



**Mission statement of McKinleyville Community Services District:**  
"Provide McKinleyville with safe and reliable water, wastewater, lighting, open space, parks and recreation, and library services in an environmentally and fiscally responsible manner."

**NOTICE IS HEREBY GIVEN THAT A REGULAR MEETING OF THE  
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS  
WILL BE HELD  
WEDNESDAY, JANUARY 7, 2015 AT 7:00pm  
Azalea Hall, 1620 Pickett Road  
McKinleyville, California**

## **AGENDA**

### **A. CALL TO ORDER**

A.1 Roll Call

A.2 Pledge of Allegiance

A.3 Assumption of Board Officer's Positions for Calendar Year 2015

**Pg. 5**

A.4 Additions to the Agenda

A.5 Approval of the Agenda

A.6 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**

### **B. PUBLIC HEARINGS**

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

**NO PUBLIC HEARING SCHEDULED**

### **C. 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.*

## **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 the Minutes of the Board of Directors Regular Meeting of December 3, 2014 **Pg. 7**  
Attachment D.1 – Draft Minutes from December 3, 2014 **Pg. 8**
- D.2 Consider approval of November Treasurer's Report **Pg. 14**  
Attachment D.2 – Treasurer's Report November 2014
- D.3 No DCV Violations this month

## **E. CONTINUED AND NEW BUSINESS**

- E.1 Accept FY2013-14 Audit **Pg. 36**  
Attachment 1 – MCSD Audited Financial Statements for the Fiscal Year Ending June 30, 2014 **Pg. 37**
- E.2 McKinleyville Community Services District Employee of the Year Award Presentation to David Baldosser **Pg. 89**
- E.3 California Water Environmental Association (CWEA) Awards **Pg. 90**  
Attachment 1 – CWEA Award Nomination Forms **Pg. 91**
- E.4 Consider Assignments and Appointments of Committee Chairs by the Board President for the 2015 Calendar Year **Pg. 93**  
Attachment 1 – 2014 Committee Roster and Assignments **Pg. 95**
- E.5 Update Board Officer Rotation Schedule **Pg. 96**
- E.6 Review Recent Teen Center Bid Results, Discuss Alternatives and Consider Recommended Path Forward **Pg. 98**
- E.7 Consider Approval of Law Enforcement Facility Lease Agreement with County of Humboldt **Pg. 103**  
Attachment 1 – Lease Agreement with County of Humboldt **Pg. 105**
- E.8 Approve Draft Water Shortage Contingency Plan **Pg. 123**  
Attachment 1 – Water Shortage Contingency Plan Draft **Pg. 125**
- E.9 Consider Approval of the Strategic Plan 2015-2019 **Pg. 151**  
Attachment 1 – Strategic Plan Final 2015 **Pg. 152**

E.10	Wastewater Management Facility Improvement Project Open House Report	<b>Pg. 194</b>
	Attachment 1 – Open House Flyer	<b>Pg. 196</b>
	Attachment 2 – Open House Exhibits	<b>Pg. 197</b>
E.11	Consider Authorization for Director Mayo to Attend the Association of California Water Agencies (ACWA) DC 2015 Conference in Washington D.C. February 25-26, 2015	<b>Pg. 203</b>
	Attachment 1 – ACWA DC 2015 Pricing Reference Sheet	<b>Pg. 205</b>
	Attachment 2 – ACWA DC 2015 Registration Terms & Conditions	<b>Pg. 206</b>
	Attachment 3 – ACWA DC 2015 Preliminary Agenda	<b>Pg. 207</b>
E.12	Review McKinleyville Community Services District Policy Manuals Related to District of Distinction Application Process and Adopt Resolution 2015-01	<b>Pg. 209</b>
	Attachment 1 – MCSD Reserve Policy 2012	<b>Pg. 211</b>
	Attachment 2 – MCSD Expenditure Control Guidelines	<b>Pg. 216</b>
	Attachment 3 – MCSD Board Policy Manual	<b>Pg. 226</b>
	Attachment 4 – MCSD Employee Handbook	<b>Pg. 246</b>
	Attachment 5 – Resolution 2015-01	<b>Pg. 316</b>
E.13	Authorize Board President to Sign a Letter of Support for Pursuit of Grant Funds for Salmonid Habitat Restoration and Public Access Project on the Lower Mad River	<b>Pg. 317</b>
	Attachment 1 – Support Documentation from CalTrout	<b>Pg. 319</b>
	Attachment 2 – Draft Letter Requesting Grant Funding	<b>Pg. 322</b>

## **F. REPORTS**

### **F.1 ACTIVE COMMITTEE REPORTS**

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

### **F.2 STAFF REPORTS**

- a. Support Services Department (Colleen M.R. Trask) **Pg. 323**
- b. Operations Department (James Henry) **Pg. 325**
- c. Parks & Recreation Department (Jason Sehon) **Pg. 328**
- d. General Manager (Greg Orsini) **Pg. 331**

### **F.3 PRESIDENT'S REPORT**

### **F.4 BOARD MEMBER COMMENTS, ANNOUNCEMENTS, REPORTS AND AGENDA ITEMS REQUESTS**

## **G. ADJOURNMENT**

**Posted 5:00 pm on January 2, 2015**

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





The existing Board Officer Rotation Schedule indicates that effective January of 2015, Vice Chair Corbett will rotate to President and Director Wheeler to Vice Chair.

**Alternatives:**

Take Action

**Fiscal Analysis:**

Not applicable

**Environmental Requirements:**

Not applicable

**Exhibits/Attachments**

- None

# **McKinleyville Community Services District**

## **BOARD OF DIRECTORS**

January 7, 2015

TYPE OF ITEM: **ACTION**

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**ITEM: D.1**                      **Consider Approval of Minutes from the Board of Directors' December 3, 2014 Regular Meeting**

**PRESENTED BY:**              **Becky Schuette, Board Secretary**

**TYPE OF ACTION:**              **Voice Vote-Consent Calendar**

**Recommendation:**

Staff recommends that the Board review the draft minutes from the December 3, 2014 Regular Board Meeting, recommend edits and provide staff with direction.

**Discussion:**

The Draft Minutes are attached for the above listed meeting.

**Alternatives:**

Staff's analysis includes the following potential alternative:

- Take no action

**Fiscal Analysis:**

Not applicable

**Environmental Requirements:**

Not applicable

**Exhibits/Attachments:**

- Attachment D.1-Draft Minutes from December 3, 2014 Board Meeting

**MINUTES OF THE SPECIAL MEETING OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT HELD  
ON WEDNESDAY, DECEMBER 3, 2014 AT 6:30PM  
AZALEA HALL, 1620 PICKETT ROAD, MCKINLEYVILLE, CA**

**A.1 thru A.2 CALL TO ORDER and ROLL CALL:** The special meeting of the Board of Directors of McKinleyville Community Services District convened at 6:38pm with President Couch, Directors Corbett, Edwards, and Wheeler present.

David Couch, President  
John Corbett, Vice President  
Helen Edwards, Director  
George Wheeler, Director

Gregory Orsini, General Manager  
Russ Gans, Attorney at Law  
Colleen M.R. Trask, Finance Director  
Jason Sehon, Parks & Recreation Director  
Becky Schuette, Board Secretary

**A.3 MEET WITH REAL PROPERTY NEGOTIATORS: HEWITT TANK SITE PROPERTY ACQUISITION.** There was no public comment.

**A.4 CONFERENCE WITH LEGAL COUNSEL.** There was no comment or discussion

At 6:39 p.m. President Couch announced that the Board would adjourn into closed session for discussion.

**A.5 CLOSED SESSION DISCUSSION:** General Manager Orsini requested the record reflect that Director Mayo phoned into the closed session at 6:39 p.m.

**a. Conference with Real Property Negotiator**

Property: Proposed Hewitt Tank Site: Assessor's Parcel Number 509-021-045

Agency Negotiators: MCSD Proposed Negotiators: Greg Orsini, General Manager, and Russell Gans (MCSD General Counsel)

Negotiating Parties: For MCSD: Greg Orsini, General Manager, and Russell Gans (MCSD General Counsel)

For LACO Associates: Michael D. Nelson (LACO Associates) and American Hospital Management Corporation

Under negotiation: Price, terms of payment, and subdivision for proposed site

**b. Conference with Legal Counsel.** Existing litigation-McKinleyville Community Services District v County of Humboldt, Board of Supervisors of the County of Humboldt, Case No. CV110632, Litigation pursuant to Government Code § 54956.9(a).

**A.6 REPORT OUT OF CLOSED SESSION:** Attorney Russ Gans advised that for item A.5.a. there was no action to report; as to item A.5.b. the following occurred:

**MOTION:** It was moved to direct the Counsel of Record to dismiss the lawsuit now that the settlement agreement with the County of Humboldt has been fully implemented.

Motion by Corbett; second by Edwards

**ROLL CALL VOTE:** Ayes: Corbett, Edwards, Mayo, Wheeler and Couch

Nays: None

Absent: None

Abstain: None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

**A.1 thru A.2 CALL TO ORDER and ROLL CALL:** The regular meeting of the Board of Directors of McKinleyville Community Services District convened at 7:27 pm with President Couch, Directors Corbett, Edwards, and Wheeler present. Director Mayo's attendance was teleconferenced from the Manchester Grand Hyatt San Diego, Conference Room One, 1 Market Place, San Diego, California.

David Couch, President  
John Corbett, Vice President  
Helen Edwards, Director  
Dennis Mayo, Director  
George Wheeler, Director

Gregory Orsini, General Manager  
Colleen M.R. Trask, Finance Director  
James Henry, Operations Director  
Jason Sehon, Parks & Recreation Director  
Becky Schuette, Board Secretary

**A.3 PLEDGE OF ALLEGIANCE:** The Pledge of Allegiance was led by President Couch

**A.4 ADDITIONS TO THE AGENDA:** There were no additions to the agenda.

**A.5 APPROVAL OF THE AGENDA:**

**MOTION:** It was moved to approve the agenda.

Motion: Corbett; Second: Edwards

**ROLL CALL VOTE:** Ayes; Corbett, Edwards, Mayo, Wheeler and Couch  
Nays; None  
Absent; None  
Abstain; None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

**AGENDA ITEM B PUBLIC HEARINGS:** There were no public hearings scheduled.

**AGENDA ITEM C PUBLIC COMMENT AND WRITTEN COMMUNICATIONS:** President Couch opened public input and no members of the public spoke.

**AGENDA ITEM D CONSENT CALENDAR:**

D.1 Consider approval of minutes of the Board of Directors' Regular Meeting of November 5, 2014

D.2 Consider approval of October 2014 Treasurer's Report

D.3 No DCV Violations this month

**MOTION:** It was moved to adopt the consent calendar item D.1 through D.3 No objections were made and there was no comment by the public.

Motion: Corbett; Second: Edwards

**ROLL CALL VOTE:** Ayes; Corbett, Edwards, Mayo, Wheeler and Couch  
Nays; None  
Absent; None  
Abstain; None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

**AGENDA ITEM E CONTINUED AND NEW BUSINESS:**

**E.1 Presentation of Community Builder Award to Humboldt Area.** On behalf of the Humboldt Area Foundation, Patrick Cleary accepted the award and briefly spoke, thanking Jason Sehon and the Board. This was followed by a photo of President Couch, Patrick Cleary and General Manager Orsini being taken. This was an informational item only. There was no public comment and no action taken.

**E.2 Consider Variance for 2250 Mather Road Review Related to Water Leak Adjustment.** General Manager Orsini presented a brief history of the situation for review and presented the Board with the fiscal analysis as determined by the water leak adjustment calculations and worksheet. The following member of the public spoke:

Kyra O'Rourke, the owner of the property at 2250 Mather Road, confirmed that she had been notified of the leak, had located it with the assistance of a plumber and that the leak had been repaired. She also advised that there would need to be future pipe work done as the weight and pressure of the road above it was causing the problem. She was requesting the Board grant her a variance of Board policy for the an amount greater than the \$500 maximum allowed in the Water Leak Adjustment Policy.

There was discussion among staff and the Board regarding actual water and delivery costs.

**MOTION: It was moved to charge \$1447.24 and that the bill amount is amortized over 12 months.** No objections were made. It was later pointed out by Jeff Dunk that public comment was not asked for.

Motion: Edwards; Second: Corbett

**ROLL CALL VOTE:** Ayes; Corbett, Edwards, Mayo, Wheeler and Couch  
Nays; None  
Absent; None  
Abstain; None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

**E.3 Consider appointing Stephanie Hartley as a student member of the Recreation Advisory Committee (RAC).** Parks and Recreation Director Jason Sehon explained that the opening for the student member position had occurred back in July when the representative resigned to attend college. Sehon praised Dunk's involvement in the RAC and then introduced Stephanie Hartley who had submitted a letter of interest to serve as the student member on the RAC.

**MOTION: It was moved to appoint Stephanie Hartley as the student member of the Recreation Advisory Committee.** No objections were made and there was no comment by the public.

