

**NOTICE IS HEREBY GIVEN THAT A REGULAR MEETING OF THE
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS
WILL BE HELD AT:**

**Azalea Hall
1620 Pickett Road
McKinleyville, California**

**Wednesday, February 16, 2011
7:00 P.M.**

AGENDA

A. CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

ADDITIONS TO AGENDA

Items may be added to the Agenda in accordance with Section 54954.2(b)(2) of the Government Code (Brown Act), upon a determination by two-thirds vote of the members of the legislative body present at the time of the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the McKinleyville Community Services District after the Agenda was posted.

B. APPROVAL OF THE AGENDA

C. PUBLIC HEARINGS

These are items of a Quasi-Judicial or Legislative nature. Public comments relevant to these proceedings are invited.

NO PUBLIC HEARING SCHEDULED

D. CONSENT CALENDAR

Consent Calendar items are expected to be routine and non-controversial, to be acted upon by the Board of Directors at one time without discussion. If any Board member, staff member, or interested person requests that an item be removed from the Consent Calendar, it shall be removed so that it may be acted upon separately.

- D.1 Consider approval of minutes of the Board of Directors' Regular Meeting of January 19, 2011 **Pg. 4**
- D.2 Consider approval of January 2011 Treasurer's Report **Pg. 10**

E. CONTINUED AND NEW BUSINESS

- E.1 Presentation of MCSD Audit Report ending fiscal year June 30, 2010 Audit report **Pg. 30**
- E.2 McKinleyville Union School District appeal application requesting a waiver of all water use charges and/or penalties related to a fire service meter leak at Morris School **Pg. 73**
- E.3 Informational discussion regarding potential recommendation to adjust outdated water and sewer capacity fees that would be related to new customers and not current rate payers **Pg. 77**
- E.4 Informational discussion of MCSD assuming some portion of planning powers from Humboldt County within the MCSD service area **Pg. 94**
- E.5 Parks and Recreation presentation discussing recent parks improvement projects **Pg. 97**
- E.6 Board discussion related to potential interest in having Legal Counsel present and attend MCSD Board meetings **Pg. 104**
- E.7 Consider approval of MCSD Claims Ordinance 2011-01 **Pg. 105**

F. REPORTS

No specific action is required on these items, but the Board may discuss any particular item as required.

F.1. ACTIVE COMMITTEE REPORTS

- a. Recreation Advisory Committee (Couch/Mayo (alternate))
- b. Area Fund (John Kulstad)
- c. Redwood Region Economic Development Commission ((Wennerholm/Edwards (alternate))
- d. McKinleyville Senior Center (Wennerholm)
- e. Audit (Corbett, Edwards)
- f. Water Task Force ((Mayo, Corbett (alternate))
- g. AdHoc No Drugs & Toxics Down the Drain (Mayo)
- h. Humboldt County Advisory (Edwards/Mayo/Alternate-Corbett)

F.2. STAFF REPORTS

- a. Support Services Department (Steve Edmiston) **Pg. 108**
- b. Operations Department (Greg Orsini) **Pg. 111**
- c. Parks and Recreation Department (Jason Sehon) **Pg. 114**
- d. General Manager (Norman Shopay) **Pg. 117**

F.3. BOARD PRESIDENT REPORT

F.4. BOARD MEMBERS' COMMENTS, ANNOUNCEMENTS, REPORTS

G. PUBLIC COMMENT AND WRITTEN COMMUNICATIONS

*Any person may address the Board at this time upon any subject not identified on this Agenda but within the jurisdiction of the McKinleyville Community Services District; however, any matter that requires action will be referred to staff for a report of action at a subsequent Committee or Board meeting. As to matters on the Agenda, an opportunity will be given to address the Board when the matter is considered. **Comments are limited to 3 minutes.** Letters should be used for complex issues.*

H. CLOSED SESSION DISCUSSION

At any time during the regular session, the Board may adjourn to closed session to consider existing or anticipated litigation, liability claims, real property negotiations, license and permit determinations, threats to security, public employee appointments, personnel matters, evaluations and discipline, labor negotiations, or to discuss with legal counsel matters within the attorney-client privilege.

NO CLOSED SESSION SCHEDULED

I. ADJOURNMENT

Posted 5:00 pm on Friday, February 11, 2011

**MINUTES OF THE REGULAR MEETING OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
HELD ON WEDNESDAY, JANUARY 19, 2011 AT 7:00PM AT AZALEA HALL,
1620 PICKETT ROAD, MCKINLEYVILLE**

The regular meeting of the Board of Directors of McKinleyville Community Services District convened at 7:00pm with the following Directors and staff in attendance:

Helen Edwards, Board President
Dennis Mayo, Vice President
David Couch, Director (arrived at 7:02pm)
Bill Wennerholm, Director
John Corbett, Director

Norman Shopay, General Manager
Gregory Orsini, Operations Director
Steve Edmiston, Finance Director
Sharon Denison, Board Secretary
Jason Sehon, Park & Recreation Director

AGENDA ITEM A-CALL TO ORDER, ROLL CALL, PLEDGE OF ALLEGIANCE, ADDITIONS TO THE AGENDA:

At 7:00pm President Edwards called the meeting to order with Directors Corbett, Mayo and, Wennerholm in attendance. Director Couch was absent. There were no additions to the agenda.

AGENDA ITEM B-APPROVAL OF THE AGENDA:

MOTION: It was moved to approve the agenda. Motion by Corbett; second by Mayo.

MOTION VOTE: Ayes: Corbett, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion passed-4 AYES; 0 NAYS

AGENDA ITEM C-PUBLIC HEARINGS: none

- Director Couch arrived at 7:03pm

AGENDA ITEM D-CONSENT CALENDAR:

1. Consider approval of minutes of the Board of Directors' Regular Meeting of Dec. 15, 2010
2. Consider approval of Dec. 2010 Treasurer's Report
3. DCV Violations this month
4. Consider Approval of minutes of the Board of Director's Special Meeting of Dec. 29, 2010

MOTION: It was moved to approve consent calendar items D1 through D4. Motion by Corbett; second by Mayo.

President Edwards opened public input and David Elsebusch addressed the Board to request consent calendar item D.2 be pulled for further discussion. President Edwards closed public input. **Director Corbett amended his motion to approve consent items D1, 2 & 4 and Director Mayo agreed to this amended motion.**

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion passed-5 AYES; 0 NAYS

(In accordance w/Robert's Rules of Order, 10th edition, Pg. 451, Section 48: "Unless the minutes are to be published, they should contain mainly a record of what was done at the meeting, not what was said by the members".)

Consent Calendar Item D.2- Consider Approval of December 2010 Treasurer's Report: As the Directors had no questions President Edwards opened public input and David Elsebusch addressed the Board to express concern with some of the items listed in the check disbursement report. President Edwards closed public input.

MOTION: It was moved to approve consent calendar item D.2. Motion by Corbett; second by Mayo

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion Passed-5 AYES; 0 NAYS

AGENDA ITEM E.1-PRESENTATION OF MCSD EMPLOYEE OF THE YEAR AWARD TO TONY RUTTEN:

General Manager Shopay explained that this was the second year of this award that is determined by vote by the MCSD employees. He briefly reviewed the criteria for consideration and praised Mr. Rutten for his loyalty and dedication. President Edwards presented the award to him and Tony thanked the Board and employees for their support.

AGENDA ITEM E.2-CONSIDER ADOPTING RESOLUTIONS 2011-01 & 2011-02 INITIATING PROCEEDINGS FOR THE FORMATION OF MEASURE B MAINTENANCE ASSESSMENT DISTRICT RENEWAL:

Park & Recreation Director Sehon briefly reviewed the proposal and the process and reported that this item was continued from the last meeting to allow ample time for staff to work with the consultants to consider and address concerns received at last month's meeting and a subsequent workshop. He turned the meeting over to Mark Mandell, a 218 attorney working with the consultant, who gave a PowerPoint presentation to review all aspects of Measure B, the 218 requirements, procedures to adopt the assessment and answered Board questions and concerns. Park & Recreation Director Sehon thanked the public who attended meetings to help with the process. He then advised the Board that there were a few changes to the engineer's report, directing their attention to both Page 9 and Page 26 to highlight the changes. After a brief Board discussion President Edwards opened public input and thirteen people addressed the Board, with 8 individuals in full support of the Measure and five people expressing concerns. President Edwards closed public input. Director Corbett asked staff and the 218 attorney to address questions and concerns. Finance Director Edmiston concurred with the financial projections presented in the engineer's report.

1ST MOTION: It was moved to adopt Resolution 2011-01 to initiate proceedings for the formation of the Measure B Assessment District Renewal for Parks, Open Space and Recreational facilities. Motion by Corbett; second by Couch.

MOTION VOTE: ROLL CALL VOTE-Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion Passed-5 AYES; 0 NAYS

2ND MOTION: It was moved to adopt Resolution 2011-02 to declare the intention to form Measure B Assessment District renewal for Parks, Open Space and Recreational facilities; accepting the engineer's report with the changes as requested by staff; approving the levy and collection of annual assessments related commencing with FY 2011/2012; ordering a property owner protest ballot proceeding and setting a time and place for the public hearing. Motion by Corbett; second by Couch

MOTION VOTE: ROLL CALL VOTE-Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion passed-5 AYES; 0 NAYS

(In accordance w/Robert's Rules of Order, 10th edition, Pg. 451, Section 48: "Unless the minutes are to be published, they should contain mainly a record of what was done at the meeting, not what was said by the members".)

AGENDA ITEM E.3-NOTICE OF PREPARATION (NOP) ISSUED BY HUMBOLDT COUNTY FOR SEIR UNDER THE CEQA FOR PROJECT TITLE 2010 HUMBOLDT COUNTY ELEMENT GENERAL PLAN AMENDMENT:

Director Mayo recused himself from discussion on this item. General Manager Shopay reviewed the request received from HCAOG with a deadline for response by January 20, 2011. He expressed his concern with the proposed re-zoning of approximately 41 parcels in McKinleyville to multi-family housing to help the County meet future housing needs of lower income households. He reported that staff was working on a response and asked the Directors for their input. Director Corbett expressed concern that this authority to change land use densities would make it impossible for the District to plan for future infrastructure needs. President Edwards agreed that this was a very serious issue and commended staff for the continued effort to work with County. President Edwards opened public input and 6 individuals addressed the Board expressing serious concern with the proposal and its effect on McKinleyville. It was consensus that this item needed to be addressed in detail in the future and staff was directed to continue to work with the County and to report to the Board on any updates.

At 8:51pm President Edwards adjourned the meeting for a short recess.

At 8:56pm President Edwards called the meeting back to order.

AGENDA ITEM E4-CONSIDER PROPOSALS RECEIVED FOR FISCHER RANCH LEASE AND CONSIDER PROVIDING NOTICE OF TERMINATION OF CURRENT LEASE AGREEMENT:

MOTION: It was moved to approve the Fischer Ranch lease with Mr. Peachey and authorize signature on the lease termination notification letter for Mr. Gomes. Motion by Corbett; second by Wennerholm

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion passed-5 AYES; 0 NAYS

AGENDA ITEM E5-CONSIDER APPROVAL OF BATTING CAGE DESIGN AND CONSIDER APPROVING A RIGHT OF ENTRY AGREEMENT WITH MCK LITTLE LEAGUE FOR CONSTRUCTION OF BATTING CAGES AT HILLER SPORTS SITE: Park & Recreation Director Sehon reviewed the proposal and noted that while the drawing indicated the cages would be 20 feet wide, that 30 feet was the standard, but that the increased size would not affect overflow parking.

MOTION: It was moved to direct staff to work with the McKinleyville Little League regarding the details of design and maintenance and authorize approval of the right of entry agreement with the MLL for construction of batting cages at the Hiller Sports site.

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion Passed-5 YES; 0 NAYS

AGENDA ITEM E6-CONSIDER APPROVAL OF RESOLUTION 2011-04 COMMITTING FUNDS FOR THE FINANCING OF THE RAMEY PUMP STATION UPGRADE: Finance Director Edmiston reported that this was the last hurdle for approval of the loan package and the language in the Resolution was their language.

MOTION: It was moved to approve Resolution 2011-04, a Resolution of the MCSD Board to commit funding for the financing of the Ramey Pump Station Upgrade. Motion by Corbett; second by Mayo.

(In accordance w/Robert's Rules of Order, 10th edition, Pg. 451, Section 48: "Unless the minutes are to be published, they should contain mainly a record of what was done at the meeting, not what was said by the members".)

MOTION VOTE: ROLL CALL VOTE-Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion passed-5 AYES; 0 NAYS

AGENDA ITEM E7-BOARD DISCUSSION OF THE “DRAFT” FISCAL YEAR 2011/2012 CAPITAL

IMPROVEMENT PLAN: Finance Director Edmiston reported that this was informational and for discussion only. He briefly reviewed the draft CIP that would cover the next ten fiscal years and reported this was a group effort from management and staff and will be part of the final budget document to be presented later this year. Director Corbett asked to see more cash flow projections in the future and General Manager Shopay reported that staff was trying to put more detail in the long term planning rather than in the CIP. He added that next month staff will bring the capacity fee information to the Board for consideration of fee increases to cover cost of future growth in McKinleyville.

AGENDA ITEM E.8-DISCUSS BOARD COMMITTEE ASSIGNMENTS FOR 2011: President Edwards asked the Directors if they had any changes to list of proposed committee assignments in the Board packet. As there was no changes desired the assignments were accepted as noted.

MOTION: It was moved to approve the committee assignments as listed below. Motion by Corbett; second by Wennerholm:

- RAC-Couch, alternate-Mayo
- Audit-Corbett, Edwards
- No Drugs down the drain/toxic/oil-Mayo
- Humboldt County Advisory-Edwards, Mayo, alternate-Corbett
- McK Senior Center-Wennerholm
- HBMWD Water Task Force-Mayo, Corbett
- RREDC-Wennerholm, alternate-Edwards
- McK Area Fund-John Kulstad

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion Passed-5 AYES; 0 NAYS

AGENDA ITEM E.9-CONSIDER APPROVAL OF REVISED BOARD POLICY MANUAL:

MOTION: It was moved to approve the revised Board Policy Manual. Motion by Corbett; second by Mayo.

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion passed-5 AYES; 0 NAYS

AGENDA ITEM E.10-CONSIDER APPROVAL OF REVISED LAW ENFORCEMENT FACILITY LEASE

ADDENDUM:

MOTION: It was moved to approve the addendum to the existing Law Enforcement Facility Lease agreement. Motion by Mayo; second by Wennerholm

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion Passed-5 AYES; 0 NAYS

(In accordance w/Robert’s Rules of Order, 10th edition, Pg. 451, Section 48: “Unless the minutes are to be published, they should contain mainly a record of what was done at the meeting, not what was said by the members”.)

AGENDA ITEM E.11-CONSIDER APPROVAL OF RESOLUTION 2011-05 DECLARING AUTHORIZATIONS RELATED TO THE ADMINISTRATION OF A CALRECYCLE GRANT:

MOTION: It was moved to approve Resolution 2011-05 approving authorizations related to the administration of a Calrecycle grant. Motion by Corbett; second by Wennerholm

MOTION VOTE: ROLL CALL VOTE: Ayes; Corbett, Couch, Mayo, Wennerholm

MOTION SUMMARY: Motion passed- 5 AYES; 0 NAYS

AGENDA ITEM F-REPORTS:

F1a-RAC: Park & Recreation Director Sehon reported a meeting was scheduled Thursday of next week.

F1b-McK Area Fund: John Kulstad reported they would be meeting was the first week of February and he will report subsequent to that. He added it was an honor to serve as the chair of the MAF.

F1c-RREDC: President Edwards had nothing to report.

F1d-McK Senior Center: Director Wennerholm had nothing to report as the seniors had not met.

F1e-Audit: Director Corbett reported the audit committee will meet February 7th at 10:00am.

F1f-Water Task Force: Director Mayo reported the task force will meet within the next month.

F1g-AdHoc No Drugs & Toxics down the Drain: Director Mayo had nothing to report.

F2a-Support Services Department: Finance Director Edmiston had nothing to add to his written report.

F2b-Operations Department: Operations Director Orsini had nothing to add to his written report.

F2c-Park & Recreation Department: Park and Recreation Director Sehon reported that the Christmas banners have been removed and he was working with the Chamber to design the Pony Express Banners.

F2d-General Manager: General Manager Shopay reported that HBMWD anticipates a 15% rate increase and the District will need to plan for that. Finance Director Edmiston added that the three month trend of a decrease in water use will have to be considered when the HBMWD rates are discussed and this could be an effect from last year's rate increases. Operations Director Orsini reported that the earlier wet season could have had an impact of the water consumption decrease.

F3-Chairman's Report: President Edwards had nothing to report.

F4-Board Members comments, Announcements and Reports: Director Corbett reported that he would like to work with staff regarding small changes to staff recommendations that will make it easier for Directors to clarify their motions. Dennis Mayo explained that he had recused himself from discussion regarding the Housing Element General Plan amendment due to the fact that he will be dealing with the County on this issue. Director Couch commended staff for the completion of the valve exercises.

AGENDA ITEM G-PUBLIC COMMENT AND WRITTEN COMMUNICATIONS: President Edwards opened public input and the following people addressed the Board:

- David Elsebusch expressed concern with not being able to view original documents as requested in his Public Records Act Requests.
- Penny Elsebusch was concerned that original documents were not supplied for PRA requests.
- Jeff Lytle praised the banners but expressed concern with business signs being placed in the landscape zone along Central Avenue.
- Jeff Dunk was impressed with the dedication of staff and supported Tony Rutten as a positive representative for the District.

(In accordance w/Robert's Rules of Order, 10th edition, Pg. 451, Section 48: "Unless the minutes are to be published, they should contain mainly a record of what was done at the meeting, not what was said by the members".)

President Edwards closed public input.

Director Mayo reported that there are many reasons that original documents are not supplied to the public and that staff was acting on the Board's behalf to protect the District.

AGENDA ITEM H-CLOSED SESSION DISCUSSION: NO CLOSED SESSION

AGENDA ITEM I-ADJOURNMENT:

MOTION: It was moved to adjourn the meeting at 10:00pm. Motion by Corbett; second by Wennerholm.

MOTION VOTE: Ayes: Corbett, Couch, Mayo, Wennerholm, Edwards

MOTION SUMMARY: Motion Passed-5 AYES; 0 NAYS

Respectfully Submitted,

Sharon L. Denison,
Board Secretary

(In accordance w/Robert's Rules of Order, 10th edition, Pg. 451, Section 48: "Unless the minutes are to be published, they should contain mainly a record of what was done at the meeting, not what was said by the members".)

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **ACTION**

ITEM: D.2. Consider Approval of January, 2011 Treasurer's Report

PRESENTED BY: Steven Edmiston, Finance Director

TYPE OF ACTION: Voice Vote – Consent Calendar

Recommendation:

Staff Requests the Board accept the January, 2011 Treasurer's Report as presented.

Discussion:

The January, 2011 Treasurer's Report is attached.

Alternatives:

Take no action.

Fiscal Analysis:

See attached January, 2011 Treasurer's Report.

Environmental Requirements:

Not applicable

Exhibits/Attachments

January, 2011 Treasurer's Report.

**McKinleyville Community Services District
Treasurer's Report
January 2011**

Page 2	Investments and Cash Flow Report
Page 3	Capital Expenditure Report
Page 4	Activity Summary by Fund
Page 6	Selected Graphic Comparisons
Page 12	Consolidated Balance Sheets
Page 13	Debt Summary
Page 14	Cash Disbursement Report

McKinleyville Community Services District
Investments and Cash Flow Report
January 2011

General Disbursement and Money Market Account:			
Beginning Balance		354,623.98	
Utility Billing (inc. \$43,540.21 in CC, EFT, web pay)	223,875.33		
New Services & Capacity Fees: Water	1,232.00		
New Services & Capacity Fees: Sewer	15,849.00		
Money Market Account Interest	71.91		
Other Cash Receipts	68,212.71		
Transfer from Humboldt Co. #2560	<u>300,000.00</u>		
Total Cash Receipts		609,240.95	
Cash Expenditures:			
Payroll, Taxes, etc.	(142,324.66)		
Capital Expenditures	(74,465.97)		
Debt Service	(24,566.06)		
Other Expenditures	<u>(583,381.73)</u>		
Total Cash Expenditures		<u>(824,738.42)</u>	Estimated Annual Interest Rate
Total Cash in Umpqua Bank		139,126.51	0.64%
Petty Cash & Change Funds		940.00	
Investment Funds:			
LAIF	126,781.14		
Interest Income	<u>145.62</u>		
Balance in LAIF		126,926.76	0.54%
Humboldt Co. #2560 - Beginning Balance	1,012,956.74		
Interest Income	934.87		
Secured Property Tax & Measure B Assessment	0.00		
Transfer to Operating Account	<u>(300,000.00)</u>		
Balance in Humboldt Co. #2560		713,891.61	1.30%
Humboldt Co. #4240 - Beginning Balance	5,160,113.53		
Interest Income	5,590.13		
Transfer from Fund #2560	<u>0.00</u>		
Balance in Humboldt Co. #4240		5,165,703.66	1.30%
Balance in Humboldt Co. #9390		110,584.48	
USDA Bond Reserve Fund	133,180.45		
Bond Reserve Payment	7,300.00		
Interest Income	23.95		
Debt Service Payment	<u>0.00</u>		
Balance in USDA Reserve Funds		<u>140,504.40</u>	0.21%
Total Investments		6,257,610.91	
Total Cash and Investments		6,397,677.42	
Total Cash and Investments Last Month		<u>6,899,180.32</u>	
Net Change to Cash and Investments This Month		<u>(501,502.90)</u>	
Recap:			
Cash and Cash Equivalents		5,586,817.36	
Davis-Grunsky Loan Reserve		592,110.66	
Waste Water Capital Reserve		96,555.00	
USDA Bond Reserve Fund		140,504.40	
Market Valuation Account		<u>(18,310.00)</u>	
Total Cash and Investments		<u>6,397,677.42</u>	

McKinleyville Community Services District
Capital Expenditure Report
January 2011

	January	YTD Total	FY 11 Budget	Remaining Budget	Budget %
Water Department					
Ramey Pump Upgrades	25,700	650,803	1,100,000	449,197	41%
Emergency Water Line River Crossing	-	-	200,000	200,000	100%
Murray Road Tank	-	-	80,000	80,000	100%
Meter Replacements	-	7,282	65,000	57,718	89%
Emergency Water Supply	-	-	45,000	45,000	100%
Radio Telemetry Upgrades	-	-	20,000	20,000	100%
Misc. Replacements	-	8,389	9,000	611	7%
Subtotal	25,700	666,474	1,519,000	852,526	56%
Sewer Department					
WWMF Upgrade and Capital Maintenance	27,080	46,011	113,000	66,989	59%
NPDES Permit	13,688	35,112	80,000	44,888	56%
Industrial Discharge Permit	595	1,505	25,000	23,495	94%
Radio Telemetry Upgrades	-	-	20,000	20,000	100%
Meter Replacements	-	-	20,000	20,000	100%
Misc. Replacements	-	13,530	24,000	10,470	44%
Subtotal	41,363	96,158	282,000	185,842	66%
Water and Sewer Operations					
Dump Truck	-	-	20,000	20,000	100%
Air Compressor	-	16,879	17,000	121	1%
3/4 or 1 Ton Pickup	796	55,612	59,000	3,388	6%
Emergency Response Equipment and Supplies	-	4,609	6,000	1,391	23%
Office, Corporation Yard and Shops	-	616	36,000	35,384	98%
Computer Replacement and Upgrades	-	7,977	41,000	33,023	81%
Small Equipment & Other	5,318	19,301	41,000	21,699	53%
Streetlight Pole Replacements	-	-	7,000	7,000	100%
Subtotal	6,114	104,994	227,000	122,006	54%
Enterprise Fund Total	73,177	867,626	2,028,000	1,160,374	57%
Parks and Recreation Department					
Projects contingent upon grant funding	-	-	4,379,000	4,379,000	100%
Projects funded by Quimby/Other Funds	229	7,621	185,000	177,379	96%
Other Parks Projects & Equipment	1,060	19,547	65,000	45,453	70%
General Fund Total	1,289	27,168	4,629,000	4,601,832	99%
All Funds Total	74,466	894,794	6,657,000	5,762,206	87%

McKinleyville Community Services District
Activity Summary by Fund
January 2011

Department Summaries

Water:

Water Sales
Other Water Revenues

Total Operating Revenue

Salaries & Benefits
Water Cost
Other Expenses
Depreciation

Total Operating Expenses

Net Operating Income
Interest Income
Interest Expense

Net Income (Loss)

Sewer:

Sewer Service Charges
Other Sewer Revenues

Total Operating Revenue

Salaries & Benefits
Other Expenses
Depreciation

Total Operating Expenses

Net Operating Income
Interest Income
Interest Expense

Net Income (Loss)

Enterprise Funds Net Income (Loss)

	January	FY10 YTD	YTD Budget	YTD Variance	YTD Budget Variance	YTD % Variance	% Year Remaining:	
							FY10 Budget	Remaining Budget
	125,389	997,894	1,159,608	(161,714)	-13.95%		1,987,900	(990,006)
	11,239	102,693	80,900	21,793	26.94%		138,686	(35,993)
	136,628	1,100,587	1,240,508	(139,921)	-11.28%		2,126,586	(1,025,999)
	55,110	405,982	415,645	9,663	2.32%		712,535	306,553
	50,027	368,741	367,430	(1,311)	-0.36%		629,880	261,139
	16,230	161,594	185,904	24,310	13.08%		318,693	157,099
	19,000	133,000	133,000	-	0.00%		228,000	95,000
	140,367	1,069,317	1,101,979	32,662	2.96%		1,889,108	819,791
	(3,739)	31,270	138,529	(107,259)			237,478	(206,208)
	2,529	20,575	28,583	8,008	28.02%		49,000	28,425
	(4,486)	(32,823)	(50,796)	17,973	-35.38%		(87,078)	(54,255)
	(5,696)	19,022	116,316				199,400	
	115,673	844,997	838,801	6,196	0.74%		1,437,944	(592,947)
	23,611	134,719	170,710	(35,991)	-21.08%		292,645	(157,926)
	139,284	979,716	1,009,511	(29,795)	-2.95%		1,730,589	(750,873)
	59,699	410,363	415,645	5,282	1.27%		712,535	302,172
	27,910	221,344	298,536	77,192	25.86%		511,776	290,432
	34,000	238,000	238,000	-	0.00%		408,000	170,000
	121,609	869,707	952,181	82,474	8.66%		1,632,311	762,604
	17,675	110,009	57,330	52,679			98,278	11,731
	3,047	24,406	32,083	7,677	23.93%		55,000	30,594
	(6,079)	(42,126)	(37,640)	(4,486)	11.92%		(64,526)	(22,400)
	14,643	92,289	51,773				88,752	
	8,947	111,311	168,089				288,152	

Water sales continue to be below expectations.

Sewer testing expenses are greater during the winter months when discharging treated effluent in the Mad River.

Interest income is below projections due to depressed rate pressures.

