service District												Latitude 39.306°	
Day	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Longitude -123.800°
1		0.05	0.03	0.04		0.01	0.04	0.2					
2				0.32	0.86	0.03	0.06	0.09					
3		0.02	0.19	0.32		0.47		0.06					
4	0.02	0.68	0.30	1.54	0.81	0.41		0.02					
5	0.01	0.07	0.31	0.24	0.02	0.5		0.33					
6	0.01	0.53	0.10	1.04	.01	0.2	0.79						
7		0.83	0.02	1.90		0.79	0.04	0.4					
8		0.13	0.19	0.45	0.01	0.07		0.39					
9			1.49	0.38	0.03	1.18	0.01	0.02					
10	0.03	0.01	0.71	0.14	0.35	0.05	0.2						
11	0.02	0.11	0.24	0.71		0.35							
12	0.02	0.03	0.02	1.28		0.46							
13	0.02	0.04	0.02	0.66		1.97							
14			0.01	0.17	0.15	1.18							
15		0.02	0.01	0.02		0.02		0.01					
16	0.01					0.01		0.01					
17	0.01					0.01		0.01					
18	0.02		0.03	0.47		0.37	0.32						
19			0.01	0.01		0.15	0.02						
20			0.01			0.35							
21	0.05		0.24		0.30	0.22							
22			0.09		0.24		0.04						
23			0.02		0.47		0.02						
24	0.02												
25					0.03								
26			1.53	0.01	0.68								
27		0.04	0.15		0.34	1.22							
28			0.16		0.25	0.52	0.01						
29			1.73			0.09	0.06						
30		1.70	0.30			0.03							
31	0.21					0.24							
Sum	0.45	4.26	7.91	9.70	4.54	10.90	1.61	1.54	0.00	0.00	0.00	0.00	
Count	13	14	25	18	14	26	12	11	0	0	0	0	
Max	0.21	1.70	1.73	1.90	0.86	1.97	0.79	0.40	0.00	0.00	0.00	0.00	
Rainy Days		133											
Maximum Daily Rainfall				1.97									40.91
													Water year Total Rainfall

Table 1 2022-23 Rainfall Record

May 2023 Depth-to-Water (DTW)

The average DTW measurements District-wide in the 24 monitoring wells on May 22, 2023 was 13.45 ‘ ft., about 3.5 ft. lower than April 2023, about 2.2 ft. better than May of 2022, and about 4 ft. better than May of 2021. Compared to a good rain year like 2019, which received 45.64” inches, the average depth to water is currently about 2.1 ft. below average for the month.

Figure 2 May 2023, Depth-To-Water Chart



Following the Water Shortage Contingency Plan. The MCCSD Board declared on April 19, 2023 that no water shortage exists within the MCCSD boundaries.

May 31, 2023 represents the next water shortage evaluation date. At that time rainfall totals will be evaluated to determine if a water shortage exists. Current rainfall totals indicate no water shortage exists within the MCCSD boundaries. The Superintendent recommends caution and conservation but continue to follow the plan.

MENDOCINO CITY COMMUNITY SERVICES DISTRICT
2023 2024 Proposed Budget

2023 2024 Dept. 1 Dept. 2 Dept. 3
BUDGET WW GWM G/Admin

OPERATING INCOME:

1	SEWER USE FEES	1,031,956	954,559	0	77,397
2	CHARGE FOR GROUNDWATER MANAGEMENT	212,777	0	182,988	29,789
3	PERMIT FEES	2,100	0	2,100	0
4	FEES TO READ WATER METER	9,000	0	9,000	0
5	HILLS RANCH SERVICE	3,000	3,000	0	0
6	WATER METER SALES	5,220	0	5,220	0
	TOTAL OPERATING REVENUE:	1,264,053	957,559	199,308	107,185

NON-OPERATING INCOME:

		WW	GWM	G/Admin
1	General Property Taxes	108,000	0	108,000
2	Savings Interest	3,100	0	3,100
3	Late Fees	5,000	0	5,000
	TOTAL NON-OPERATING REVENUE:	116,100	0	116,100
	TOTAL REVENUE	1,380,153	957,559	223,285

OPERATING EXPENSES:

		WW	GWM	G/Admin
SALARIES:				
1	WAGES	103,283	84,692	18,591
2	WAGES ADMIN	177,427	72,745	15,968
	SALARY SUBTOTAL	280,710	157,437	34,559
BENEFITS:				
3	RETIREMENT-CALPERS	28,000	16,520	3,640
4	DENTAL/OPT./HEALTH/LIFE	83,550	49,295	10,862
	BENEFITS SUBTOTAL:	111,550	65,815	14,502
5	WORKMAN'S COMP	18,000	10,620	2,340
6	CALPERS-UNFUNDED LIABILITY	41,840	24,685	5,439
7	PR TAXES	34,372	20,279	4,468
	LABOR SUBTOTAL:	486,472	278,836	61,308
PROFESSIONAL SERVICES:				
8	PROFESSIONAL FEES	18,000	0	18,000
9	LEGAL FEES	40,000	6,000	24,000
10	ACCOUNTANT/ AUDIT	18,520	0	18,520
11	GW MODEL UPDATE	0	0	0
	PROFESSIONAL FEES SUBTOTAL:	76,520	6,000	42,000
UTILITIES				
12	PG&E AND TRASH	82,000	78,456	3,544
13	TELEPHONE/ CELL /INTERNET/ WEBPAGE	5,990	0	5,990
14	BIOSOLIDS DRYER FUEL	24,000	24,000	0
	UTILITES SUBTOTAL:	111,990	102,456	3,544
SUPPLIES AND MAINTENANCE				
15	OUTFALL MAINTENANCE AND REPAIR	40,000	40,000	0
16	REPAIR & MAINTENANCE	176,000	125,031	49,552
17	SAFETY SUPPLY/EQUIP.	2,400	2,400	0
18	SUPPLIES/TOOLS	36,304	29,043	726