Motion: Edwards; Second: Corbett

**ROLL CALL VOTE:** Ayes; Corbett, Edwards, Mayo, Wheeler and Couch  
Nays; None  
Absent; None  
Abstain; None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

**E.4 Accept FY2013-14 Audit.** General Manager Orsini advised that this item would be postponed until the January meeting.

**E.5 Review Board Rotation and Schedule, Board Officer and Committee Appointments for the 2015 Calendar Year.** Board Secretary Becky Schuette presented the 2014 Board Rotation Schedule and list of Committee appointments and reported that the item was for information only and would be returned to the January meeting for action. There was a lengthy discussion among the Board Members regarding the some of the committees that either were not meeting at all or not meeting enough, whether they met the definition of standing committee and whether or not it was still appropriate to have them. The following member of the public spoke:

Jeff Dunk suggested that there be a policy which included a specific requirement for the number of meetings each year that a standing committee should have.

This item was for information only. No action was taken.

**E. 6 Consider travel to the CSDA's Special District Leadership Academy Conference in Napa, CA January 25-28, 2015.** Board Secretary Becky Schuette advised the Board that in order to meet the strategic plan requirements, it was necessary to send Director Edwards to the conference because her certificate was expiring in January. Director Mayo pointed out the significance and importance of these trainings in the representation of the District when applying for grants or improving insurance rates. President Couch and Director Wheeler also requested to attend.

**MOTION: It was moved to allow interested Board Members to attend the CSDA Special District Leadership Academy in January.** No objections were made and there was no comment by the public.

Motion: Mayo; Second: Edwards

**ROLL CALL VOTE:** Ayes; Corbett, Edwards, Mayo, Wheeler and Couch

Nays; None

Absent; None

Abstain; None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

**E.7 Draft #1 Integrated Pest Management Plan Workshop.** A workshop was conducted involving public input on the first draft of the IPM with the following members of the public providing praise for the first draft and input for the next draft:

Emelia Berol

Ken Miller

Collin Fisk

Jeff Dunk

Meighan O'Brien

A 45 minute workshop occurred with suggestions such as adding a matrix, appendices, a more “local” specific definition of pest, mapping and monitoring, annual review of the IPM and compliance tracking. Members of the public were advised to provide their requests/suggestions in writing via the IPM email or on the 3x5 cards provided at the meeting. There was no action taken.

After completion of the workshop there was a short recess and the meeting reconvened at 9:39 p.m.

**E.8 Award Professional Services Agreement for Construction Management and Inspection for the Wastewater Management Facility (WWMF) Improvement Project to Kennedy Jenks as Contract Amendment 7 of the WEMF Design Agreement.** General Manager Orsini presented the item discussing the original agreement with Kennedy Jenks. This draft as Contract Amendment 7 includes the construction and post construction phases of the WWMP Improvement Project. Director Edwards requested clarification regarding missing bullet points under “Deliverables” on page 7 of the Amendment. She also questioned if Task 1240 in Exhibit A needed to be eliminated since there actually is a full time construction manager. General Manager Orsini provided clarification that Stover Engineers was actually providing 1.5 full time people to perform the construction management; therefore we would not be billed by Kennedy Jenks for the task.

**MOTION: It was moved to adopt all three staff recommendations for this item (1. That the Board of Directors review Draft Contract Amendment No. 7 Construction Management and Inspection Services for WWMF Improvement Project, take public comment, 2. Approve a total expenditure not to exceed \$1,279,855 plus a 10% contingency of \$127,986 for a total of \$1,407,841 and 3. Authorize the General Manager to execute Contract Amendment 7 with Kennedy/ Jenks Consultants for the services described in Attachment 1) with the two corrections/clarifications pointed out in the contract by Director Edwards.** No objections were made and there was no comment by the public.

Motion: Edwards; Second: Corbett

**ROLL CALL VOTE:** Ayes; Corbett, Edwards, Mayo, Wheeler and Couch

Nays; None

Absent; None

Abstain; None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

## **AGENDA ITEM F REPORTS:**

### **F1. ACTIVE COMMITTEE REPORTS**

#### **a. Recreation Advisory Committee (Wheeler/Couch (alternate))**

Director Wheeler reported the committee had met; they agreed not to meet in December.

**b. Area Fund (John Kulstad)**

Director Edwards reported that there will be a press release in February requesting projects to be approved for fund and that there will be decisions about the funding in March.

**c. Redwood Region Economic Development Commission (Mayo/Edwards (alternate))**

Director Mayo wanted to confirm that everyone got their Fly Humboldt donation form and encouraged everyone to donate. He advised that the county and or RREDC are considering providing their own flight services and that a subcommittee is being formed for further consideration. Director Edwards requested that she be included on the subcommittee.

**d. McKinleyville Senior Center Advisory Committee (Edwards)**

Nothing to report, did not meet.

**e. Audit (Corbett/Edwards)**

Director Corbett reported that the committee had met prior to the Board Meeting to review the audit, but that it is not completed or ready for approval.

**f. Employee Negotiations (Couch/Edwards)**

Committee will meet in January.

**g. Water Task Force (Wheeler/Corbett (alternate))**

Nothing to report, did not meet.

**h. AdHoc No Drugs & Toxics Down the Drain (Wheeler/Couch (alternate))**

Nothing to report, did not meet.

**i. McKinleyville Municipal Advisory Committee (Edwards/Corbett (alternate))**

Nothing to report, did not meet. Next meeting scheduled for December 17<sup>th</sup>.

**F.2 STAFF REPORTS:**

**a. Support Services Department:** Finance Director Colleen Trask reported that another deposit had been made to the reserve account for a total of \$189,000; the audit is not complete; Biosolids funds are being drawn from the reserves as planned.

**b. Operations Department:** Operations Director James Henry wanted to add regarding the "No toxins down the drain" discussion earlier that the newsletter often reports on those types of items. He will be providing newsletter examples to Director Corbett.

**c. Parks and Recreation Department:** Parks and Recreation Director Jason Sehon reported that he received information that the California Conservation Corp is moving back to Arcata and that would be reducing their donation time to two weeks instead of five which will have a huge impact on maintenance.

**d. General Manager:** General Manager Orsini reminder that the Open House for the Waste Water Management Facility Improvement Project was December 9<sup>th</sup> and encouraged the Directors to attend. He also reported that the architect's estimate for the teen and community center was way over budget and that is why it was not an agenda item tonight; he added that he and staff were looking for ways to lower the bid.

**AGENDA ITEM F.3 PRESIDENT'S REPORT:** President Couch reported that he had attended the McKinleyville Land Trust meeting and was given the opportunity to discuss the intertie project.



**AGENDA ITEM F.4 BOARD COMMENTS, ANNOUNCEMENTS, REPORTS AND AGENDA ITEM REQUESTS:**

Director Mayo reported from the ACWA Conference in San Diego. He is requesting approval for attendance at the ACWA DC Conference February 24-26 to be agendaized in January. He is requesting the District pay for the conference and he would pay for his travel and housing.

**AGENDA ITEM G ADJOURNMENT:**

**MOTION:** It was moved to adjourn the meeting at 10:14pm

Motion: Corbett; Second:

**VOICE VOTE:** Ayes: Corbett, Edwards, Mayo, Wheeler and Couch  
Nays; None  
Absent; None  
Abstain; None

**MOTION SUMMARY:** Motion Passed – 5 Ayes; 0 Nays

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**Becky Schuette, Board Secretary**

**McKinleyville Community Services District  
Treasurer's Report  
November 2014**

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**McKinleyville Community Services District**  
**Investments & Cash Flow Report**  
**As of November 30, 2014**

Petty Cash & Change Funds 940.00

**Cash**

Operating & Money Market - Beginning Balance 386,713.54

**Cash Receipts:**

Utility Billings	375,337.97
Money Market Account Interest	51.87
Transfers from County Funds #2560, #4240	277,633.75
Other Cash Receipts	109,708.92

**Total Cash Receipts** 762,732.51

**Cash Disbursements:**

Payroll Related Expenditures	(197,163.04)
Debt Service	(7,395.83)
Capital & Other Expenditures	(504,277.95)

**Total Cash Disbursements** (708,836.82)

**Operating & Money Market - Ending Balance** 440,609.23

**Total Cash** 441,549.23

**Investments** (Interest and Market Valuation will be re-calculated as part of the year-end close, if material)

**LAIF - Beginning Balance** 128,485.66

Interest Income -

**LAIF - Ending Balance** 128,485.66

**Humboldt Co. #2560 - Beginning Balance** 986,927.09

Property Taxes -

Transfer to/from Operating Cash -

Interest Income 583.93

**Humboldt Co. #2560 - Ending Balance** 987,511.02

**Humboldt Co. #4240 - Beginning Balance** 4,753,331.86

Property Taxes -

Transfer to/from Operating Cash (277,633.75)

Interest Income 2,456.63

**Humboldt Co. #4240 - Ending Balance** 4,478,154.74

**Humboldt Co. #9390 - Beginning Balance** 300,128.54

Reserves Recovery Deposits -

Interest Income 177.58

**Humboldt Co. #9390 - Ending Balance** 300,306.12

**USDA Bond Reserve Fund - Beginning Balance** 115,288.51

Bond Reserve Payment 7,396.33

Debt Service Payment -

Interest Adjustment 2.36

**USDA Bond Reserve Fund - Ending Balance** 122,687.20

**Market Valuation Account** (180.00)

**Umpqua Bank Meas.B Loan Proceeds - Beginning Balance** 1,402,095.69

Net Transfer to/from Loan Cash Holding Acct -

Interest Income 107.56

**Umpqua Bank Meas.B Loan Proceeds - Ending Balance** 1,402,203.25

**Total Investments** 7,419,167.99

**Total Cash & Investments - Current Month** 7,860,717.22

**Total Cash & Investments - Prior Month** 8,073,730.89

**Net Change to Cash & Investments This Month** (213,013.67)

**Cash & Investment Summary**

Cash & Cash Equivalents 6,980,949.50

Davis-Grunsky Loan Reserve 597,782.63

Waste Water Capital Reserve 99,297.89

USDA Bond Reserve 122,687.20

I-Bank Loan Reserve 60,000.00

**Total Cash & Investments** 7,860,717.22

**McKinleyville Community Services District**  
**Consolidated Balance Sheet by Fund**  
**As of November 30, 2014**

	Governmental Funds			Proprietary Funds		
	Parks & General	Measure B	Streetlights	Water	Wastewater	Total (Memorandum Only)
<b><u>ASSETS</u></b>						
Current Assets						
Unrestricted cash & cash equivalents	\$ 625,936.81	\$ 116,350.36	\$ (163,434.08)	\$ 1,632,304.03	\$ 3,313,651.23	\$ 5,524,808.35
Accounts receivable	4,262.45	-	103,559.74	310,996.33	212,925.10	631,743.62
Prepaid expenses & other current assets	10,904.63	-	1,498.02	82,550.88	42,531.28	137,484.81
Total Current Assets	641,103.89	116,350.36	(58,376.32)	2,025,851.24	3,569,107.61	6,294,036.78
Noncurrent Assets						
Restricted cash & cash equivalents	176,826.92	-	-	657,782.63	221,985.09	1,056,594.64
Other noncurrent assets	3,076.00	-	-	-	-	3,076.00
Capital assets (net)	-	-	-	6,885,631.84	12,579,089.33	19,464,721.17
Total Noncurrent Assets	179,902.92	-	-	7,543,414.47	12,801,074.42	20,524,391.81
<b>TOTAL ASSETS</b>	<b>\$ 821,006.81</b>	<b>\$ 116,350.36</b>	<b>\$ (58,376.32)</b>	<b>\$ 9,569,265.71</b>	<b>\$ 16,370,182.03</b>	<b>\$ 26,818,428.59</b>
<b><u>LIABILITIES &amp; FUND BALANCE/NET ASSETS</u></b>						
Current Liabilities						
Accounts payable & other current liabilities	\$ 69,201.92	\$ 5,792.42	\$ 1,886.20	\$ 215,107.33	\$ 437,431.84	\$ 729,419.71
Accrued payroll & related liabilities	75,993.62	-	-	35,172.27	35,172.27	146,338.16
Total Current Liabilities	145,195.54	5,792.42	1,886.20	250,279.60	472,604.11	875,757.87
Noncurrent Liabilities						
Long-term debt	-	-	-	3,172,721.92	919,029.42	4,091,751.34
Other noncurrent liabilities	3,076.00	1,400,000.00	-	279,671.03	281,819.18	1,964,566.21
Total Noncurrent Liabilities	3,076.00	1,400,000.00	-	3,452,392.95	1,200,848.60	6,056,317.55
<b>TOTAL LIABILITIES</b>	<b>148,271.54</b>	<b>1,405,792.42</b>	<b>1,886.20</b>	<b>3,702,672.55</b>	<b>1,673,452.71</b>	<b>6,932,075.42</b>
Fund Balance/Net Assets						
Fund balance	365.65	(1,289,442.06)	(60,262.52)	-	-	(1,349,338.93)
Net assets	672,369.62	-	-	2,153,683.24	3,036,669.41	5,862,722.27
Investment in capital assets, net of related debt	-	-	-	3,712,909.92	11,660,059.91	15,372,969.83
Total Fund Balance/Net Assets	672,735.27	(1,289,442.06)	(60,262.52)	5,866,593.16	14,696,729.32	19,886,353.17
<b>TOTAL LIABILITIES &amp; FUND BALANCE/NET ASSETS</b>	<b>\$ 821,006.81</b>	<b>\$ 116,350.36</b>	<b>\$ (58,376.32)</b>	<b>\$ 9,569,265.71</b>	<b>\$ 16,370,182.03</b>	<b>\$ 26,818,428.59</b>
Investment in General Capital Assets	<b>\$ 3,321,809.64</b>					
General Long-term Liabilities						
PG&E Streetlights Loan	98,180.75					
Meas. B Loan: Teen/Community Center	1,468,929.00					
OPEB Liability	206,637.23					
Accrued Compensated Absences	40,783.04					
<b>TOTAL GENERAL LONG-TERM LIABILITIES</b>	<b>\$ 1,814,530.02</b>					