McKinleyville Community Services District

Activity Summary by Fund

January 2011

Department Summaries

Parks & Recreation:

Programs

Rentals

Property Tax Assessments

Measure B Assessment

State Bonds & Grants

Other Revenue

Interest Revenue

Total Revenue

Salaries & Benefits

Other Expenditures

Debt Service

Capital Expenditures

Total Expenditures

Excess (Deficit)

Street Lights:

Total Revenue

Salaries & Benefits

Other Expenditures

Debt Service

Total Expenditures

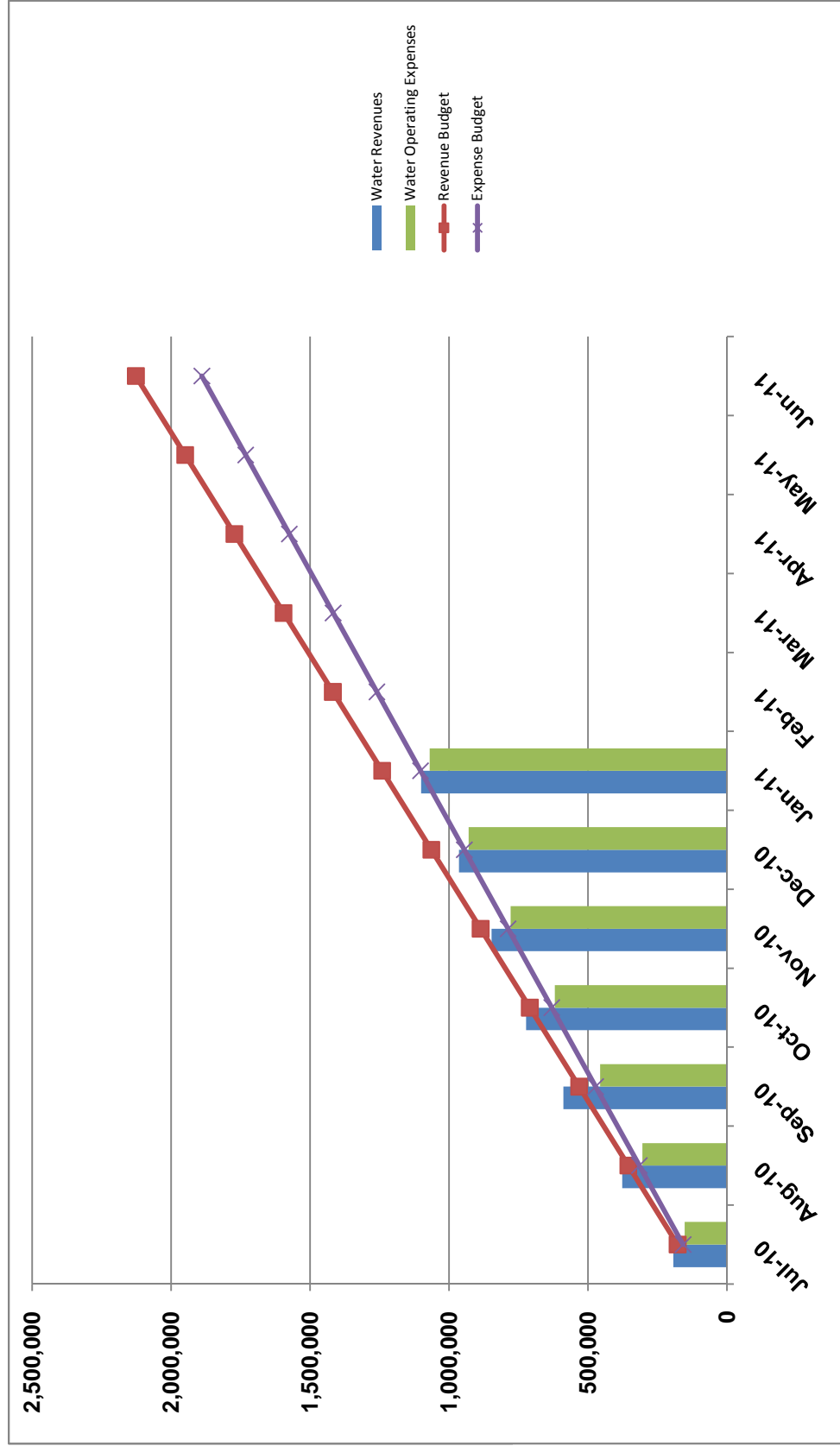
Excess (Deficit)

Governmental Funds Excess (Deficit)

January	FY10 YTD	YTD Budget	YTD Variance	YTD Budget	YTD Variance	%	% Year Remaining:			Notes
							FY10 Budget	Remaining Budget	Budget %	
26,955	144,546	192,095	(47,549)	(47,549)	-24.75%		329,306	(184,760)	-56.11%	Programs are seasonal in nature and will increase as summer approaches.
6,415	33,576	36,400	(2,824)	(2,824)	-7.76%		62,400	(28,824)	-46.19%	
-	252,722	303,333	(50,611)	(50,611)	-16.68%		520,000	(267,278)	-51.40%	
-	118,487	124,833	(6,346)	(6,346)	-5.08%		214,000	(95,513)	-44.63%	
-	12,000	2,554,417	(2,542,417)	(2,542,417)	-99.53%		4,379,000	(4,367,000)	-99.73%	Collection of property tax and measure B assessments occur in December and April.
7,123	42,535	161,103	(118,568)	(118,568)	-73.60%		276,176	(233,641)	-84.60%	
987	7,791	11,667	(3,876)	(3,876)	-33.22%		20,000	(12,209)	-61.05%	
41,480	611,657	3,383,848	(2,772,191)	(2,772,191)	-81.92%		5,800,882	(5,189,225)	-89.46%	
61,906	427,292	467,126	39,834	39,834	8.53%		800,787	373,495	46.64%	Principal and interest payment on outstanding debt was made in July
12,196	148,295	127,832	(20,463)	(20,463)	-16.01%		219,141	70,846	32.33%	
2,199	127,881	74,595	(53,286)	(53,286)	-71.43%		127,877	(4)	0.00%	
1,289	23,221	2,700,250	2,677,029	2,677,029	99.14%		4,629,000	4,605,779	99.50%	
77,590	726,689	3,369,803	2,643,114	2,643,114	78.44%		5,776,805	5,050,116	87.42%	Principal and interest payment on outstanding debt was made in July
(36,110)	(115,032)	14,045					24,077			
6,865	50,592	46,667	3,925	3,925	8.41%		80,000	(29,408)	-36.76%	
2,809	20,847	20,907	60	60	0.29%		35,841	14,994	41.83%	
3,132	22,471	44,468	21,997	21,997	49.47%		76,231	53,760	70.52%	Principal and interest payment on outstanding debt was made in July
199	11,547	6,737	(4,810)	(4,810)	-71.40%		11,549	2	0.02%	
6,140	54,865	72,112	17,247	17,247	23.92%		123,621	68,756	55.62%	
725	(4,273)	(25,445)					(43,621)			
(35,385)	(119,305)	(11,400)					(19,544)			

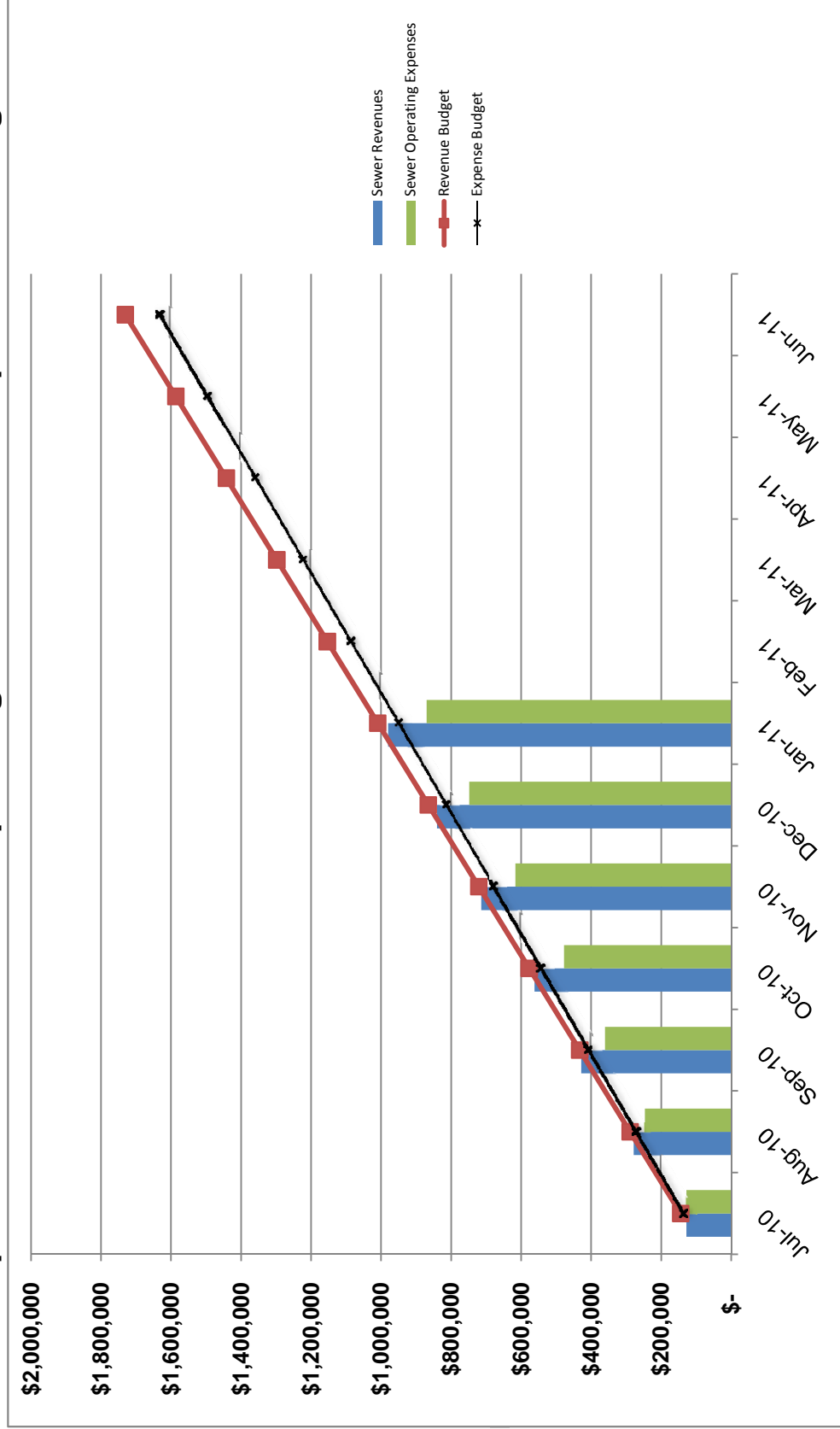
McKinleyville Community Services District January 2011

Comparison of Water Fund Operating Revenues and Expenses to Budget



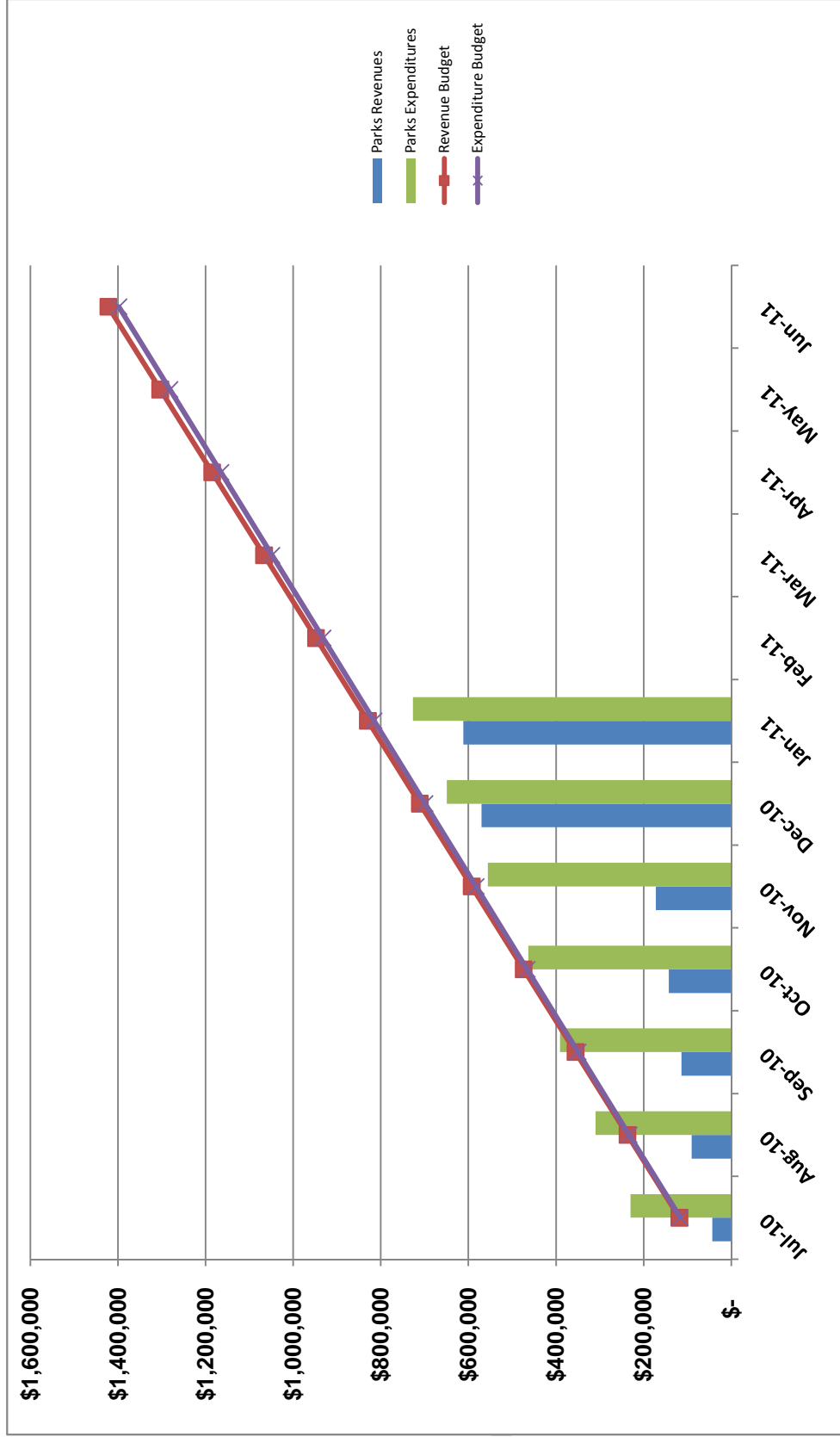
McKinleyville Community Services District January 2011

Comparison of Sewer Fund Operating Revenues and Expenses to Budget



McKinleyville Community Services District January 2011

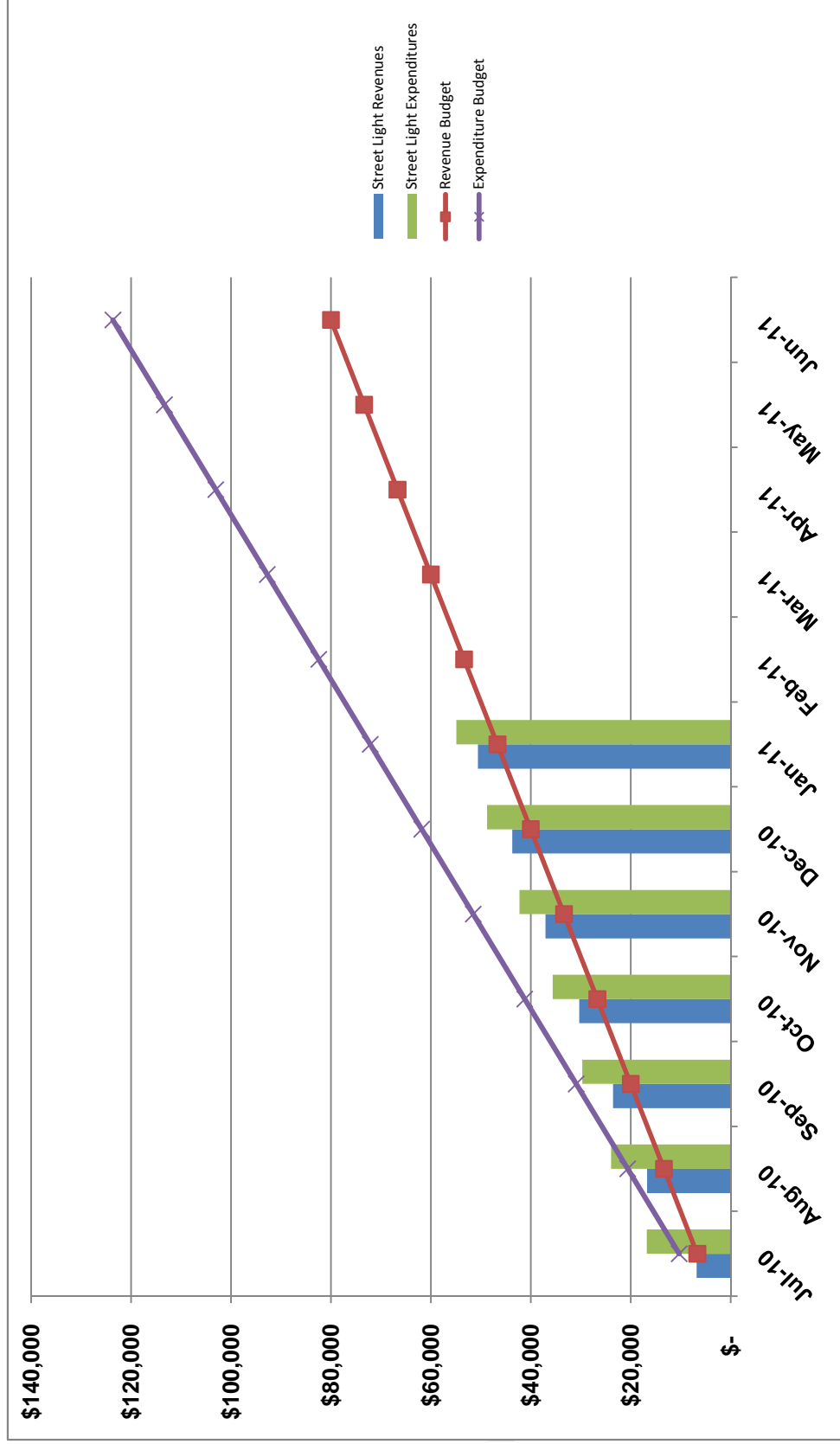
Comparison of Parks Operating Revenues and Expenditures to Budget



Note - Excludes effects of grant funded activities.

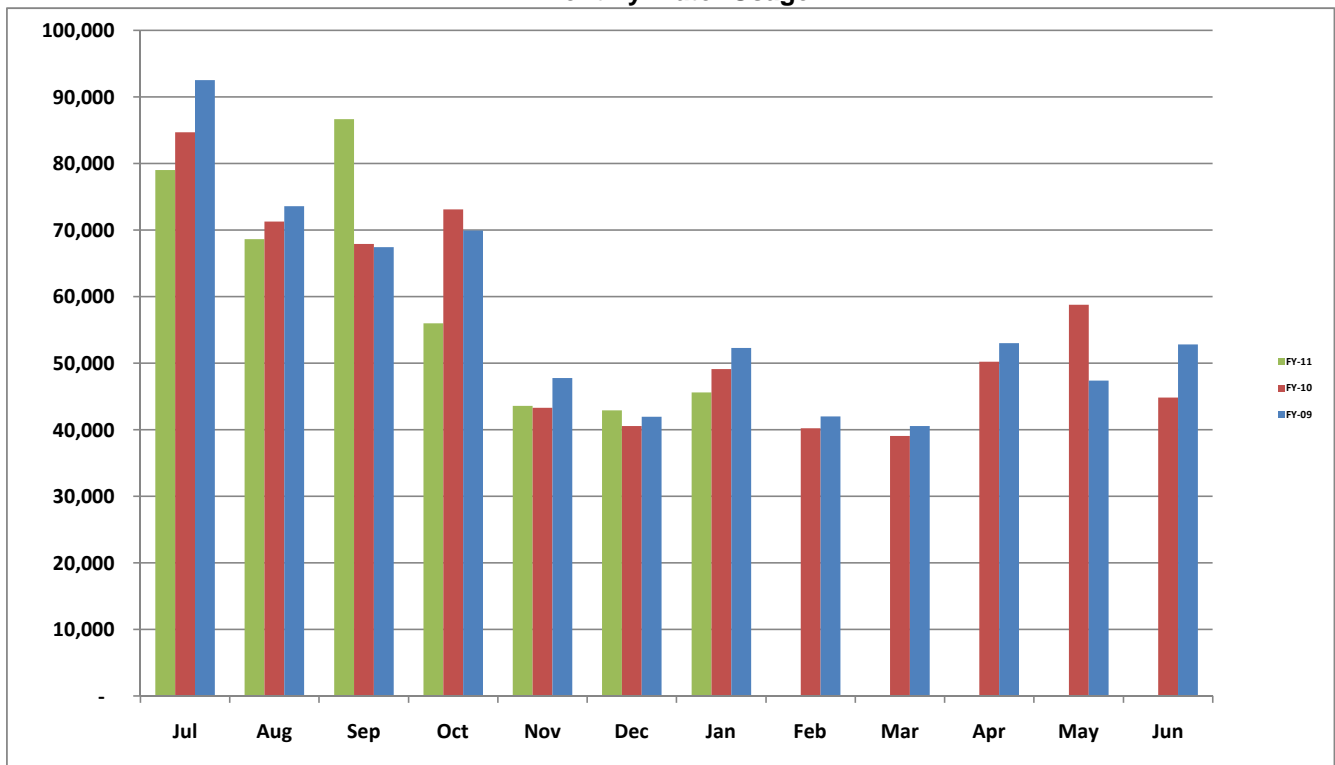
McKinleyville Community Services District January 2011

Comparison of Street Light Fund Revenues to Budget

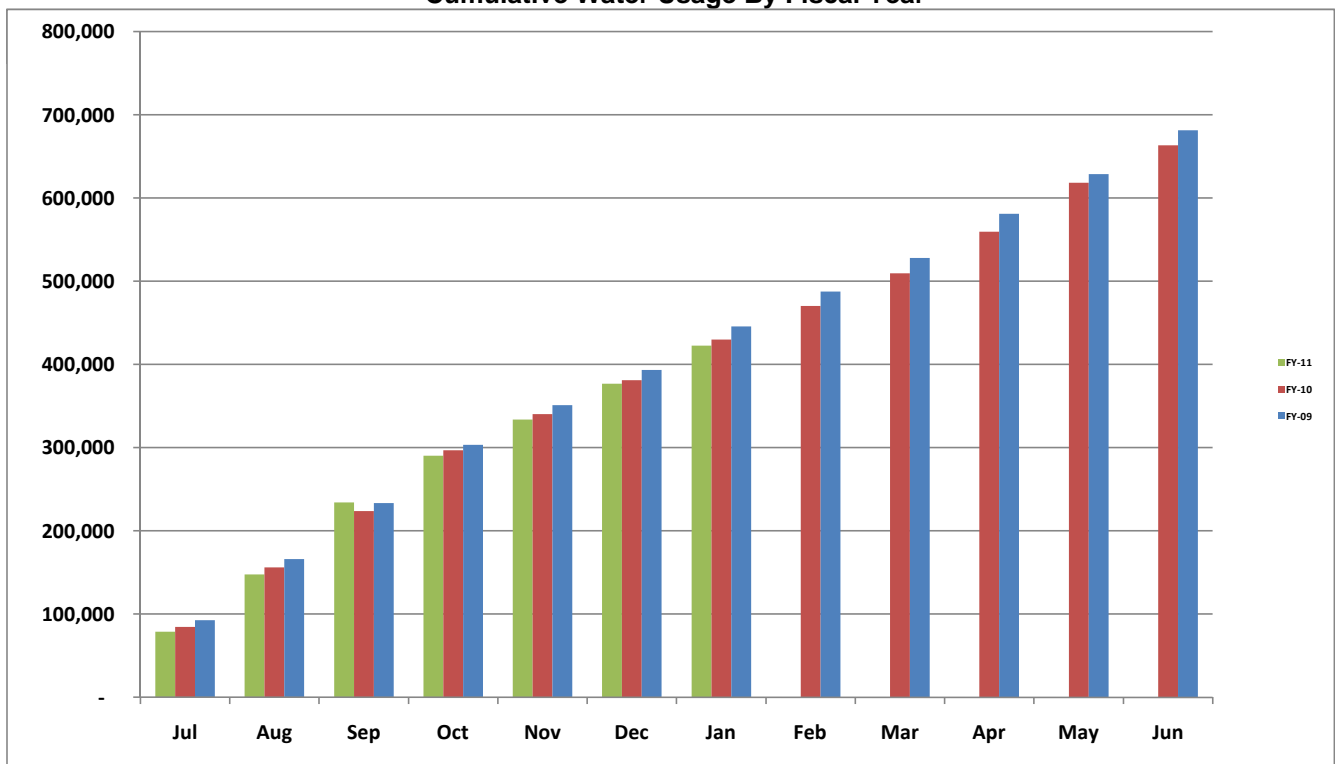


McKinleyville Community Services District Analysis of Water Volume Usage by Fiscal Year

Monthly Water Usage

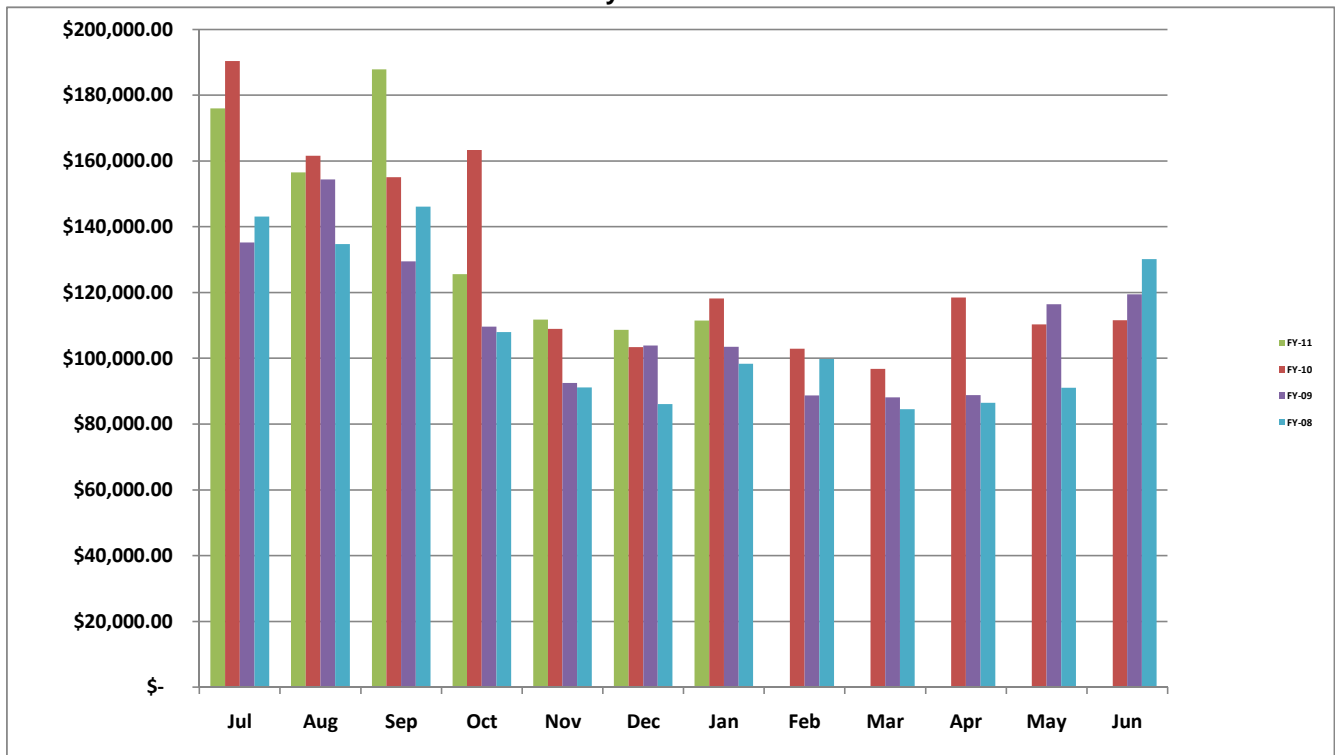


Cumulative Water Usage By Fiscal Year

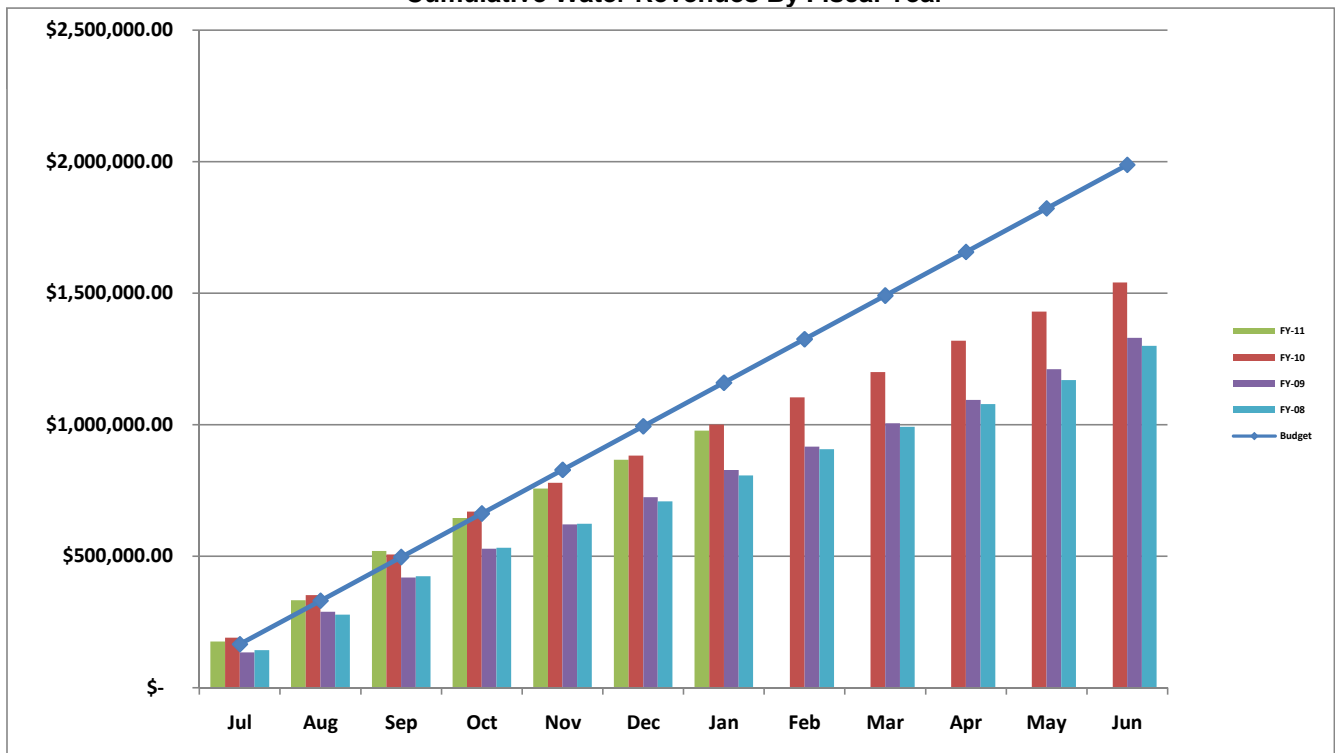


McKinleyville Community Services District Analysis of Water Revenues by Fiscal Year