19	VEHICLE FUEL/MAINT	3,600	0	3,600	0
	SUPPLIES AND MAINTENANCE SUBTOTAL	258,304	196,474	53,878	7,952
20	SWRCB ANNUAL NPDES/SSO (discharge permit)	18,000	18,000	0	0
21	COUNTY PERMIT FEES	3,000	3,000	0	0
22	BIOSOLIDS DISPOSAL	2,000	2,000	0	0
23	LEGAL NOTICE/PUBLICATIONS	25,000	0	25,000	0
24	PROPERTY AND LIABILITY INSURANCE	30,000	0	0	30,000
25	LAB SUPPLIES/TESTING	22,000	21,500	500	0
26	TRAINING/EDUCATION	4,500	0	0	4,500
	TOTAL OPERATING EXPENSES:	1,037,786	628,267	186,230	223,288

NON-OPERATING EXPENSES

1	Loan Payment on Biosolids Dryer	35,380	35,380	0	0
2	Loan Payment on Plant Upgrades	79,828	79,828		

RESERVES:

3	Capital Improvement(From User Fees)	77,500	77,500	0	0
4	Operation and Maintenance	92,659	79,585	13,078	
5	Equipment Replacement fund (from User Fees)	57,000	57,000	0	0
	TOTAL CASH ITEMS:	342,367	329,293	13,078	0

	CASH MARGIN	0	(0)	(0)	(3)
--	-------------	---	-----	-----	-----

Memo

To: Board of Directors
From: Katie Bates
cc: Ryan Rhoades
Date: May 26, 2023
Re: 21-22 Audit

Staff worked closely with our auditor at O'Connor and Associates to complete the Audit, ending June 30, 2022. This was our first year working with this auditing firm and Staff was pleased with their responsiveness and attention to detail.

Staff agrees with the auditor recommendations. Staff will work to formalize a capitalization policy for leases liabilities and right to use assets over \$35,000, and for equipment over \$10,000 and buildings and improvements over \$50,000. Staff will also work with GSRMA to increase the limit for crime coverage from \$25,000 to \$250,000.

**MENDOCINO CITY COMMUNITY
SERVICES DISTRICT**

MENDOCINO, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino City CSD
Mendocino, California

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities and the major fund of Mendocino City CSD, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Mendocino City CSD's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and the major fund of Mendocino City CSD, as of June 30, 2022, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Mendocino City CSD, 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

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 Mendocino City CSD'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.

Auditor's Responsibilities for the Audit of the Financial Statements

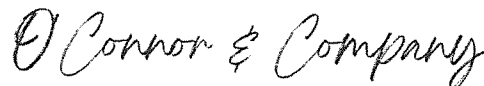
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Mendocino City CSD'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 Mendocino City CSD'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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not modified with respect to this matter.



O'Connor & Company

San Rafael, California
May 1, 2023

Mendocino City Community Services District
STATEMENT OF NET POSITION
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ -	\$ 619,135	\$ 619,135
Accounts receivable	-	28,269	28,269
Inventory	-	2,625	2,625
Nondepreciable capital assets	-	5,826,301	5,826,301
Depreciable capital assets, net	-	2,039,286	2,039,286
Total assets	<u>-</u>	<u>8,515,616</u>	<u>8,515,616</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>-</u>	<u>73,076</u>	<u>73,076</u>
LIABILITIES			
Accounts payable and accrued expenses	-	20,426	20,426
Compensated absences	-	6,228	6,228
Deferred revenue	-	112,000	112,000
Net pension liability	-	195,002	195,002
Long-term liabilities:			
Due within one year	-	55,066	55,066
Due in more than one year	-	2,341,800	2,341,800
Total liabilities	<u>-</u>	<u>2,730,522</u>	<u>2,730,522</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>-</u>	<u>198,788</u>	<u>198,788</u>
Total deferred inflows of resources	<u>-</u>	<u>198,788</u>	<u>198,788</u>
NET POSITION			
Net investment in capital assets	-	5,468,721	5,468,721
Unrestricted (deficit)	-	190,661	190,661
Total net position	<u>\$ -</u>	<u>\$ 5,659,382</u>	<u>\$ 5,659,382</u>

The accompanying notes are an integral part of these financial statements.

Mendocino City Community Services District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fines, Fees & Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Proprietary Activities	Totals
Primary government:							
Governmental activities:							
Total governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities							
Ground water and waste water services	1,353,089	823,690	-	172,117	-	(357,282)	(357,282)
Total business-type activities	1,353,089	823,690	-	172,117	-	(357,282)	(357,282)
Total primary government	\$ 1,353,089	\$ 823,690	\$ -	\$ 172,117	\$ -	\$ (357,282)	\$ (357,282)
General revenues:							
Taxes:							
Property tax					-	105,878	105,878
Investment earnings					-	1,600	1,600
Total general revenues and transfers					-	107,478	107,478
Change in net position					-	(249,804)	(249,804)
Net position - beginning,					5,909,186	-	5,909,186
Prior period adjustment					(5,909,186)	5,909,186	-
Net position - beginning restated					-	5,909,186	5,909,186
Net position - ending					\$ -	\$ 5,659,382	\$ 5,659,382

The accompanying notes are an integral part of these financial statements.