**McKinleyville Community Services District**  
**Activity Summary by Fund, Original Budget**  
**November 2014**

Department Summaries	November	YTD	Original YTD Budget	Over (Under) YTD Budget	Over (Under) YTD Budget %	Notes
<b><u>Water</u></b>						
Water Sales	193,933	1,253,093	1,222,260	30,833	2.52%	Drop in revenue for reduced water use still over conservative budgeted revenue est.
Other Revenues	33,837	236,406	103,393	133,013	128.65%	Includes YTD Capacity Fees of \$116,261
Total Operating Revenues	227,770	1,489,499	1,325,653	163,846	12.36%	
Salaries & Benefits	61,448	319,860	334,213	(14,353)	-4.29%	
Water Purchased	66,479	338,687	359,903	(21,216)	-5.89%	
Other Expenses	24,820	140,751	162,730	(21,979)	-13.51%	Other variable expenses curtailed with lower customer demand
Depreciation	25,300	126,450	137,500	(11,050)	-8.04%	
Total Operating Expenses	178,047	925,748	994,346	(68,598)	-6.90%	
Net Operating Income	49,723	563,751	331,307	95,249		
Interest Income	892	4,088	2,045	2,043	99.88%	Interest rate higher than originally estimated
Interest Expense	(6,396)	(32,089)	(35,417)	(3,328)	-9.40%	
<b>Net Income (Loss)</b>	<b>44,218</b>	<b>535,749</b>	<b>297,935</b>	<b>237,814</b>		
<b><u>Sewer</u></b>						
Sewer Service Charges	160,831	868,294	791,667	76,627	9.68%	
Other Revenues	49,844	200,902	122,904	77,998	63.46%	Includes YTD Capacity Fees \$158,265
Total Operating Revenues	210,674	1,069,195	914,571	154,624	16.91%	
Salaries & Benefits	67,257	338,684	333,200	5,484	1.65%	
Other Expenses	41,400	183,020	228,979	(45,959)	-20.07%	Other variable expenses curtailed with lower customer demand
Depreciation	38,560	192,790	200,000	(7,210)	-3.61%	
Total Operating Expenses	147,218	714,494	762,179	(47,685)	-6.26%	
Net Operating Income	63,457	354,701	152,392	202,309		
Interest Income	1,710	8,297	8,333	(36)	-0.43%	
Interest Expense	(3,254)	(16,774)	(17,300)	(526)	-3.04%	
<b>Net Income (Loss)</b>	<b>61,912</b>	<b>346,224</b>	<b>143,425</b>	<b>202,799</b>		
<b>Enterprise Funds Net Income (Loss)</b>	<b>106,131</b>	<b>881,973</b>	<b>441,360</b>	<b>440,613</b>		

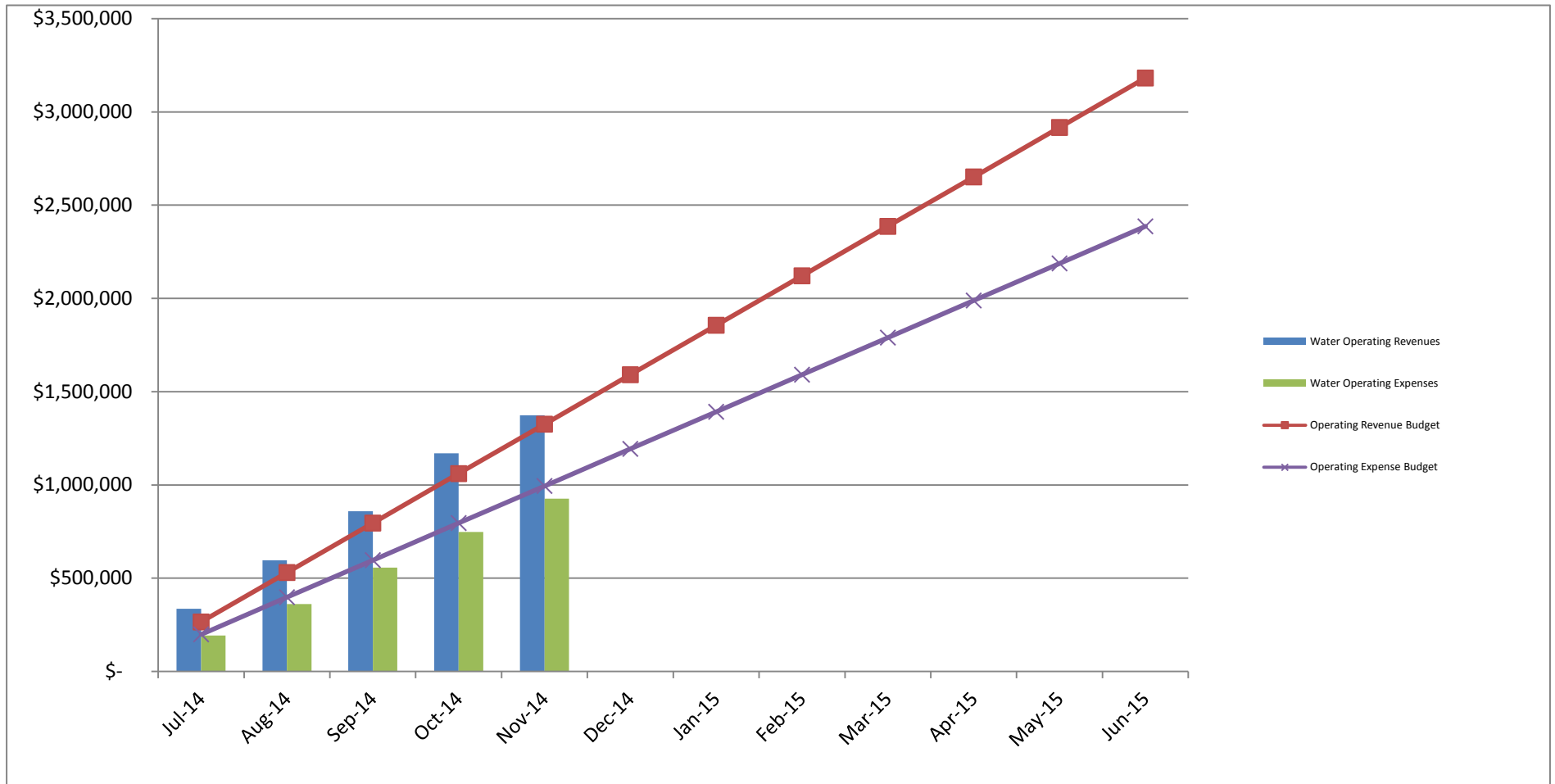
**McKinleyville Community Services District**  
**Activity Summary by Fund, Original Budget**  
**November 2014**

Department Summaries	November	YTD	Original YTD Budget	Over (Under) YTD Budget	Over (Under) YTD Budget %	Notes
<b><u>Parks &amp; Recreation</u></b>						
Program Fees	23,161	119,446	163,767	(44,321)	-27.06%	Budget is spread evenly across 12 months, but actuals vary with programs
Rents & Related Fees	6,922	22,476	36,500	(14,024)	-38.42%	Budget is spread evenly across 12 months, but actuals vary with rentals
Property Taxes	-	-	212,500	(212,500)	-100.00%	County Tax remittance scheduled in December and April
Other Revenues	7,179	45,605	79,083	(33,478)	-42.33%	Budget is spread evenly across 12 months, but actuals vary
Interest Income	600	2,280	1,250	1,030	82.40%	Interest rate higher than originally estimated
Total Revenues	37,862	189,808	493,100	(303,292)	-61.51%	
Salaries & Benefits	67,221	328,366	354,940	(26,574)	-7.49%	
Other Expenditures	16,215	91,438	89,950	1,488	1.65%	
Capital Expenditures	(4,369)	53,378	47,917	5,461	11.40%	Adjusted to move Teen Center project expenses to Meas. B Fund
Total Expenditures	79,067	473,182	492,807	(19,625)	-3.98%	
<b>Excess (Deficit)</b>	<b>(41,205)</b>	<b>(283,375)</b>	<b>293</b>	<b>(283,668)</b>		
<b><u>Measure B Assessment</u></b>						
Total Revenues	171	71,386	89,177	(17,791)	-19.95%	County Tax remittance scheduled in December and April
Salaries & Benefits	7,155	41,371	42,108	(737)	-1.75%	
Other Expenditures	4,950	81,627	2,500	79,127	3165.09%	Loan Issuance costs, set against Loan Proceeds Income
Capital Expenditures	9,487	33,884	43,750	(9,866)	-22.55%	Teen Center - actuals will vary with project progress
Total Expenditures	21,592	156,882	88,358	68,524	77.55%	
<b>Excess (Deficit)</b>	<b>(21,421)</b>	<b>(85,497)</b>	<b>819</b>	<b>(86,316)</b>		
<b><u>Street Lights</u></b>						
Total Revenues	7,819	40,203	37,399	2,804	7.50%	
Salaries & Benefits	3,031	14,341	17,321	(2,980)	-17.20%	Lower utility wages required for LED fixtures
Other Expenditures	2,226	13,627	20,029	(6,402)	-31.96%	Lower utility charges for LED fixtures
Capital Expenditures	-	-	-	-	#DIV/0!	
Total Expenditures	5,257	27,968	37,350	(9,382)	-25.12%	
<b>Excess (Deficit)</b>	<b>2,562</b>	<b>12,234</b>	<b>49</b>	<b>(12,185)</b>		
<b>Governmental Funds Excess (Deficit)</b>	<b>(60,063)</b>	<b>(356,637)</b>	<b>1,161</b>	<b>(357,798)</b>		

# McKinleyville Community Services District

## November 2014

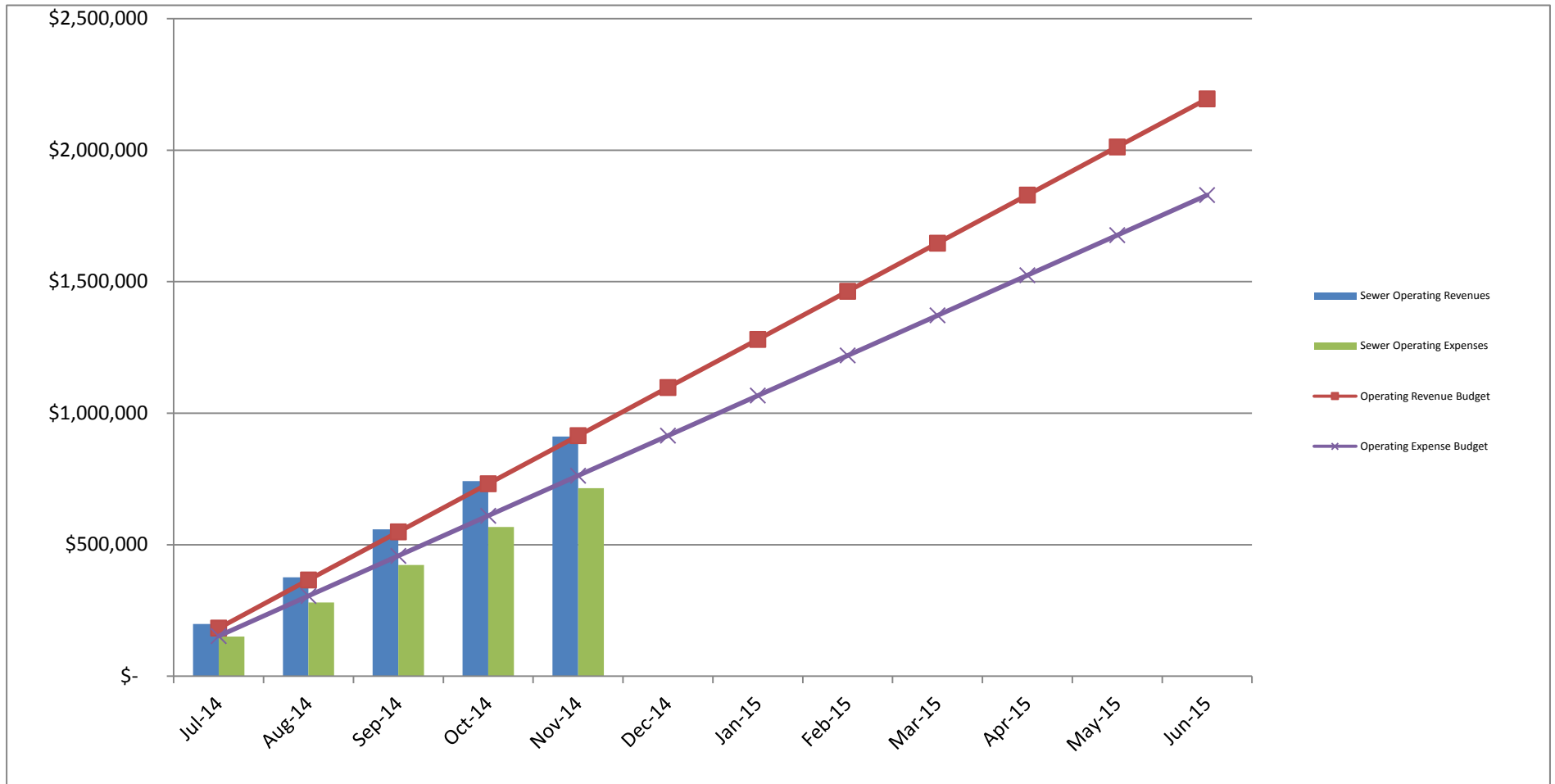
### Comparison of Water Fund Operating Revenues & Expenses to Budget