Monthly Water Revenues



Cumulative Water Revenues By Fiscal Year



McKinleyville Community Services District
Consolidated Balance Sheet by Fund
as of January 31, 2011

						Total (Memorandum Only)
<u>ASSETS</u>						
Unrestricted cash and cash equivalents					Sewer	
Receivable from utility ratepayers					Water	
Prepaid and other current assets					Streetlights	
Total current assets					Parks & General	
Total noncurrent assets						
TOTAL ASSETS						
<u>LIABILITIES AND FUND BALANCE & RETAINED EARNINGS</u>						
Accrued payroll and related liabilities						
Trade and other current liabilities						
Total current liabilities						
Long term debt						
Other noncurrent liabilities						
Long term debt and noncurrent liabilities						
TOTAL LIABILITIES						
Fund balance & retained earnings						
Current earnings						
TOTAL FUND BALANCE & RETAINED EARNINGS						
TOTAL LIABILITIES AND FUND BALANCE & RETAINED EARNINGS						
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>						
WestAmerica Bank Obligation						
OPEB Liability						
Accrued Compensated Absences						
TOTAL GENERAL LONG TERM DEBT						

McKinleyville Community Services District
Summary of Long-Term Debt

Principal Maturities and Scheduled Interest										
Maturity Date	%	Balance - July 1, 2010	Balance - January 31, 2011	Remaining for FY-11	FY-12	FY-13	FY-14	FY-15	FY-16	FY-17
WestAmerica Bank Interest	3.5%	324,201.20	164,937.36	-	164,937.36	-	-	-	-	-
				-	2,886.40	-	-	-	-	-
State of California WRCB (SCEP I) Interest	0.0%	245,520.60	245,520.60	40,920.10	40,920.10	40,920.10	40,920.10	40,920.10	40,920.10	-
				-	-	-	-	-	-	-
State of California WRCB (SCEP II) Interest	2.6%	199,222.15	199,222.15	22,726.56	23,329.99	23,924.03	24,546.06	25,184.26	25,844.70	26,511.01
				5,179.78	4,576.35	3,982.31	3,360.28	2,722.08	2,061.64	1,395.33
Umpqua Bank Interest	5.5%	341,674.66	319,826.78	16,039.39	40,024.42	42,282.10	44,667.13	47,186.72	49,848.42	52,660.26
				7,183.01	15,709.34	13,451.66	11,066.63	8,547.04	5,885.34	3,073.50
Sewer Bond (USDA) Interest	5.0%	855,000.00	805,000.00	-	50,000.00	60,000.00	60,000.00	60,000.00	60,000.00	70,000.00
				20,125.00	39,000.00	36,250.00	33,250.00	30,250.00	27,250.00	24,000.00
ARRA (Total obligation will be \$165,100) Interest	1.0%	-	148,590.00	-	-	9,006.49	10,856.01	10,964.84	11,071.24	11,185.76
				-	-	3,383.47	1,533.95	1,425.12	1,318.72	1,204.20
Davis Grunsky Davis Grunsky deferred interest		2,153,395.10	2,082,986.88	-	72,168.43	73,972.64	75,821.96	77,717.50	79,660.44	81,651.96
		391,802.41	374,767.29	-	17,035.12	17,035.12	17,035.12	17,035.12	17,035.12	17,035.12
Interest	2.5%			-	52,074.67	50,270.46	48,421.14	46,525.60	44,582.66	42,591.14
Total		4,510,816.12	4,340,851.06	112,173.84	522,662.18	374,478.38	371,478.38	368,478.38	365,478.38	331,308.28
Principal & Interest Recap:										
Principal		4,510,816.12	4,340,851.06	79,686.05	408,415.42	267,140.48	273,846.38	279,008.54	284,380.02	259,044.11
Interest				32,487.79	114,246.76	107,337.90	97,632.00	89,469.84	81,098.36	72,264.17
Recap by Fund:										
General Long Term Debt Fund (001)		324,201.20	164,937.36	-	164,937.36	-	-	-	-	-
Water Fund (501)		2,545,197.51	2,606,344.17	-	89,203.55	100,014.25	103,713.09	105,717.46	107,766.80	109,872.84
Interest				-	52,074.67	53,653.93	49,955.09	47,950.72	45,901.38	43,795.34
				-	141,278.22	153,668.18	153,668.18	153,668.18	153,668.18	153,668.18
Sewer Fund (551)		1,641,417.41	1,569,569.53	79,686.05	154,274.51	167,126.23	170,133.29	173,291.08	176,613.22	149,171.27
Interest				32,487.79	59,285.69	53,683.97	47,676.91	41,519.12	35,196.98	28,468.83
				112,173.84	213,560.20	220,810.20	217,810.20	214,810.20	211,810.20	177,640.10
Total		4,510,816.12	4,340,851.06	112,173.84	519,775.78	374,478.38	371,478.38	368,478.38	365,478.38	331,308.28

REPORT.: Feb 04 11 Friday
 RUN....: Feb 04 11 Time: 14:30
 Run By.: STEVEN EDMISTON

McKinleyville C.S.D.
 Cash Disbursement Detail Report
 Check Listing for 01-11 Bank Account.: 10011

PAGE: 001
 ID #: PY-DP
 CTL.: MCK

Check Number	Check Date	Vendor Number	Name	Gross Amount	Discount Amount	Net Amount	-----Payment Information----- Invoice # Description
8438	01/10/11	SDWCA	SPECIAL DIST WORKERS COMP	-8470.98	.00	-8470.98	B01231u Ck# 008438 Reversed
022618	01/06/11	*0034	TODD ANDERSON	25.00	.00	25.00	B01222 FINGERPRINTING FOR BBALL
022619	01/06/11	*0035	WILLIAM A. DONOVAN	431.56	.00	431.56	B10103 REFUND FOR CK POSTED IN E
022620	01/06/11	AES01	ASBURY ENVIRONMENTAL SERV	398.04	.00	398.04	130360593 55GAL DRUM, FILTERS
022621	01/06/11	AGS01	AG SALES	207.28	.00	207.28	70894 FEED
022622	01/06/11	APP01	APPLIED INDUST. TECH.	126.83	.00	126.83	86343630 AG BEARING
022623	01/06/11	BAS01	BASIC LABORATORY INC.	433.00	.00	433.00	1012482 LAB TESTING
022624	01/06/11	BAY02	BAY WEST SUPPLY, INC.	1809.33	.00	1809.33	B10104 JANITORIAL SUPPLIES FOR D
022625	01/06/11	BOR01	BORGES & MAHONEY CO.	67.12	.00	67.12	130463 TUBING FOR WWMF VACUUM
022626	01/06/11	CAM01	CAMPTON ELECTRIC SUPPLY	187.42	.00	187.42	S1062709 PHOTO CELLS FOR ST LIGHTS
022627	01/06/11	CAS01	CASH	291.36	.00	291.36	B10106 REPLENISH PETTY CASH
022628	01/06/11	COM01	COMMERCIAL RADIO & ELECT.	1691.11	.00	1691.11	53389 REC CENTER RADIO
022629	01/06/11	COR07	JOHN W. CORBETT	200.00	.00	200.00	B10103 DIRECTORS FEES
022630	01/06/11	COU02	HUMBOLDT COUNTY ASSESSOR	21.79	.00	21.79	B10105 MEASURE B MAPS
022631	01/06/11	COU09	DAVID R. COUCH	200.00	.00	200.00	B10103 DIRECTORS FEES
022632	01/06/11	CRO03	CROWN TROPHY PETALUMA	76.30	.00	76.30	13433 EAGLE AWARD
022633	01/06/11	CUM01	CUMMINS WEST, INC.	54.69	.00	54.69	005-94406 VAP-PK AND CC BRT
022634	01/06/11	EDW01	HELEN L. EDWARDS	200.00	.00	200.00	B10103 DIRECTORS FEES
022635	01/06/11	EUR06	EUREKA READY MIX	935.28	.00	935.28	64165 CONCRETE
022636	01/06/11	HAC01	HACH COMPANY	633.94	.00	633.94	7017207 TESTING SOLUTIONS
022637	01/06/11	HAR03	HARVEY M. HARPER CO.	27516.83	.00	27516.83	699364 F250 2011 TRUCK AND MONTH
022638	01/06/11	HFS01	HF SCIENTIFIC, INC.	93.74	.00	93.74	169935 LAMP MODULE FOR TURBIDIME
022639	01/06/11	HUM01	HUMBOLDT BAY MUNICIPAL WA	52233.64	.00	52233.64	B10103 WTR PURCHASED FOR DEC 201
022640	01/06/11	HUM08	HUMBOLDT SANITATION	849.00	.00	849.00	B10105 TRASH SERVICE DEC 2010
022641	01/06/11	IND01	INDEPENDENT BUS. FORMS	113.92	.00	113.92	20624 W2 ENVELOPES
022642	01/06/11	IND02	Industrial Electric Serv	345.13	.00	345.13	IN2700 FITTINGS FOR OFFICE GENER
022643	01/06/11	ISE01	I-SECURE INC.	45.00	.00	45.00	11654 SHREDDING OF PAPERS IN BI
022644	01/06/11	KRI02	TERRY E. KRIEG, CPA	2000.00	.00	2000.00	B10105 FINAL PMT FY-10 AUDIT
022645	01/06/11	LAB01	Lab Safety Supply, Inc.	293.15	.00	293.15	101650743 GLOVES AND EAR PLUGS
022646	01/06/11	LEW02	THE LEW EDWARDS GROUP	2500.00	.00	2500.00	9092 MEASURE B ADVICE
022647	01/06/11	MAY02	DENNIS MAYO	200.00	.00	200.00	B10103 DIRECTORS FEES
022648	01/06/11	MCB02	BILL MCBROOME	157.31	.00	157.31	B10104 SAFETY BOOTS
022649	01/06/11	MCK03	MCKINLEYVILLE OFFICE SUPP	36.62	.00	36.62	43286 COPIES PICK UP AND DELIVE
022650	01/06/11	MCK04	MCK ACE HARDWARE	753.77	.00	753.77	B10105 REPAIRS/SUPPLIES FOR DEC
022651	01/06/11	MEN01	MENDES SUPPLY CO.	212.00	.00	212.00	M014101-0 NITRILE GLOVES
022652	01/06/11	MIL01	Miller Farms Nursery	287.08	.00	287.08	B10105 SHOP TOOLS, CHAINS, CHAIN
022653	01/06/11	NOR01	NORTH COAST LABORATORIES	3362.00	.00	3362.00	B10106 LAB TESTS
022654	01/06/11	NOR03	NO. COAST VETERINARY HOSP	224.00	.00	224.00	17570 FIELD CALL WORMING
022655	01/06/11	NOR36	NORTH COAST PARTS & SUPPL	34.60	.00	34.60	B10103 GASKET MATERIAL OIL
022656	01/06/11	NYL01	NYLEX.NET	90.00	.00	90.00	69534 GPS SITE ACCESS AND PHONE
022657	01/06/11	OCC01	OCCUPATIONAL HEALTH	170.00	.00	170.00	523*11-10 DMV PHYSICAL E. JONES AND
022658	01/06/11	ORE01	O'REILLY AUTOMOTIVE, INC.	101.52	.00	101.52	B10104 REPAIRS/SUPPLY OIL WIPERS
022659	01/06/11	PGE01	PG & E (Office & Field)	11942.26	.00	11942.26	B10106 GAS & ELECTRIC DEC 2010
022660	01/06/11	PGE02	PACIFIC GAS & ELECTRIC	2415.06	.00	2415.06	B10103 DEC 2010 STREETLIGHTS
022661	01/06/11	PRE08	PRECISION INTERMEDIA	30.00	.00	30.00	13413 WEB HOSTING
022662	01/06/11	REN01	RENNER PETROLEUM	3099.19	.00	3099.19	B10106 FLEET FUEL FOR DEC 2010

REPORT.: Feb 04 11 Friday
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McKinleyville C.S.D.
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Check Number	Check Date	Vendor Number	Name	Gross Amount	Discount Amount	Net Amount	-----Payment Information----- Invoice # Description
022663	01/06/11	S&S02	S & S WORLDWIDE, INC.	406.69	.00	406.69	6817812 ACTIVITY SUPPLY
022664	01/06/11	SAM04	SAMARA RESTOATION	324.75	.00	324.75	1037 BLACK COTTON WOODS
022665	01/06/11	SEQ01	Sequoia Gas Co.	1698.55	.00	1698.55	120131 FUEL FOR RAMEY PUMPSTATIO
022666	01/06/11	SHN01	SHN ENGINEERING	16323.75	.00	16323.75	73393 NPDES COMPLIANCE PROJECT
022667	01/06/11	SIE01	SIERRA FOOTHILL LAB, INC.	350.00	.00	350.00	91880 LAB TESTING
022668	01/06/11	STA03	STATE OF CALIFORNIA	97546.90	.00	97546.90	1101D5001 LOAN FY-11 PMT
022669	01/06/11	STA11	STAPLES CREDIT PLAN	878.57	.00	878.57	B01228 MONTHLY SUPPLIES FOR P/R
022670	01/06/11	SUP01	Superior Alarm Sys., Inc.	325.50	.00	325.50	94002 SECURITY SYSTEM
022671	01/06/11	THO01	THOMAS & ASSOCIATES	2707.39	.00	2707.39	25450 SNAP RING SIGHT GUAGE WEA
022672	01/06/11	THO02	Thomas Home Center	229.03	.00	229.03	B10104 MAINTANCE SUPPLIES FOR DE
022673	01/06/11	THR01	THRIFTY SUPPLY COMPANY	580.82	.00	580.82	1292066 GAS LINE AND FITTINGS PAR
022674	01/06/11	TIM03	TIMES PRINTING COMPANY	595.12	.00	595.12	11316 DOOR HANGERS ORDERED
022675	01/06/11	UMP02	UMPQUA BANK	1248.36	.00	1248.36	B10106 EMPLOYEE FUND, TRAINING,
022676	01/06/11	UPS01	UPS	25.79	.00	25.79	Y6R493510 LAB SHIPMENT
022677	01/06/11	VER01	VERISON WIRELESS	181.05	.00	181.05	B10104 CELL PHONES
022678	01/06/11	WAH02	WAHLUND CONSTRUCTION INC.	190492.74	.00	190492.74	5 RAMEY PUMP STATION UPGRAD
022679	01/06/11	WEN01	WILLIAM WENNERHOLM, DC	200.00	.00	200.00	B10103 DIRECTORS FEES
022680	01/06/11	WES09	WEST COAST PLUMBING	10.78	.00	10.78	I-11119 VACUME BREAKER
022681	01/06/11	WIN02	Winzler & Kelly	6336.75	.00	6336.75	55616 RAMEY PUMP UPGRADE
022682	01/07/11	*0034	TODD ANDERSON	30.00 -30.00	.00 .00	30.00 -30.00	B01228 FINGERPRINTING B01228u Ck# 022682 Reversed
			Check Total.....:	.00	.00	.00	
022683	01/07/11	*0036	PSEA- PG&E	100.00	.00	100.00	B10103 AZ HALL DEPOSIT REFUND
022684	01/07/11	*0037	YUOK TRIBE	101.00	.00	101.00	B10103 Az HALL DEPOSIT REFUND
022685	01/07/11	*0038	ASHLEY ABBOTT-GILL	15.00	.00	15.00	B10105 BASKETBALL VOLUNTEER
022686	01/07/11	COR01	CORBIN WILLITS SYSTEMS	833.42	.00	833.42	B012151 MOM SYSTEM MONTHLY PAYMEN
022687	01/07/11	GUA01	THE GUARDIAN	3851.92	.00	3851.92	B01228 GRP DENTAL INSURANCE
022688	01/07/11	HAR13	The Hartford - Priority A	597.32	.00	597.32	B01228 GRP LIFE INSURANCE
022689	01/07/11	MCK01	MCKINLEYVILLE CHAMBER OF	60.00	.00	60.00	2242 ANNUAL DUES
022690	01/07/11	PIT01	PITNEY BOWES	597.00	.00	597.00	2887297 POSTAGE METER RENEWAL
022691	01/07/11	SUD01	SUDDENLINK	173.95	.00	173.95	B01228 JAN INTERNET PAYMENT
022692	01/07/11	USB01	U.S. BANK TRUST N.A.	7500.00	.00	7500.00	001B101011 SEWER BOND PAYMENT
022693	01/07/11	\C013	CHANCE LN TOWN HOMES LLC,	32.58	.00	32.58	000B10101 MQ CUSTOMER REFUND FOR CH
022694	01/07/11	\D013	DAKE, CHRISTIAN	32.47	.00	32.47	000B10101 MQ CUSTOMER REFUND FOR DA
022695	01/07/11	\F006	FRANKE, DAVID	38.13	.00	38.13	000B10101 MQ CUSTOMER REFUND FOR FR
022696	01/07/11	\H009	HOOVEN & CO.,	423.94	.00	423.94	000B10101 MQ CUSTOMER REFUND FOR HO
022697	01/07/11	\H010	HOOVEN & COMPANY,	420.06	.00	420.06	000B10101 MQ CUSTOMER REFUND FOR HO
022698	01/07/11	\J010	JLF CONSTRUCTION,	36.04	.00	36.04	000B10101 MQ CUSTOMER REFUND FOR JL
022699	01/07/11	\K010	KOGLMAN, KARLA	57.04	.00	57.04	000B10101 MQ CUSTOMER REFUND FOR KO
022700	01/07/11	\M005	MILLSAP, LOREN	64.24	.00	64.24	000B10101 MQ CUSTOMER REFUND FOR MI
022701	01/07/11	\M016	MILTON, HEATHER	58.10	.00	58.10	000B10101 MQ CUSTOMER REFUND FOR MI
022702	01/07/11	\R003	REAL HOME SVCS & SOLUTION	44.07	.00	44.07	000B10101 MQ CUSTOMER REFUND FOR RH
022703	01/07/11	\S005	SKINNER, DYLAN	44.53	.00	44.53	000B10101 MQ CUSTOMER REFUND FOR SK
022704	01/07/11	\S016	SUGGS, MICHAEL	80.00	.00	80.00	000B10101 MQ CUSTOMER REFUND FOR SU
022705	01/07/11	\U001	UNGER, RANDALL E.	469.74	.00	469.74	000B10101 MQ CUSTOMER REFUND FOR UN
022706	01/07/11	\V003	VINCENT, CASEY M.	54.02	.00	54.02	000B10101 MQ CUSTOMER REFUND FOR VI

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Check Number	Check Date	Vendor Number	Name	Gross Amount	Discount Amount	Net Amount	-----Payment Information----- Invoice # Description
022707	01/07/11	\W013	WIESNER, ASHTON	20.46	.00	20.46	000B10101 MQ CUSTOMER REFUND FOR WI
022708	01/12/11	*0039	JOSHUA ANDERSON	25.00	.00	25.00	B10112 FINGERPRINTING FOR COACH
022709	01/12/11	*0040	DENISE WILLIAMS	30.00	.00	30.00	B10112 VOLUNTEER FOR BASKETBALL
022710	01/12/11	*0041	KEMONTE COOK	30.00	.00	30.00	B10112 VOLUNTEER FOR BASKETBALL
022711	01/12/11	*0042	CHARITY WALKER	20.00	.00	20.00	B10112 VOLUNTEER FOR BASKETBALL
022712	01/12/11	ACW01	ACWA HEALTH BENEFITS AUTH	40661.96	.00	40661.96	B10112 GRP. HEALTH INS
022713	01/12/11	BAL01	DAVID BALDOSSER	77.69	.00	77.69	B10112 AFLAC FLEX SPENDING REIMB
022714	01/12/11	DEP05	DEPARTMENT OF JUSTICE	64.00	.00	64.00	B10112 FINGERPRINTING REC PROGRA
022715	01/12/11	EUR05	Eureka Oxygen Co	169.26	.00	169.26	429434 WHITE MARKING PAINT
022716	01/12/11	GFO01	GOVERNMENT FINANCE OFFICE	160.00	.00	160.00	0154003 MEMBERSHIP RENEWAL
022717	01/12/11	HEL01	KEVIN HELD	300.00	.00	300.00	B10112 JHS DANCE DJ PAYMENT
022718	01/12/11	KEY01	KEY EQUIPMENT FINANCE	314.57	.00	314.57	1102 EQUIPMENT LEASE FOR JAN
022719	01/12/11	PAC07	PACIFIC COAST SECURITY	756.00	.00	756.00	11-049 SECURITY FOR EMPLOYEE TER
022720	01/12/11	RES05	RESERVE ACCOUNT	500.00	.00	500.00	B10112 POSTAGE METER
022721	01/12/11	SIE02	SIERRA CHEMICAL CO.	3591.90	.00	3591.90	210872 SULFUR DIOXIDE AND CHLORI
022722	01/12/11	WES13	WESTERN WEB	2384.39	.00	2384.39	9186 NEWSLETTER PRINTING POSTA
022723	01/25/11	BAR10	JENNIFER BARBER	500.00	.00	500.00	B10125P PAYROLL ADVANCE
022724	01/26/11	*0001	JACQUELYN PRESTON	75.00	.00	75.00	B10121 KINDERSPORTS REFUND
022725	01/26/11	*0002	LIFE LINE SCREENING OF AM	100.00	.00	100.00	B10126 AZ HALL DEPOSIT REFUND
022726	01/26/11	*0003	SHURIE BURMAN	10.00	.00	10.00	B10126 KIDSCUB REFUND
022727	01/26/11	ANS02	BRIAN ANSPACH	490.00	.00	490.00	2 WORKING ON GIS SYSTEM
022728	01/26/11	APP01	APPLIED INDUST. TECH.	14.83	.00	14.83	86343861 MAINTANCE SUPPLIES
022729	01/26/11	ATT01	AT&T	1169.54	.00	1169.54	B10121 PHONE PAYMENT FOR JAN 201
022730	01/26/11	BLA08	ERIC BLAKE	123.50	.00	123.50	B10118 INSTRUCTOR PAYMENT
022731	01/26/11	BWS01	B.W.S. DISTRIBUTORS, INC.	2313.23	.00	2313.23	97334837 MAINTANCE SUPPLIES
022732	01/26/11	CAL29	CALIFORNIA SOCIETY OF MUN	110.00	.00	110.00	B10121 MEMBERSHIP RENEWAL
022733	01/26/11	COM01	COMMERCIAL RADIO & ELECT.	979.22	.00	979.22	53480 INSTALL MOBILE RADIO "UNI
022734	01/26/11	COR07	JOHN W. CORBETT	100.00	.00	100.00	B10121 DIRECTORS FEES
022735	01/26/11	COU02	HUMBOLDT COUNTY ASSESSOR	20.24	.00	20.24	B10126 MEASURE B MAPS
022736	01/26/11	COU09	DAVID R. COUCH	100.00	.00	100.00	B10121 DIRECTORS FEES
022737	01/26/11	CSD01	CSDA	49.00	.00	49.00	B10126 WEBINAR ON 4-5-11 FOR DS
022738	01/26/11	CUM01	CUMMINS WEST, INC.	321.38	.00	321.38	005-94742 PC BOARD BATT. CHARGER
022739	01/26/11	EDW01	HELEN L. EDWARDS	100.00	.00	100.00	B10121 DIRECTORS FEES
022740	01/26/11	EUR01	EUREKA BOILER WORKS	449.77	.00	449.77	37475 MAINTANCE SUPPLIES JAN 20
022741	01/26/11	HIG01	HIGH YIELD IND. PRODUCTS	118.00	.00	118.00	132491 DRILL INDEX
022742	01/26/11	JAC04	JACKSON & EKLUND	1250.00	.00	1250.00	00166808 CHARGES FOR JAN 2010
022743	01/26/11	KER01	KERNEN CONSTRUCTION	558.57	.00	558.57	37630 ASPHALT
022744	01/26/11	MAY02	DENNIS MAYO	100.00	.00	100.00	B10121 DIRECTORS FEES
022745	01/26/11	MCK12	MCKINLEYVILLE UNION SCHOO	615.60	.00	615.60	12312010 KIDSCUB SNACKS
022746	01/26/11	MIT01	Mitchell, Brisso, Delaney	2082.00	.00	2082.00	28125 LEGAL MATTERS FOR DISTRIC
022747	01/26/11	NEC01	NEC FINANCIAL SERVICES,LL	579.42	.00	579.42	1408166 DEC AND JAN PMT
022748	01/26/11	NOR03	NO. COAST VETERINARY HOSP	30.90	.00	30.90	18278 WWMF GOAT MEDICATION
022749	01/26/11	NOR13	NORTHERN CALIFORNIA SAFET	80.00	.00	80.00	17478 JAN 2011 MONTHLY MEMBERSH
022750	01/26/11	ONT01	ON-THE-SPOT SPORTSWEAR	1525.14	.00	1525.14	100280 YOUTH BASKETBALL TEES WIT
022751	01/26/11	PGE02	PACIFIC GAS & ELECTRIC	2300.07	.00	2300.07	B10126 STREETLIGHTS
022752	01/26/11	POW04	POWER PAGE	72.00	.00	72.00	10334916 6 MTH PAYMENT FOR PAGER