Mendocino City Community Services District
Governmental Funds
BALANCE SHEET
June 30, 2022

	<u>General Fund</u>
<u>ASSETS</u>	
Total assets	<u>\$ -</u>
<u>LIABILITIES</u>	
Total liabilities	<u>-</u>
<u>FUND BALANCES</u>	
Unassigned	-
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

Mendocino City Community Services District
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION
For the year ended June 30, 2022

Total fund balances - governmental funds	\$ -
There are no reconciling items.	<u>-</u>
Total net position - governmental activities	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Mendocino City Community Services District
Governmental Funds
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2022

	<u>General Fund</u>
Revenues:	
Total revenues	\$ -
Expenditures:	
Total expenditures	-
Excess (deficit) of revenues over (under) expenditures	-
Fund balances, beginning of period	857,373
Prior period adjustment	(857,373)
Fund balances, beginning of period restated	-
Fund balances, end of period	\$ -

The accompanying notes are an integral part of the financial statements.

Mendocino City Community Services District
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

Net change in fund balances - total governmental funds	\$ -
There are no reconciling items.	<u>-</u>
Changes in net position of governmental activities	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Mendocino City Community Services District
BALANCE SHEET
Proprietary Fund
June 30, 2022

ASSETS

Current assets:	
Cash and investments	\$ 619,135
Accounts receivable	28,269
Inventory	2,625
Total current assets	<u>650,029</u>
Capital assets (Note 3):	
Non-depreciable assets	5,826,301
Depreciable assets (net of depreciation)	2,039,286
Total assets	<u>8,515,616</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - Pension (Note 4)	<u>73,076</u>
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LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable	9,553
Accrued expenses	10,873
Compensated absences	6,228
Deferred revenue	112,000
Total current liabilities	<u>138,654</u>
Long-term liabilities:	
Due within one year (Note 5)	55,066
Due in more than one year (Note 5)	2,341,800
Net pension liability (Note 4)	195,002
Total long-term liabilities	<u>2,591,868</u>
Total liabilities	<u>2,730,522</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - Pension (Note 4)	<u>198,788</u>
--	----------------

Net position:

Net investment in capital assets	5,468,721
Unrestricted	190,661
Total net position	<u>\$ 5,659,382</u>

The accompanying notes are an integral part of these financial statements.

Mendocino City Community Services District
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
Proprietary Fund
For the Year Ended June 30, 2022

Operating revenues:	
Ground water and waste water fees	\$ 823,690
Property taxes	105,878
Intergovernmental revenue	<u>172,117</u>
Total operating revenues	<u>1,101,685</u>
Operating expenses:	
Salaries and benefits	419,687
Waste water	66,348
Ground water management	52,326
Treatment	148,760
General and administrative	144,003
Depreciation	<u>275,493</u>
Total operating expenses	<u>1,106,617</u>
Operating income (loss)	<u>(4,932)</u>
Non-operating revenues (expenses):	
Interest income	1,600
Litigation settlement	(186,316)
Interest expense	<u>(60,156)</u>
Total non-operating revenues (expenses)	<u>(244,872)</u>
Changes in net position	<u>(249,804)</u>
Net position, beginning of period	6,176,583
Prior period adjustment	<u>(267,397)</u>
Net position, beginning of period restated	<u>5,909,186</u>
Net position, end of period	<u>\$ 5,659,382</u>

The accompanying notes are an integral part of these financial statements.

Mendocino City Community Services District
STATEMENT OF CASH FLOWS
Proprietary Fund
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Receipts from customers	\$ 1,118,437
Payments to employees	(205,145)
Payments to suppliers	(689,875)
Net cash provided (used) by operating activities	<u>223,417</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(214,849)
Payments on long-term debt	(86,883)
Capital grants	112,000
Interest paid on long-term debt	(60,156)
Net cash provided (used) by capital and related financing activities	<u>(249,888)</u>
Cash flows from non-capital and related financing activities:	
Litigation settlement	(186,316)
Net cash provided (used) by capital and related financing activities	<u>(186,316)</u>
Cash flows from investing activities:	
Interest earned	1,600
Net cash provided by investing activities	<u>1,600</u>
Net increase (decrease) in cash and cash equivalents	(211,187)
Cash and cash equivalents - beginning of period	<u>830,322</u>
Cash and cash equivalents - end of period	<u>\$ 619,135</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (4,932)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	275,493
Prior period adjustment	(267,397)
Changes in certain assets and liabilities:	
Accounts receivable	16,751
Inventory	1
Deferred outflow of resources - pension plan	285,387
Accounts payable	(11,042)
Compensated absences	10,873
Deferred inflow of resources - pension plan	198,788
Net pension liability	(280,506)
Total adjustments	<u>228,349</u>
Net cash provided (used) by operating activities	<u>\$ 223,417</u>

The accompanying notes are an integral part of these financial statements.

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of District

Mendocino City CSD (the District) was formed in 1971 under Government Code Sections 61000 et.seq. to collect and treat wastewater and maintain street lighting for the unincorporated town of Mendocino. Pursuant to a ballot measure passed in 1985 and the California Public Contract Code, the District was mandated to seek a permanent solution to the inadequate sources of water. These solutions include working toward a system of conservation in conjunction with recycling for irrigation and recharge. In 1990, the District assumed responsibility for groundwater management as authorized by AB 786. Major sources of revenue for the District include water and waste water service charges and property taxes.

B. The Reporting Entity

The financial statements consist of the District's proprietary enterprise fund, which consists of the maintenance, operation and expansion of the water and sewer public utility system. These services are proprietary in nature and are maintained as an enterprise fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The proprietary enterprise fund financial statements required by GASB No. 34 are reported using the "*flow of economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statements of Financial Position. The Statement of Revenues, Expenses, and Net Position presents changes in fund equity. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

D. Net Position

The proprietary enterprise fund financial statements utilize a net position presentation. Net position categories are as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
- Restricted Net Position - This component of net position consists of amounts with constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets. This may include amounts board-designated to be reported as being held for a particular purpose.

The District may fund operations with a combination of cost-reimbursement grants and capital grants. Thus, both restricted and unrestricted net positions may be available to finance expenditure. The District's policy is to first apply restricted resources, followed by unrestricted resources if necessary.