# McKinleyville Community Services District

## November 2014

### Comparison of Sewer Fund Operating Revenues & Expenses to Budget

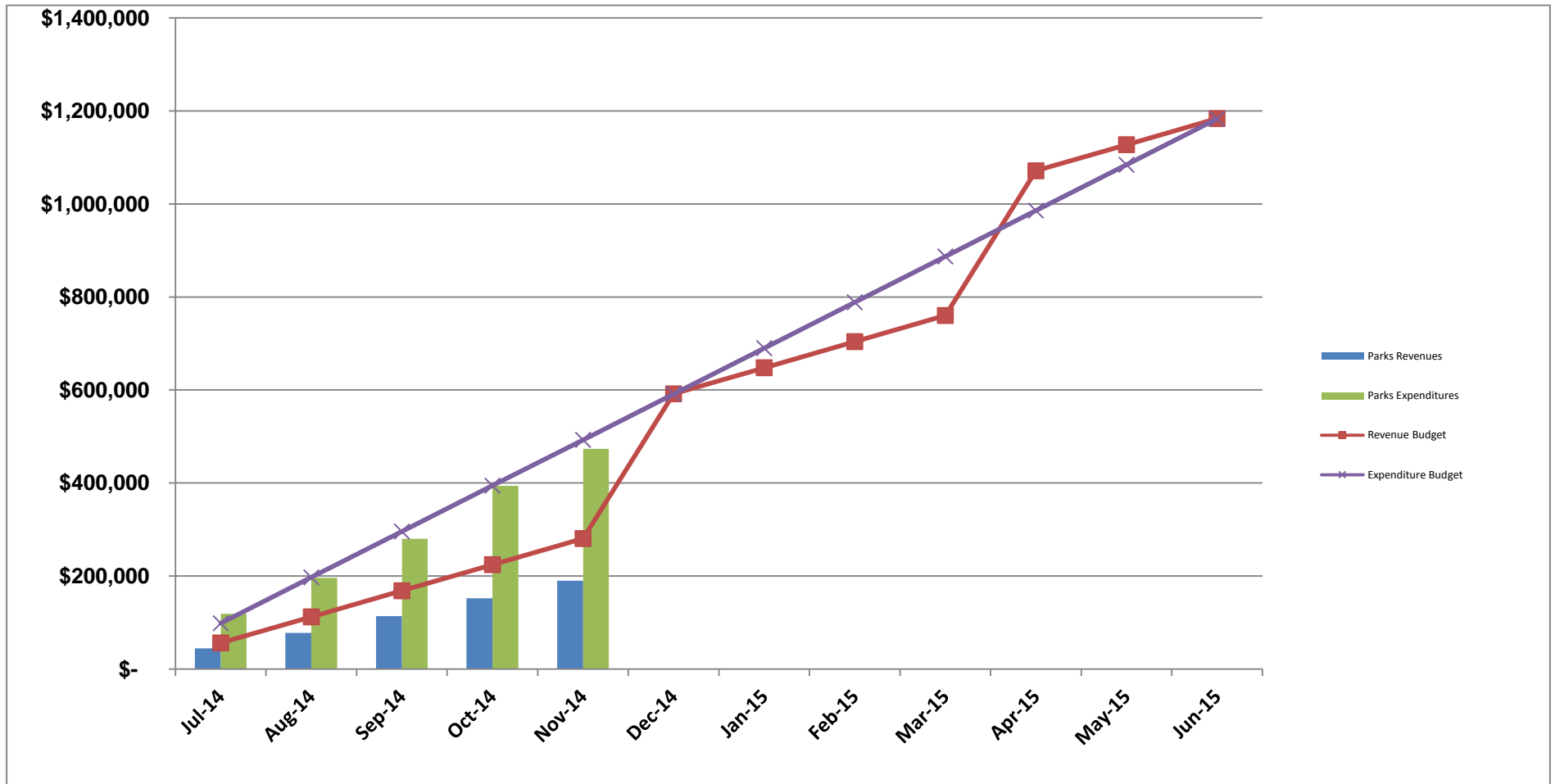




# McKinleyville Community Services District

## November 2014

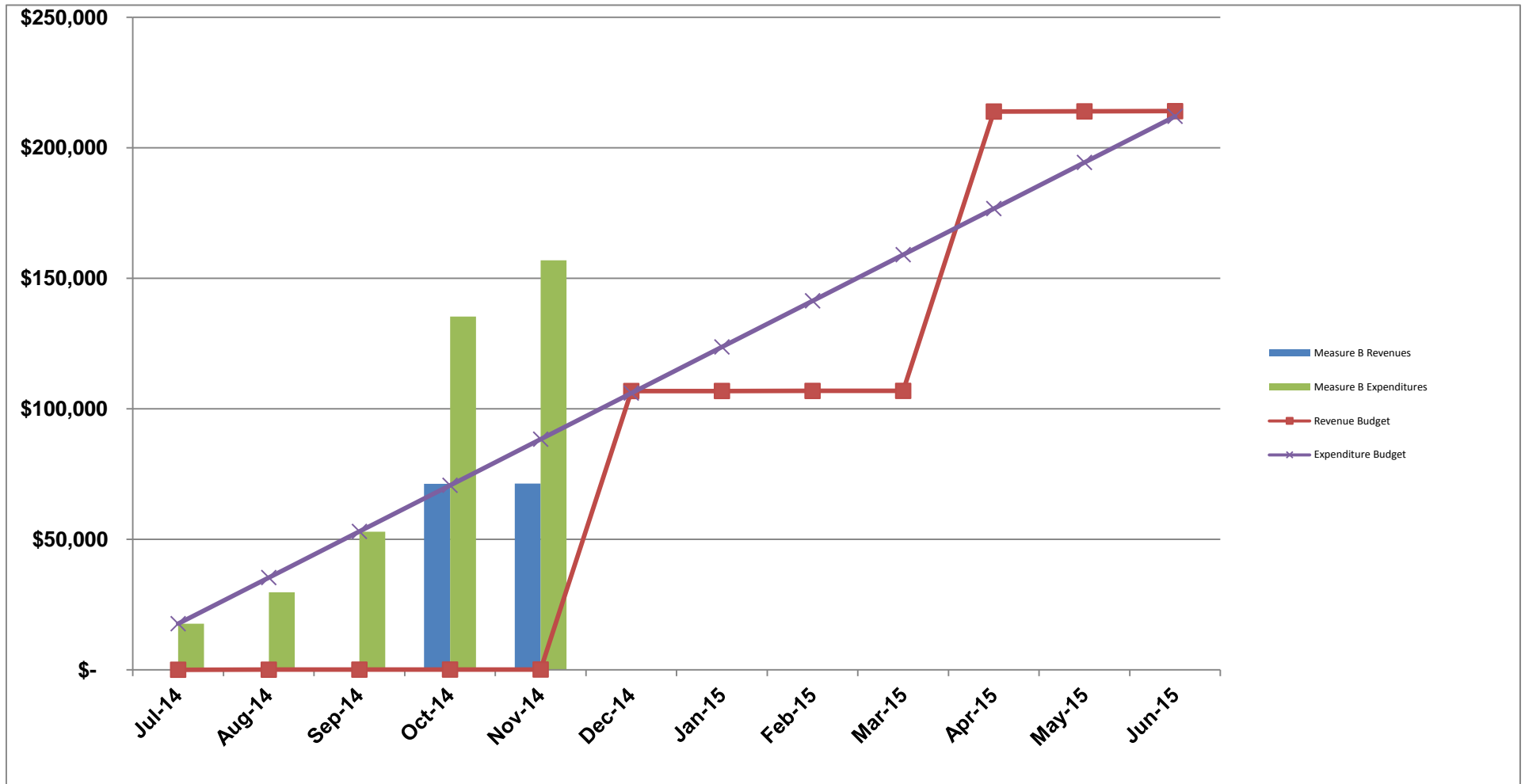
### Comparison of Parks & Recreation Total Revenues & Expenditures to Budget



# McKinleyville Community Services District

## November 2014

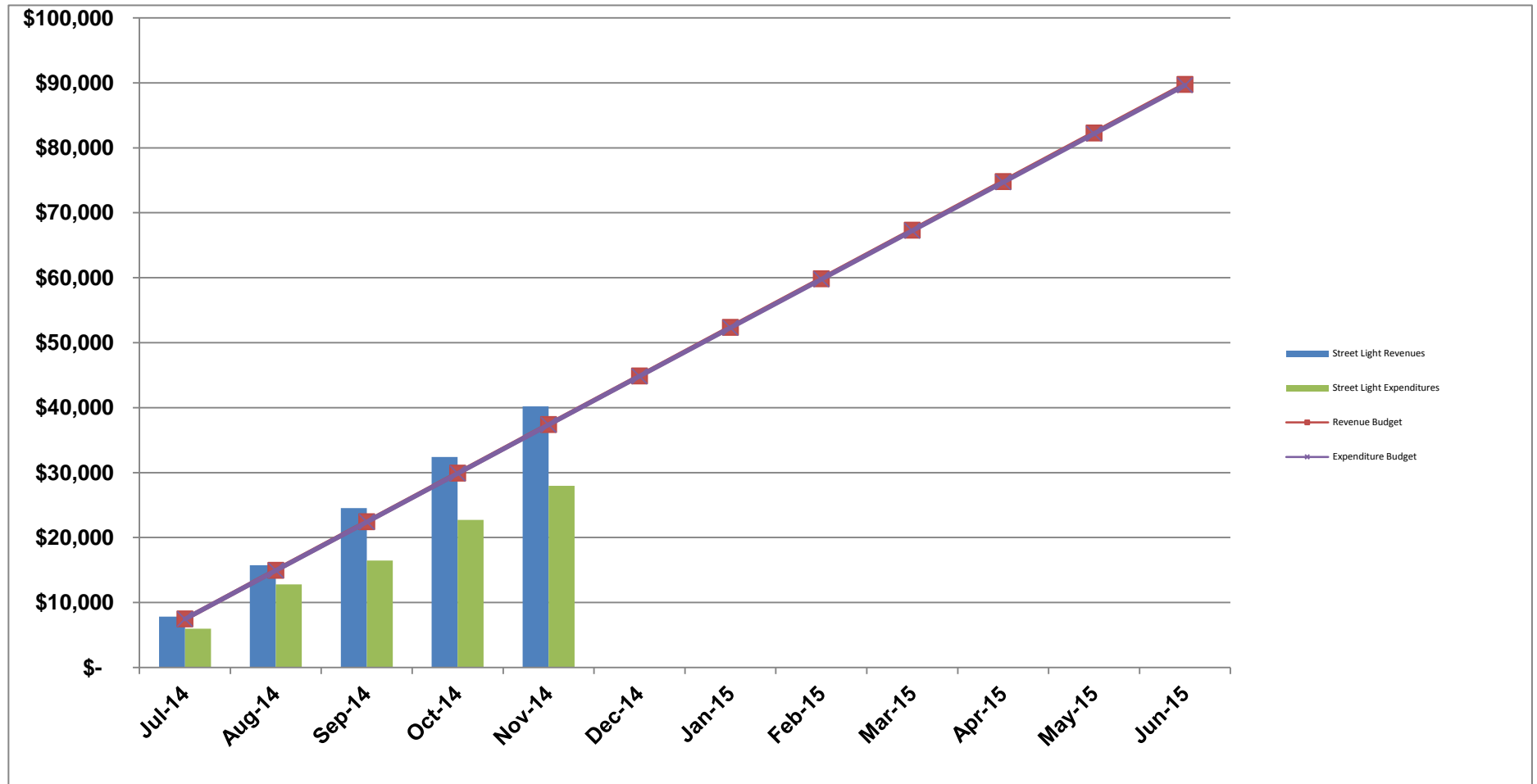
### Comparison of Measure B Fund Total Revenues & Expenditures to Budget