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Check Number	Check Date	Vendor Number	Name	Gross Amount	Discount Amount	Net Amount	-----Payment Information----- Invoice #	Description
022753	01/26/11	PRO03	PROFESSIONAL CREDIT MGMT	71.27	.00	71.27	B10114	REC. BAD DEBTS
022754	01/26/11	PRO08	PROFORMA	2037.72	.00	2037.72	0D4700406	OFFICE SUPPLIES-BILLS
022755	01/26/11	SIE01	SIERRA FOOTHILL LAB, INC.	350.00	.00	350.00	093238	LAB TESTING
022756	01/26/11	SWR01	SWRCB CLEANUP AND ABATEME	3000.00	.00	3000.00	B10121	R1-2010-0103
022757	01/26/11	UNI05	UNITED RENTALS NORTHWEST	208.23	.00	208.23	91500455-	DITCH WITCH RENTAL
022758	01/26/11	UPS01	UPS	167.25	.00	167.25	Y6R493031	LAB SHIPMENT
022759	01/26/11	WAH02	WAHLUND CONSTRUCTION INC.	23443.56	.00	23443.56	6	RAMEY PUMP UPGRADE
022760	01/26/11	WBC01	WBCO ELECTRIC SERVICE CO.	548.37	.00	548.37	81134	GENERATOR SUPPLIES
022761	01/26/11	WEN01	WILLIAM WENNERHOLM, DC	100.00	.00	100.00	B10121	DIRECTORS FEES
022762	01/26/11	WIN02	Winzler & Kelly	2256.25	.00	2256.25	56403	RAMEY PUMP UPGRADE
022763	01/26/11	ZEP01	ZEP MANUFACTURING CO.	320.44	.00	320.44	53399643	MAINTANCE SUPPLIES
022764	01/27/11	ACM01	ACME RIGGING & SUPPLY CO.	96.39	.00	96.39	237890	REPAIRS SUPPLIES
022765	01/27/11	BAL01	DAVID BALDOSSER	58.39	.00	58.39	B10128	AFLAC FLEX SPENDING REIMB
022766	01/27/11	BAY02	BAY WEST SUPPLY, INC.	2455.02	.00	2455.02	B10202	SUPPLIES
022767	01/27/11	BIG02	BIG 5 SPORTING GOODS	108.46	.00	108.46	99962272	REF JERSEYS
022768	01/27/11	CAL01	Calif Special Dist Assoc.	225.00	.00	225.00	B10204	TRAINING
022769	01/27/11	CDW01	CDW GOVERNMENT, INC.	228.82	.00	228.82	WGX6551	NETGEAR WIRELESS ROUTER
022770	01/27/11	CON01	CONNEY SAFETY PRODUCTS	283.51	.00	283.51	03833910	SAFETY SUPPLIES
022771	01/27/11	COS03	COSTCO WHOLESALE	238.47	.00	238.47	B10131	SUPPLIES FOR JAN 2011
022772	01/27/11	CRO03	CROWN TROPHY PETALUMA	23.44	.00	23.44	13537	SUPPLIES FOR JAN 2011
022773	01/27/11	DOW01	DOWNEY BRAND ATTORNEYS LL	75.91	.00	75.91	0399914	LEGAL
022774	01/27/11	EUR06	EUREKA READY MIX	103.70	.00	103.70	A 30214	MAINTENANCE SUPPLIES
022775	01/27/11	FRE07	FRESHWATER ENVIRONMENTAL	1225.00	.00	1225.00	419	CONSULTING/ REPORT
022776	01/27/11	FRI05	LESLEY FRISBEE	69.28	.00	69.28	B10131	SUPPLIES FOR DEC 2011
022777	01/27/11	FRO02	FRONTIER ANALYTICAL LABOR	900.00	.00	900.00	15073	LAB TESTING
022778	01/27/11	HAR03	HARVEY M. HARPER CO.	69.51	.00	69.51	700846	INSPECTIONS
022779	01/27/11	HOO01	HOOVEN & CO., INC.	1059.75	.00	1059.75	8530	REPAIR SUPPLIES
022780	01/27/11	HUM01	HUMBOLDT BAY MUNICIPAL WA	50026.91	.00	50026.91	B10201	WTR PURCHASED
022781	01/27/11	HUM08	HUMBOLDT SANITATION	829.00	.00	829.00	B10204	TRASH SERVICE
022782	01/27/11	IND02	Industrial Electric Serv	1004.88	.00	1004.88	12780	REPAIRS/SUPPLY
022783	01/27/11	LES01	LES SCHWAB TIRE CENTER	1236.85	.00	1236.85	322352	MAINTENANCE DONE
022784	01/27/11	MAY02	DENNIS MAYO	419.21	.00	419.21	B10204	BOARD MEMBER REIMBURSEMEN
022785	01/27/11	MCK04	MCK ACE HARDWARE	424.14	.00	424.14	B10204	REPAIRS/SUPPLY
022786	01/27/11	MCM01	McMaster-Carr Supply Co.	206.46	.00	206.46	76116898	ROOM EXHAUST FAN
022787	01/27/11	MIL01	Miller Farms Nursery	443.28	.00	443.28	B10202	REPAIRS/SUPPLY
022788	01/27/11	MUN01	Munnell & Sherrill, Inc.	211.31	.00	211.31	958504	REPAIRS/SUPPLY
022789	01/27/11	NEC01	NEC FINANCIAL SERVICES,LL	288.59	.00	288.59	1415303	PHONE SYSTEM PAYMENT
022790	01/27/11	NOR01	NORTH COAST LABORATORIES	3060.00	.00	3060.00	B10203	LAB TESTS
022791	01/27/11	NOR03	NO. COAST VETERINARY HOSP	110.00	.00	110.00	18328	GOAT TREATMENT
022792	01/27/11	NOR13	NORTHERN CALIFORNIA SAFET	1000.00	.00	1000.00	B10203	TRAINING
022793	01/27/11	NOR35	NORTHERN HUMBOLDT	180.39	.00	180.39	ES11-0125	LANDSCAPING FOR JAN 2011
022794	01/27/11	NOR36	NORTH COAST PARTS & SUPPL	98.77	.00	98.77	B10128	AUTO PARTS FOR JAN 2011
022795	01/27/11	OCC01	OCCUPATIONAL HEALTH	210.00	.00	210.00	523-12-10	PHYSICALS AND DRUG TESTIN
022796	01/27/11	ORE01	O'REILLY AUTOMOTIVE, INC.	52.23	.00	52.23	B10204	REPAIRS/SUPPLY
022797	01/27/11	PRE08	PRECISION INTERMEDIA	30.00	.00	30.00	13590	WEB HOSTING
022798	01/27/11	REN01	RENNER PETROLEUM	3773.33	.00	3773.33	B10203	FLEET FUEL FOR JAN 2011

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Check Number	Check Date	Vendor Number	Name	Gross Amount	Discount Amount	Net Amount	-----Payment Information----- Invoice #	Description
022799	01/27/11	SEQ01	Sequoia Gas Co.	1730.26	.00	1730.26	120733	GENERATOR HOOK UP FUEL
022800	01/27/11	SHN01	SHN ENGINEERING	13687.75	.00	13687.75	73666	NPDES COMPLIANCE PROJECT
022801	01/27/11	STA03	STATE OF CALIFORNIA	17035.12	.00	17035.12	B10128	DAVIS-GRUNSKY ACT DEFERRE
022802	01/27/11	STA11	STAPLES CREDIT PLAN	1010.66	.00	1010.66	B10128	D.O. & PARKS MONTHLY SUPP
022803	01/27/11	THO02	Thomas Home Center	307.30	.00	307.30	B10204	REPAIRS/SUPPLY
022804	01/27/11	THR01	THRIFTY SUPPLY COMPANY	589.95	.00	589.95	B10202	SUPPLIES/REPAIRS
022805	01/27/11	TRI02	TRINITY DIESEL INC.	184.00	.00	184.00	15413 14	BRAKE INSPECTION
022806	01/27/11	UPS01	UPS	32.37	.00	32.37	YR493051	LAB SHIPMENT
022807	01/27/11	USP02	USPS: ARCATA BMEU	1500.00 1478.91	.00 .00	1500.00 1478.91	B10127 B10202	PERMIT 202 PERMIT 239 FOR NEWSLETTER
Check Total.....:				2978.91	.00	2978.91		
022808	01/27/11	VER01	VERISON WIRELESS	193.66	.00	193.66	B10131	PHONES JAN 2011
022809	01/27/11	WES09	WEST COAST PLUMBING	66.76	.00	66.76	11688	MAINTENANCE REPAIR
022810	01/27/11	WES12	WESTAMERICA BANK	2886.40	.00	2886.40	B10128	INTEREST PMT
022811	01/27/11	WIN02	Winzler & Kelly	26450.38	.00	26450.38	56537	COPPER WATER SAMPLING & A
Cash Account Total.....:				680697.25	.00	680697.25		
Total Disbursements.....:				680697.25	.00	680697.25		
Cash Account Total.....:				.00	.00	.00		

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **ACTION**

ITEM: D.3 DCV VIOLATIONS

PRESENTED BY: Gregory Orsini, Operations Director

TYPE OF ACTION: Consent Calendar

BACKGROUND: Customers listed below are not now in compliance with the State law regarding cross-connection control for water customers with alternate water supply. These customers have been notified of their respective violations as noted and have been provided notification of this meeting.

1st Notice	January 10, 2011
10 Day Notice	February 2, 2011
Board Meeting	February 16, 2011
Lock	March 21, 2011
ROUTE 19	

Account	Address	Brand	S/O Out
17-955-000	3020 Central	Febco	
19-186-000	1790 Baird	Febco	
19-295-000	1844 Baird	Wilkins	
19-565-000	1790 Woody	Febco	
19-600-054	5161 Dows Prairie	Wilkins	
19-660-000	5096 Dows Prairie	Wilkins	
19-760-007	1330 Clam Beach	Febco	

UPDATED: 02/09/11

Recommendation: Staff recommends that the Board authorize staff to provide these customers with formal notice that their water service will be discontinued in one month if they have not come into compliance with state law regarding water service cross-connection in accordance with MCSD Rules 7 and 10.

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **ACTION**

ITEM: E.1. Accept the District's annual audit report for the fiscal year ended June 30, 2010

PRESENTED BY: Steven Edmiston, Finance Director

TYPE OF ACTION: Roll Call Vote

Recommendation:

Staff recommends that the District's audited financial statements for the year ended June 30, 2010, and the independent auditor's report thereon, be accepted.

Discussion:

The District's annual audit for the year ended June 30, 2010, is complete. The independent auditor issued an unqualified opinion on the District's financial statements which have been included as an attachment. The audit committee has reviewed and accepted the auditor's report.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Not applicable

Exhibits/Attachments

- McKinleyville Community Services District Basic Financial Statements with report of Independent Auditor for the year ended June 30, 2010.
- Communication to Those Charged With Governance.

**McKinleyville Community
Services District
Basic Financial Statements
June 30, 2010**

**McKinleyville Community Services District
Basic Financial Statements
June 30, 2010**

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Terry E. Krieg, CPA
Certified Public Accountant

Independent Auditor's Report

Board of Directors
McKinleyville Community Services District
McKinleyville, California

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McKinleyville Community Services District, California, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the McKinleyville Community Services District management. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McKinleyville Community Services District, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress on pages 2 through 5 and pages 32 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued my report dated January 31, 2011 on my consideration of the McKinleyville Community Services District's, California internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

As discussed in note 5F to these financial statements, the District in fiscal year 2010 implemented the provisions of Governmental Accounting Standards Board Statement 45, titled, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions.


Certified Public Accountant
January 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the McKinleyville Community Services District offer readers of the McKinleyville Community Service District's financial statements this narrative overview and analysis of the District's financial activity for the year ended June 30, 2010. Please read it in conjunction with the Report of the Independent Auditor and the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's Net Assets increased by \$397,598 or 1.75%, as a result of this year's operation. The District's Net Assets are now \$23,086,459. Net Assets of business-type activities (providing water and sewer services) increased by \$198,875 or 1.06%.
- Over the past five years, the District's Net Assets have increased by \$3,587,234, for an average increase of 3.68% per year.
- The District invested \$1,068,279 in capital improvements (including \$307,550 of developer contributed assets) and equipment upgrades during the fiscal year. Projects during the year included the addition to the Sutter Road office building, engineering and design of the Ramey Pump Station upgrade, and engineering and design work on the Waste Water Management Facility upgrade project. Parks projects included construction of the bocce ball courts at Pierson Park, acquisition of additional land adjacent to Pierson Park, a new play structure at Hiller Park, and various improvements and replacements to buildings and grounds. Infrastructure upgrades included replacement and upgrades to operating equipment (trucks, radios, computers, etc.). Additional information regarding capital assets can be found starting on page 22 of the notes to the financial statements.
- The total cost of District programs was \$4.4 million for the fiscal year compared to \$4.1 million for the prior year.
- During the fiscal year, the District increased its cash and cash equivalents by \$64,036 while decreasing its liabilities (loans, notes payable, leases, and other amounts due to customers, vendors and others) by \$226,285.
- Over the past five years, the District has increased its cash and cash equivalents by \$2,502,350 while decreasing its liabilities by \$1,986,080.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities explains how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant operating funds.

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report activities of the District as a whole and about its activities in a way that indicates whether the financial position of the District has improved during the fiscal year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the changes in the District's net assets. The District's net assets - the difference between its assets and liabilities - are a measure of the District's financial position, or financial health. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health remains consistent. Other considerations not of a financial nature, such as changes in the District's property tax base and the condition of the District's physical infrastructure, should also be considered while assessing the overall financial health of the District.

The Statement of Net Assets and the Statement of Activities divide District operations into two types of activities:

- **Governmental activities** – Included are the District's parks, recreation programs, open space zones and streetlight zones. This also accounts for management of the District's buildings at Pierson Park (Azalea Hall, the Activity Center, the Library and the Law Enforcement Facility), Hiller Park (sports fields, playgrounds, dog park, etc.), Larissa Park, and trails and open spaces. These activities are funded by property taxes, the Measure B Assessments (for recreational facility development), zone assessments, grants, donations and user fees.
- **Business-type activities** – These are activities that the District charges fees to customers to cover the cost of services it provides. The District's water and sewer systems are reported herein.

Fund Financial Statements

The fund financial statements provide information about the most significant operating funds of the District individually. The District's fund types - governmental and business-type - use different accounting approaches.

- **Governmental funds** - The District's parks, recreation programs, open space zones, streetlight zones and building management functions are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future expenditures. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information demonstrates whether there are greater or fewer financial resources, available in the near future to finance the District's programs. A description of relationship between governmental activities is shown in the reconciliation at the bottom of the Statement of Net Assets and the Statement of Activities.
- **Business-type funds** - As the District charges customers for the services provided, these services are generally reported in Business-type funds. Business-type funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities.

THE DISTRICT AS A WHOLE

For the year ended June 30, 2010, net assets changed as follows:

	Governmental Activities	Business-type Activities	Total
Beginning Net Assets	\$ 3,929,672	\$ 18,759,189	\$ 22,688,861
Increase in Net Assets	198,723	198,875	397,598
Ending Net Assets	<u>\$ 4,128,395</u>	<u>\$ 18,958,064</u>	<u>\$ 23,086,459</u>

This reflects an increase of 5.06% for governmental activities and an increase of 0.11% for business-type activities. The overall increase of \$397,598 represents a 1.75% increase in the net assets of the District as a whole. Over the past five years the net assets of the District have increased by \$3,587,234, an average annual increase of 3.68%.

THE DISTRICT'S FUNDS

Governmental Funds

Following is a comparison of revenues and expenditures for governmental activities, which includes operation of the District's parks, recreation programs, open space zones, streetlight zones and building management functions. It also includes revenues from fees assessed for operation of those programs, general property tax revenues and property assessments for the development and operation of the District's sports fields and recreation programs.

Recreation program revenues of \$265,596 were lower than the prior year, which reflected a corresponding decrease in recreation program costs of \$236,075 for the fiscal year. Revenues from donations and grants, as well as interest revenues, were lower than in the prior year due to prevailing economic conditions. The District purchased property on Gwin Road (adjacent to Pierson Park) late in the fiscal for \$125,743, causing a deficit of revenues over expenditures for the fiscal year.

Governmental Funds (General, Parks and Streetlighting) (Deficit) of Revenues Over Expenditures

	FYE 6/30/10 Amount	Percent of Total	Increase (Decrease) From FYE 6/30/09	Percent Increase (Decrease)
Revenues:				
Recreation programs fees	\$ 265,596	22.44%	\$ (18,266)	-6.84%
Property taxes	460,625	38.93%	(25,672)	-6.36%
Measure B assessments	201,114	17.00%	7,390	3.88%
Donations and grants	10,479	0.89%	(45,422)	-33.92%
Park and building rentals and services	55,186	4.66%	(1,131)	-1.50%
Streetlight zone fees	81,289	6.87%	3,032	5.28%
Open space zone fees	52,884	4.47%	2,853	4.42%
Interest income	19,021	1.61%	(11,443)	-50.74%
Other revenues	37,014	3.13%	6,422	10.39%
Total revenues	\$1,183,208	100.00%	\$ (82,237)	-6.44%
Expenditures:				
Principal and interest on debt	\$ 251,465	19.33%	\$ -	0.00%
Recreation programs	236,075	18.14%	(34,074)	-15.65%
Capital expenditures	186,355	14.32%	167,217	207.43%
Building operations	256,603	19.72%	8,613	7.26%
Streetlight zones	71,224	5.47%	46,927	77.07%
Open space zone maintenance	30,722	2.36%	(4,814)	-10.80%
Other salaries and benefits	225,953	17.36%	12,930	6.03%
Other expenditures	42,975	3.30%	(23,788)	-33.90%
Total expenditures	\$1,301,372	100.00%	\$ 173,011	16.74%
(Deficit) of revenues over expenditures	\$ (118,164)		\$ (255,248)	

Business-Type Funds

The District has sustained an approximate 2% population growth rate over the past ten years. It is clear that there will be increasing demand on the District's facilities as McKinleyville continues to grow. However the District has seen a decrease in connection and processing fees as construction activity has slowed. While total operating revenues for the fiscal year increased by 8.61% over the prior year, operating expenses increased by 11.28% during the same period. The largest increase was due to an increase of \$215,802 (61.14%) in the cost of purchased water. An increase in user fees for water and sewer will be needed to avoid continuing operating losses.

Business-Type Funds (Water and Sewer Enterprise) Operating (Loss)

	FYE 6/30/10 Amount	Percent of Total	Increase (Decrease) from FYE 6/30/09	Percent Increase (Decrease)
Operating revenues:				
User fees for water	\$1,549,371	49.99%	\$ 189,202	14.49%
User fees for sewer	1,346,776	43.45%	48,261	4.15%
Connection, extension and other fees	95,706	3.09%	(41,914)	-10.41%
Leases and other	107,613	3.47%	55,525	120.19%
Total operating revenues	\$3,099,466	100.00%	\$ 251,074	8.61%
Operating expenses:				
Salaries and benefits	\$1,484,893	45.91%	\$ 121,230	10.17%
Purchased water	533,961	16.51%	215,802	61.14%
Utilities, maintenance and repairs	246,255	7.61%	(17,296)	-5.20%
Depreciation of plant	636,328	19.67%	14,753	2.38%
Other operating expenses	333,246	10.30%	(31,943)	-17.43%
Total operating expenses	\$3,234,683	100.00%	\$ 302,546	11.28%
Net operating (loss)	\$ (135,217)		\$ (51,472)	

THE DISTRICT'S FUNDS

Debt

As of June 30, 2010, the District had \$4,510,818 in outstanding State, Federal and commercial loans and a capital lease agreement compared with \$4,981,466 as of the end of the prior year. This represents a retirement of \$470,648 of principal during the fiscal year. The District anticipates that additional long term debt will be required in order to meet its impending capital improvements. Additional information regarding the District's long-term debt can be found starting on page 24 of the notes to the financial statements.

Variations from Final Budget for the General Fund

The District's budget authority was amended during the fiscal year to provide for the purchase of the Gwin Road property and a consultant to provide the district guidance with the Measure B assessment. General Fund operating revenues were \$3,756 above budgeted amounts, and operating expenditures were \$32,331 below budgeted amounts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are provided for the District's customers, creditors and the public in order that they may have a general overview of the District's finances and to demonstrate the District's accountability for funds in its care. Additional information about the District is available on the website; www.mckinleyvillecsd.com. Questions regarding the contents of this report may be directed to the District's General Manager, care of the business office at 1656 Sutter Road (Post Office Box 2037), McKinleyville, California.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,181,139	\$ 5,213,731	\$ 6,394,870
Net receivables	10,137	94,334	104,471
Inventory	-	123,106	123,106
Total current assets	<u>1,191,276</u>	<u>5,431,171</u>	<u>6,622,447</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	751,341	751,341
Proposition 1A receivable	39,325	-	39,325
Debt issuance costs	-	39,031	39,031
Net capital assets	<u>3,368,504</u>	<u>17,353,988</u>	<u>20,722,492</u>
Total noncurrent assets	<u>3,407,829</u>	<u>18,144,360</u>	<u>21,552,189</u>
Total assets	<u>\$ 4,599,105</u>	<u>\$ 23,575,531</u>	<u>\$ 28,174,636</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 16,306	\$ 148,550	\$ 164,856
Accrued liabilities	66,438	-	66,438
Deposits	8,100	44,720	52,820
Compensated absences	15,107	59,550	74,657
Interest payable	4,728	19,108	23,836
Capital leases, bonds and loans due within one year	<u>159,264</u>	<u>238,977</u>	<u>398,241</u>
Total current liabilities	<u>269,943</u>	<u>510,905</u>	<u>780,848</u>
Noncurrent liabilities:			
Davis Grunsky Act Loan	-	2,457,755	2,457,755
State revolving loans	-	381,097	381,097
Bonds payable	-	805,000	805,000
Bank loan	-	303,788	303,788
Capital lease obligations	164,937	-	164,937
Net other post employment benefit obligation	23,902	95,608	119,510
Compensated absences payable	<u>11,928</u>	<u>63,314</u>	<u>75,242</u>
Total noncurrent liabilities	<u>200,767</u>	<u>4,106,562</u>	<u>4,307,329</u>
Total liabilities	<u>470,710</u>	<u>4,617,467</u>	<u>5,088,177</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,044,303	13,167,371	16,211,674
Restricted for:			
Debt service	-	751,341	751,341
Unrestricted	<u>1,084,092</u>	<u>5,039,352</u>	<u>6,123,444</u>
Total net assets	<u>4,128,395</u>	<u>18,958,064</u>	<u>23,086,459</u>
Total liabilities and net assets	<u>\$ 4,599,105</u>	<u>\$ 23,575,531</u>	<u>\$ 28,174,636</u>

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICE DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Program Revenues					Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	District Government	
								Total
District government:								
Governmental activities:								
Parks and recreation services	\$ 983,550	\$ 409,880	\$ -	-	(573,670)	-		(573,670)
Street lighting	82,275	81,289	-	11,500	10,514	-		10,514
Interest	12,036	-	-	-	(12,036)	-		(12,036)
Total governmental activities	1,077,861	491,169	-	11,500	(575,192)	-		(575,192)
Business-Type Activities:								
Water	1,762,390	1,664,876	-	166,301	-	68,787		68,787
Wastewater	1,597,567	1,434,590	-	249,554	-	86,577		86,577
Total business-type activities	3,359,957	3,099,466	-	415,855	-	155,364		155,364
Total District government	\$ 4,437,818	\$3,590,635	\$ -	\$ 427,355	(575,192)	155,364		(419,828)
General revenues and transfers								
Property taxes					\$ 499,950	\$ -		\$ 499,950
Special assessments					201,114	-		\$ 201,114
Unrestricted investment earnings					19,021	86,062		105,083
Other general revenues					11,279	-		11,279
Transfers					42,551	(42,551)		-
Total general revenues					773,915	43,511		817,426
Change in net assets					198,723	198,875		397,598
Net assets, beginning					3,929,672	18,759,189		22,688,861
Net assets, ending					\$ 4,128,395	\$ 18,958,064		\$ 23,086,459

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund (Parks and Recreation)	Street Lighting Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,169,265	\$ 11,874	\$ 1,181,139
Interest receivable	5,380	-	5,380
Accounts receivable	1,736	3,021	4,757
Proposition 1A receivable	39,325	-	39,325
Total assets	<u>\$ 1,215,706</u>	<u>\$ 14,895</u>	<u>\$ 1,230,601</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,591	\$ 715	\$ 16,306
Accrued liabilities	81,545	-	81,545
Deposits	8,100	-	8,100
Deferred revenue	39,325	-	39,325
Total liabilities	<u>144,561</u>	<u>715</u>	<u>145,276</u>
Fund balances:			
Unreserved:			
Undesignated	<u>1,071,145</u>	<u>14,180</u>	<u>1,085,325</u>
Total fund balances	<u>1,071,145</u>	<u>14,180</u>	<u>1,085,325</u>
Total liabilities and fund balances	<u>\$ 1,215,706</u>	<u>\$ 14,895</u>	<u>\$ 1,230,601</u>
Total Governmental Fund Balances			\$ 1,085,325
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			3,368,504
Long-term receivables do not provide current financial resources and are therefore deferred in the funds			39,325
Some liabilities, including compensated absences are not due and payable in the current period and, therefore, are not reported in the funds			<u>(364,759)</u>
Net Assets of Governmental Activities			<u>\$ 4,128,395</u>

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund (Parks and Recreation)	Street Lighting Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 460,625	\$ -	\$ 460,625
Assessments	201,114	-	201,114
Interest	18,993	28	19,021
Charges for services	409,880	81,289	491,169
Miscellaneous	11,279	-	11,279
	<hr/>	<hr/>	<hr/>
Total revenues	1,101,891	81,317	1,183,208
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Recreation programs, parks, open space, facilities and other cultural activities	792,328	-	792,328
Street lighting	-	71,224	71,224
Debt service:			
Principal	235,988	-	235,988
Interest	15,477	-	15,477
Capital outlay	186,355	-	186,355
	<hr/>	<hr/>	<hr/>
Total expenditures	1,230,148	71,224	1,301,372
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(128,257)	10,093	(118,164)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	59,856	-	59,856
Transfers out	-	(17,305)	(17,305)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	59,856	(17,305)	42,551
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(68,401)	(7,212)	(75,613)
	<hr/>	<hr/>	<hr/>
Fund balances, July 1	1,139,546	21,392	1,160,938
	<hr/>	<hr/>	<hr/>
Fund balances, June 30	<u>\$ 1,071,145</u>	<u>\$ 14,180</u>	<u>\$ 1,085,325</u>

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (75,613)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$186,539) exceed depreciation (\$174,149) in the current period.	12,390
Changes in accrued interest payable are not a use or source of current financial resources and are therefore not reported in the funds	3,441
Changes in compensated absences payable are not a source or use of current financial uses and are therefore not reported in the funds	(4,406)
Capital assets contributed by developers do not provide current financial resources and are therefore not recorded in the funds	11,500
Long-term obligations for other post employment benefits (OPEB) do not require the use of current financial resources and are therefore not recorded in the funds	(23,902)
Long term receivables do not provide current financial resources and are not reported as revenues in the fund statements	39,325
Repayment of long-term obligations such as capital leases is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets; and is therefore not reported as an expense in the statement of activities	<u>235,988</u>
Net differences	<u>274,336</u>
Change in Net Assets of Governmental Activities	<u>\$ 198,723</u>

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Enterprise Funds		
	Water	Wastewater	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,940,748	\$ 3,272,983	\$ 5,213,731
Receivables(net)	42,939	51,395	94,334
Inventory	89,525	33,581	123,106
Total current assets	2,073,212	3,357,959	5,431,171
Noncurrent assets:			
Other assets:			
Cash and cash equivalents	592,111	159,230	751,341
Debt issuance costs	-	39,031	39,031
Total other noncurrent assets	592,111	198,261	790,372
Capital assets:			
Land and land rights	344,798	3,232,589	3,577,387
Buildings and shops	217,870	214,107	431,977
Water treatment plant	2,623,688	-	2,623,688
Water Lines and pumping stations	6,718,045	-	6,718,045
Wastewater lines and collection system	-	9,861,847	9,861,847
Wastewater pumping stations and facilities	-	6,775,848	6,775,848
Vehicles	250,276	451,696	701,972
Equipment and other	420,723	506,183	926,906
Construction in progress	189,754	220,083	409,837
Less accumulated depreciation	(5,426,081)	(9,247,438)	(14,673,519)
Net capital assets	5,339,073	12,014,915	17,353,988
Total noncurrent assets	5,931,184	12,213,176	18,144,360
Total assets	\$ 8,004,396	\$ 15,571,135	\$ 23,575,531
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 69,677	\$ 78,873	\$ 148,550
Deposits and refunds	44,720	-	44,720
Interest payable	-	19,108	19,108
Compensated absences	29,775	29,775	59,550
Bonds and loans due within one year	87,443	151,534	238,977
Total current liabilities	231,615	279,290	510,905
Noncurrent liabilities:			
Davis Grunsky Act Loan	2,457,755	-	2,457,755
State Revolving Fund Loan	-	204,601	204,601
State Revolving Fund Loan	-	176,496	176,496
FMHA bonds payable	-	805,000	805,000
Bank Loan	-	303,788	303,788
Net other post employment benefit obligation	47,804	47,804	95,608
Compensated absences	31,657	31,657	63,314
Total noncurrent liabilities	2,537,216	1,569,346	4,106,562
Total Liabilities	2,768,831	1,848,636	4,617,467
Net Assets			
Invested in capital assets, net of related debt	2,793,875	10,373,496	13,167,371
Restricted	592,111	159,230	751,341
Unrestricted	1,849,579	3,189,773	5,039,352
Total net assets	\$ 5,235,565	\$ 13,722,499	\$ 18,958,064

See accompanying notes to the basic financial statements

MCKINLEYVILLE CUMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Revenues:			
Sale of water	\$ 1,549,371	\$ -	\$ 1,549,371
Services fees	-	1,346,776	1,346,776
Other operating revenues	115,505	87,814	203,319
Total operating revenues	<u>1,664,876</u>	<u>1,434,590</u>	<u>3,099,466</u>
Operating Expenses:			
Personnel services	729,525	755,851	1,485,376
Purchased water	533,961	-	533,961
Utilities	43,997	91,822	135,819
Insurance	18,372	18,372	36,744
Other supplies and expenses	156,581	249,874	406,455
Depreciation and amortization	224,098	412,230	636,328
Total operating expenses	<u>1,706,534</u>	<u>1,528,149</u>	<u>3,234,683</u>
Operating income (loss)	<u>(41,658)</u>	<u>(93,559)</u>	<u>(135,217)</u>
Non-Operating Revenues			
(Expenses)			
Interest expense	(54,701)	(68,300)	(123,001)
Gain (loss) on capital assets	(1,155)	(1,118)	(2,273)
Interest and investment revenue	39,897	46,165	86,062
Net non-operating revenues			
(expenses)	<u>(15,959)</u>	<u>(23,253)</u>	<u>(39,212)</u>
Income(loss)before capital contributions			
and transfers	<u>(57,617)</u>	<u>(116,812)</u>	<u>(174,429)</u>
Capital Contributions and Transfers			
Transfers out	-	(42,551)	(42,551)
Capital contributions	166,301	249,554	415,855
Total capital contributions and transfers	<u>166,301</u>	<u>207,003</u>	<u>373,304</u>
Change in net assets	108,684	90,191	198,875
Total net assets, July 1	<u>5,126,881</u>	<u>13,632,308</u>	<u>18,759,189</u>
Total net assets, June 30	<u>\$ 5,235,565</u>	<u>\$ 13,722,499</u>	<u>\$ 18,958,064</u>

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICE DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,612,574	\$ 1,363,686	\$ 2,976,260
Payments to suppliers	(703,026)	(257,883)	(960,909)
Other operating receipts	115,505	87,814	203,319
Payments to employees	(722,444)	(748,769)	(1,471,213)
Net cash provided by (used for) operating activities	<u>302,609</u>	<u>444,848</u>	<u>747,457</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	<u>-</u>	<u>(42,551)</u>	<u>(42,551)</u>
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(42,551)</u>	<u>(42,551)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(85,726)	(148,935)	(234,661)
Interest paid on long-term debt	(54,701)	(69,625)	(124,326)
Capital contributions	13,076	106,729	119,805
Purchases of capital assets	(246,394)	(188,188)	(434,582)
Net cash provided by (used for) capital and related financing activities	<u>(373,745)</u>	<u>(300,019)</u>	<u>(673,764)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest receipts	<u>39,897</u>	<u>46,165</u>	<u>86,062</u>
Net cash provided by investing activities	<u>39,897</u>	<u>46,165</u>	<u>86,062</u>
Net change in cash and cash equivalents	(31,239)	148,443	117,204
Balances-beginning of the year	<u>2,564,098</u>	<u>3,283,770</u>	<u>5,847,868</u>
Balances-end of the year	<u>\$2,532,859</u>	<u>\$ 3,432,213</u>	<u>\$ 5,965,072</u>

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICE DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (41,658)	\$ (93,559)	\$ (135,217)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	224,098	412,230	636,328
Change in assets and liabilities:			
Receivables, net	31,042	16,910	47,952
Inventory	(13,340)	(892)	(14,232)
Prepayments	-	5,430	5,430
Accounts payable	15,421	49,843	65,264
Other liabilities	87,046	54,886	141,932
Net cash provided by (used for) operating activities	<u><u>\$ 302,609</u></u>	<u><u>\$ 444,848</u></u>	<u><u>\$ 747,457</u></u>

Noncash capital financing activities:

In the 2010 fiscal year, the District reported as contributed capital from development \$153,225 and \$142,825, in the water and wastewater enterprises, respectively.