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Estimated Budgets

The District adopts a preliminary budget for the following fiscal year, and a final budget for the year. Budgetary revenue estimates represent original estimates modified for any authorized adjustments, contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. All budgets are adopted on a non-GAAP basis.

F. Accounts Receivable

The District bills the local residents to cover costs related to groundwater management on a quarterly basis and commercial customers on a monthly basis. The District is not able to discontinue water service, as water comes from privately owned wells. If a customer does not have a valid extraction permit on file, the District may impose a penalty of \$100.00 per day. Management believes all amounts are collectible and, accordingly, there is no provision for uncollectible accounts reflected herein.

G. Inventories and Prepaid Items

All inventories are valued at cost based upon physical determinations made at the end of each year.

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

H. Capital Assets

Capital assets in excess of \$5,000 are stated at cost of acquisition. Significant improvements or betterments to existing assets are capitalized; maintenance and repairs that do not extend the useful lives of the assets are charged to operations. Costs incurred during the construction phase of a project, including interest paid, are included in the construction in progress account and upon completion of the project are transferred to capital assets.

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Position – Business-type Activities Enterprise Fund as a reduction in the book value of capital assets. Depreciation is charged as an operating expense on the Statement of Revenues, Expenses and Net Position - Business-type Activities Enterprise Fund. Depreciation expense was \$275,493 for the fiscal year ended June 30, 2022.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer and Water treatment plant	10-75
Sewer and Water collection system	15-75
Buildings and improvements	10-40
Vehicles, trucks and equipment	5-10

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

J. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits. The liability for unpaid vacation is recorded in the financial statements when the liability is incurred and vacation is reported as the current portion of such compensated absences. The total amount of compensated absences payable at June 30, 2022 was \$6,228.

Employees accrue vacation benefits up to an accrual maximum of 144 hours after 11 years of service. Upon termination, retirement, or death of an employee, the District pays any accrued and unused vacation in a lump-sum payment to the employee or beneficiary in accordance to applicable law.

K. Deferred Revenue

Deferred revenue is recorded to the extent that funds are received ahead of time where it qualifies for income recognition. Deferred revenue consists primarily of intergovernmental grants received during the current year for projects to be conducted subsequent to June 30, 2022.

L.. 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, as a member of the Golden State Risk Management Authority (GSRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. GSRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mendocino City Community Services District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions 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 the benefit terms. Investments are reported at fair value.

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

O. Reclassifications

Certain balances at, and for the year ended June 30, 2021, were reclassified to conform with June 30, 2022, balances.

P. Contingencies

Subsequent events have been evaluated through the date the financial statements were available to be issued.

Litigation

The District is involved in litigation incurred in the normal course of conducting District business. There is one specific case in Mendocino Superior Court, Gomes vs the District. The case was settled and the District paid a settlement in the amount of \$186,316 in May 2022.

Q. Deferred Outflows and Inflows of Resources

In addition to assets, 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for its pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its pension plan.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District maintains a deposit account with Savings Bank of Mendocino County and an account with Local Agency Investment Fund.

These funds have been segregated into accounts and at June 30, 2022, the balances were as follows:

	2022
Cash and investments:	
Demand accounts	\$ 347,460
LAIF	271,675
Total	\$ 619,135

The District's investment policy has been to invest idle cash in demand deposits, time deposits and the Local Agency Investment Fund (LAIF). Investments are reported at fair value.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal depository insurance.

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (concluded)

LAIF is part of the Pooled Money Investment Account managed by the California State Treasurer and funds are invested in accordance with Government Code Sections 16430 and 16480. Participants in LAIF have the right to withdraw their funds with one day's notice. At June 30, 2022, the fair value of LAIF's assets was approximately equal to the District's share as reported above. Restriction of cash is required by Board resolution or District ordinance to equal required reserves.

Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The District's holdings are classified as Level 1 of the fair value hierarchy. The District's holdings in the Local Agency Investment Pool were not subject to the fair value hierarchy.

NOTE 3 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2022 and 2021.

<u>Business-type Activities</u>	<u>Balance 6/30/21</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/22</u>
Capital assets, not being depreciated:				
Land	\$ 1,600,000	\$ -	\$ -	\$ 1,600,000
Construction in progress	4,032,677	193,624	-	4,226,301
Total capital assets, not being depr.	<u>5,632,677</u>	<u>193,624</u>	<u>-</u>	<u>5,826,301</u>
Capital assets, being depreciated:				
Sewer & water facilities and improvements	4,710,093	-	-	4,710,093
Equipment and furniture	709,958	21,225	-	731,183
Vehicles	105,157	-	-	105,157
Total capital assets, being depreciated	<u>5,525,208</u>	<u>21,225</u>	<u>-</u>	<u>5,546,433</u>
Capital assets, being depreciated:				
Sewer & water facilities and improvements	2,877,813	217,317	-	3,095,130
Equipment and furniture	306,285	46,290	-	352,575
Vehicles	47,556	11,886	-	59,442
Total capital assets, being depreciated	<u>3,231,654</u>	<u>275,493</u>	<u>-</u>	<u>3,507,147</u>
Total capital assets being depreciated – net	<u>2,293,554</u>	<u>(254,268)</u>	<u>-</u>	<u>2,039,286</u>
Capital assets – net	<u>\$ 7,926,231</u>	<u>\$ (60,644)</u>	<u>\$ -</u>	<u>\$ 7,865,587</u>

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022

NOTE 4 - PENSION PLAN

A. General Information About The Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government 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.