# McKinleyville Community Services District

## November 2014

### Comparison of Street Light Fund Total Revenues & Expenditures to Budget



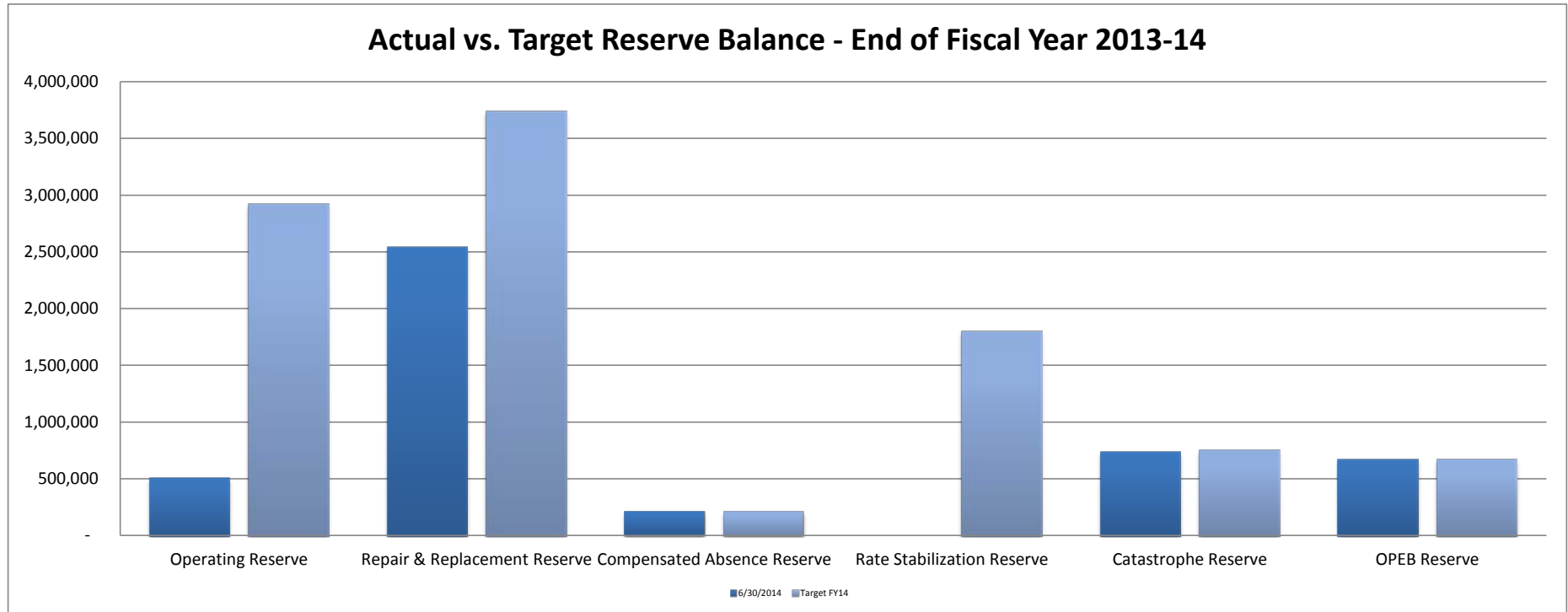
**McKinleyville Community Services District**  
**Capital Expenditure Report**  
**As of November 30, 2014**

	November	YTD Total	FY 14-15 Budget	Remaining		
				Budget \$	Budget %	Notes
<b><u>Water Department</u></b>						
Ramey Pump Upgrades	-	-	-	-	#DIV/0!	
Emergency Water Line River Crossing	-	1,404	150,000	148,596	99%	Emergency Line Intertie Proj
Water Tank Upgrade	-	-	350,000	350,000	100%	Tank Painting
Emergency Water Supply	-	1,240	100,000	98,760	99%	Emergency Water Supply
Fire Hydrant System Upgrade	-	-	9,000	9,000	100%	Fire Hydrant System Upgrade
Customer Radio Meter Replacements	-	240	90,000	89,760	100%	Radio meters purch/install
Water Main Rehab & Replacement	-	-	20,000	20,000	100%	Water Main Rehab
Property Purchase & Improvements	-	-	185,000	185,000	100%	Property Purch/Improvements
<b>Subtotal</b>	<b>-</b>	<b>2,884</b>	<b>904,000</b>	<b>901,116</b>	<b>100%</b>	
<b><u>Sewer Department</u></b>						
Sewer Main Rehab & Replacement	-	-	50,000	50,000	100%	Sewer Main Rehab
WWMF Biosolids Project	393,951	674,747	900,000	225,253	25%	Biosolids Project
WWMF & Fischer Lift Stn Grinder Upgrade	-	-	20,000	20,000	100%	WWMF/Fischer Lift Stn Grinder
WWMF Upgrade/CEQA/Permitting	6,508	294,090	5,000,000	4,705,910	94%	WWMF design & start construction
Radio Telemetry Upgrade	-	-	45,000	45,000	100%	Radio Telemetry upgrade
Customer Radio Meter Replacements	-	-	90,000	90,000	100%	Radio meters purch/install
Underground Locator Pipe & Camera	-	-	5,000	5,000	100%	
<b>Subtotal</b>	<b>400,459</b>	<b>968,838</b>	<b>6,110,000</b>	<b>5,141,162</b>	<b>84%</b>	
<b><u>Water &amp; Sewer Operations</u></b>						
Heavy Equipment	-	-	100,000	100,000	100%	Dump Truck, Tractor attachmnts
Utility Vehicles	-	-	60,000	60,000	100%	Car, 3/4 or 1-ton Pickup Truck
Office, Corporate Yard & Shops	-	-	20,000	20,000	100%	Facilities upgrade/sealcoat
Computers & Software	9,398	19,596	14,000	(5,596)	-40%	File Server Upgrade
GIS/SEMS/CADD Equipment/Software	-	-	10,000	10,000	100%	SCADA, AutoCAD, GIS computers
Fischer Ranch -Disposal Site Upgrade	-	-	1,000,000	1,000,000	100%	Disposal Site Upgrade
Small Equipment & Other	-	-	20,000	20,000	100%	Ops Office Eq./Emergency Eqp
<b>Subtotal</b>	<b>9,398</b>	<b>19,596</b>	<b>1,224,000</b>	<b>1,204,404</b>	<b>98%</b>	
<b>Enterprise Funds Total</b>	<b>409,857</b>	<b>991,317</b>	<b>8,238,000</b>	<b>7,246,683</b>	<b>88%</b>	
<b><u>Parks &amp; Recreation Department</u></b>						
Pierson Park Upgrades	-	-	-	-	#DIV/0!	
Azalea Hall Projects	-	-	-	-	#DIV/0!	
McKinleyville Activity Center Upgrades	-	-	-	-	#DIV/0!	
Projects Funded by Quimby/Other Funds	-	22,389	75,000	52,611	70%	Covered Picnic Area
Projects Funded by Measure B Renewal	-	36,145	105,000	68,855	66%	Teen Center Project
Other Parks Projects & Equipment	-	23,855	40,000	16,145	40%	New Pk Improvmt, mower,truck
<b>Subtotal</b>	<b>-</b>	<b>82,389</b>	<b>220,000</b>	<b>137,611</b>	<b>63%</b>	
<b><u>Streetlights</u></b>						
LED	-	-	-	-	#DIV/0!	
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>#DIV/0!</b>	
<b>Governmental Funds Total</b>	<b>-</b>	<b>82,389</b>	<b>220,000</b>	<b>137,611</b>	<b>63%</b>	
<b>All Funds Total</b>	<b>409,857</b>	<b>1,073,707</b>	<b>8,458,000</b>	<b>7,384,293</b>	<b>87%</b>	

**McKinleyville Community Services District**  
**Summary of Long-Term Debt Report**  
**As of November 30, 2014**

				Principal Maturities and Scheduled Interest				
	%	Maturity Date		Balance - Oct 31, 2014	Balance - Nov 30, 2014	FY-15	FY-16	Thereafter
<b>Water Fund:</b>								
I-Bank		8/1/30	P	842,084.87	842,084.87	-	40,571.37	801,513.53
Interest	3.37%		I			14,189.13	27,694.63	219,225.52
State of CA Energy Commission (ARRA)		12/22/26	P	145,951.27	145,951.27	10,964.84	11,125.84	123,806.70
Interest	1.0%		I			1,425.12	1,325.20	6,926.83
State of CA (Davis Grunsky)		1/1/33	P	1,861,023.85	1,861,023.85	77,717.50	79,660.44	1,703,645.91
State of CA (Davis Grunsky) Deferred Interest		1/1/33	P	323,661.93	323,661.93	17,035.12	17,035.12	289,591.69
Interest	2.5%		I			46,525.60	44,582.66	408,486.72
Total Water Fund-Principal				3,172,721.92	3,172,721.92	105,717.46	148,392.77	2,918,557.83
Total Water Fund-Interest						62,139.85	73,602.49	634,639.07
<b>Total Water Fund</b>				<b>3,172,721.92</b>	<b>3,172,721.92</b>	<b>167,857.31</b>	<b>221,995.26</b>	<b>3,553,196.90</b>
<b>Sewer Fund:</b>								
State of CA WRCB (SCEP I)		4/15/16	P	81,840.20	81,840.20	40,920.10	40,920.10	-
Interest	0.0%		I			-	-	
State of CA WRCB (SCEP II)		3/27/18	P	104,695.51	104,695.51	25,184.26	25,838.70	53,686.60
Interest	2.6%		I			2,722.08	2,067.64	2,102.41
Umpqua Bank		12/4/17	P	161,425.84	157,493.71	27,780.24	49,848.42	79,721.79
Interest	5.5%		I			4,731.12	5,885.34	3,506.57
USDA (Sewer Bond)		8/1/22	P	575,000.00	575,000.00	-	60,000.00	515,000.00
Interest	5.0%		I			15,125.00	27,250.00	90,875.00
Total Sewer Fund-Principal				922,961.55	919,029.42	93,884.60	176,607.22	648,408.39
Total Sewer Fund-Interest						22,578.20	35,202.98	96,483.98
<b>Total Sewer Fund</b>				<b>922,961.55</b>	<b>919,029.42</b>	<b>116,462.80</b>	<b>211,810.20</b>	<b>744,892.37</b>
<b>Meas. B Fund: Teen/Comm Center Loan</b>				<b>1,468,929.00</b>	<b>1,468,929.00</b>	<b>36,228.00</b>	<b>75,508.00</b>	<b>1,357,193.00</b>
	3.55%	11/1/29	P			29,549.96	50,217.82	362,864.53
			I					
Total Principal				5,564,612.47	5,560,680.34	235,830.06	400,507.99	4,924,159.22
Total Interest						114,268.01	159,023.29	1,093,987.58
<b>Total</b>				<b>5,564,612.47</b>	<b>5,560,680.34</b>	<b>350,098.07</b>	<b>559,531.28</b>	<b>6,018,146.80</b>

**McKinleyville Community Services District**  
**Board Designated Reserve Balances**  
**As of November 30, 2014**



- Utility Accounts Receivable Turnover Days      As of November 30, 2014      18.1 Days

Beg. A/R	End A/R	Avg A/R	Net Util Sales	# of Times
270,836.15	240,836.15	255,836.15	2,121,386.78	8.291974297

- YTD Breakeven Revenue, Water Fund: 804,503.16      - YTD Actual Water Sales: 1,253,093.03

- Days of Cash on Hand - Operations Checking Account      34.1 Days

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
<b>Accounts Payable Disbursements</b>						
28812	11/3/2014	*0004	AZALEA HALL DEPOSIT REFUND HH	100.00	B41029	AZALEA HALL DEPOSIT REFUND HH
28813	11/3/2014	*0005	AZALEA HALL DEPOSIT REFUND MN	100.00	B41029	AZALEA HALL DEPOSIT REFUND MN
28814	11/3/2014	CAP04	MERIT CAPE	52.00	B41029	CONTRACT INSTRUCTOR PAYMENT
28815	11/3/2014	COR01	CORBIN WILLITS SYSTEMS, INC	858.42	B410151	MOMS MONTHLY PAYMENT-NOV
28816	11/3/2014	DEL05	DELL MARKETING L.P.	935.91	XJK4NFJP1	COMPUTERS/SOFTWARE
28817	11/3/2014	DON01	DON'S RENT-ALL	174.37	119894	LIFT RENTAL
28818	11/3/2014	GRA02	GRAINGER	126.48	955325895	REPAIRS/ SUPPLIES
28819	11/3/2014	HUM01	HUMBOLDT BAY MUNICIPAL WATER DISTRICT	67,346.27	B41103	WTR PURCHASED
28820	11/3/2014	HUM08	HUMBOLDT SANITATION	976.50	B41103	TRASH SERVICE
28821	11/3/2014	NEC01	NEC FINANCIAL SERVICES,LLC	373.92	1752534	PHONE SYSTEMS
28822	11/3/2014	NOR23	NORTH COAST SECTION, CWEA	75.00	B41103	TRAINING AWARDS REGISTRATION
28823	11/3/2014	PGE01	PG & E (Office & Field)	17,352.97	B41103	GAS & ELECTRIC
28824	11/3/2014	PGE02	PACIFIC GAS & ELECTRIC	82.59	B41029	GAS & ELECTRIC
28825	11/3/2014	REE06	CHRIS REED	187.16	B41103	SAFETY ALLOTMENT
28826	11/3/2014	SUD01	SUDDENLINK	134.95	B41029	INTERNET SERVICES
28827	11/3/2014	USB01	U.S. BANK TRUST N.A.	7,395.83	B41023	SEWER BOND PAYMENT