See accompanying notes to the basic financial statements

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

1. Summary of Significant Accounting Policies

A. Reporting Entity

The District is a Community Services District governed by an elected five member Board of Directors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

There are no legally separate component units or entities for which the District is financially accountable.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the *proprietary fund financial statements*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Lighting Fund*, a *nonmajor special revenue fund*, is maintained to account for the fees collected and used to fund street lighting services.

The District reports the following major proprietary funds:

The *water fund* accounts for the operations of the District's water treatment and distribution system. The *wastewater fund* accounts for the operation of the District's wastewater collection activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's water and wastewater function and other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administration costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The District is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, banker's acceptances, repurchase agreements, and time deposits and savings and demand accounts and the Humboldt County Treasurer's Investment Fund.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value. The State Treasurer's Investment Pool and the Humboldt County Treasurer's Investment Pool operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Humboldt collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Under the GASB 34 Implementation Rules, the District is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2003 at the date these new financial reporting standards were implemented; and the District has not recorded such assets. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. 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>
Buildings and improvements	20 to 50
Water system	30 to 50
Other infrastructure	10 to 50
Machinery and equipment	5 – 10
Improvements	10 to 20

5. Compensated Absences and Other Post Employment Benefit Obligations

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the District does have a policy to pay certain amounts when employees separate from service with the District. All vacation pay and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Other post employment benefit obligations are reported as incurred in the proprietary and government-wide financial statements using the accrual basis of accounting.

6. Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

8. Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in net assets. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current years' presentation.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$ 3,368,504 difference are as follows:

Capital assets	\$ 5,437,337
Less: Accumulated depreciation	<u>(2,068,833)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 3,368,504</u>

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and are therefore not reported in the funds. The details of this \$364,759 difference are as follows:

Long-Term Debt Obligations	
Capital lease obligations	\$ 324,201
Accrued interest payable	4,728
Net OPEB Obligation	23,902
Compensated absences	<u>11,928</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities	<u>\$ (364,759)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$ 274,336 difference and other significant components of the difference are as follows:

Capital outlay	\$ 186,539
Depreciation expense	(174,149)
Other items	25,958
Repayment of long-term debt principal	<u>235,988</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 274,336</u>

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis of consistent with generally accepted accounting principles for all governmental funds. Appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, function and department. The District Manager may make transfers of appropriations within a department. Transfers between departments and other changes require Board of Director's approval. The legal level of control is the department and fund level. The District made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds.

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2010 consisted of the following:

Demand deposits and cash on hand	\$ 174,985
Investments with Humboldt County Treasurer	6,685,554
Investments with Local Agency Investment Fund	126,442
Investments with US Bank	<u>159,230</u>
Total deposits and investments	<u>\$ 7,146,211</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than five years. At June 30, 2010, none of the District's bank balances of \$ 199,374 was exposed to credit risk.

Investments - At June 30, 2010, the District had the following investments.

<i>Investment</i>	<i>Maturities</i>	<i>Fair Value</i>
Humboldt County Treasurer's Investment Fund	Average 830 days	\$ 6,685,554
U.S.Bank Money Market Funds	NA	159,230
Local Agency Investment Fund (LAIF)	Average 203 days	<u>126,442</u>
Totals		<u>\$ 6,971,226</u>

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to investments in securities having maturities less than five years at the time of purchase.

Credit Risk - State law limits investments in various securities to certain level of risk ratings issued by nationally recognized statistical rating organizations. It is the District's policy to comply with State law as regards securities ratings. The Local Agency Investment Fund (LAIF) and the Humboldt County Treasurer's Investment Fund are unrated. The U.S.Bank money market funds were rated as AAA at year end.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2010**

4. Detailed Notes on All Funds (Continued)

A. Deposits and Investments(Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's only investments are in the LAIF, the Humboldt County Treasurer's Investment Fund and in money Markey funds; and these investments are not evidenced by specific securities in the name of the District and are therefore not subject to custodial credit risk.

B. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Street Lighting Fund</u>	<u>Total Governmental</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total Business- Type</u>
Interest	\$ 5,380	\$ -	\$ 5,380	\$ 9,160	\$ 10,215	\$ 19,375
Accounts	1,736	3,021	4,757	33,779	41,180	74,959
Proposition 1A	39,325		39,325			
Totals	<u>\$ 46,441</u>	<u>\$ 3,021</u>	<u>\$ 49,462</u>	<u>\$ 42,939</u>	<u>\$ 51,395</u>	<u>\$ 94,334</u>

C. Interfund Transfers

1. The composition of interfund balances was:

<u>Receiving Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
General fund for debt service	Wastewater enterprise	\$ 42,551
	Total	<u>\$ 42,551</u>

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,214,858	\$ 125,742	\$ -	\$ 1,340,600
Total capital assets, not being depreciated	<u>1,214,858</u>	<u>125,742</u>	<u>-</u>	<u>1,340,600</u>
Capital assets, being depreciated:				
Buildings	2,221,291	16,464	-	2,237,755
Street lighting	331,520	11,500	-	343,020
Tools and equipment	244,090	9,185	-	253,275
Vehicles	54,664	-	-	54,664
Improvements	<u>1,172,876</u>	<u>35,147</u>	<u>-</u>	<u>1,208,023</u>
Total capital assets being depreciated	<u>4,024,441</u>	<u>72,296</u>	<u>-</u>	<u>4,096,737</u>
Less accumulated depreciation for:				
Buildings	(997,522)	(76,120)	-	(1,073,642)
Street lighting	(109,424)	(11,051)	-	(120,475)
Tools and equipment	(180,950)	(15,378)	-	(196,328)
Vehicles	(41,526)	(4,662)	-	(46,188)
Improvements	<u>(565,262)</u>	<u>(66,938)</u>	<u>-</u>	<u>(632,200)</u>
Total accumulated depreciation	<u>(1,894,684)</u>	<u>(174,149)</u>	<u>-</u>	<u>(2,068,833)</u>
Total capital assets, being depreciated, net	<u>2,129,757</u>	<u>(101,853)</u>	<u>-</u>	<u>2,027,904</u>
Governmental activities capital assets, net	<u>\$ 3,344,615</u>	<u>\$ 23,889</u>	<u>\$ -</u>	<u>\$ 3,368,504</u>

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2010**

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to business-type activities for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land and rights of way	\$ 3,577,387	\$ -	\$ -	\$ 3,577,387
Construction in progress	137,011	412,434	139,608	409,837
Total capital assets, not being depreciated	<u>3,714,398</u>	<u>412,434</u>	<u>139,608</u>	<u>3,987,224</u>
Capital assets, being depreciated:				
Buildings and shops	296,794	135,183	-	431,977
Water treatment plant	2,623,688	-	-	2,623,688
Water lines and pumping stations	6,557,923	160,122	-	6,718,045
Wastewater lines and collection system	9,719,023	142,824	-	9,861,847
Wastewater pumping stations and facilities	6,772,120	3,728	-	6,775,848
Vehicles	701,972	-	-	701,972
Equipment and other capital items	<u>976,196</u>	<u>15,950</u>	<u>65,240</u>	<u>926,906</u>
Total capital assets being depreciated	<u>27,647,716</u>	<u>457,807</u>	<u>65,240</u>	<u>28,040,283</u>
Less accumulated depreciation for:				
Buildings and shops	(134,219)	(10,092)	-	(144,311)
Water treatment plant	(1,209,539)	(55,422)	-	(1,264,961)
Water lines and pumping stations	(3,380,464)	(132,074)	-	(3,512,538)
Wastewater lines, stations and facilities	(8,040,463)	(347,715)	-	(8,388,178)
Vehicles, equipment and other items	<u>(1,342,980)</u>	<u>(80,520)</u>	<u>59,969</u>	<u>(1,363,531)</u>
Total accumulated depreciation	<u>(14,107,665)</u>	<u>(625,823)</u>	<u>59,969</u>	<u>(14,673,519)</u>
Total capital assets, being depreciated, net	<u>13,540,051</u>	<u>(168,016)</u>	<u>(5,271)</u>	<u>13,366,764</u>
Business-type activities capital assets, net	<u>\$ 17,254,449</u>	<u>\$ 244,418</u>	<u>\$ (144,879)</u>	<u>\$ 17,353,988</u>

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

4. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Street lighting	\$ 11,051
Parks and recreation	163,098
Total depreciation expense-governmental activities	<u>\$ 174,149</u>

Business-type activities:

Water	\$ 224,098
Wastewater	401,725
Total depreciation expense-business type activities	<u>\$ 625,823</u>

E. Long-Term Debt

Capital Lease Obligation – Governmental Activities

The District, in 2003, entered into a refunding lease agreement with Delta Financing Corporation for the purpose of advance refunding a previous refunding lease entered into in 1998 related to obtaining financing for the acquisition by the District of real property. The 2003 lease had an original principal amount of \$1,956,768 with interest at 3.50 percent per annum. The lease is secured by the related real property and the District has not pledged any specific revenue for its repayment. The District has agreed to make the lease payments from any source of legally available revenues. Future debt service on the lease is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Totals</u>
2011	\$ 167,824
2012	167,824
Total minimum lease payments	335,648
Less amount representing interest	<u>(11,447)</u>
Present value net minimum lease payments	<u>\$ 324,201</u>

Davis Grunsky Act Loan – Water Enterprise

The District in 1971 entered into a loan agreement with the State of California for a construction loan to finance improvements to the District's water system. The original loan amount was not to exceed \$3,673,000 and was to bear interest at 2.5 percent per annum. Under the arrangement, the District was permitted to defer payment of interest on the loan for the first 10 years with such interest to be repaid over the remaining 40 year term of the loan. The District was required to establish a reserve fund in an amount specified by the State. The District as an entity has pledged to make the loan principal and interest repayments; and it has not pledged any specific revenue for repayment. The District is obligated to levy taxes or assessments for the loan repayments should it not have sufficient resources available to make the scheduled payments. Future debt service on the loan is:

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

**Notes to the Basic Financial Statements
June 30, 2010**

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Davis Grunsky Act Loan- Water Enterprise (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 87,443	\$ 53,835	\$ 141,278
2012	89,203	52,075	141,278
2013	91,008	50,270	141,278
2014	92,857	48,421	141,278
2015	94,753	46,625	141,278
2016-2020	503,896	202,494	706,390
2021-2025	558,920	147,470	706,390
2026-2030	621,174	85,216	706,390
2031-2034	405,944	17,889	423,833
Totals	\$ 2,545,198	\$ 704,195	\$ 3,249,393

State Revolving Fund Loans

The District in 1996 obtained an \$810,628 no interest loan from the State Water Resources Control Board for the purpose of obtaining financing to expend the District's wastewater treatment plant. The District as an entity is obligated to make the loan repayments and a specific revenue source is not pledged for its repayment. The District is obligated to levy taxes or assessments should it not have other revenues available for repayment of this obligation. Future debt service is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 40,920	\$ -	\$ 40,920
2012	40,920	-	40,920
2013	40,920	-	40,920
2014	40,920	-	40,920
2015	40,920	-	40,920
2016	40,920	-	40,920
Totals	\$ 245,520	\$ -	\$ 245,520

The District in 1998 obtained a \$430,293 loan from the State Water Resources Control Board bearing interest at 2.6 percent per annum for the purpose of obtaining financing for Phase 2 of its sewer capacity expansion project. The District as an entity is obligated to fund the loan repayments. The District is obligated to levy taxes or assessments should it not have other revenues available for repayment of the obligation. Future debt service is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 22,727	\$ 5,179	\$ 27,906
2012	23,330	4,576	27,906
2013	23,924	3,982	27,906
2014	24,546	3,360	27,906
2015	25,184	2,722	27,906
2016-2018	79,512	4,162	83,674
Totals	\$ 199,223	\$ 23,981	\$ 223,204

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Sewer Revenue Bonds

The District in 1982 sold \$1,575,000 in its 1982 Sewer Revenue Bonds which bonds were purchased by the Rural Development Division of the United States Department of Agriculture. Under the arrangement, the District was to construct wastewater system improvements. The District is obligated to make semiannual payments of principal and interest in amounts sufficient to pay the principal and interest on the bonds. The District's repayment obligation is secured by a pledge of the net revenues of its wastewater enterprise. The bonds bear interest at 5.0 percent and mature each August 1 through August 1, 2022. The District's debt service on the bonds is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 50,000	\$ 41,500	\$ 91,500
2012	50,000	39,000	89,000
2013	60,000	36,250	96,250
2014	60,000	33,250	93,250
2015	60,000	30,250	90,250
2016-2020	350,000	102,000	452,000
2021-2023	225,000	16,125	241,725
Totals	<u>\$ 855,000</u>	<u>\$ 298,375</u>	<u>\$ 1,153,975</u>

Annual principal and interest payments on the bonds are expected to require less than 17 percent of system net revenues. Total principal and interest remaining to be paid on the bonds is \$1,153,975. Principal and interest paid for the current fiscal year and total system net revenues as defined were, \$94,000 and \$613,272, respectively.

Bank Loan

The District in fiscal year 1998 obtained a \$675,000 Loan from Umpqua for the purpose of financing wastewater system improvements. The loan bears interest at 5.50 percent per annum and is repayable in monthly payments of \$4,644 interest and principal taken together and matures on December 4, 2017.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 37,887	\$ 17,847	\$ 55,734
2012	40,024	15,710	55,734
2013	42,282	13,452	55,734
2014	44,667	11,067	55,734
2015	47,187	8,547	55,734
2016-2018	129,628	9,704	139,332
Totals	<u>\$ 341,675</u>	<u>\$ 76,327</u>	<u>\$ 418,002</u>

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Changes in Long-term liabilities

Long-term debt activity for the 2010 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital lease obligations	\$ 560,189	\$ -	\$ 235,988	\$ 324,201	\$ 159,264
Compensated absences	15,296	27,035	15,296	27,035	15,107
Total	\$ 575,485	\$ 27,035	\$ 251,284	\$ 351,236	\$ 174,371
Business-Type Activities:					
Davis-Grunsky Act Loan	\$ 2,630,924	\$ -	\$ 85,726	\$ 2,545,198	\$ 87,443
State Revolving Loan	286,441	-	40,921	245,520	40,920
State Revolving Loan	221,373	-	22,150	199,223	22,727
USDA Bonds	905,000	-	50,000	855,000	50,000
Bank loan	377,539	-	35,864	341,675	37,887
Compensated absences	108,701	155,158	108,701	155,158	59,550
Totals	\$ 4,529,978	\$ 155,158	\$ 343,362	\$ 4,341,774	\$ 298,527

5. Other Information

A. 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; and natural disasters for which the District carries insurance. The District, due to the costs of available coverage, participates as a member of the Special District Risk Management Authority (SDRMA) for purposes of general liability, property coverages and for workers compensation insurance.

SDRMA provides joint protection programs for public entities covering automobile, general liability, errors and omissions claims. Under the program, the District has a \$500 retention limit similar to a deductible with the SDRMA being responsible for losses above that amount up to \$2.5 million for liability combined single limit. Property coverage is also provided up to the replacement cost of the property with a combined total for SDRMA members of one billion dollars per occurrence.

The SDRMA provides also employee dishonesty coverage with limits of \$400,000 per loss. Boiler and machinery coverage is provided to members with coverage of up to \$100 million of replacement cost, and comprehensive and collision on selected vehicles. The District's obligations under the arrangement are to pay billed premiums for the specified coverages. The SDRMA may pay dividends to members or may make additional assessments depending on loss experience, but no dividends have been declared and no additional assessments have been levied.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

5. Other Information (Continued)

A. Risk Management (Continued)

The SDRMA provides workers compensation statutory insurance coverage and \$5 million for Employer's liability coverage subject to the terms, conditions, and exclusions provided in the memorandum of Coverage. Financial information pertaining to SDRMA can be obtained from its administrative offices at 1112 I Street, Suite 300, Sacramento, California 95814.

Liabilities of the District are reported in the statement of net assets when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The District's only exposure to claim liabilities would be for losses or additional assessments, if any, not covered by or imposed by SDRMA.

There have been no significant changes in insurance coverages in fiscal 2010 other than disclosed in the above paragraphs. Settlements have not exceeded coverage for each of the past three fiscal years. The District had no material uninsured claim liabilities at June 30, 2010 or 2009.

B. Contingencies and Commitments

Litigation. The District is involved in litigation incurred in the normal course of conducting District business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Grants and allocations. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Wastewater Discharge Permit and the California Toxic Rule. The District was issued a new Discharge permit by the State which permit contains compliance provisions that may require the District to expend considerable sums of money in order to fulfill compliance requirements. Similar compliance and financing issues surround the District's ability to meet future effluent standards regarding pesticides, insecticides, copper, lead, and other compounds.

C. Public Employees Retirement System

Plan Description. The District contributes to the California Public Employees Retirement System (PERS), a cost sharing, multiple-employer, public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the State statute and District ordinance. The PERS issues publicly available financial reports that include financial statements and required supplementary information. Copies of PERS annual financial report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements

June 30, 2010

5. Other Information (Continued)

C. Public Employees Retirement System (Continued)

Funding Policy and Annual Pension Cost. Plan members are required to contribute 7.0 percent of their annual covered salary for regular employees and the District is required to make contributions at actuarially determined rates. The current District rates were 7.841 percent of covered payroll. The contribution requirements of plan members and the District are established by resolutions and contracts and may be amended by PERS. The District's annual pension cost for the most recent three years for each plan is as follows:

Three-year Trend of Information

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
Regular employees	6/30/08	\$ 78,159	100%	\$ -
	6/30/09	\$ 82,753	100%	\$ -
	6/30/10	\$ 87,540	100%	\$ -

D. Restricted Net Assets and Designated Fund Balances

The \$751,341 restricted net assets in the business type activities represents assets that can be used only in accordance with restrictions imposed by debt service financing agreements.

E. Post Employment Benefits Other Than Pensions

Plan Description. The District administers the District's retired employee's healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired employees and their beneficiaries. District resolutions and regulations assign responsibility to establish and amend benefit provisions to the District. A separate OPEB trust fund has not been established by the District.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on a projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the Board of Directors. For the fiscal year ended June 30, 2010, the District contributed \$45,223 (83%) of the current year premiums and zero to prefund benefits. Plan members receiving benefits contributed \$9,521 (17%) of the total premiums.

Annual OPEB Costs and the Net OPEB Obligation. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement Number 45. The ARC represents a level of funding, that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

5. Other Information (Continued)

E. Post Employment Benefits Other Than Pensions (Continued)

Annual required contribution (ARC)	\$ 164,733
Interest on net OPEB Obligation	-
Adjustments to the ARC	-
	<hr/>
Annual OPEB expense	164,733
Contributions made	(45,223)
	<hr/>
Change in net OPEB obligation	119,510
Net OPEB obligation, beginning year	-
	<hr/>
Net OPEB obligation, end of year	<u>\$ 119,510</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 (the first year of implementation) was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2010	\$164,733	27.5%	\$119,510

Funding Status and Funding Progress. As of May 1, 2010, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability for benefits was \$1,710,113, and the actuarial value of plan assets was zero, resulting in an unfunded actuarial liability (UAAL) of the \$1,710,113. The covered payroll (annual payroll of active employees covered by the plan) was \$1,131,599, and the ratio of the UAAL to the covered payroll was 151.1 percent.

Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and health care trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplemental information, following the notes to these financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long term perspective of the calculations. In the May 1, 2010 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 5 percent investment rate of return based on assumed long term return on plan assets or employer assets, as appropriate. An annual health care trend rate of 4 percent was also used in the valuation. There were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of payroll over 30 years, the remaining amortization period at June 30, 2010.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

Notes to the Basic Financial Statements June 30, 2010

5. Other Information (Continued)

F. Change in Accounting Principle

The District as required by Governmental Accounting Standards Board Statement 45, titled, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, implemented in fiscal 2010 the provisions of the standard that requires financial reporting about retiree medical benefit plans, the employer's annual required contribution (ARC), contributions made and other information. The implementation of the standard had no effect on the beginning net assets of the District because the District reported a zero net other post employment benefit obligation at the beginning of the 2010 fiscal year.

G. Proposition 1A Property Tax Receivable

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in lieu motor license fee, the triple flip sales tax, and the supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 20, 2013. After repayment of this initial borrowing, the California Legislature may consider only one additional borrowing within a ten year period. The amount of the borrowing pertaining to the District was \$39,325.

The borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal 2012-2013). In the government wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-2010).

Required Supplementary Information
McKinleyville Community Services District
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 1,139,546	\$ 1,139,546	\$ 1,139,546	\$ -
Resources (inflows):				
Property taxes	430,000	430,000	460,625	30,625
Assessments Measure B	195,000	195,000	201,114	6,114
Intergovernmental	20,000	20,000	-	(20,000)
Interest	20,000	20,000	18,993	(1,007)
Chages for services	416,491	416,491	409,880	(6,611)
Miscellaneous	76,500	76,500	11,279	(65,221)
Transfers in	-	-	59,856	59,856
Amounts available for charges to appropriations	<u>2,297,537</u>	<u>2,297,537</u>	<u>2,301,293</u>	<u>3,756</u>
Charges to appropriations:				
General government:				
Recreation and cultural services	816,555	856,555	792,328	64,227
Debt service				
Principal	169,947	169,947	235,988	(66,041)
Interest	15,477	15,477	15,477	-
Capital outlay	<u>90,500</u>	<u>220,500</u>	<u>186,355</u>	<u>34,145</u>
Total charges to appropriations	<u>1,092,479</u>	<u>1,262,479</u>	<u>1,230,148</u>	<u>32,331</u>
Fund Balance, June 30	<u>\$ 1,205,058</u>	<u>\$ 1,035,058</u>	<u>\$ 1,071,145</u>	<u>\$ 36,087</u>

Required Supplementary Information
McKinleyville Community Services District
Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2010

Note A. Explanation of Difference between Budgetary Inflows and Outflows and GAAP
Revenues and expenditures:

Sources/inflows resources:

Actual amounts "available for appropriation" from budgetary
comparison schedule: \$ 2,301,293

Differences - budget to GAAP:

Interfund transfers in are a budgetary financial inflow but are
not revenues for financial reporting purposes (59,856)

The fund balance at the beginning of the year is a budgetary
resource but is not a current year revenue for financial reporting
purposes (1,139,546)

Total revenues as reported in the statement of revenues, expenditures
and changes in fund balances - governmental funds \$ 1,101,891

Required Supplementary Information
McKinleyville Community Services District
Other Post Employment Benefits (OPEB) Schedule of Funding Progress
June 30, 2010

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
5/1/2010	\$ -	\$ 1,710,113	\$ 1,710,113	0.00%	\$ 1,131,599	151.12%



Terry E. Krieg, CPA
Certified Public Accountant

Board of Directors
McKinleyville Community Services District
McKinleyville, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McKinleyville Community Services District, California as of and for the year ended June 30, 2010, which collectively comprise the McKinleyville Community Services District, California's basic financial statements and have issued my report thereon dated January 31, 2011, which report was modified to disclose that the District changed its accounting principles to implement the provisions of Governmental Accounting Standards Board Statement Number 45, titled, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the McKinleyville Community Services District, California's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McKinleyville Community Services District, California's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the McKinleyville Community Services District, California's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

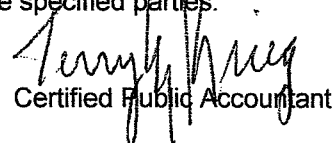
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McKinleyville Community Services District, California's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors, Management, and state entities, and is not intended to and should not be used by anyone other than these specified parties.

January 31, 2011


Certified Public Accountant

*Communication to Those Charged With Governance
McKinleyville Community Services District
Fiscal Year Ended June 30, 2010*



Terry E. Krieg, CPA
Certified Public Accountant

January 31, 2011

Honorable President and Members of
Board of Directors
McKinleyville Community Services District
McKinleyville, California

I have audited the basic financial statements of the governmental- type and business-type activities of the McKinleyville Community Services District for the year ended June 30, 2010, and have issued my report thereon dated January 31, 2011. Professional standards require that I provide you with the following information related to my audit.

1. My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As part of my audit, I considered the internal control of the McKinleyville Community Services District. Such considerations were solely for the purpose of determining my audit procedures and not to provide assurance concerning such internal control. My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

2. Other Information in Documents Containing Audited Financial Statements and Electronic Dissemination of Audited Financial Statements

My responsibility for other information in documents containing the McKinleyville Community Services District financial statements and my auditor's report, such as an official statement for a bond or debt offering, does not extend beyond the financial information identified in the report. I do not have an obligation to perform any procedures to corroborate other information contained in such other documents. To my knowledge, the McKinleyville Community Services District's audited financial statements were not incorporated into other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, I am not required to read the information in any such sites or to consider the consistency of other information in the electronic site with the original documents.

3. Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to the District's General Manager in the audit engagement letter and discussed with the District's Finance Director. My understanding is that the General Manager and Finance Director have the responsibility for coordinating the audit process with my firm and for communicating to you significant audit matters.

4. Significant Audit Findings

A. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the McKinleyville Community Services District are described in Note one to the financial statements.

B. Changes in Accounting Policies

No new accounting policies were adopted and the application of existing policies were not significantly changed in the 2010 fiscal year except for the implementation by the District of Governmental Accounting Standards Board Statement Number 45, titled, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.

As a result of the new standard, the District in fiscal 2010 reported the actuarially determined Annual Required Contribution (ARC) to its retiree medical benefit plan, contributions to the Plan, and then a liability for its Net Other Post Employment Benefit Obligation (the difference between the ARC and contributions made). Also, additional narrative disclosures were added to the notes to the District's financial statements.