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. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensations	2.0%	2.0%
Required employee contribution rates	7.0%	6.75%
Required employer contribution rates	8.794%	7.73%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial process. The actuarially determined rate is the estimated amount necessary to finance the costs 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. Employer contribution rates may change if plan contracts are amended. Payments made by the District to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the year ended June 30, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions - employer	<u>Miscellaneous</u> \$50,629
--------------------------	----------------------------------

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 4 - PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

As of June 30, 2022, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ <u>195,002</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2021, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	0.01047%
Proportion - June 30, 2021	<u>0.01027%</u>
Change – Increase (Decrease)	(0.00020%)

For the year ended June 30, 2022, the District recognized pension expense/(credit) of \$(769). On June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 50,629	\$ -
Differences between actual and expected experience	21,867	-
Changes in assumptions	-	-
Change in employer's proportion and differences. between the employer's contributions and the employer's proportionate share of contributions	-	28,562
Net differences between projected and actual earnings on plan investments	<u>580</u>	<u>170,226</u>
Total	<u>\$ 73,076</u>	<u>\$ 198,788</u>

\$50,629 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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>Year Ended June 30</u>	
2023	\$ 41,625
2024	43,320
2025	44,355
2026	47,042
Thereafter	-

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 4 - PENSION PLAN (continued)

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

Actuarial Assumptions - The June 30, 2020, valuation was rolled forward to determine the June 30, 2021, total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal in accordance with requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.5%
Salary increases	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP2016. For more details on this table, please refer to the December 2017 experience study report.

Discount Rate - The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's 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 on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Allocation</u>	<u>Real Return Years 1-10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%
Total	<u>100%</u>		

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022

NOTE 4 - PENSION PLAN (continued)

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

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.00% used for this period.
- (c) An expected inflation of 2.92% used for this period.

Subsequent Events - There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources - Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expenses. The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on pension plan investments- 5-year straight-line amortization.

All other amounts- Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of beginning of the measurement period.

Expected Average Remaining Service Lives (EARSL) - The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2021, is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
 The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$470,721
Current Discount Rate	7.15%
Net Pension Liability	\$195,002
1% Increase	8.15%
Net Pension Liability	\$(32,932)

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 4 - PENSION PLAN (concluded)

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

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan - At June 30, 2022, the District reported no amounts payable for the outstanding amount of contributions to the pension plan required for the year then ended.

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt as of June 30, 2022:

<u>Direct Borrowings:</u>	June 30, 2021	Additions	Adjustments & Retirements	June 30, 2022	Current
2020 – USDA Certificates of Participation	\$2,099,999	\$ -	\$ 64,499	\$2,035,500	\$ 32,000
2005 – California Infrastructure and Economic Development	383,750	-	22,384	361,366	23,066
Total	<u>\$2,483,749</u>	<u>\$ -</u>	<u>\$ 86,883</u>	<u>\$2,396,866</u>	<u>\$ 55,066</u>

The District has a note payable with California Infrastructure and Economic Development for a biosolids drying unit and housing for the unit for \$650,000 that is originally dated April 2005. The note matures August 2034 and has an interest rate of 3.05 percent. Interest payments are made on August and February 1st each year. Principal payments are made on August 1st each year.

Principal interest payments on the debt for the succeeding years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 23,066	\$ 11,022	\$ 34,088
2024	23,770	10,318	34,088
2025	24,495	9,594	34,089
2026	25,242	8,846	34,088
2027	26,012	8,076	34,088
2028	26,805	7,282	34,087
2029	27,623	6,466	34,089
2030	28,465	5,622	34,087
2031	29,333	4,754	34,087
2032	30,228	3,860	34,088
2033	31,150	2,938	34,088
2034	32,100	1,988	34,088
2035	33,077	1,008	34,085
Total	<u>\$ 361,366</u>	<u>\$ 81,774</u>	<u>\$ 443,140</u>

The District has a note payable with United States Department of Agriculture that originated November 2019 and matures November 2059. Interest is 2.38 percent. Principal and interest payments are made annually on November 1st each year.

Principal and interest payments on the bonds for the succeeding years and thereafter are as follows:

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 5 - LONG-TERM DEBT (concluded)

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 32,000	\$ 48,343	\$ 80,343
2024	32,500	47,583	80,083
2025	33,500	46,811	80,311
2026	34,500	46,016	80,516
2027	35,500	45,196	80,696
2028	36,000	44,353	80,353
2029	37,000	43,498	80,498
2030	38,000	42,619	80,619
2031	39,000	41,717	80,717
2032	40,000	40,791	80,791
2033	41,500	39,841	81,341
2034	42,500	38,855	81,355
2035	43,500	37,846	81,346
2036	44,500	36,813	81,313
2037	46,000	35,756	81,756
2038	47,000	34,663	81,663
2039	48,000	33,547	81,547
2040	49,500	32,407	81,907
2041	51,000	31,231	82,231
2042	52,000	30,020	82,020
2043	53,500	28,785	82,285
2044	55,000	27,514	82,514
2045	56,500	26,208	82,708
2046	58,000	24,866	82,866
2047	59,500	23,489	82,989
2048	61,000	22,076	83,076
2049	62,500	20,627	83,127
2050	64,000	19,143	83,143
2051	66,000	17,623	83,623
2052	67,500	16,055	83,555
2053	69,500	14,452	83,952
2054	71,000	12,801	83,801
2055	73,000	11,115	84,115
2056	75,000	9,381	84,381
2057	77,000	7,600	84,600
2058	79,000	5,771	84,771
2059	81,000	3,895	84,895
2060	83,000	1,971	84,971
Total	<u>\$ 2,035,500</u>	<u>\$ 1,091,277</u>	<u>\$ 3,126,777</u>

NOTE 6 - PROPERTY TAXES

Property taxes are assessed, collected and distributed by the County of Mendocino in accordance with legislation. Secured property taxes are attached as an enforceable lien on real property located in the County of Marin as of March 1. Secured property taxes are levied each November 1 on the assessed value of the real property as of prior March 1. Taxes are due in two equal installments on December 10 and April 10 following the levy date. Under California law, secured property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes are pooled and then allocated to the District based upon complex formulas.