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
28828	11/3/2014	VER01	VERIZON WIRELESS	120.52	B41103	CELL PHONES FOR OCT 2014
28829	11/3/2014	WES09	WEST COAST PLUMBING	49.77	I 190579	REPAIRS/ SUPPLIES
28830	11/3/2014	WHE03	GEORGE WHEELER	50.00	B41103	TRAVEL/ MEALS REIMBURSEMENT
28831	11/3/2014	\A005	MQ CUSTOMER REFUND FOR AM	44.55	000B41101	MQ CUSTOMER REFUND FOR AM
28832	11/3/2014	\A006	MQ CUSTOMER REFUND FOR AN	84.52	000B41101	MQ CUSTOMER REFUND FOR AN
28833	11/3/2014	\D004	MQ CUSTOMER REFUND FOR DU	4.92	000B41101	MQ CUSTOMER REFUND FOR DU
28834	11/3/2014	\F002	MQ CUSTOMER REFUND FOR FI	64.66	000B41101	MQ CUSTOMER REFUND FOR FI
28835	11/3/2014	\H007	MQ CUSTOMER REFUND FOR HI	7.80	000B41101	MQ CUSTOMER REFUND FOR HI
28836	11/3/2014	\K010	MQ CUSTOMER REFUND FOR KL	29.27	000B41101	MQ CUSTOMER REFUND FOR KL
28837	11/3/2014	\L030	MQ CUSTOMER REFUND FOR LE	46.49	000B41101	MQ CUSTOMER REFUND FOR LE
28838	11/3/2014	\L031	MQ CUSTOMER REFUND FOR LO	6.13	000B41101	MQ CUSTOMER REFUND FOR LO
28839	11/3/2014	\M008	MQ CUSTOMER REFUND FOR MO	34.47	000B41101	MQ CUSTOMER REFUND FOR MO
28840	11/3/2014	\M009	MQ CUSTOMER REFUND FOR MU	56.49	000B41101	MQ CUSTOMER REFUND FOR MU
28841	11/3/2014	\R022	MQ CUSTOMER REFUND FOR RI	100.00	000B41101	MQ CUSTOMER REFUND FOR RI
28842	11/3/2014	\S003	MQ CUSTOMER REFUND FOR SA	100.00	000B41101	MQ CUSTOMER REFUND FOR SA
28843	11/10/2014	*0006	REC PROGRAM REFUND CD	100.00	B41104	REC PROGRAM REFUND CD
28844	11/10/2014	*0007	REC PROGRAM REFUND PH	75.00	B41104	REC PROGRAM REFUND PH



**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
28845	11/10/2014	ACW01	CB&T/ACWA-JPIA	8,870.17	B41107	GRP. HEALTH INS
28846	11/10/2014	ARC02	Arcata Stationers	528.65	B41105	OFFICE SUPPLIES
28847	11/10/2014	COA01	COASTAL BUSINESS SYSTEMS	328.46	16015640	COPIER MONTHLY PAYMENT
28848	11/10/2014	EUR06	EUREKA READY MIX	498.80	B41110	REPAIRS/SUPPLY
				5,867.51	A121553	CONCRETE FOR PIERSON PARK PRJ
			Check Total:	<u>6,366.31</u>		
28849	11/10/2014	FER04	FERNBRIDGE TRACTOR	1.90	10238	REPAIRS/ SUPPLIES
28850	11/10/2014	HAR13	The Hartford - Priority A	396.68	2	GROUP LIFE INSURANCE - Nov
				396.68	B41107	GROUP LIFE INSURANCE - Dec
			Check Total:	<u>793.36</u>		
28851	11/10/2014	HEL01	KEVIN HELD	375.00	B41110	DJ FOR JR HIGH SCHOOL DANCE
28852	11/10/2014	HEN01	HENSELL MATERIALS INC.	159.13	499178	REPAIRS/SUPPLY/ P. PARK PROJ
28853	11/10/2014	JLF01	JLF CONSTRUCTION	2,294.13	1795	PIERSON PARK PROJECT
28854	11/10/2014	LDA01	LDA PARTNERS	1,509.82	22/635-1-	TEEN CENTER PROJECT
28855	11/10/2014	MCK03	MCKINLEYVILLE OFFICE SUPPLY	52.00	B41106	OFFICE SUPPLIES/ UPS
28856	11/10/2014	MCK04	MCK ACE HARDWARE	940.05	B41106	REPAIRS/SUPPLY
28857	11/10/2014	MCK12	MCKINLEYVILLE UNION SCHOOL DISTRICT	1,709.75	B41106	BUS TRANSPORTATION REC PROG
28858	11/10/2014	MCS01	MCSD C/O HUMBOLDT COUNTY	23,760.72	B41106	REVENUE RECOVERY

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
28859	11/10/2014	MEN01	MENDES SUPPLY CO.	373.07	B41106	JANITORIAL SUPPLIES FOR OCT
				257.43	M067571	JANITORIAL SUPPLIES FOR OCT
			Check Total:	<u>630.50</u>		
28860	11/10/2014	MIL01	Miller Farms Nursery	540.02	B41106	REPAIRS/SUPPLY
28861	11/10/2014	MIL03	THE MILL YARD	4,095.47	B41106	PIERSON PARK PROJECT
28862	11/10/2014	NAP02	NAPA AUTO PARTS	19.81	B41107	REPAIRS/ SUPPLIES
28863	11/10/2014	NOR01	NORTH COAST LABORATORIES	3,697.00	B41106	LAB TESTS
28864	11/10/2014	NOR36	NORTH COAST PARTS & SUPPLIES	306.99	B41106	REPAIRS/ SUPPLIES
28865	11/10/2014	NOR40	NORTHCOAST EMPLOYER ADVISORY COUNCIL	50.00	B41106	HEALTH CARE ACT PRESENTATION
28866	11/10/2014	NYL01	NYLEX.NET	2,400.00	76097	SERVER UPGRADE
				2,100.00	76098	SERVER UPGRADE
28866	11/10/2014	NYL01	NYLEX.NET	96.00	76256	PROFESSIONAL SERVICES
			Check Total:	<u>4,596.00</u>		
28867	11/10/2014	O&M01	O & M INDUSTRIES	5,104.04	52001	PIERSON PARK PROJECT/ REPAIRS/
28868	11/10/2014	REN01	RENNER PETROLEUM	3,269.46	B41106	GAS/OIL/LUBE
28869	11/10/2014	THO02	Thomas Home Center	2,919.91	B41110	REPAIRS/SUPPLY
28870	11/10/2014	UMP03	UMPQUA BANK--VISA	61.50	OCT01	TRAINING TRAVEL
				60.18	OCT02	SHIPMENT-TEEN CENTER
				31.90	OCT03	REPAIRS/ SUPPLIES
				585.18	OCT04	REPAIRS/ SUPPLIES
				653.36	OCT05	TRAVEL/ MEALS
				2,723.79	OCT06	TRAVEL MEALS
			Check Total:	<u>4,115.91</u>		

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
28871	11/10/2014	WES13	WESTERN WEB	1,077.61	14746	NEWSLETTER PRINTING
28872	11/17/2014	A&L02	A & L FEED	21.48	B41107	REPAIRS/ SUPPLIES
28873	11/17/2014	A1R01	A-1 RADIATOR & SPECIALTY	683.75	88434	REPAIRS/ SUPPLIES
28874	11/17/2014	ATT01	AT&T	600.67	B41117	PHONE SERVICES FOR NOV 2014
28875	11/17/2014	AWW03	AMERICAN WATER WORKS ASSOC.	1,876.00	B41104	SUBSCRIPTION RENEWAL
28876	11/17/2014	BOR01	BORGES & MAHONEY CO.	277.82	B41117	REPAIRS/ SUPPLIES
28877	11/17/2014	CON01	CONNEY SAFETY PRODUCTS	382.20	4805961	SAFETY SUPPLIES
28878	11/17/2014	COS03	COSTCO WHOLESALE	90.10	B41105	OFFICE SUPPLIES
28879	11/17/2014	CWE01	CWEA	156.00	B41104	CERT RENEWAL
28880	11/17/2014	DEP05	DEPARTMENT OF JUSTICE	96.00	B41107	REC PROGRAM FINGERPRINTING
28881	11/17/2014	GAN01	GAN CONFERENCING	27.76	20172	AUDIO CONFERENCES
28882	11/17/2014	IBS01	IBS OF THE REDWOODS	111.75	10349	VEHICLE REPAIRS
28883	11/17/2014	LES01	LES SCHWAB TIRE CENTER	118.97	B41023	VEHICLE REPAIRS
28884	11/17/2014	MAY03	DENNIS MAYO	122.00	11/20/14	ACWA BOARD MEETING
28885	11/17/2014	MIT01	Mitchell, Brisso, Delaney	1,340.33	35297	LEGAL SERVICES
28886	11/17/2014	POI01	POINTS WEST SURVEYING CO.	890.00	10673	TEEN CENTER
28887	11/17/2014	POW01	POWELL CONCRETE PUMPING	1,278.87	40882	PIERSON PARK PROJECT

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
28888	11/17/2014	PRE08	PRECISION INTERMEDIA	23.75	14-3082	PROFESSIONAL SERVICES
28889	11/17/2014	PRO01	PROFESSIONAL CREDIT SERVICES	5.84	B41117	REC. BAD DEBTS
28890	11/17/2014	SHE03	SHERWIN-WILLIAMS CO.	127.71	B41106	PIERSON PARK PROJECT
28891	11/17/2014	SIE02	SIERRA CHEMICAL CO.	2,942.56	B41106	CHLORINE/ CONTATINER DEPOSIT
28892	11/17/2014	STA09	S.W.R.C.B.	60.00	B41117	CERT RENEWAL
28893	11/17/2014	STA11	STAPLES CREDIT PLAN	92.50	B41117	OFFICE SUPPLIES
28894	11/17/2014	SYN01	SYNAGRO-WWT, INC.	277,633.75	03-101564	WWMF BIOSOLIDS
28895	11/17/2014	THR01	THRIFTY SUPPLY COMPANY	109.69	B41107	REPAIRS/ SUPPLIES
				2,359.63	1371594	REPAIRS/ SUPPLIES
			Check Total:	<u>2,469.32</u>		
28896	11/17/2014	THR02	THREE G'S HAY & GRAIN	139.26	B41107	REPAIRS/ SUPPLIES
28897	11/17/2014	WEN02	WENNERHOLM CHIROPRACTIC	150.00	B41117	DMV PHYSICALS
28898	11/17/2014	WIL09	WILLDAN FINANCIAL SERVICE	5,200.00	010-25453	PROFESSIONAL SERVICES
28899	11/17/2014	YP001	YP	288.00	B41117	ADVERTISING IN YELLOW PAGES
28900	11/17/2014	\F013	MQ CUSTOMER REFUND FOR FR	100.00	000B41101	MQ CUSTOMER REFUND FOR FR
28901	11/24/2014	*0008	REC PROGRAM REFUND JG	40.00	B41120	REC PROGRAM REFUND JG
28902	11/24/2014	ACC02	ACCESS GEOGRAPHIC LLC	11,500.00	B41124	PROFESSIONAL SERVICES
28903	11/24/2014	AJI01	HAIDER AJINA	90.00	B41120	CONTRACT REFEREE