C. Significant and Unusual Transactions

There were no significant and unusual transactions reported in fiscal 2010 in the District's statement of net assets for governmental and business-type activities other than noncash contributions by developers of water and wastewater subdivision improvements dedicated and conveyed to the District

D. Transactions Having a Lack of Authoritative Guidance

No significant dollar value transactions came to my attention where there was a lack of authoritative guidance regarding the application of accounting principles to the transactions.

E. Accounting Estimates

Accounting estimates are an integral part of 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. The most significant estimate affecting the financial statements was management's estimate of depreciation expense which estimates were based upon subsidiary schedules of capital assets and depreciation calculations using the straight-line method of depreciation. I evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relationship to the financial statements taken as a whole.

F. Sensitive Financial Statement Disclosures

The disclosures in the financial statements are to be neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were, in my judgment, the new OPEB Plan disclosures about retiree medical benefits as they were based upon actuarial estimates and not historical costs as are most all other elements of external financial reporting.

5. Difficulties Encountered in Performing the Audit

I experienced no significant difficulties in dealing with management in performing and completing my audit.

6. Corrected and Uncorrected Misstatements

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. Management has corrected all such misstatements.

There were only four proposed adjusting entries and they were all implemented by District management. Two adjustments pertained to reporting accounts payable and prepayments, one to reclassification of transfers, and one was conceptual assistance regarding the implementation of the new OPEB retiree medical benefit obligation.

7. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of the audit.

8. Management Representations

I have requested certain representations from management that are included in the management re-presentation letter.

9. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the 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 financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To my knowledge, there were no such consultations with other accountants

10. Other Audit Findings or Issues

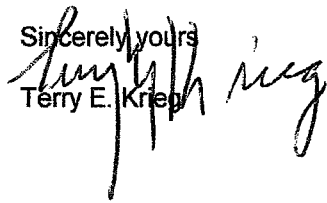
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the District's auditors or prior to commencement of the financial statement audit. However, these discussions occurred in the normal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

McKinleyville Community Services District
January 31, 2011
Page 4

This information is intended solely for the use of the Board of Director of the McKinleyville Community Services District and management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours

Terry E. Krieb

A handwritten signature in black ink, appearing to read "Terry E. Krieb", written over the printed name.

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **ACTION**

ITEM: E.2 **McKinleyville Union School District appeal application requesting a waiver of all water use charges and/or penalties related to a fire service meter leak at Morris School**

PRESENTED BY: **Norman Shopay, General Manager**

TYPE OF ACTION: **Voice Vote**

Recommendation:

Staff recommends that the Board deny the McKinleyville Union School District appeal application.

Discussion:

During August, 2010, a water leak occurred at Morris School on their fire service water line which had been installed the previous year. The school district was informed and the leak was subsequently repaired. The total bill for the water usage was \$7,918.92. The school district requested, and was subsequently granted, a water leak adjustment in the amount of \$5,540.25 in October, 2010. The School District has paid the \$2,378.67 balance of the bill.

MCSD was recently informed that the leaking water line may have been under warranty from the contractor that performed the installation, since the leak occurred within one year of installation. Therefore, if that was the case then staff recommends that the Board require the School District to pay the full amount of \$7,918.92, since a claim would have been able to be filed by the school district against the contractor.

Alternatives:

Staff's analysis includes the following potential alternative:

- Grant the appeal and refund \$2,378.67 to McKinleyville Union School District.
- Instruct District Staff to issue demand letter to McKinleyville Union School District for the leak adjustment to pay the previous \$5,540.25 leak adjustment given October 5, 2010.

Fiscal Analysis:

- Revenue loss of \$2,378.67 should the Board appeal be granted.

Environmental Requirements:

Not applicable

Exhibits/Attachments

- Appeal Application from McKinleyville Union School District.
- McKinleyville Union School District correspondence dated January 12, 2011.

RECEIVED

JAN 13 2011

McK. C.S.D.

APPEAL APPLICATION

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

1. NAME: McKinleyville Union School District
2. MAILING ADDRESS: 2275 Central Avenue, McKinleyville, CA 95519
839-1529 (Morris)
3. TELEPHONE ADDRESS: 839-1549 (District). Account # MCK0110
5. DESCRIBE DECISION BEING APPEALED: Request waiver of all charges
and/or penalties related to the fire service meter leak at Morris School.
Original charge was \$7,414.75. MCSD adjusted the charge to \$2,378.67.

6. EXPLAIN UNIQUE NATURE OF SITUATION: MCSD read the fire service
meter on 8/16/10 and noted water use. We weren't notified until 8/19/10.
Maples Plumbing came out to repair the next day. After five days of digging
to locate the leak, the broken fitting in the 2" bypass line was replaced.
7. EXPLAIN HARDSHIP IF STAFF DECISION ENFORCED: _____

Please see attached.

8. EXPLAIN HOW APPROVAL WOULD NOT DEFEAT PURPOSE OF STANDARD
This is a new service and not regularly used by MUSD. The fire service

water leak was not due to any negligence on the part of the district. We
did everything in our power to remedy the situation as soon as possible.
Signed: Lisa Jones Date: 1/12/11

Receipt #: _____ Date: _____

NOTE: \$25 FILING FEE IS NON-REFUNDABLE

"Appeal"/MOUSE

McKinleyville Community Services District

Attachment to Appeal Application dated January 12, 2011

7. The water usage rate is five times higher than the regular rate because the leak occurred at the hydrant. This is to discourage using water from this source. However, this is a leak situation and it should be considered at the regular rate versus the hydrant. It is our hope you would extend some leniency to the school district as even the adjusted figure is well above our budgeted water expense. This would be crippling to our already cash-strapped budget and pulls funds from important educational uses.



RECEIVED

JAN 13 2011

McK. C.S.D.

January 12, 2011

Steve Edmiston, Finance Director
McKinleyville Community Services District
PO Box 2037
McKinleyville, CA 95519

RE: Appeal Application Regarding Water Leak Adjustment at Morris School

Dear Steve,

McKinleyville Union School District has decided to request a waiver of the 25% balance that was paid for the water leak adjustment. An Appeal Application to the McKinleyville Community Services District Board along with the \$25 filing fee is included. As you indicated previously, we are hopeful you will support this request. We're asking that you waive all charges and/or penalties related to the leak as there were extenuating circumstances to locate the leak before getting it repaired.

Please let me know if there is anything else we need to provide.

Thank your assistance in this matter.

Sincerely,

Lisa Jones
Business Director

c: Dena McCullough, Superintendent
Ross Nash, Construction Project Manager

Dena McCullough
Superintendent

Lisa Jones
Business Director

PRINCIPALS

Wendy Pearcy
McKinleyville
Middle School

Jane Rowland
Dow's Prairie
Elementary School

Michael Davies-Hughes
Morris
Elementary School

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **INFORMATIONAL**

ITEM: E.3 **Informational discussion related to current water and sewer capacity fee rates for new service connections**

PRESENTED BY: **Norman Shopay**

TYPE OF ACTION: **None**

Recommendation:

Staff Requests the Board listen to information and the presentation by Wildan regarding the proposed recommended MCSD water and wastewater capacity fees that would be applied to new customers.

The Board will need to consider the amount on any proposed increase in water and sewer capacity fees at a future meeting.

Staff will finalize the draft capacity fee study and bring this item back to the Board in March for our final recommendation and Board approval.

Discussion:

It has been some time since the current water (1991) and wastewater capacity fees (1999) for the McKinleyville Community Services District (MCSD) have been updated. The current fees are relatively low, and do not adequately fund previous project debt service, reflect updated system demands, and/or needs for expanded or additional facilities. In addition, there are several new anticipated projects (Ramey Pump Station Upgrade, Murray Road Water Tanks, Waste Water Management Facility upgrade, Mad River Bridge crossing pipeline) that will improve water and wastewater services.

Current MCSD water capacity fee rates were:

- Established in 1991 at \$154 per Equivalent Residential Unit (ERU)

Current wastewater capacity fee rates were:

- Established in 1999 at \$1,761 per ERU.

Unfortunately, no periodic review or increases in water and sewer capacity rates were considered and made since that time.

Given these factors, staff has proceeded to determine the appropriate levels for water and wastewater capacity fees, incorporating appropriate assumptions for new development and new or expanded facilities, and accounting for long term capital plans and needed reserves.

While related to utility rate revenues, capacity charges/fees can more appropriately be considered as parallel to impact fees chargeable to new or increased development on a particular parcel, and are not subject to Proposition 218 procedures or limitations.

We have work to complete a Draft Capacity Fee Report in order to calculate the maximum justifiable capacity fee and provide the flexibility for the Board to consider and adopt fees up to that amount. A copy of the draft report is attached.

The following is a comparison of MCSD water and sewer capacity fee rates compared to other districts in the area.

District or Municipality	Water Capacity	Sewer Capacity Charge
MCSD	\$154.00	\$1,761.00
Arcata	* \$1,576.80 to \$2,932.00	\$2,354.00
Blue Lake	* \$2,046.10 to \$7,366.03	\$1,023.07
Crescent City	* \$2,700.00 to \$19,200.00	\$9,682.00
Eureka	* \$490.00 to \$5,250.00	\$2,000.00
Fieldbrook CSD	\$5,513.40	\$5,513.40
Fortuna	* \$2,165.00 to \$199,526.40	\$6,985.00
Humboldt CSD	\$1,030.00	\$1,000.00

* Range in rates is dependent on the size of the water meter requested.

Fortuna		
Meter Size	ERU=equivalent residential unit	Water Capacity Charge
5/8 by ¾	1 ERU	\$2,165.00
1 inch	2.56 ERU	\$5,542.40
2 inch	10.24 ERU	\$22,169.60
6 inch	92.16 ERU	\$199,526.40

Equivalent Residential Unit (ERU)=Single Family Residence

As can be observed from the above examples, MCSD capacity fees significantly lag behind other municipalities.

Maintaining low capacity fee rates for new customers has been offset by the rates charged to current utility users.

If capacity fees are not adjusted, current customers will need to share a greater burden of future costs related to water and sewer improvements.

Alternatives:

Take Action

Fiscal Analysis:

From 1991 the District added 1,993 new water connections and since 1993 the District added 1,469 new sewer connections.

If connection fees were adjusted to \$2,790 for water and \$8,590 for sewer in 1991 and 1993 the District could have accumulated an additional:

\$5.2 million into our capital water reserve fund: and

\$10 Million into our sewer reserve fund.

This amount would have been available to use in funding future anticipated water and sewer improvements.

Environmental Requirements:

Not applicable

Exhibits/Attachments

- Wildan Presentation
- Draft Capacity fee study



DRAFT

Water and Sewer Capacity Fee Study

McKinleyville Community Services District



WILLDAN
Financial Services

extending
your
reach





Background

Capacity fees are one-time charges that reflect the demands and costs created by new development for additional water and sewer capacity. Generally, capacity fees are required to demonstrate a reasonable connection between the amount of the fee and the cost to serve new development (i.e. new development's proportionate share of infrastructure costs based on demand placed on total capacity). Currently, McKinleyville Community Services District's (the District) existing water and sewer capacity charges are insufficient and do not cover the cost associated with serving new development. This analysis documents the assumptions, methodologies, and calculations upon which the capacity fees are based. As documented in this report, the capacity fees are just, reasonable and represent new development's proportionate share of costs for capacity projects from which it will directly benefit.

The infrastructure included in capacity fees are large, system level components and do not include on-site or site specific improvements. Water system capacity can include components for water resources, production, storage, and distribution. Components of sewer system capacity can include treatment, interceptors, and collection lines.

The capacity fees are based on water meter size. The capacity fees are calculated by multiplying the net capital cost per gallon of capacity by the average peak daily demand per residential connection (a 5/8 inch water meter). The capacity fees for water meters larger than 5/8 inches are derived from capacity ratios published by the American Water Works Association (AWWA).

Figure 1-1: Capacity Fee Components

Water Capacity Fee Components

Resources
Storage
Distribution
Planning and Study Efforts

Wastewater Capacity Fee Components

Treatment
Interceptors
Collection lines
Planning and Study Efforts

Joint Cost Components

Water
Sewer

Calculation Methodologies

There are three basic methods used to calculate the various components of the District's capacity fees. The methodologies are used to determine the best measure of demand created by new development for each component of the capacity fees. The methodologies can be classified as looking at the past, present, and future capacities of infrastructure.

1. In instances where infrastructure has been built in advance of new development and has excess capacity available to be utilized by new development, the **buy-in methodology** is utilized. Under this methodology, new development repays the community for previous capacity investments via the capacity fee.
2. The **incremental expansion methodology** is used when a community plans to provide new development the same level-of-service (LOS) that is currently being provided to existing development in increments. Generally, utility infrastructure does not lend itself to this methodology given its nature of having to be in place prior to new development and capacity being constructed in large segments.
3. The **plan-based methodology** utilizes the District's capital improvement plan (CIP) and related master plans to determine new development's share of planned projects. Projects that do not add capacity, such as routine maintenance or replacement of existing facilities, are not included in the fees. Projects that add capacity are further evaluated as to the percentage of the project



attributable to existing development versus new development. Only the portion of planned projects attributable to new development is included in the capacity fees.

The majority of the facility components analyzed and incorporated into the proposed capacity fees utilize the plan-based methodology, with the buy-in methodology being used to recover costs associated with excess distribution and treatment capacity. A summary of the capacity fee components and methodologies is shown in the figure below:

Figure 1-2: Capacity Fee Component Methodology

Water Capacity Fee Components	Calculation methodology
Resources	Plan-Based
Storage	Plan-Based
Distribution	Plan-Based
Planning and Study Efforts	Plan-Based
Wastewater Capacity Fee Components	Calculation methodology
Treatment	Plan-Based
Treatment	Buy-In
Interceptors	Plan-Based
Collection lines	Plan-Based
Planning and Study Efforts	Plan-Based
Joint Cost Components	Calculation methodology
Water	Plan-Based
Sewer	Plan-Based

Current Estimates and Projections of Utility Demands

Future projections of customers and usage are necessary in evaluating the capacity of the District's current systems and analyzing plans for future capacity expansions. The District plans and sizes its utility infrastructure needs based on all potential users and possible demands. Thus, the capacity fees utilize projections of peak daily demands as this standard is utilized to design and build the infrastructure.

Water

To forecast future demand, District staff recommended using an annual growth rate of 3.0%. Over the course of the ten-year time horizon, the net increase in projected peak water demand from FY2011 to FY2020 is 436,500 gallons per day.



Figure 1-3: Water Consumption Projections

Customer Class	Nov '09-Oct '10	FY' 20
Residential	439,909	591,201
Residential Out of District	1,057	1,421
Residential Multiple Units	119,701	160,868
Residential Total (hcf)	560,667	753,490
Commercial	49,152	66,056
Commercial Out of District	5,468	7,349
Commercial Multiple Units	4,039	5,428
Commercial Total (hcf)	58,659	78,833
Total Annual Consumption (HCF)	619,326	832,322
Total Annual Consumption (Kg)	463,256	622,577

This increase in demand is driven by the projected 3% growth rate in customer accounts. The net increase in projected water customers from FY2011 to FY2020 is 1,822, of which 1,742 are residential and 80 are commercial.

Figure 1-4: Water Customer Projections

Customer Class	Nov '09-Oct '10	FY' 20
Residential	4,658	6,260
Residential Out of District	6	8
Residential Multiple Units	402	540
Residential Total	5,066	6,808
Commercial	175	235
Commercial Out of District	21	28
Commercial Multiple Units	36	48
Commercial Total	232	312
Total Potable Water Accounts	5,298	7,120

Sewer

To determine the amount of water being discharge to the sewer system Willdan applied and verified industry standard discharge factors - Single Family Residential units discharge approximately 70% of water use, while all other customer classes discharge approximately 90%.

The net increase in projected peak sewer demand from FY2011 to FY2020 is 330,689 gallons per day.



Figure 1-5: Sewer Peaking Factor Projections

Customer Class	Existing Water		Projected Discharge
	Consumption	Discharge %	
Residential	439,909	70%	307,936
Residential Out of District	1,057	70%	740
Residential Multiple Units	119,701	90%	107,731
Residential Total	560,667	74%	416,407
Commercial	49,152	90%	44,237
Commercial Out of District	5,468	90%	4,921
Commercial Multiple Units	4,039	90%	3,635
Commercial Total	58,659	90%	52,793

As all new water customers will hook up to the District's sewer system, the number of new sewer customers will equal the number of new water customers (1,822).



Water Capacity Fees

The figure below lists the water CIP attributable to new development as prepared by District staff. As a part of the fee setting process, CIP projects are identified as growth-related, existing needs/operations & maintenance (O&M) or a percentage of both. The CIP presented below represents the capital project requirements needed to meet projected growth. To ensure consistency between capacity fees and monthly rates, the O&M portion will be utilized in future revenue requirements analysis for rate analysis. To ensure full cost recovery of capital projects in future years, all CIP projects have been inflated annually by the Engineering News-Record Construction Index.

Figure 2-1: Water System Capital Improvement Program Allocation

Water System	Total Cost (Inflated)	% Attributed to Growth	(Inflated \$) Attributed to Growth	Component
Murray Road Tank	3,710,745	80%	2,968,596	Storage
Emergency Water Line River Crossing	627,833	50%	313,916	Distribution
Water Tank Upgrade	894,898	50%	447,449	Storage
Ramey Pump Upgrades	1,105,210	100%	1,105,210	Distribution
Emergency Water Supply	300,988	50%	150,494	Distribution
Radio Telemetry Upgrade	126,521	0%	-	N/A
Meter Reader Upgrade	35,546	20%	7,109	N/A
Generator Testing	11,869	25%	2,967	Distribution
McCluski Tank 3A Roof Upgrade	5,657	0%	-	N/A
Fire Hydrant System Upgrade	100,761	50%	50,380	Distribution
Water Main Rehabilitation and Replacement	2,311,497	25%	577,874	Distribution
New Booster Stations	1,900,425	100%	1,900,425	Distribution
Meter Replacements	1,285,996	0%	-	N/A
Total Water	12,417,946		7,524,422	

Water Storage

The District plans to spend \$4,605,643 on two water storage tanks over the next ten years. Of which, the majority of the cost is attributable to new growth. Two new 3-million gallon tanks are planned for construction on the District's Murray Road site. New tanks at that location would increase the District's storage capacity, enhance fire flows during peak summer usage and provide additional system capacity for new growth, especially in northern McKinleyville. Staff has determined it would be more advantageous to initiate phased construction of two tanks at this location to spread the cost over a longer period and to enhance the operational flexibility of the system by having two tanks to allow for maintenance and redundancy.

The cost per gallon for the planned water storage project is \$0.57.

Water Distribution

The District purchases all of its water from Humboldt Bay Municipal Water District. Water is pumped from HBMWD's facility on the Mad River to the Ramey Pump Station. Water is then pumped to MCSD's six storage tanks where it is gravity fed to MCSD's customers.

Given the available capacity for new development to utilize excess distribution capacity, the buy-in methodology is used to calculate the portion of the proposed Water Capacity Fee attributable to distribution facility costs.



The original cost to the District for the Water components (\$9,703,185) divided by the distribution capacity of the infrastructure (5,250,000 gallons) yields a buy-in cost of \$1.85 per gallon.

The District also plans to spend \$6,358,583 on the six water distribution projects over the next ten years, \$4,1010,268 allocated to new growth. Discussions with District staff indicate these projects will provide sufficient capacity through FY2020. Based on projections of peak water demand from new development, new development over this period is projected to place a demand for over 0.5 million gallons daily.

Additionally, allocated to water distribution are costs related to securing and constructing an emergency water supply. Although currently deficient, the proposed emergency water supply is being sized to accommodate existing and future growth. As such, the cost of the project is being split equally between existing and future users.

The cost per gallon for the planned water distribution projects is \$5.87.

Joint Costs

As the District provides both water and sewer service, there are a variety of shared costs. These costs reflect the additional demand on administrative and overhead costs associated with an increased service population. Joint costs total \$2,793,766 with new growth being allocation \$990,308. As these are joint costs between the two services, costs were halved, with each being apportioned \$495,154.

The cost per gallon for the joint costs (water) projects is \$0.71.

Figure 2-2: Joint Cost Capital Improvement Program Allocation

Joint System	Total Cost	Cost Allocated to Growth	% to Water	Cost to Water	% to Sewer	Cost to Sewer
Backhoe	80,025	16,005	50%	8,002	50%	8,002
Dump Truck	126,003	25,201	50%	12,600	50%	12,600
Tractor and Attachments	69,536	13,907	50%	6,954	50%	6,954
Air Compressor	48,047	9,609	50%	4,805	50%	4,805
3/4 or 1-Ton Pickup	372,059	74,412	50%	37,206	50%	37,206
Van/Car	66,241	13,248	50%	6,624	50%	6,624
Light Duty Utility Truck	102,833	20,567	50%	10,283	50%	10,283
Facility Upgrades and sealcoat	180,771	36,154	50%	18,077	50%	18,077
ADA Upgrade	12,518	-	50%	-	50%	-
Office Building	358,620	286,896	50%	143,448	50%	143,448
Property Purchase	533,500	266,750	50%	133,375	50%	133,375
Building Roofs	47,701	-	50%	-	50%	-
PCs, Software, & Printers	138,898	69,449	50%	34,725	50%	34,725
File Server Upgrade	62,468	31,234	50%	15,617	50%	15,617
MOM Upgrade and Replacement	129,766	64,883	50%	32,442	50%	32,442
General Office Equipment	62,548	12,510	50%	6,255	50%	6,255
GIS/SEMS Equipment and Software	62,920	12,584	50%	6,292	50%	6,292
Miscellaneous/Replacement Equipment	179,729	-	50%	-	50%	-
GPS Surveying Equipment	52,515	26,257	50%	13,129	50%	13,129
Office Emergency Generator	53,859	-	50%	-	50%	-
Emergency Response Equipment and Supplies	53,208	10,642	50%	5,321	50%	5,321
Total Joint	2,793,766	990,308		495,154		495,154



Cost Summary

The figure below summarizes the demand factors and cost per gallon for additional water capacity.

Figure 2-3: Water Connection Fees Demand and Cost Summary

Demand Summary		Factors
Gallons per Day per Residential Connection		194
Residential Peaking Factor		<u>1.6</u>
Gallons per Peak day per Single Family Connection		310
Water Cost Summary		Planned Buy-in
Resources	\$	-
Production		-
Storage		0.57
Distribution		5.87
Planning and Study Efforts		-
Regulatory		-
Joint Costs		0.71
Net Capital Cost per Gallon of Capacity		\$ 9.00

Water Capacity Fees

Beyond updating the fee, Willdan is recommending the District update the water capacity fee structure. The proposed water connection fees are based on water meter sizes. A capacity ratio by meter size is used to convert the residential equivalent fee for a 5/8 inch meter into a proportionate fee for larger meter sizes. The capacity ratios are consistent with industry standards and are an accurate reflection of the possible demand of different meter sizes.

Using a 5/8 inch water meter as an example: 310 peak gallons per residential connection (from Figure 2-3) x \$9.00 per gallon (from Figure 2-3) x 1.0 demand ratio = \$2,790 per 5/8 inch water meter.

Figure 2-4: Water Capacity Fees

Water Meter						
Size	GPM	Capacity Ratio	Storage	Distribution	Joint Costs	Total
		Unit Cost	0.57	7.72	0.71	
5/8"	20	1.0	\$ 176	\$ 2,393	\$ 220	\$ 2,790
3/4"	30	1.5	265	3,590	330	4,185
1"	50	2.5	441	5,984	549	6,974
1 1/2"	100	5.0	882	11,967	1,099	13,948
2"	160	8.0	1,412	19,147	1,758	22,317
3"	300	15.0	2,647	35,901	3,297	41,845
4"	500	25.0	4,412	59,835	5,495	69,742
6"	1000	50.0	8,825	119,670	10,989	139,484
8"	1600	80.0	14,120	191,472	17,583	223,175
10"	2300	115.0	20,297	275,241	25,275	320,814



Sewer Capacity Fees

The District has been taking steps to identify and project the affects of growth in central McKinleyville. Additionally, pipe replacement has been placed on hold pending further engineering analysis. The figure below lists the sewer CIP attributable to new development as prepared by District staff. As part of the rate setting process, CIP projects are identified as growth-related, existing needs (O&M) or a percentage of both. The CIP presented below represents the capital project requirements needed to meet projected growth. The O&M portion will be utilized in the revenue requirements analysis in future rate analyses.

Figure 3-1: Sewer Capital Improvement Program Allocation

Sewer System	Total Cost (Inflated)	% Attributed to Growth	(Inflated \$) Attributed to Growth	Component
NPDES Permit	337,244	30%	101,173	Planning and Study Efforts
Industrial Permit Discharge	128,264	25%	32,066	Treatment
WWMF Upgrade/CEQA/Permitting	13,684,263	60%	8,210,558	Treatment
WWMF Driveway Repaving and Sealcoating	25,870	0%	-	N/A
WWMF Fencing and Gate	28,398	0%	-	N/A
WWMF SO2/Chlorine Injector Controllers	61,286	50%	30,643	Treatment
WWMF SO2/Chlorine Shut Off	38,000	50%	19,000	Treatment
WWMF Security Upgrades	46,682	20%	9,336	Treatment
WWMF Building Maintenance	34,018	0%	-	N/A
WWMF Grinder Maintenance	30,254	0%	-	N/A
WWMF Sludge Maintenance	142,065	0%	-	N/A
Property Purchase/Improvements	556,446	100%	556,446	Collection Lines
Collection System Upgrades	809,584	100%	809,584	Collection Lines
Sewer Main Rehabilitation and Replacement	1,561,656	0%	-	Collection Lines
Sewer Lift Sta. Pump Maint. and Replacement	143,673	50%	71,836	Interceptors
Radio Telemetry Upgrade	101,104	0%	-	N/A
Meter Replacement: WWMF, FIS	20,960	0%	-	N/A
Fischer Lift Station Grinder Maint.	32,118	0%	-	Interceptors
Sewer Main Camera Unit	74,266	50%	37,133	Collection Lines
Underground Pipe Locator & Camera	13,135	50%	6,568	Collection Lines
Generator Upgrades Maintenance	623,201	0%	-	Interceptors
SCBA Apparatus and Bottles	22,059	0%	-	N/A
Hydrocleaner (Sewer Fund)	3,126	50%	1,563	Collection Lines
Barn and Fence Maintenance	247,762	0%	-	N/A
House Repairs and Maintenance	1,509,556	0%	-	N/A
Total Sewer	20,274,990		9,885,906	

Treatment

Throughout the years, the District has invested \$20 million in building and maintaining the wastewater management facility. The plant is currently operating at approximately 85% of committed capacity. Given the available capacity for new development to utilize, the buy-in methodology is used to calculate this component of the Sewer Capacity Fee.

The cost to the District for the sewer components (\$19,980,759) is divided by the daily capacity of the plant (1,180,000 gallons) which yields a buy-in cost of \$16.93 per gallon.



The District plans to spend \$8,301,603 on treatment upgrade projects over the next ten years. Based on projections of peak sewer demand from new development, new development is projected to add an additional 529,102 gallons of wastewater daily over the next ten years.

The cost per gallon for the planned treatment upgrades is \$15.69.

Interceptors

The District plans to spend \$71,836 on interceptor projects over the next ten years which are the result of new development. Based on projections of peak sewer demand from new development, new development is projected to add an additional 529,102 gallons of wastewater daily over the next ten years.

The cost per gallon for the planned interceptors is \$0.14.

Collection

The District plans to spend \$1,411,294 on collection projects over the next ten years which are the result of new development. Based on projections of peak sewer demand from new development, new development is projected to add an additional 529,102 gallons of wastewater daily over the next ten years.

The cost per gallon for the planned collection projects is \$2.67.

Planning and Study Efforts

The District plans to spend \$90,000 on sewer studies and planning efforts over the next ten years as a result of new development. The District updates its master plan every three years. Thus, the plan completed in FY2018 will serve new development through FY2021. Based on projections of peak sewer demand, new development is projected to an additional 529,102 gallons of wastewater daily through FY2020.

The cost per gallon for the planned collection projects is \$0.19.

Cost Summary

The figure below summarizes the demand factors and cost per gallon for additional sewer capacity.

Figure 3-2: Sewer Capacity Fees Demand and Cost Summary

Demand Summary		Factors	
Gallon per Peak day per Single Family Connection		310	
Percentage of Water Returned to Sewer System		76%	
Gallons per Peak day per Single Family Connector		235	
Sewer Cost Summary		Planned	Buy-in
Treatment		\$ 15.69	\$ 16.93
Interceptors		0.14	-
Collection Lines		2.67	-
Planning and Study Efforts		0.19	-
Regulatory		-	-
Joint Costs		0.94	
Net Capital Cost per Gallon of Capacity		\$	36.55



Sewer Capacity Fees

The sewer capacity fees are based on water meter sizes. A capacity ratio by meter size is used to convert the residential equivalent fee for a 5/8 inch meter into a proportionate fee for larger meter sizes.