Mendocino City CSD
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2022

NOTE 6 - PROPERTY TAXES (concluded)

Unsecured property taxes are levied throughout the year beginning March 1 on the assessed value of personal property as of March 1. For unsecured property tax bills issued between March 1 and June 30, the amount is payable by August 31. For unsecured property tax bills issued after June 30, the amount of the tax is due 30 days after the bill is issued, but no later than February 28/29.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

The prior year's financials statements incorrectly reported the District's activities as a governmental- type activity. The June 30, 2021, ending General Fund balance of \$857,373 was corrected and reported as an enterprise fund business-type activity. The June 30, 2021, ending Net Position of \$6,176,586 was corrected and reported as an enterprise fund business-type activity. In addition, the \$(267,400) adjustment corrected the prior year's recording of deferred outflows, inflows, and accumulated depreciation balances.

Business-Type Activities

Net position, beginning of period	\$ 6,176,586
Prior period adjustment	<u>(267,400)</u>
Net position, beginning of period restated	<u>\$ 5,909,186</u>

Government-Type Activities

Net position, beginning of period	\$ 857,373
Prior period adjustment	<u>(857,373)</u>
Net position, beginning of period restated	<u>\$ -</u>

Last 8 Years

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of the Proportionate Share of the Net Pension Liability								
Proportion of the net pension liability	0.3610%	0.4160%	0.4130%	0.4180%	0.4310%	0.4360%	0.4490%	0.5650%
Proportionate share of the net pension liability	\$ 195,002	\$ 441,801	\$ 423,029	\$ 402,821	\$ 427,392	\$ 377,028	\$ 307,913	\$ 351,469
Covered - employee payroll	\$ 183,292	\$ 249,716	\$ 249,716	\$ 263,205	\$ 254,260	\$ 249,597	\$ 228,758	\$ 186,141
Proportionate share of the net pension liability as a percentage of covered-employee payroll	106.39%	176.92%	169.40%	153.04%	168.09%	151.05%	134.60%	188.82%
Plan fiduciary net position as a percentage of the total pension liability	90.66%	77.17%	73.73%	77.09%	75.18%	74.15%	79.24%	75.83%

NOTES TO SCHEDULE:

Changes in Benefit Terms - None

Changes in Assumptions-None

*Schedule is intended to show information for 10 years. Fiscal year 2014 was the 1st year of implementation. Additional years will be displayed as they become available.

Mendocino City Community Services District
 As of June 30, 2022
 Last 9 Years
SCHEDULE OF PENSION CONTRIBUTIONS

Schedule 2

Fiscal Year End	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>SCHEDULE OF CONTRIBUTIONS</u>									
Contractually required contribution (actuarially determined)	\$ 50,629	\$ 41,573	\$ 67,209	\$ 59,509	\$ 52,151	\$ 47,346	\$ 44,174	\$ 38,271	\$ 32,494
Contributions in relation to the actuarially determined contributions	(50,629)	(41,573)	(67,209)	(59,509)	(52,151)	(47,346)	(44,174)	(38,271)	(32,494)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll during the fiscal year	\$ 225,060	\$ 183,292	\$ 249,716	\$ 249,716	\$ 263,205	\$ 254,260	\$ 249,597	\$ 228,758	\$ 186,141
Contributions as a percentage of covered-employee payroll	22.50%	22.68%	26.91%	23.83%	19.81%	18.62%	17.70%	16.73%	17.46%

NOTES TO SCHEDULE:

- Valuation date: 6/30/2020
- Methods and assumptions used to determine contribution rates: Single and Agent Employers Example
- Amortization method: Entry Age
- Remaining amortization period: Level percentage of payroll, closed
- Asset valuation method: 5 years
- Inflation: 5-year straight-line
- Salary increases: 2.50%
- Investment rate of return: Varies by entry age and service
- Retirement age: 7.15%, net of pension plan investment expense, including inflation
- Mortality: 50-63
- Derived from CalPERS' Membership Data

*Schedule is intended to show information for 10 years. Fiscal year 2014 was the 1st year of implementation. Additional years will be displayed as they become available.

**MENDOCINO CITY COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS & MANAGEMENT REPORT**

**For the Year Ended
JUNE 30, 2022**



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Board of Directors
Mendocino City Community Services District
Mendocino, California

In planning and performing our audit of the basic financial statements of Mendocino City Community Services District for the fiscal year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of Mendocino City Community Services District's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

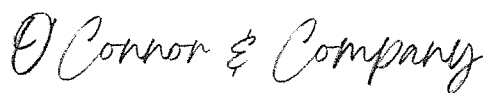
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist in implementing the recommendations.

This report is intended solely for the information and use of management of Mendocino City Community Services District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Mendocino City Community Services District's staff for its cooperation during our audit.



O'Connor & Company

San Rafael, California
May 1, 2023



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Board of Directors
Mendocino City Community Services District
Mendocino, California

We have audited the basic financial statements of Mendocino City Community Services District (the District) for the year ended June 30, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 26, 2022, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimate(s) affecting the financial statements were:

- Accrual and disclosure of compensated absences.
- Capital asset lives and depreciation expense.
- Pension plan benefits actuarial assumptions.
- Fair value of investments and financial instruments.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. For the purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated).