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
28904	11/24/2014	ARC07	ARCATA FIRE PROTECTION DISTRICT	3,753.00	B41009	AFPD ASSESSMENTS FY 14-15
28905	11/24/2014	BAL01	DAVID BALDOSSER	467.03	B41121	AFLAC FLEX SPENDING REIMB
28906	11/24/2014	BRU04	REBECCA J. BRUINEKOOL	1,586.00	B41120	CONTRACT INSTRUCTOR
28907	11/24/2014	BUT03	DEVIN BUTOR	650.00	B41121	CONTRACT INSTRUCTOR PAYMENT
28908	11/24/2014	COA01	COASTAL BUSINESS SYSTEMS	877.41	16090196	SHARP COPIER MONTHLY PAYMENT
28909	11/24/2014	COR01	CORBIN WILLITS SYSTEMS, INC	65.00	B41031	PROFESSIONAL SERVICES
28910	11/24/2014	CWE01	CWEA	89.00	B41120	CERT RENEWAL
28911	11/24/2014	EUR05	Eureka Oxygen Co	636.68	413612	SAFETY SUPPLIES-ANNUAL
				264.80	B41117	SAFETY SUPPLIES
			Check Total:	<u>901.48</u>		
28912	11/24/2014	GHD01	GHD	843.75	B41124	WWMF UPGRADE
28913	11/24/2014	HAC01	HACH COMPANY	410.11	9093872	LAB TESTING SUPPLIES
28914	11/24/2014	JAC04	JACKSON & EKLUND, INC.	3,448.00	180739	PROFESSIONAL SERVICES
28915	11/24/2014	MAY03	DENNIS MAYO	284.00	B41117	ACWA 2014 FALL CONFERENCE
28916	11/24/2014	ORE01	O'REILLY AUTOMOTIVE, INC.	10.08	B41106	REPAIRS/SUPPLY
28917	11/24/2014	ROU01	ROUND TABLE DEVELOPMENT CORP	77.40	B41120	REC PROGRAM SUPPLIES
28918	11/24/2014	STA09	S.W.R.C.B.	230.00	B41120	CERT RENEWAL
28919	11/24/2014	SWR02	SWRCB FEES	9,766.00	B41124	ANNUAL PERMIT FEES
<b>Total Disbursements, Accounts Payable:</b>				<u>507,753.78</u>		
				<b><u>507,753.78</u></b>		

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
Payroll Related Disbursements						
12325-12352	11/10/2014		Various Employees	18,643.19		Payroll Checks
12353	11/12/2014	CAL12	CalPERS 457 Plan	4,104.00	B41106	RETIREMENT
				311.35	1B41106	PERS 457 LOAN PMT
			Check Total:	<u>4,415.35</u>		
12354	11/12/2014	DIR01	DIRECT DEPOSIT VENDOR- US	28,455.80	B41106	Direct Deposit
12355	11/12/2014	EMP01	Employment Development	1,798.40	B41106	STATE INCOME TAX
				624.30	1B41106	SDI
			Check Total:	<u>2,422.70</u>		
12356	11/12/2014	HUM29	UMPQUA BANK--PAYROLL DEP.	5,813.90	B41106	FEDERAL INCOME TAX
				7,824.30	1B41106	FICA
				1,829.86	2B41106	MEDICARE
			Check Total:	<u>15,468.06</u>		
12357	11/12/2014	ACW01	CB&T/ACWA-JPIA	46,211.99	B41031	MED & DENTAL INSUR
12358	11/12/2014	AFL01	AFLAC	43.30	B41031	AFLAC (PRE-TAX)
12359	11/12/2014	PUB01	Public Employees PERS	18,551.26	B41031	PERS PAYROLL REMITTANCE
12360-12390	11/24/2014		Various Employees	16,565.35		Payroll Checks
12391	11/24/2014	CAL12	CalPERS 457 Plan	3,973.36	B41124	RETIREMENT
				311.35	1B41124	PERS 457 LOAN PMT
			Check Total:	<u>4,284.71</u>		
12392	11/24/2014	DIR01	DIRECT DEPOSIT VENDOR- US	26,123.86	B41124	Direct Deposit

**McKinleyville Community Services District**  
**Cash Disbursement Report**  
**For the Period November 1 through November 30, 2014**

Check Number	Check Date	Vendor Number	Name	Net Amount	Invoice #	Description
12393	11/24/2014	EMP01	Employment Development	1,529.88	B41124	STATE INCOME TAX
				523.29	1B41124	SDI
			Check Total:	<u>2,053.17</u>		
12394	11/24/2014	HUM29	UMPQUA BANK--PAYROLL DEP.	5,073.59	B41124	FEDERAL INCOME TAX
				7,090.98	1B41124	FICA
				1,658.34	2B41124	MEDICARE
			Check Total:	<u>13,822.91</u>		
12395	11/24/2014		Employee	101.39		Payroll hand check
				197,163.04		
			<b>Total Disbursements, Payroll:</b>	<b><u>197,163.04</u></b>		
			<b>Total Check Disbursements:</b>	<b><u>704,916.82</u></b>		

# **McKinleyville Community Services District**

## **BOARD OF DIRECTORS**

January 7, 2015

TYPE OF ITEM: **ACTION**

---

**ITEM: E.1                      Accept FY2013-14 Audit**

**PRESENTED BY:              Colleen M. R. Trask**

**TYPE OF ACTION:              Voice Vote**

### **Recommendation:**

Staff recommends that the Board participate in auditor's presentation, take public comment and accept the District's audited financial statements for the fiscal year ending June 30, 2014

### **Discussion:**

The District's annual audit for the fiscal year ending June 30, 2014 is complete and was presented and discussed with the MCSD Audit committee and staff.

The Audit Committee has reviewed and accepted the auditor's report.

The Draft Financial Statements have been included as an attachment. Once the Board accepts them, the audit will be marked "Final." The Board will be provided with bound copies of the finalized audit and an electronic copy of the audit will be posted to the MCSD website.

### **Alternatives:**

Staff's analysis includes the following potential alternative:

- Take no action

### **Fiscal Analysis:**

Not applicable

### **Environmental Requirements:**

Not applicable

### **Exhibits/Attachments**

- Attachment 1 - MCSD Draft Financial statements with the report of the independent auditor for the fiscal year ending June 30, 2014.



**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
McKinleyville Community Services District  
McKinleyville, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and business-type activities of McKinleyville Community Services District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental and the business-type activities of McKinleyville Community Services District as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the budgetary comparison information on pages 41 through 43, and the schedule of funding progress on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of McKinleyville Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Hunter, Hunter & Hunt*

December 10, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

Management offers to the readers of the McKinleyville Community Services District's (the District) basic financial statements this narrative overview and analysis of the District's financial activities for the year ended June 30, 2014. This discussion and analysis should be read in conjunction with the accompanying basic financial statements and the notes thereto.

**Overview of the Basic Financial Statements**

The District's basic financial statements and required supplementary information consist of the following:

- Government-Wide Financial Statements (accrual basis of accounting):
  - 1) Statement of Net Position
  - 2) Statement of Activities
- Governmental Fund Financial Statements (modified accrual basis of accounting):
  - 1) Balance Sheet
  - 2) Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
  - 3) Statement of Revenues, Expenditures, and Changes in Fund Balances
  - 4) Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Proprietary Fund Financial Statements (accrual basis of accounting):
  - 1) Statement of Net Position
  - 2) Statement of Revenues, Expenses, and Changes in Net Position
  - 3) Statement of Cash Flows
- Notes to Basic Financial Statements
- Required Supplementary Information:
  - 1) Budgetary Comparison Schedule – General Fund (Parks & Recreation)
  - 2) Budgetary Comparison Schedule – Measure B Fund
  - 3) Budgetary Comparison Schedule – Streetlighting Fund
  - 4) Schedule of Funding Progress – Defined Benefit Pension Plan and Other Post Employment Benefits

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. The statement of net position presents the District's financial position at a point in time, June 30, and includes information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining. The statement of activities presents information showing how the District's net position changed during the most recent fiscal year.

The statement of net position 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, activity center, library, and law enforcement facility), Hiller Park (sports fields, playgrounds, dog park, etc.), Larissa Park, trails and open spaces. These activities are funded by property taxes, the Measure B Assessments (for recreational facility development and maintenance), zone assessments, grants, donations, and user fees.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

- **Business-Type Activities** – These are activities in which the District charges fees to customers to cover the cost of services it provides. The District's water and wastewater systems are reported herein.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds which include: (1) general fund, including parks and recreation, (2) Measure B fund, (3) streetlighting fund, (4) water utility fund, and (5) wastewater utility fund. Additionally, the proprietary fund financial statements provide cash flow information for the District's water and wastewater funds. The District's fund financial statements encompass two fund types as follows:

- **Governmental Funds** - Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the District's near-term financing requirements.
- **Proprietary Funds** - Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail.

**Financial Highlights**

- Total current assets increased by approximately \$297,000 or 5.8% in comparison to the prior year while capital assets and other non-current assets increased by approximately \$945,000 or 4.1%.
- Current liabilities increased by approximately \$243,000 or 32.3% in comparison to the prior year while long-term liabilities increased by approximately \$4,000 or 0.1%.
- Overall, the District's net position increased by approximately \$995,000 or 4.3% as a result of this year's operations.
- Total program revenues increased by approximately \$1,350,000 or 30.1% over the prior year while program expenses increased by approximately \$108,000 or 2.0%.
- The District's general revenues increased by approximately \$5,000 over the prior year or 0.8%.

**Government-Wide Financial Statement Analysis**

The discussion and analysis of the District's overall financial position and results of operations will focus on the following condensed statement of net position (Tables 1 and 2) and condensed statement of revenues, expenses, and changes in net position (Tables 3 and 4) for both governmental and business-type activities.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

**Table 1 - Condensed Statement of Net Position  
(Governmental Activities)**

	<b>Fiscal Year Ended June 30,</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Assets</b>			
Current	\$ 1,135,252	\$ 1,101,931	\$ 33,321
Non-Current			
Net Capital Assets	3,410,403	3,154,699	255,704
Other	184,238	307,247	(123,009)
<b>Total Assets</b>	<b>4,729,893</b>	<b>4,563,877</b>	<b>166,016</b>
<b>Liabilities</b>			
Current	198,074	120,538	77,536
Non-Current	313,681	155,508	158,173
<b>Total Liabilities</b>	<b>511,755</b>	<b>276,046</b>	<b>235,709</b>
<b>Net Position</b>			
Net Investment in Capital Assets	3,312,222	3,154,699	157,523
Restricted	176,827	300,396	(123,569)
Unrestricted	729,089	832,736	(103,647)
<b>Total Net Position</b>	<b>\$ 4,218,138</b>	<b>\$ 4,287,831</b>	<b>\$ (69,693)</b>

**Table 2 - Condensed Statement of Net Position  
(Business-Type Activities)**

	<b>Fiscal Year Ended June 30,</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Assets</b>			
Current	\$ 4,292,961	\$ 4,028,796	\$ 264,165
Non-Current			
Net Capital Assets	18,750,640	18,555,388	195,252
Other	1,875,808	1,259,022	616,786
<b>Total Assets</b>	<b>24,919,409</b>	<b>23,843,206</b>	<b>1,076,203</b>
<b>Liabilities</b>			
Current	797,551	632,336	165,215
Non-Current	4,440,511	4,594,299	(153,788)
<b>Total Liabilities</b>	<b>5,238,062</b>	<b>5,226,635</b>	<b>11,427</b>
<b>Net Position</b>			
Net Investment in Capital Assets	14,540,233	14,033,103	507,130
Restricted	1,777,362	1,170,470	606,892
Unrestricted	3,363,752	3,412,998	(49,246)
<b>Total Net Position</b>	<b>\$19,681,347</b>	<b>\$18,616,571</b>	<b>\$ 1,064,776</b>



**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

As can be seen from Table 1 (Condensed Statement of Net Position – Governmental Activities), the following can be noted when comparing the current year to the prior year:

- Non-capital assets decreased by \$89,688 or 6.4%;
- Net capital assets increased by \$255,704 or 8.1%;
- Total liabilities increased by \$235,709 or 85.4%;
- Net investment in capital assets increased by \$157,523 or 5.0%;
- Restricted net position decreased by \$123,569 or 41.1%;
- Unrestricted net position decreased by \$103,647 or 12.4%.

As can be seen from Table 2 (Condensed Statement of Net Position – Business-Type Activities), the following can be noted when comparing the current year to the prior year:

- Non-capital assets increased by \$880,951 or 16.7%;
- Net capital assets increased by \$195,252 or 10.5%;
- Total liabilities increased by \$11,427 or 0.2%;
- Net investment in capital assets increased by \$507,130 or 3.6%;
- Restricted net position increased by \$606,892 or 51.9%;
- Unrestricted net position decreased by \$49,246 or 1.4%.