Using a 5/8 inch water meter as an example: 235 gallons per peak day per residential connection (from Figure 3-2) x \$36.55 per gallon (from Figure 3-2) x 1.0 demand ratio = \$8,590 per equivalent residential unit (ERU). Contrary to water, meter size is not directly correlated with sewer discharge (effluent). Thus, ERUs are utilized to most equitably allocation costs related to the impact of new connections on the sewer system.

Figure 3-3: Sewer Capacity Fees

Water Meter							
Size	Treatment		Interceptor	Regulatory		Joint Costs	Total
Unit Cost	\$	32.62		0.14	-	0.94	
1 ERU	\$	7,666	\$	32	\$	-	\$
					\$	220	8,590

Water & Sewer Connection Fee Analysis

McKinleyville Community Services District
February 16, 2011



What we'll cover today

- Project Overview
- What is a capacity fee?
- What does the capacity fee cover?
- Why the increase is needed?
- How are connection fees calculated?
- Cost projections
- Local comparisons

Project Overview

Background

- Water capacity fee, set in 1991, \$154 per ERU
- Wastewater capacity fee, set in 1999, \$1,761 per ERU
- Fees have not been updated to reflect additional capital needs

Purpose

- To identify appropriate fee levels for maximum cost recovery

Implications

- Do not adequately fund previous project debt service, reflect updated system demands, and/or needs for expanded or additional facilities
- Maintaining the low rates for new development has been offset by the rates charged to current users.

Background

- 1991 Water capacity fee \$154 per ERU
- 1999 Wastewater capacity fee \$1,761 per ERU
- Fees have not been updated to reflect additional capital needs

Purpose

- Calculate the maximum justifiable capacity fee
- Ensure capacity fee is fair, equitable, and appropriate

Implications

- Inadequately funding previous project debt service
- Needs for expanded or additional facilities
- Low rates for new development has been offset by monthly rates

MCSD Revenue Comparisons

- Water & Sewer Rates
 - Monthly Charges to recover operations and maintenance
- Connection Fee
 - The cost to physically connect to the utility system
- Capacity Fee
 - Fee applied in relation to the demands placed on the system by an additional customer to ensure adequate water and sewer capacity

What Does the Capacity Fee Cover?

- Cost to serve new development
- Wastewater treatment
- Water resources
- Water & sewer infrastructure
 - Storage
 - Pipelines
 - Facilities

Attributed to Growth

A reasonable percentage of an item's expense can be attributed to growth such that an additional increase in customer demand/system sizing would incur a higher cost. The standard question to ask is: "if no growth occurred, how would that alter the CIP List?"

Examples:

- Upsizing of a "good" pipe (growth could pay for 100% of the cost).
- Upsizing of a "replacement" pipe (growth should pay for additional capacity)
- Replacement of pipe with excess capacity (Growth could pay for use of excess capacity)
- Regulatory, Costs incurred due to new standards – Not attributable
- Regulatory, Costs incurred due to growth (expansion, new capacity) – Growth should pay

Why the Capacity Increase is Needed?

- Current fees do not:
 - Adequately fund previous project debt service
 - Reflect updated system demands
 - Cover needs for expanded or additional facilities
- Would prevent existing rate payers from incurring the cost
- Prevents reduced levels of service

Capital Improvement Project List

Water System	Sewer System	Joint CIP
Murray Road Tank	NPDES Permit	Backhoe
Emergency Water Line River Crossing	Industrial Permit Discharge	Dump Truck
Water Tank Upgrade	WWMF Upgrade/CEQA/Permitting	Tractor and Attachments
Ramey Pump Upgrades	WWMF Driveway Repaving	Air Compressor
Emergency Water Supply	WWMF Fencing and Gate	3/4 or 1-Ton Pickup
Radio Telemetry Upgrade	WWMF SO2/Chlorine Injector	Vehicles
Meter Reader Upgrade	WWMF SO2/Chlorine Shut Off	Light Duty Utility Truck
Generator Testing	WWMF Security Upgrades	Facility Upgrades and sealcoat
McCluski Tank 3A Roof Upgrade	WWMF Building Maintenance	ADA Upgrade
Fire Hydrant System Upgrade	WWMF Grinder Maintenance	Building Improvements
Water Main Rehabilitation (R&R)	WWMF Sludge Maintenance	Property Purchase
...

How is the Capacity Fee calculated?

- Two Methodologies:
 1. Buy-In Methodology - used on existing components which currently have excess capacity available
 2. Plan-Based Methodology – Allocates future costs related to the District's Capital Improvement Plan (CIP) via a growth and existing needs basis

Capacity Fee Cost Components

- **Water Components**
 - Resources
 - Storage
 - Distribution
 - Planning and Study Efforts
- **Wastewater Components**
 - Treatment
 - Interceptors
 - Collection lines
 - Planning and Study Efforts
- **Joint Cost Components**

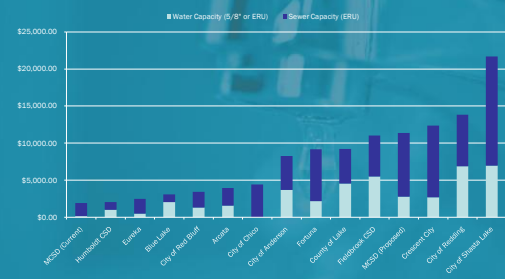
Cost by Component

Water Demand Summary				Sewer Demand Summary			
Demand Summary		Factors		Demand Summary		Factors	
Gallons per Peak day per Single Family Connection		310		Gallons per Peak day per Single Family Connection		310	
Residential Peaking Factor		1.6		Percentage of Water Returned to Sewer System		20%	
Gallons per Peak day per Single Family Connection		310		Gallons per Peak day per Single Family Connection		235	
Cost Summary		Planned	Buy-in	Cost Summary		Planned	Buy-in
Storage		\$0.57	\$-	Treatment		\$15.69	\$16.93
Distribution		5.87	1.85	Interceptors		0.14	-
Joint Costs		0.94	-	Collection Lines		2.67	-
Planning and Study Efforts				Planning and Study Efforts		0.19	-
Joint Costs				Joint Costs		0.94	-
Net Capital Cost per Gallon of Capacity		\$9.00		Net Capital Cost per Gallon of Capacity		\$36.55	

Proposed Capacity Fees

Water Meter Size	GPM	Capacity Ratio	Water	Sewer
ERU	-	-	-	\$8,590
5/8"	20	1.0	\$2,790	-
3/4"	30	1.5	4,185	-
1"	50	2.5	6,974	-
1 1/2"	100	5.0	13,948	-
2"	160	8.0	22,317	-
3"	300	15.0	41,845	-
4"	500	25.0	69,742	-
6"	1000	50.0	139,484	-
8"	1600	80.0	223,175	-
10"	2300	115.0	320,814	-

Single Family - Fee Comparison



Questions & Answers

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **INFORMATIONAL**

ITEM: E.4. **Informational discussion related to consideration of MCSD assuming some portion of planning powers from Humboldt County**

PRESENTED BY: **Norman Shopay**

TYPE OF ACTION: **None**

Recommendation:

Staff Requests the Board discuss information provided and instruct staff on any follow-up actions that they may wish staff to investigate or obtain additional information.

Discussion:

At the last Board meeting, Directors expressed interest in beginning a general discussion of the possibility of MCSD assuming some portion of the planning powers currently delegated to the Humboldt County Planning Commission.

This information is general and preliminary and is intended for initial discussion purposes only. I have attempted to capture the general framework for the start of a discussion. Each and every detail has not been specifically reviewed and verified. No legal review was requested.

SB135 provides some additional powers that a Community Services District (CSD) can assume.

Government Code research shows that only the County board of supervisors can create an Area Planning Commission (APC).

The power in Gov code 61100 (ac) was included in order to make it clear that if a board or council wishes to create an APC and wishes to designate a CSD as the APC, LAFCo may authorize the CSD to fund the activities of a APC.

A board or council may not delegate its land use authority and a CSD cannot do land use planning or zoning on its own. The following is the commentary that accompanies the legislative history and intent of the SB135 CSD rewrite:

61100 Subdivision (ac) is new and derived from §25210.4a (9) for county service areas. A county board of supervisors can create and delegate land use powers to an "Area Planning Commission." The APC serves as the county planning commission for the designated geographic area and is

responsible for land use planning and development decisions: general plan, specific plans, zoning, variances, subdivisions, and use permits.

Just like the county planning commission, an APC's decisions can be appealed to the county board of supervisors.

By letting a CSD pay for an APC, this language allows local residents and county supervisors to create a “County Town” that weaves together a CSD (for services and facilities), an APC (for land use review), and a MAC (for political identity).

The County Town could be an intermediate step towards cityhood, or it could be a locally-satisfactory substitute for incorporation.

The legislative history of the SB 135 CSD law rerevise (*Community Needs, Community Services: A Legislative History of SB 135*) can be viewed or download from the CALAFCO website at:
www.calafco.org/docs/CNCSReport.pdf.

Gov Code Section - 65101 is within city and county law not CSD law. See the preceding section: 65100. There is in each city and county a planning agency with the powers necessary to carry out the purposes of this title.

This means there is no authority here for a CSD to serve as an APC without designation from a County Board of Supervisors and LAFCo may not authorize APC powers, only the power to fund an APC.

All the statute permits you to do is to “finance” an Area Planning Commission. Conceivable MCSD could also appoint its members and staff (thus coming pretty close to assuming planning powers, but legislative actions – adopting and amending ordinances and plans – would be a county function) pursuant to a Joint Exercise of Powers Agreement with the County.

Whether the County would agree to such an agreement and on what terms is, of course, a political question.

Alternatives:

Take Action

Fiscal Analysis:

Can this effort be funded in part by accessing a fee to current property owners?

This may inform the Board if in fact the community is interested in taking on this power, through their vote of acceptance.

I believe that MCSD can finance an APC in the following ways:

A voter approved special tax – 2/3 voter approval required

A voter approved general tax – 50% approval required – with or without an advisory measure by which the voters can advise the CSD.

A property-related fee under Proposition 218 – this would require 50% approval of property owners, voting by mail. Can structure as one vote per parcel, but could also do weighted voting (based on acreage, land use type, etc.)

A regulatory fee collected as a surcharge on building permits and land use application fees – this is how cities and counties typically fund planning activity. The problem for MCSD is that we are not the land use legislative body – the County is – so the County would have to adopt this fee.

What additional funding will the County provide for MCSD to take over this effort?

Environmental Requirements:

Not applicable

Exhibits/Attachments

- None

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **INFORMATIONAL**

ITEM: E.5. Parks and Recreation presentation discussing recent parks improvement projects

PRESENTED BY: Jason Sehon, Parks & Recreation Director

TYPE OF ACTION: None

Recommendation:

None

Discussion:

Our Parks Crews have been completed several projects over the course of the last year or so. Staff would like to show a brief Powerpoint presentation, which includes photos and brief descriptions of parks projects.

Many of the projects are completed with the help of CalWORKS (Welfare to Work) volunteers whose salaries are paid by the state. Our current cost savings in CalWORKS employees is approximately \$14,000 per month.

In addition, we utilize Sheriff Work Alternative Program (SWAP) crews to help with maintenance of our park system. These SWAP crews are made possible through an agreement between MCSD and the Sheriff Department with the Law Enforcement Facility Lease.

Alternatives:

None

Fiscal Analysis:

Not applicable

Environmental Requirements:

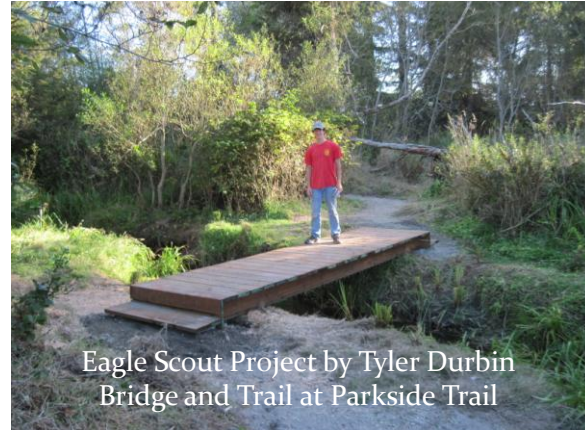
Not applicable

Exhibits/Attachments

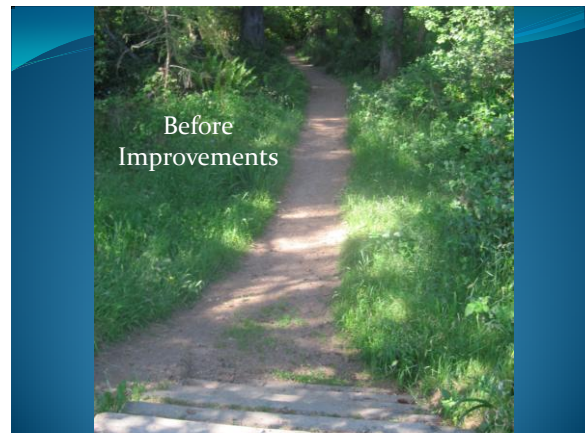
- None

Park Improvements in the last year

Our Parks crews have been busy with many parks projects in the last year. The following are photos and brief descriptions of such projects...



Eagle Scout Project by Tyler Durbin
Bridge and Trail at Parkside Trail



Before
Improvements



After
Improvements



Eagle Scout Project by Michael Lindstrom
Park Benches at Hiller Loop Trails



Central Avenue Open Space Zone



Central Avenue Open Space Zone



Central Avenue Open Space Zone
Tree Trimming Program



Removal of Invasive Shrubs at Pierson Park
Partnership with Fish and Game

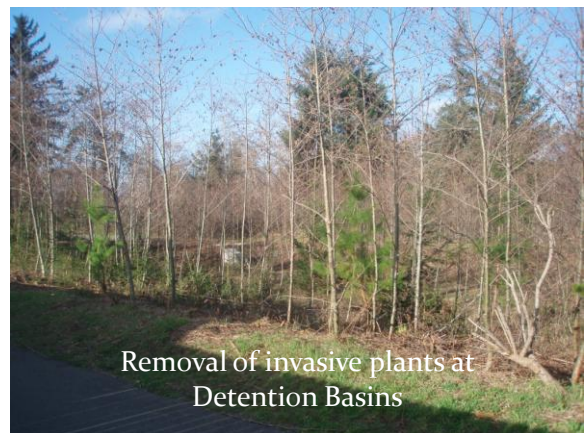








New Conference Room at Library



Removal of invasive plants at
Detention Basins



Office Landscaping (Before)



Office Landscaping (After)



Batting Cage construction



Hiller Sports Complex
Batting Cages construction



McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **ACTION**

ITEM: E.6. **Board discussion of District legal counsel attendance at Board meetings**

PRESENTED BY: **Norman Shopay**

TYPE OF ACTION: **None**

Recommendation:

Continue the current policy of having the Draft Board Meeting Agenda reviewed by Board President, General Manager, and District legal Counsel and based on the content of the agenda and/or potential risk, District legal will be requested to attend the meeting.

Discussion:

The Board previously discussed the option of having District legal counsel present at all Board meetings. In discussion with District counsel it is recommended that District legal counsel continue to review each agenda and if some matters appear to be controversial, have potential liability, District risk implications, hostile or threatening behavior may be a concern, or may require input from legal counsel, they should be requested to attend the Board meeting.

Legal should be present at all matters with a Closed session agenda.

For routine meetings where legal advice is likely unnecessary, the District may not want to incur the cost of having legal counsel present at every meeting.

Alternatives:

Take No Action

Require legal counsel to attend all Board meetings

Fiscal Analysis:

It is basically a "cost-benefit" type of analysis. Although issues of procedure and legal effect can come up at any time, if there are no particular agenda items where hearings or legal questions are likely involved, we may wish to not to have counsel present to save some cost. However, the Harbor District does request legal counsel to be present at all Board meetings

Environmental Requirements:

Not applicable

Exhibits/Attachments

- None

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **ACTION**

ITEM: E.7 MCSD CLAIMS ORDINANCE

PRESENTED BY: Norman Shopay

TYPE OF ACTION: Roll Call Vote

Recommendation:

Motion to: Accept Ordinance No 2011-01 regarding claims against the district

Discussion:

It is typical that Districts have in place an Ordinance regarding the procedures and protocols for the presentation of monetary claims and damages against the District pursuant to California Government Code Section 935.

When I requested staff to determine if such an Ordinance existed in order to protect the District from potential liability, it was determined that an Ordinance of this type did not exist.

Therefore, in order to protect the District from potential liability claims the attached Ordinance was prepared that describes the procedures and protocol for the presentation of monetary claims and damages against the District.

Alternatives:

Staff's analysis includes the following potential alternative:

- Take no action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments

- Ordinance 2011-01

EXHIBIT 1

ORDINANCE NO. 2011-01 AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT REGARDING CLAIMS AGAINST THE DISTRICT

RECITALS

A. WHEREAS, the MCKINLEYVILLE COMMUNITY SERVICES DISTRICT ("DISTRICT") seeks to adopt an Ordinance regarding the procedure and protocol for the presentation of monetary claims and damages against the DISTRICT pursuant to California Government Code Section 935;

B. WHEREAS, the DISTRICT reviewed and considered this Ordinance at the regular meeting of the DISTRICT'S Board of Directors (the "Board") held on February 16, 2011 and took and heard public comment thereat; and

C. WHEREAS, during the regular Board meeting held on February 16, 2011 the Board took action to adopt this Ordinance.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE DISTRICT DOES ORDAIN AS FOLLOWS:

ORDINANCE

Section 1. Claims.

(a) *Authority.* This ordinance is enacted pursuant to Section 935 of the California Government Code.

(b) *Claims Required.* All claims against the DISTRICT for money or damages not otherwise governed by the Government Claims Act, California Government Code Sections 900 et seq., or another state law (hereinafter in this ordinance, "claims") shall be presented within the time, and in the manner, prescribed by Part 3 of Division 3.6 of Title 1 of the California Government Code (commencing with Section 900 thereof) for the claims to which that Part applies by its own terms, as those provisions now exist or shall hereafter be amended, and as further provided by this ordinance.

(c) *Form of Claim.* All claims shall be made in writing and verified by the claimant or by his or her guardian, conservator, executor or administrator. In addition, all claims shall contain the information required by California Government Code Section 910. The foregoing reference to Government Code Section 910 shall not be construed to authorize a class claim, and no claim may be filed on behalf of a class of persons unless verified by every member of that class.

(d) *Claim Prerequisite to Suit.* In accordance with California Government Code Sections 935(b) and 945.6, all claims shall be presented as provided in this section and acted upon by the DISTRICT prior to the filing of any action on such claims and no such action may be maintained by a person who has not complied with the requirements of subdivisions (b) and (c) of this section.

(e) *Suit.* Any action brought against the DISTRICT upon any claim or demand shall conform to the requirements of Sections 940-949 of the California Government Code. Any action brought against any employee of the District shall conform with the requirements of Section 950-951 of the California Government Code."

Section 2. Severability.

Should any provision of this Ordinance, or its application to any person or circumstance, be determined by a court of competent jurisdiction to be unlawful, unenforceable or otherwise void, that determination shall have no effect on any other provision of this Ordinance or the application of this Ordinance to any other person or circumstance and, to that end, the provisions hereof are severable.

Section 3. Effective Date; Transitional Clause.

This Ordinance shall take effect thirty days after adoption. However, any claim that would have been timely if presented on the day before this Ordinance becomes effective which claim would be untimely under the requirements of the this Ordinance may, notwithstanding this Ordinance, be presented not later than the 45th day after the adoption of this Ordinance.

Section 4. Certification.

The Board Secretary shall certify to the passage and adoption of this Ordinance and shall cause the same to be posted in the manner required by law for agendas for meetings of the Board of Directors of the District.

PASSED, APPROVED AND ADOPTED, this 16th day of February 2011.

On a motion by Director_____seconded by Director_____, the foregoing ordinance is duly accepted on February 16, 2011 by the following polled vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Helen Edwards, Board President

Attest: I, Sharon L. Denison, Secretary to the Board of Directors of the McKinleyville Community Services District, hereby certify that the foregoing is a full, true and correct copy of the ordinance duly adopted this 16th day of February, 2011.

Sharon L. Denison
Board Secretary

McKINLEYVILLE COMMUNITY SERVICES DISTRICT

Monthly Report
February 16, 2011

AGENDA ITEM: F.2.a.
PRESENTED TO: MCSD Board of Directors
FROM: Steven Edmiston, Finance Director
SUBJECT: Monthly Report

WATER AND SEWER BUDGET

Revenues for water sales for the month of January were below expectations for the fourth straight month by \$40,269, resulting in a fiscal year to date negative budget variance of \$161,714 (13.95%). An adjustment to the District's water rate structure will become necessary as this trend continues. The graphs on the following pages (reprinted from this month's Treasurer's Report) indicate a trend toward lower water usage as compared with the two most recent fiscal years. Net Operating Income for the District's water and sewer enterprise funds is below budget by \$56,778.

Other water revenues, including connection and capacity fees, are seasonally higher year to date due to the timing of the associated construction activity.

Sewer expenses are below the fiscal year to date budgeted amounts due to the seasonal nature of testing and treatment costs for the summer months.

PARKS AND RECREATION BUDGET

Secured property tax and Measure B assessments are collected by the County Treasurer-Tax Collector in December and April of each year and deposited to the District's Trust account. Secured property tax collections in the amount of \$252,722, and Measure B assessments in the amount of \$118,487, were collected and deposited during December, 2010. The aggregate collections were within 1.15% of expectations. The balance of Secured property tax and Measure B assessments will be collected in April, 2011.

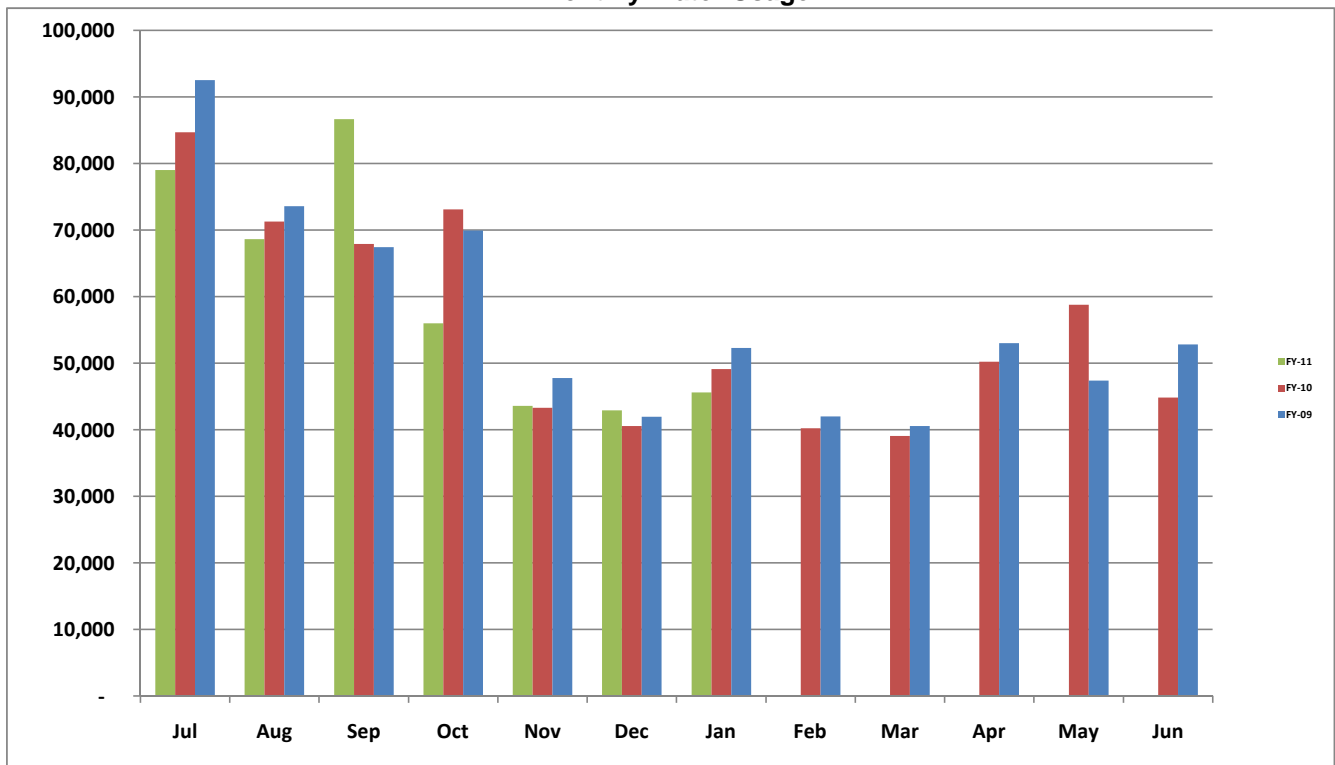
The annual interest and principal debt service payment for the General Fund was disbursed in advance of the August 1 due date in order to avoid delinquent payment penalties. An interest payment on this obligation has been disbursed in advance of the February 1, 2011 due date.

COST OF PUBLIC INFORMATION REQUESTS AND CORRESPONDENCE

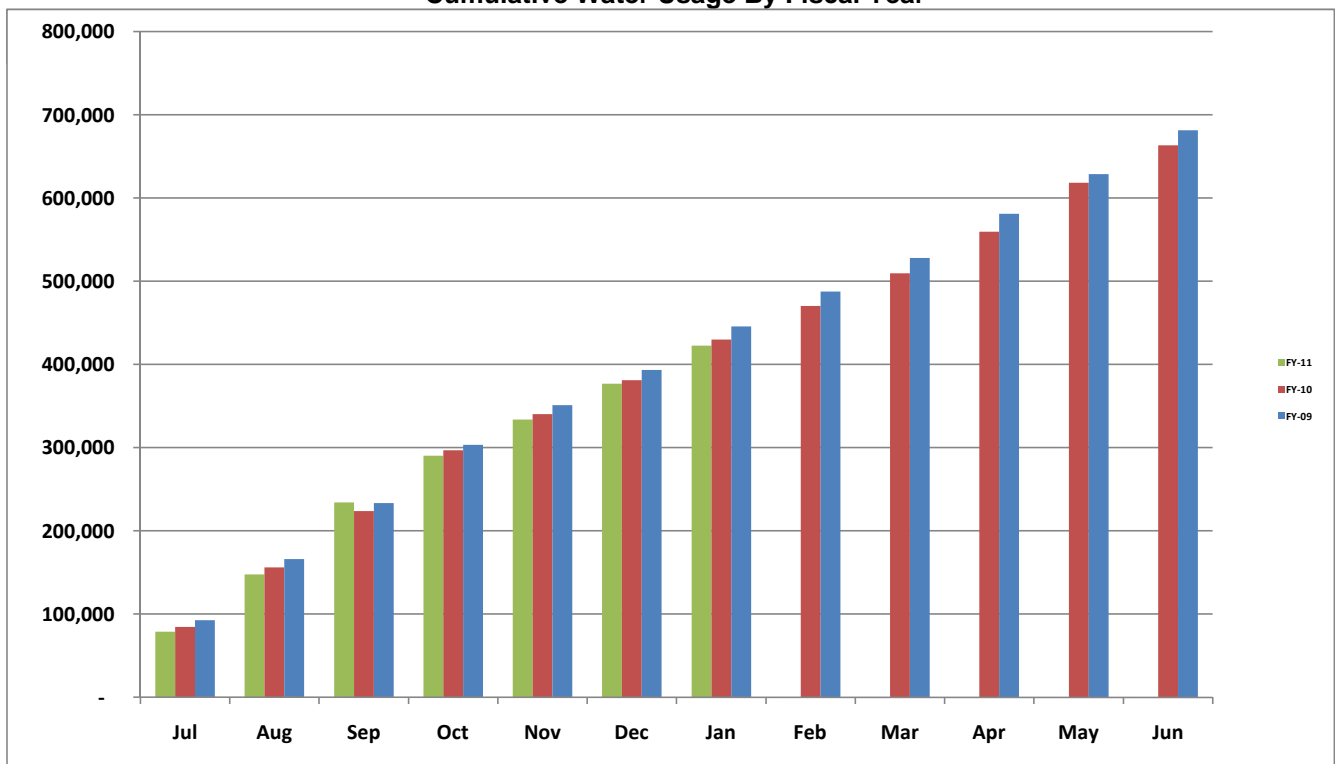
The District received numerous correspondences from the public during January, 2011. The cost to the District for this is \$871.99 for January, 2011; bringing the total cost for FY-11 to \$14,342.12. Staff hours for this totaled 9.5 hours in January, 2011, bringing the total to 155.1 hours for FY-11.