There were 6 audit adjustments proposed for June 30, 2022.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 1, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, like obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and the Board of Directors of the District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mendocino City Community Services District
MANAGEMENT REPORT
For the Year Ended June 30, 2022

Current Year Observation

1. Lease Capitalization Policy

Observation:

Mendocino City Community Services District (the District) implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which became effective for the year ended June 30, 2022, and had immaterial effects on the financial statements. This new standard requires leases to be capitalized as intangible assets. In compliance with the new accounting statement the District should consider formalizing a capitalization policy for leases similar to their capitalization policy for capital assets. We also noted the District does not have a formal capitalization policy for equipment, buildings and improvements.

Recommendation:

We recommend the District consider formalizing a capitalization policy for leases liabilities and right to use assets over \$35,000. We also recommend the District consider formalizing a capitalization policy for equipment over \$10,000 and buildings and improvements over \$ 50,000.

2. Crime Insurance Policy

Observation:

The District's insurance policy limit for crime coverage is \$25,000.

Recommendation:

We recommend the District consider raising the limit to at least \$250,000.

Prior Year Observations

There were no prior year observations that came to our attention.

Memo

To: MCCSD Board
From: District Superintendent
cc: [Name]
Date: May 26, 2023
Re: Electric Vehicle Charging Station

Mendocino County staff reached out to the District on 5/15/23 to see if the District had any interest in further assessing the feasibility of developing an electric vehicle charging station on District property.

The County is on a short time deadline for a Federal Grant, and would greatly appreciate District support.

With Board approval, staff recommend sending the accompanying letter in support of the project.

MENDOCINO CITY COMMUNITY SERVICES DISTRICT
Post Office Box 1029
Mendocino, CA 95460
Business Phone (707) 937-5790
mccsd@mcn.org

May 23, 2023

United States Department of Transportation
FHWA Office of Planning, Environment and Realty (HEP)
1200 New Jersey Ave SE
Washington, DC 20590

RE: Letter of Commitment for the Mendocino County Charging and Fueling
Infrastructure Discretionary Grant application

To whom it may concern:

The Mendocino City Community Services District (MCCSD) submits this letter to document its commitment to participating in the project proposed in the funding application submitted by the County of Mendocino to the Federal Highway Administration (FHWA) Charging and Fueling Infrastructure Discretionary Grant.

MCCSD is fully supportive of the County of Mendocino's pursuit to implement EV charging stations throughout the county and is interested in further assessing the feasibility of developing stations on our property, including sites located at 10500 Kelly St, Mendocino and 10685 Palette Dr., Mendocino. MCCSD has already engaged in preliminary discussions with Mendocino County and is willing to grant site access and allow the installation of electric vehicle charging stations at our property. Electric vehicle charging stations are integral to connecting rural northern California to the Oregon border allowing EV drivers ready access to charging stations in areas previously underserved. This development would have vast economic and touristic benefits to both local towns and cities, as well as surrounding counties. Improving the availability of this fueling infrastructure is critical for existing operations and future growth opportunities in Mendocino County.

MCCSD recognizes the value that expanding the County's EV charging network will bring and the potential impacts to the economy and tourism that will result from broader deployment. We understand that the County expects to work with a third-party vendor to assess and develop the selected project sites and are committing to providing information and working collaboratively with the County and its selected vendor to deploy EV charging infrastructure.

We fully support this project and hope to see it receive funding.

Sincerely,



Ryan Rhoades
District Superintendent
Mendocino City Community Services District

Memo

To: MCCSD Board
From: District Superintendent
cc: [Name]
Date: May 23, 2023
Re: Airline Emergency Memo

As most of you know the WWTP is nearly 50 years old, and aged infrastructure continues to break down. The air supply line from the blower room to the treatment unit is one such piece.

The existing air supply line is 10" ductal iron pipe, burred approximately four feet below grade. It runs about 150' under a building and pavement before resurfacing at the treatment unit.

During recent rains the ground above the airline has been observed bubbling, indicating multiple air leaks. More recently the blowers have not been able to supply sufficient air to the treatment unit to meet oxygen demand. This is another indication of airline compromise and air loss.

The goal was to wait until GHD had completed a WW infrastructure planning grant application so we had some funding to evaluate and plan for airline replacement. More recent observations indicate we do not have the luxury of additional time.

Staff have consulted with NCRWQCB engineer and regulator Matt Herman, to both advise him of the concern, and brainstorm emergency solutions and funding sources. Staff have also been consulting with GHD and a trenchless plumbing company to consider additional ideas.

The MCCSD Plant Operations committee met April 27, 2023 to discuss this matter and further consider solutions. The recommendation was to get a GHD wastewater engineer on site to better evaluate and propose options. Staff requested a task order from GHD, and once received, approved a task order with GHD on 5/17/23. A senior engineer conducted a WWTP site inspection on 5/18/23 and they are now working on a technical memorandum for the District due in mid-June.

Current ideas include:

1) A new 275' underground 10" stainless steel airline routed around the front of building, under the driveway, through the lawn, with a stub out for a possible future treatment unit. –Concerns: cost, time, other underground utilities, etc.

2) A temporary 300' above ground 10" stainless steel airline routed around the back of the press and dryer buildings. –Concerns: traffic impediment, time, possible cost

3) A backup blower installed out on the treatment unit, direct access to air diffusers. Concerns: cost, weight, sound, weather proofing, power supply

4) A temporary, rented blower on the treatment unit to be used until the primary airline can be replace or repaired. Concerns: weight, power supply, sound, weather proofing, amount of time needed.

5) Temporary use of backwash blower 4" air supply line (4-5 days), while we try to slip line/epoxy coat the existing blower line. Concerns: not sure the 4" line will supply sufficient volume of air for 5 days, not sure slip lining will work, based on condition of pipe, and angle of bends, not sure if more powerful blower might damage the old backwash airline.

6) A new blower installed in the new lab/garage building. This building is closer to the treatment unit, has the space, and conduits for running sufficient electrical. Then run 30-40ft of above ground 10" temporary airline pipe direct to the treatment unit distribution pipe. –Eliminates the concern for sufficient power on the treatment unit itself, eliminates the space, sound, and weather concerns as it would be indoors, eliminates the trenching and or traffic hazard concerns.