McKinleyville Community Services District Analysis of Water Volume Usage by Fiscal Year

Monthly Water Usage

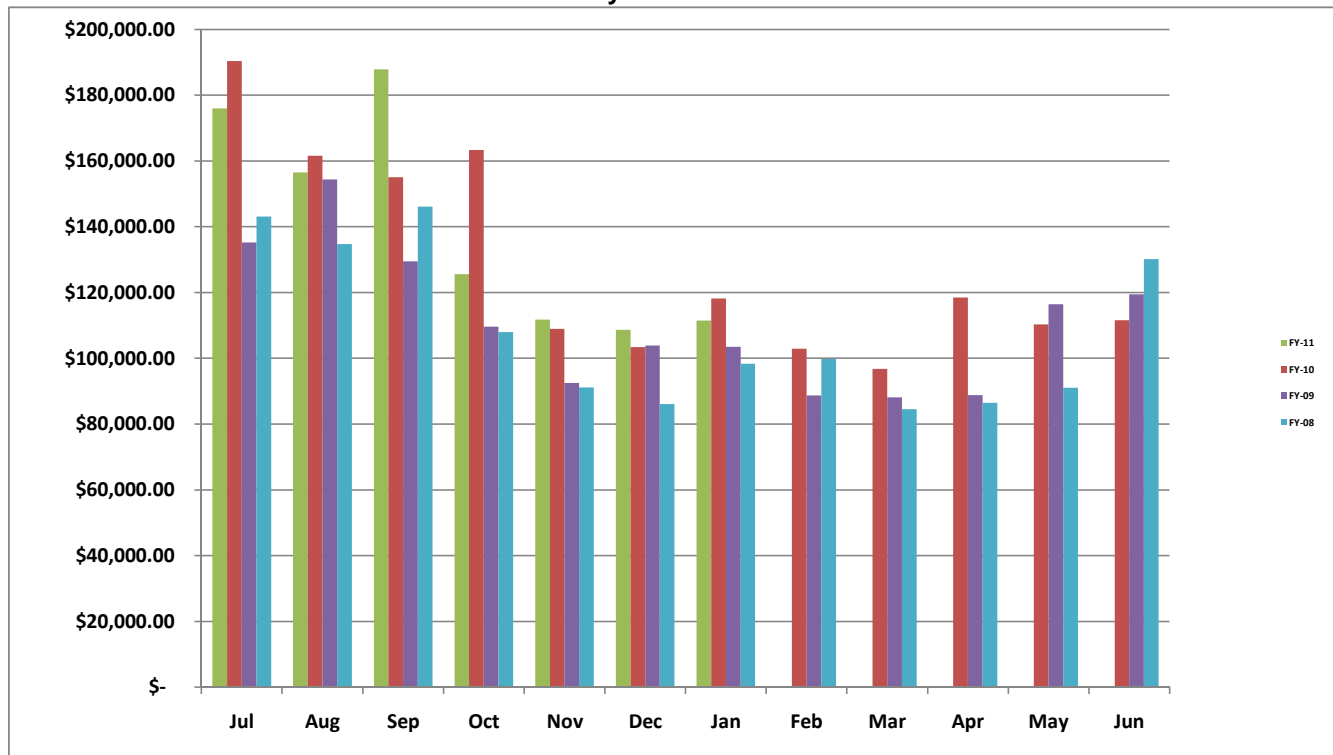


Cumulative Water Usage By Fiscal Year

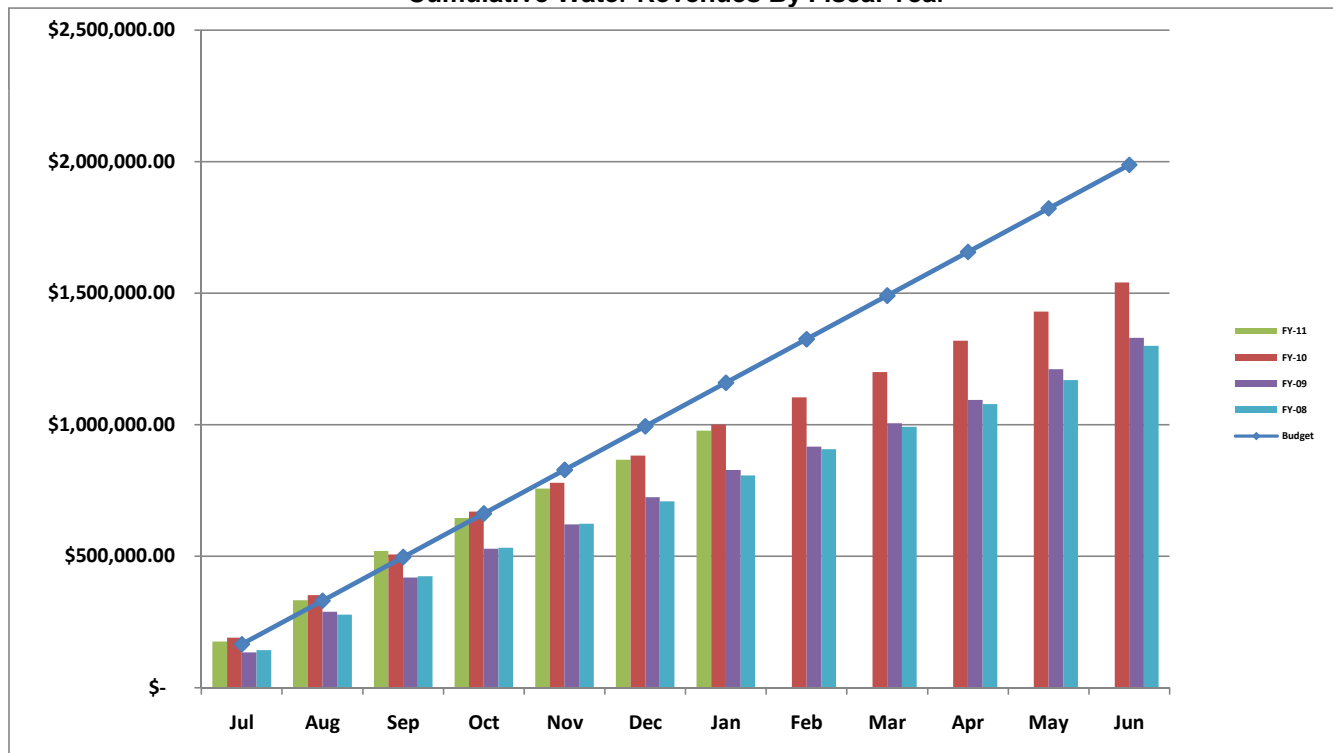


McKinleyville Community Services District Analysis of Water Revenues by Fiscal Year

Monthly Water Revenues



Cumulative Water Revenues By Fiscal Year



McKINLEYVILLE COMMUNITY SERVICES DISTRICT

Board Agenda Background: Department Report

February 9, 2011

To: MCSD Board

From: Gregory P Orsini, Operations Director

Subject: Agenda Item: F.2.B. –February 16, 2011 Board Meeting
Operations Department - January 2011 Report

Progress in achieving the Board's adopted FY10-11 Goals are summarized in the following narrative:

Water Department:

◇ Water Statistics:

The district pumped 41.7 million gallons of water in January.

Four water quality complaints were investigated and rectified in January.

No service line leaks were reported or repaired in January.

No water service installations were completed in January.

Daily, weekly and monthly inspections of all water facilities were conducted.

◇ Double Check Valve Testing:

Route 1 testing was completed in January accounting for 68 devices.

◇ Annual Valve Exercising:

Annual valve exercising was completed in January. This requires the operation of every valve in the District. Each valve is closed and reopened; the rotations to complete and the characteristic of how the valve operated are noted. Any discrepancies are recorded; work orders generated and repairs are made in a timely manner. Water Blow offs are installed at the end of all water mains that are not connected to other mains. During valve exercising blow offs that are not serviceable due to being below grade were noted and several were brought to grade and made serviceable in January.

◇ Fire Hydrant Incident:

The Fire Hydrant located at the Azalea Avenue and Birch intersection was knocked off by a moving truck. Approximately 42,000 gallons were lost during this event. Repairs were made and the hydrant was back in service within the hour. A police report was filed, pictures were taken and insurance information was collected. The insurance the moving Company was billed for time, materials and equipment.

◇ New Construction Inspections:

Central Estates Phase 2A and B, No work on facilities due to weather; Sun Road Mainline Extension, Water main has been installed, tested and put online. Punch list complete and waiting on as-builds.; Santos Subdivision, no work due to weather.

Waste Water Statistics:

38.1 million gallons of wastewater were collected and pumped to the W.W.M.F in January.

39.1 million gallons of waste water were treated and discharged to the Mad River in January.

No sewer services were completed in January.

Daily, weekly and monthly inspections of all sewer facilities were conducted.

◇ B St. Generator:

The B Street Station generator battery charger was reported to be faulty during monthly inspections. A service order was issued and it was found that a PC board was faulty. A new one was ordered and arrived the following week. The cost of a new charger would have been over \$800 but due to the expertise of District staff the component that

malfunctioned was isolated and was replaced for \$300.

◇ **Sewer lift Station Maintenance:**

During routine oil changes of lift pumps, metal flake was observed in pump 1 at Hiller station. It was determined to be bearing failure so the pump was rebuilt. All bearings, seals and gaskets were replaced the pump was reassembled and placed back in service.

◇ **WWMF Maintenance**

A water leak at the treatment plant was discovered in the main supply line under the black top. The faulty piping was removed and replaced. Annual maintenance of selected chlorination components was carried out in January. The equipment is taken out of service, disassembled, inspected and all non-serviceable parts are replaced. The equipment is calibrated, tested and placed back in service. This maintenance is conducted to prevent failure of the chlorination equipment and to prevent chlorine gas releases.

◇ **Street Light Department:**

Three streetlight problems were reported and repaired in January along with quarterly inspections of Pierson Park and Cypress Court streetlights.

◇ **Promote Staff Training and Advancement:** Weekly safety meetings were conducted.

Special Notes:

Vehicle mobile radios were inspected and channels now coincide with each other. Channel 1 = MCSD Channel 2 = Arcata Fire Channel 3 = HBMWD and Channel 4 = Weather.

The emergency generator that supplies the District Office with power in the event of a power failure was completed in January. The LP fuel lines were excavated and installed and bollards installed around the generator and LP fuel tank. The generator was test run and determined to operate correctly. The majority of this project was accomplished in house saving the District substantially.

As of January 1st all work orders are being run through the District asset management software (SEMs). As discrepancies are noted during routine inspections or through execution of daily routine, work orders are generated and tracked using the SEMs software. All regularly scheduled maintenance is also tracked and service orders are generated automatically. All facilities and equipment are listed in the SEMs database so maintenance can be tracked on all MCSD assets.

The draft plan for planting black cotton wood on the lower pasture at the Fischer Ranch was reviewed and commented. When complete the planting plan will be presented to the Regional Board for their concurrence. Staff hopes to dedicate an acre of pasture to a pilot study to validate assumptions that the cottonwood trees will uptake a larger amount of water and nutrients than the same area covered with grass. 300 trees are being donated by the Rotary Club and the majority of the construction will be conducted in house using existing piping and infrastructure.

Tours of two treatment Plants one in Windsor and the other in Hidden Valley, CA were attended by staff. Both plants use advanced aeration, clarification and sand filtration. Staff will be visiting plants that use different process that ranked high in the District alternatives that will be in the 20 year facility plan, to speak with operators and actually witness the process.

During the process to update the narrative for the CIP, preparing for the upcoming budget questions were raised about the ownership of the Hammond Bridge. No certain answer was available from staff so some research of existing files was done along with a few phone calls to the county. It turns out the bridge is owned by the District but the District and the

county have an agreement to share in the maintenance. The District's interest in the bridge is due to a sewer discharge main that was originally constructed to carry domestic sewer to a regional treatment facility that was never constructed. The sewer crossing was used for many years to convey treated effluent from the WWMF to a dairy ranch in the Arcata bottoms who irrigated with the water. In 2002 a leak was discovered in the main where it crossed under the slough and it was determined at that time the expense to repair exceeded the benefit so the valve was closed and the main is not in use at this time. The County's interest is an easement with the District to allow foot traffic the ability to cross the Mad River on the Hammond Trail.

Staff met with our consultant that is in the process of assembling data and populating a sewer model that represents the collection system and sewer lift stations. This work is being accomplished as part of the 20 Year Facility Plan. When the model is complete staff will have a tool that will enable us to survey the collection system for potential problem areas where due to pipe sizing or slope and will limit capacity. Another use of this model will allow staff the opportunity to add pending and potential development to the model to analyze the impact on the system. Then staff will have a better idea of how the increasing densities will influence the sewer system and give staff the ability to require developers contribute for upgrades to pump stations and sewer mains.

McKINLEYVILLE COMMUNITY SERVICES DISTRICT
Board Agenda Background - Department Report
February 16, 2011

AGENDA ITEM: F.2.C.
PRESENTED TO: MCSD Board of Directors
FROM: Jason Sehon, Parks & Recreation Director
SUBJECT: Parks & Recreation Department Report

PIERSON PARK:

The property located east of Umpqua Bank was recently rough graded. Parks staff did a great job with the finish grade.

HILLER PARK:

Staff is working with McKinleyville Little League (MLL) to make repairs to turf at Hiller Sports Complex. MLL has constructed two dugouts on the new softball field, parks crew has applied a coat of primer, and MLL will paint in the next few days.

MLL has begun construction on the batting cages.

GRANTS:

Staff recently submitted a grant to CalRecycle to place recycled waste tire safety surfacing at swing sets that will be constructed at Pierson and Hiller Parks this summer. In addition, staff is submitting a grant to place safety surfacing at Larissa Park.

Staff is working on the submittal of a grant for the second round of Proposition 84 grants.

McKINLEYVILLE LIBRARY LEASE AGREEMENT:

We are waiting for the Humboldt County Real Properties Division to submit potential revisions to the Lease Agreement.

McKINLEYVILLE SKATE PARK UPDATE:

The following was submitted by the McKinleyville Skate Park Organization as part of their required monthly reporting to the Parks & Recreation Director:

- Received final edited draft of sign for park location and had reviewed and approved by MCSD staff.
- Had a fundraiser on January 27th at Arcata Theater Lounge. It was a premier showing of a new skateboard film.
- Working on a brochure that we will be printing once we have reviewed.
- Coordinating a fundraiser poker tournament at Blue Lake Casino this month.

- Have a golf tournament at Beau Pre scheduled in April and proceeds will go to park.
- Planning a large event at Northcoast Horticulture Supply for April 23rd, 2011. It is for Green Week and will be similar to last year's event with ramps, music, food and raffle.
- Planning for a HUGE extreme Sports Weekend on July 11th at Blue Lake Casino. The events will have professional skating demonstrations and other extreme sport showcasing. We will also have a big name band playing that night at the casino as well.
- Preparing to purchase the decks with the logo on them to sell as merchandise. Local skate shops have agreed to sell the merchandise at their stores.
- Continuously (until park is built) generating revenue from beer sales at six rivers brewery. We receive 10% of all sales of the Frontside Ale. Try one and support us.
- Working on a framed poster with park design and donation info at Six Rivers Brewery.
- Have our quarterly meeting on February 9th at 6Pm at Azalea Hall.
- Posted our last two years of minutes on our web page. November's minutes will be posted after they have been approved at our next meeting.
- Began starting a list serve of emails for interested community members so we can send out periodic updates on where we are at.

Balance to date: \$24,949

Note: I need to check in on the new balance, but we have not received our last two month's proceeds to put in the bank yet. We are waiting to get from Six Rivers Brewery. We will have a concrete number to report to you following Wednesdays meeting.

SHERIFF WORK ALTERNATIVE PROGRAM (SWAP):

MCSD and County staff worked out an agreement to keep a SWAP crew working twelve (12) days per year. In addition, the County has agreed to provide between two (2) and five (5) individual SWAP members to report to work for MCSD each Saturday. This partnership has been working very well.

COMMUNITY SERVICE WORKERS:

Our Parks staff continues to utilize the Community Service Worker (CSW) program daily. This program helps us to maintain Pierson Park, Hiller Park, Hiller Sports Complex, Azalea Hall, the McKinleyville Activity Center, and several of our Open Space Maintenance Zones.

WORK EXPERIENCE (Cal Works PROGRAM)

We have five (5) positions through the Cal Works program that are working with the Parks & Recreation Department, Operations Department, and Business Department. This is a great program for the workers and for the MCSD. It gives the employees great on the job experience and it aids MCSD in its daily operations. The County pays all wages for a six-month period (with possible extensions of time), and workers compensation is also under the Counties umbrella. If MCSD hires an employee from this program, the County will pay for half their wages for the first year of employment.

GRAFFITI & VANDALISM UPDATE:

No graffiti to report.

McKinleyville Community Services District

BOARD OF DIRECTORS

February 16, 2011

TYPE OF ITEM: **INFORMATION**

ITEM: F.2.D. General Manager's Report

PRESENTED BY: Norman Shopay

TYPE OF ACTION: None

1. Cost Savings Related to District Activities – While the Board remains fully informed and up-to-date on all the various staff efforts, cost savings, and extra work done by the dedicated District staff members in their continued efforts to look for creative opportunities for cost and efficiency savings measures for the District, these activities may not be fully understood and realized by some members of the public. Therefore, I thought it would be useful to highlight some of the cost savings. The following is a summary of some of the recent District cost savings opportunities staff has identified.

- Little League was able to get lumber donated and construct two dugouts \$5,000
- Paint dugouts a Hiller \$800
- Finish grade adjacent to Pierson Park \$1,200
- Poured pad and installed LP tank and dug 270' trench for gas line \$700
- CalWorks employee are currently working at the District, resulting in a cost savings of \$15,000 for the month of January.
- SWAP Crew (new) \$2,000
- SWAP Crew (previous) \$1,000
- Dug trench and installed 300 feet of line to generator. Installed emergency transfer switch and run electrical wire \$6,500

Total cost savings for January is \$32,200

The cumulative cost saving to the District to date since tracking began from July 1, 2010 through January 31, 2010 is \$220,927

District staff should be commended for their continued efforts in looking for cost savings opportunities that result in real savings for the District and rate payers.

2. 20-year Facility plan – Staff is in the process of scheduling a conference call or meeting with the Coastal Commission in San Francisco to continue the discussion of the feasibility of installing an ocean outfall for the waste water management facility. This was based on our previous meeting with the Coastal Commission in Eureka who indicated that the SFO office would be the designated office to review any of our application materials.

3 NPDES Permit – the revised NPDES was removed from the consent calendar at the RWQCB meeting in January. The RWQCB did not have a Quorum. At the meeting I requested that the RWQCB place the item on a SWRCB meeting for future approval. The RWQCB has sent the item to the SWRCB to be placed on their calendar. If a Quorum is likely at the RWQCB in the near future they will take action. So the item is sitting in two places to see whoever can act first on the item.

4 Emergency Water Line Crossing over the Mad River – The District anticipates release the Request for Proposal (RFP) for this project at the end of January 2011 and will allow 30-days for Bid preparation and submission to MCSD by February 4, 2011.

5 Capacity Fee Rate Study and Evaluation – Staff has completed an initial evaluation of capacity fees charged to new customers and a draft report has been prepared. Upon completion and approval of capacity fees by the Board (est March 2011) staff will begin to look at water and sewer rates. Humboldt Bay Municipal Water District (HBMWD) indicated that they anticipate having a 15% rate increase. We will need to adjust rates based on their previous rate increases and proposed rate increase.

6 Library lease – The library lease was originally sent to the County on November 6, 2010. County staff is still in the process of reviewing the lease. Recently we purchased a wireless router for the library and provided it to the Library staff for installation. MCSD would have installed the equipment, however, the data lines are connected to the County server and we do not have access to the information for installation.

7. Humboldt County Planning – Staff met with Humboldt County planning to request information on the maximum development potential that they may be assigning related to residential re-zoning in order that we can evaluate the Districts ability to provided services. A factor is the location of these areas, because all the rezoning occurred in one area it would affect our system differently if the distribution was different. The District also requested the maximum residential development potential that will be allowed for commercial properties. Previously this information was not available from the County. When the information is received we will be conducting an assessment of our ability to serve these new zoning changes.

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January 28, 2011

R.W.Q.C.B. NORTH COAST REGION
5550 SKYLANE BLVD., SUITE A
SANTA ROSA, CA 95403

RE: MONTHLY MONITORING REPORT

Dear Lisa:

Enclosed is the Monthly Monitoring Report for December 2010 for McKinleyville Community Services District Wastewater Management Facilities WDID NO. 1B82084OHUM.

The normal discharge of effluent was 1 day to land reclamation and 30 days discharge to the Mad River. The required monitoring and water quality constituents that were tested and were reported were in compliance in December.

The requirement for BOD is 45 mg/L, a maximum of 441 pounds of BOD for the 30-day average, a minimum of 65% removal and a weekly average of 65 mg/L. With five weekly tests in December, that constitutes eight criteria. The BOD results for December are in compliance.

The requirement for NFR is 83 mg/L, a maximum of 931 pounds per-day and a minimum of 65% removal for the 30-day average. With five weekly tests in December, that constitutes three criteria. The NFR results for December are in compliance.

The requirement for Nitrate as Nitrogen in the effluent is a monthly average of 10 mg/L. One test was conducted in December and was in compliance.

Total Coliform Organisms MPN/100 ml. The Monthly Median not to exceed MPN of 23 and the daily maximum not to exceed MPN of 230. The reported results for the month of December are as follows. Median was <1.8 and a Maximum of <1.8. Four samples were collected in the month of December and were in compliance.

Monitoring of the Mad River, Hiller Storm Water Wetlands and Fischer Backswamp Wetlands was conducted in December.

Monthly testing for constituents of Concern was conducted in December and all were in compliance.

The Requirement for Acute Toxicity testing is a minimum of 70% survival for any one test and median for all tests in one month of 90%. One test was conducted in December and is in compliance with 100% survival.

EXHIBITS:

- A. December 2010 Wastewater Management Facilities spreadsheet with the daily, weekly, monthly, quarterly and annual monitoring records for monitoring location M-001.

- B. Disposal Flows and Location Data Sheet
- C. River CFS and Effluent Flow Data Sheet
- D. BOD and TSS work sheet
- E. Laboratory Analysis for Constituents of Concern
- F. Laboratory Analysis for Dixon
- G. Laboratory Analysis for Acute Toxicity Testing
- H. River Monitoring worksheet for R-001 and R-002
- I. Hiller Marsh worksheet for R-004 and R-005
- J. Fischer Ranch Backswamp worksheetR-003
- K. Spill Notification Form for 12/4/2010

"I CERTIFY UNDER PENALTY OF LAW THAT THIS DOCUMENT AND ALL ATTACHMENTS WERE PREPARED UNDER MY DIRECTION OR SUPERVISION IN ACCORDANCE WITH A SYSTEM DESIGNED TO ASSURE THAT QUALIFIED PERSONNEL PROPERLY GATHER AND EVALUATE THE INFORMATION SUBMITTED. BASED ON MY INQUIRY OF THE PERSON OR PERSONS WHO MANAGE THE SYSTEM, OR THOSE PERSONS DIRECTLY RESPONSIBLE FOR GATHERING THE INFORMATION, THE INFORMATION SUBMITTED, IS, TO THE BEST OF MY KNOWLEDGE AND BELIEF, TRUE, ACCURATE, AND COMPLETE. I AM AWARE THAT THERE ARE SIGNIFICANT PENALTIES FOR SUBMITTING FALSE INFORMATION, INCLUDING THE POSSIBILITY OF FINE AND IMPRISONMENT FOR KNOWING VIOLATIONS."

If you have any questions, please contact this office.

NORMAN SHOPAY, GENERAL MANAGER

ENCLOSURES

FILE

McKINLEYVILLE COMMUNITY SERVICES DISTRICT
WASTEWATER MANAGEMENT FACILITY
MONITORING DATA

MONTH: DECEMBER

YEAR: 2010

DATE	INFLUENT FLOW	EFFLUENT FLOW	EFFLUENT MAXIMUM	RIVER CFS	INFLUENT MONITORING		EFFLUENT MONITORING									3X5 TOTAL COLIFORM
	M.G.D.	M.G.D.	GPM		B.O.D. mg/L	N.F.R. mg/L	pH	(C°) TEMP	B.O.D. mg/L	NFR mg/L	AMMONIA	CL₂ RES.	RIVER CL₂ RES	SETTLEABLE SOLIDS		
1	1.108	1.438	1172	1140			6.8	9.8			34	2.7	0.00			
2	1.247	1.660	1158	3080			6.9	9.9			32	2.9	0.00			
3	1.173	1.540	1162	4810	210	190	7.0	9.7	32	34	30	0.8	0.00	<0.1		
4	1.162	1.538	1078	2980			6.8	10.0				1.9	0.00			
5	1.217	1.540	1081	2260			6.9	10				1.6	0.00			
6	1.128	1.536	1082	2320			6.7	10.5			30	0.8	0.00		<1.8	
7	1.079	1.544	1166	2300			6.7	11.3			34	0.3	0.00			
8	1.106	1.567	1216	1820			6.7	11.2			34	0.6	0.00			
9	1.110	1.559	1226	1880			6.7	11.2			34	0.3	0.00			
10	1.197	1.443	1189	3860	160	140	6.7	11.9	29	37	32	1.3	0.00	<0.1		
11	1.214	1.330	934	3180			6.8	12.5				1.3	0.00			
12	1.226	1.331	932	2720			6.7	12.3				0.4	0.00			
13	1.178	0.805	987	2160			6.8	12.7			32	1	0.00		<1.8	
14	1.281	0.000	0	4080												
15	1.213	0.677	979	4890			7.0	12.0			32	2.0	0.00			
16	1.177	1.420	1133	3510			6.9	10.4			36	0.3	0.00			
17	1.119	1.424	1133	2630	220	250	6.9	10.2	30	27	30	0.4	0.00	<0.1		
18	1.222	1.425	1000	2420			6.7	10.8				1.9	0.00			
19	1.299	1.403	986	5120			6.7	10.4				1.5	0.00			
20	1.387	1.464	1092	7060			6.8	9.7			32	4.3	0.00		<1.8	
21	1.297	1.573	1103	6730			7.0	11.7			36	1.8	0.00			
22	1.355	1.587	1224	6660	200	170	6.9	10.8	32	30	34	2.6	0.00	<0.1		
23	1.270	1.586	1110	4650			7.0	10.1				1.4	0.00			
24	1.259	1.594	1118	3360			6.8	10.5				1.2	0.00			
25	1.230	1.595	1118	2660			6.9	11.0				1.8	0.00			
26	1.329	1.581	1111	4490			6.9	10				4.3	0.00			
27	1.344	1.591	1225	4850			6.9	10			32	4.1	0.00		<1.8	
28	1.557	1.322	1212	4870			6.7	9.9			32	2.1	0.00			
29	1.748	1.490	1153	31600			7.0	9.4			28	4.1	0.00			
30	1.494	1.525	1078	11600	140	120	6.8	8.8	20	29	32	0.1	0.00			
31	1.449	1.562	1103	7130			6.9	7.8				0.6	0.00			

DATE	MONTHLY TESTS			
	TDS	AMMONIA	NITRATE	BORON
12/16/2010	250	26.0	0.18	240

DATE	Copper		ND
	Lead		
12/22/2010	Bis phthalate		DNQ
	alph-BHC		ND
	4,4' -DDT		ND
	2,3,7,8-TCDD		ND

Quarterly Tests	Value in ug/l
Dichlorobromomethane	N/A
Bromoform	N/A
Chlorodibromomethane	N/A
Chloroform	N/A

SPILLS:

Spill on 12/40/2010 off site Salmon Right of Way

30 DAY AVERAGE	BOD mg/L	BOD LBS/DAY	BOD % Removal	NFR mg/L	NFR LBS/DAY	NFR % Removal
	29	359	85	31	394	81

ACUTE TOXICITY

DATE	% Survival
12/8/2010	100%
Rainbow Trout	N/A
C. dubia	N/A

CHRONIC TOXICITY

TESTED	SURVIVAL
Minnow	N/A
C. Dubia	N/A
Algae	N/A
	TUc

Total Coliform
Monthly
MEDIAN
<1.8
Daily
Maximum
<1.8

SIGNATURE: _____

REMARKS:

 Indicates Permit Exceedance