A previous rough estimate of \$75,000 was proposed to just replace the existing airline with a new 275' underground stainless steel airline. That estimate was based on using a smaller diameter pipe. The engineers deemed it insufficient in size.

Due to the urgency of the matter the Plant Operations committee would like to see a solution implemented quickly. GHD is working on a technical memo considering multiple factors, in order to help determine the best option.

The proposal before you is to authorize the Superintendent to spend up to \$100,000 to implement a solution once the various options are further evaluated and a recommendation is received.

-Staff recommend a motion and vote in support of the expense.

Memo

To: MCCSD Board
From: District Superintendent
cc: [Name]
Date: May 23, 2023
Re: Updating District Records

Should District staff begin work to update District files in coordination with the Mendocino Volunteer Fire Department?

Like many public agencies, District staff periodically work to review and update District records. Part of the goal is to make sure properties are not over charged. In an effort to improve equity and make sure everyone is treated the same, it is important to ensure all District records are accurate and properties billed appropriately.

The Mendocino Volunteer Fire Department (MVFD) is another local public agency that works to annually audit its records, related to property development, and ensure property owners pay the correct amount for the level of development on each property.

An MCCSD records update has been suggested and encouraged by both community members and District Board members. Following that recommendation, District staff have been in conversation with MFVD staff to see if conducting a joint review seems appropriate, using County records, MVFD records, and MCCSD records.

A phased approach to update records over the next six months could start with a review of Fire Department records, in comparison with current MCCSD records; followed by a mailing or survey to property owners asking them to confirm size and type of development on their property. For properties that do not respond, or provide conflicting information, a site inspection might be warranted.

MCCSD is working hard to make sure all property owners are treated fairly, and everyone is treated the same. This includes updating our records to make sure all properties are paying their proportionate share of costs based on current District Ordinances. Remember the groundwater we use and the wastewater treatment system are shared by all of us.

Staff is developing of a list of goals for a records update, a time line, and the steps in the process.

Staff is requesting direction from the Board on whether to move forward with a review of records and update of District files.

May 2023 Superintendent's Report

Wastewater Treatment Plant:

Operators performed routine repair and maintenance to the WWTP in May of 2023. The best news to report is that the Biosolids dryer machine is back in service. It has been in and out of service since the January storms. Staff are working hard to catch up on drying. The jetter machine used for sewer main cleaning received a fresh coat of paint. We are getting ready to start this year's annual sewer main cleaning. Currently the top operations concern is the condition of the air supply line. GHD had an engineer on site 5-18-23 to help evaluate options. GHD is working to prepare a technical memo and recommendation.

Outfall Update: Alpha Diving reached out and is working on multiple job proposals and bids. One job is the annual outfall survey required by the Ca State Lands Commission. Another job is a biological study and report to meet NPDES permit requirements. The third job would be any recommended maintenance work. We are still in communication with the Noyo Center about use of their ROV to inspect or film the outfall. We have received one other estimate for future dive inspections. The District was recently sent some qualification from Alpha, but continues refine an RFQ letter for outfall services.

Recycled Water:

MCCSD did not transfer any recycled water during the month of May. MUSD did inquire about the possibility of receiving recycled water this year earlier than usual. The District desperately needs upgrades to this system if we are to continue providing recycled water. GHD continues to work on our grant application to fund recycled water upgrades. The latest report from the State Division of Finance is that due to median house hold income levels in Mendocino, at best we only qualify for 35% grant funding. On a \$4 million dollar project that means \$2.6 million in additional loans. Staff are working with two additional grant writing firms to explore options.

Biosolids Trailer and Transport:

MCCSD transported one load of biosolids in May of 2023. Our agreement with Waste Management for continued disposal at Redwood Landfill expired May 12, 2023. We have twice requested an extension and we are waiting on additional lab analysis for possible renewal.

Office Update:

Due to illness, vacations, and child care issues we have been short staffed most of the month. GSRMA insurance notified the District on 5/17 that due to our good safety record and successful completion of the LEEP program, we are getting an award of to **\$5,116.70**. The new District web page is up and running. We have received a number of complements. We are still working out some bugs and continuing to add more information. We recommend you check it out when you can. Katie put a lot of energy into this and should be recognized.

Grant and Project Updates:

Mendocino Unified School District has submitted the notice of intention to adopt a Mitigated Negative Declaration following the CEQA process for the Water Supply and Storage Improvements project. The public comment period is open May 11- June 9, 2023. MCCSD is not the lead agency but in an effort to promote public awareness posted this notice on the District web page on May 11, 2023, and emailed it to interested parties. On 5/22/23 MCCSD received the first payment installment from the UMBDR grant, of around \$109,000. We have issued payment to GHD.

On 5/25 staff was made aware of a letter sent out on 5/19 by the State Water Resources Control Board Northern Engagement Unit of SAFER. MCCSD staff were surprised by this letter. To be clear, SWRCB does not speak for MCCSD. At this time there is no project being initiated by MCCSD to secure funding for a public water system. MCCSD applied to SAFER for technical assistance to conduct a feasibility study and help with community engagement. Staff called our point of contact at SAFER and they were unaware of this letter, and surprised by the wording. There are many questions to be answered and conversations to be had before MCCSD goes down the path of a community water system, and we look forward to having those conversations.

Safety Meeting and Plant Safety Inspection:

Safety Meeting and Plant Safety Inspection:

The 30-minute monthly safety meeting was held May 23, 2023. The topic was *Slips, Trips, and Falls*.

Sanitary Sewer Collection System:

There were no Sanitary Sewer overflow reports for the period April 12, 2023- May 19, 2023