**Table 3 - Condensed Statement of Revenues, Expenses, and Changes in Net Position  
(Governmental Activities)**

	<b>Fiscal Year Ended June 30,</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Revenues</b>			
Program			
Charges for Services and Facilities	\$ 777,963	\$ 753,362	\$ 24,601
Operating Grants and Contributions	33,252	22,315	10,937
General			
Property Taxes	516,221	521,120	(4,899)
Other Income	25,735	18,039	7,696
Unrestricted Investment Earnings	6,755	3,215	3,540
<b>Total Revenues</b>	<b>1,359,926</b>	<b>1,318,051</b>	<b>41,875</b>
<b>Expenses</b>			
Recreation, Parks, Open Space, Facilities, and Other Activities	1,332,874	1,291,644	41,230
Streetlighting	96,745	95,106	1,639
<b>Total Expenses</b>	<b>1,429,619</b>	<b>1,386,750</b>	<b>42,869</b>
<b>Change in Net Position</b>	<b>(69,693)</b>	<b>(68,699)</b>	<b>(994)</b>
<b>Net Position - Beginning of Year</b>	<b>4,287,831</b>	<b>4,356,530</b>	<b>(68,699)</b>
<b>Net Position - End of Year</b>	<b>\$ 4,218,138</b>	<b>\$ 4,287,831</b>	<b>\$ (69,693)</b>

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

As can be seen from Table 3 (Condensed Statement of Revenues, Expenses, and Changes in Net Position – Governmental Activities), the following can be noted when comparing the current year to the prior year:

- Total revenues increased by \$41,875 or 3.2%;
- Total expenses increased by \$42,869 or 3.1%;
- Net position decreased by \$69,693 or 1.6%.

As can be seen from Table 4 (Condensed Statement of Revenues, Expenses, and Changes in Net Position – Business-Type Activities), the following can be noted when comparing the current year to the prior year:

- Total revenues increased by \$1,313,388 or 34.5%;
- Total expenses increased by \$64,693 or 1.6%;
- Net position increased by \$1,064,776 or 5.7%.

**Table 4 - Condensed Statement of Revenues, Expenses, and Changes in Net Position  
(Business-Type Activities)**

	<b>Fiscal Year Ended June 30,</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Revenues</b>			
Program			
Charges for Services - Water	\$ 2,359,812	\$ 1,771,344	\$ 588,468
Charges for Services - Wastewater	1,824,744	1,541,957	282,787
Capital Grants and Contributions - Water	411,611	159,828	251,783
Capital Grants and Contributions - Wastewater	435,099	243,336	191,763
General			
Other Income	59,976	54,659	5,317
Gain (Loss) on Sale of Asset	1,124	7,500	(6,376)
Unrestricted Investment Earnings	30,912	31,266	(354)
<b>Total Revenues</b>	<b>5,123,278</b>	<b>3,809,890</b>	<b>1,313,388</b>
<b>Expenses</b>			
Water	2,270,950	2,171,265	99,685
Wastewater	1,787,552	1,822,544	(34,992)
<b>Total Expenses</b>	<b>4,058,502</b>	<b>3,993,809</b>	<b>64,693</b>
<b>Change in Net Position</b>	<b>1,064,776</b>	<b>(183,919)</b>	<b>1,248,695</b>
<b>Net Position - Beginning of Year</b>	<b>18,616,571</b>	<b>18,800,490</b>	<b>(183,919)</b>
<b>Net Position - End of Year</b>	<b>\$ 19,681,347</b>	<b>\$ 18,616,571</b>	<b>\$ 1,064,776</b>

**Fund Financial Statement Analysis**

**Governmental Funds**

Detailed information about the District's governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances can be found on pages 12 and 14, respectively, of the District's

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

basic financial statements. The following can be noted when comparing the current governmental fund financial statements to the prior year:

- Total assets increased by \$10,239 or 0.7%;
- Total liabilities increased by \$171,920 or 99.4%;
- Total fund balance decreased by \$161,681 or 12.3%;
- Total revenues decreased by \$1,904 or 0.1%;
- Total expenditures increased by \$347,374 or 27.4%;
- Total other financing sources increased by \$98,181 or 100.0%.

**Proprietary Funds**

Detailed information about the District's proprietary funds statement of net position and statement of revenues, expenditures, and changes in net position can be found on pages 16 and 17, respectively, of the District's basic financial statements. The following can be noted when comparing the current proprietary fund financial statements to the prior year:

- Total water fund assets increased by \$540,460 or 6.3%;
- Total wastewater fund assets increased by \$535,743 or 3.5%;
- Total water fund liabilities increased by \$9,173 or 0.2%;
- Total wastewater fund liabilities increased by \$2,254 or 0.2%;
- Total water fund net position increased by \$531,287 or 11.1%;
- Total wastewater fund net position increased by \$533,489 or 3.9%;
- Total water fund operating revenues increased by \$588,468 or 33.2% while operating expenses increased by \$104,157 or 5.0%;
- Total wastewater fund operating revenues increased by \$282,787 or 18.4% while operating expenses decreased by \$30,586 or 1.7%.

**General Fund Budgetary Highlights**

Actual revenues were lower than budgetary estimates by approximately \$66,000 primarily due to lower than anticipated Quimby fees. Actual expenditures were higher than budgetary estimates by approximately \$86,000 primarily due to capital outlays related to the purchase of the Washington Avenue property and Pierson Park improvements.

**Capital Assets**

As of June 30, 2014, the District's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities equaled \$3,410,403 and \$18,750,640, respectively. Detailed information about the components of capital assets is included in Note 3 to the basic financial statements. Net capital assets increased by \$255,704 (8.1%) for governmental activities as capital asset purchases exceeded depreciation. Similarly, net capital assets increased by \$195,252 (1.1%) for business-type activities capital asset purchases exceeded depreciation.

**Debt**

As of June 30, 2014, the District's debt for its governmental and business-type activities totaled \$98,181 and \$4,210,407, respectively. Overall, the District experienced a net decrease in its debt balance from the prior year equal to \$213,709 (4.7%). The decrease was the result of principal repayment exceeding new debt. Detailed information about the components of debt is included in Note 4 to the basic financial statements.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

**Currently Known Facts, Decisions, or Conditions of Future Significance**

- The District continues to plan for the replacement and upgrade of its water and wastewater infrastructure as outlined in its Capital Improvement Plan. The District is working with its wholesale water supplier, Humboldt Bay Municipal Water District, on a grant-funded project to complete an emergency water supply pipeline installed under the Mad River Bridge. This project will provide emergency backup for the District's water supply in the event that its main water supply pipeline (running under the Mad River) is disrupted by an earthquake or other natural disaster. The value of the project, including connections on both the north and south ends of the bridge, will significantly add value to the District's infrastructure when it is conveyed to the District upon completion of the project. Additionally, the District is in the design phase of a major upgrade to its Wastewater Management Facility. This upgrade will be required by the State of California so that the District will be able to meet future State water quality standards and continue to serve the greater population of McKinleyville. The project will be funded through reserves, grants, and debt. The upgraded facility's increased operating costs and debt service will affect both the District's financial position and results of operations.
- With the completion of the Streetlighting LED Project, the District expects to realize a full year of reduced energy costs for its Streetlighting Fund in fiscal year 2014-15.
- The District expects continued increases in its water and wastewater revenues as it continues to implement phased water and wastewater rate increases.
- Purchased water costs are expected to continue to increase as the District's wholesale water supplier continues to raise rates.
- The Affordable Care Act has significantly raised rates for all health insurance policies that did not meet the new Federal minimum coverage requirements. However, the District's current insurance plans already meet or exceed these minimum requirements, so while health insurance rates overall are expected to rise sharply, the District does not anticipate the level of increase that many organizations will experience.
- CalPERS pension costs are expected to increase significantly in the next three years as it seeks to achieve fully funded status statewide. CalPERS new cost model will adjust employer costs upwards to offset fluctuations in the stock market. This is expected to have a materially adverse affect on the District's financial position and result of operations, but the level of affect will not be known until CalPERS provides more information.
- Forthcoming changes in rules for reporting certain long-term pension liabilities have been approved by the Government Accounting Standards Board (GASB), and will affect the District's financial reporting starting in fiscal year 2014-15.

**Contacting the District**

The District's annual financial report is designed to provide the District's customers, creditors and the public with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Additional information about the District is available at [www.mckinleyvillecsd.com](http://www.mckinleyvillecsd.com). Questions regarding this report may be directed to the following:

McKinleyville Community Services District  
Attention: Finance Director  
PO Box 2037  
McKinleyville, CA 95519

## **BASIC FINANCIAL STATEMENTS**

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,009,247	\$ 3,698,403	\$ 4,707,650
Accounts Receivable	26,347	419,861	446,208
State Grants Receivable	-	79,575	79,575
Interest Receivable	1,477	7,038	8,515
Loan Proceeds Receivable	98,181	-	98,181
Inventory	-	88,084	88,084
<b>Total Current Assets</b>	<u>1,135,252</u>	<u>4,292,961</u>	<u>5,428,213</u>
<b>Non-Current Assets</b>			
Restricted Cash and Cash Equivalents	184,238	1,875,808	2,060,046
Net Capital Assets	3,410,403	18,750,640	22,161,043
<b>Total Non-Current Assets</b>	<u>3,594,641</u>	<u>20,626,448</u>	<u>24,221,089</u>
<b>Total Assets</b>	<u>4,729,893</u>	<u>24,919,409</u>	<u>29,649,302</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	79,376	270,863	350,239
Accrued Liabilities	79,367	-	79,367
Customer Deposits	7,411	98,446	105,857
Interest Payable	-	26,512	26,512
Compensated Absenses, Due Within One Year	21,960	83,450	105,410
Bonds and Loans, Due Within One Year	9,960	318,280	328,240
<b>Total Current Liabilities</b>	<u>198,074</u>	<u>797,551</u>	<u>995,625</u>
<b>Non-Current Liabilities</b>			
Compensated Absenses, Due Beyond One Year	18,823	84,940	103,763
Revenue Bonds, Due Beyond One Year	-	575,000	575,000
Loans, Due Beyond One Year	88,221	3,317,127	3,405,348
Net Other Post Employment Benefit Obligation	206,637	463,444	670,081
<b>Total Non-Current Liabilities</b>	<u>313,681</u>	<u>4,440,511</u>	<u>4,754,192</u>
<b>Total Liabilities</b>	<u>511,755</u>	<u>5,238,062</u>	<u>5,749,817</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,312,222	14,540,233	17,852,455
Restricted for:			
Capital Outlay	176,827	958,762	1,135,589
Debt Service	-	818,600	818,600
Unrestricted	729,089	3,363,752	4,092,841
<b>Total Net Position</b>	<u>\$ 4,218,138</u>	<u>\$ 19,681,347</u>	<u>\$ 23,899,485</u>

See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services and Facilities	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
	Expenses						
<b>Functions/Programs</b>							
<b>Governmental Activities</b>							
Parks and Recreation Services	\$ 1,244,604	\$ 482,205	\$ 30,252	\$ -	\$ (732,147)	\$ -	\$ (732,147)
Measure B	88,270	206,270	3,000	-	121,000	-	121,000
Streetlighting	96,745	89,488	-	-	(7,257)	-	(7,257)
<b>Total Governmental Activities</b>	<b>1,429,619</b>	<b>777,963</b>	<b>33,252</b>	<b>-</b>	<b>(618,404)</b>	<b>-</b>	<b>(618,404)</b>
<b>Business-Type Activities</b>							
Water	2,270,950	2,359,812	-	411,611	-	500,473	500,473
Wastewater	1,787,552	1,824,744	-	435,099	-	472,291	472,291
<b>Total Business-Type Activities</b>	<b>4,058,502</b>	<b>4,184,556</b>	<b>-</b>	<b>846,710</b>	<b>-</b>	<b>972,764</b>	<b>972,764</b>
<b>Total</b>	<b>\$ 5,488,121</b>	<b>\$ 4,962,519</b>	<b>\$ 33,252</b>	<b>\$ 846,710</b>	<b>(618,404)</b>	<b>972,764</b>	<b>354,360</b>
<b>General Revenues</b>							
Property Taxes					516,221	-	516,221
Other Income					25,735	59,976	85,711
Gain on Sale of Capital Assets					-	1,124	1,124
Unrestricted Investment Earnings					6,755	30,912	37,667
<b>Total General Revenues</b>					<b>548,711</b>	<b>92,012</b>	<b>640,723</b>
<b>Change in Net Position</b>					<b>(69,693)</b>	<b>1,064,776</b>	<b>995,083</b>
<b>Net Position - Beginning of Year</b>					<b>4,287,831</b>	<b>18,616,571</b>	<b>22,904,402</b>
<b>Net Position - End of Year</b>					<b>\$ 4,218,138</b>	<b>\$ 19,681,347</b>	<b>\$ 23,899,485</b>

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<b>General (Parks and Recreation)</b>	<b>Measure B</b>	<b>Streetlighting</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 742,579	\$ 266,668	\$ -	\$ 1,009,247
Accounts Receivable	22,186	-	4,161	26,347
Due From Other Funds	174,284	-	-	174,284
Interest Receivable	1,477	-	-	1,477
Loan Proceeds Receivable	-	-	98,181	98,181
Restricted Cash and Cash Equivalents	184,238	-	-	184,238
<b>Total Assets</b>	<b>\$ 1,124,764</b>	<b>\$ 266,668</b>	<b>\$ 102,342</b>	<b>\$ 1,493,774</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 77,138	\$ 1,684	\$ 554	\$ 79,376
Due to Other Funds	-	-	174,284	174,284
Accrued Liabilities	79,367	-	-	79,367
Customer Deposits	7,411	-	-	7,411
Unearned Revenues	4,454	-	-	4,454
<b>Total Liabilities</b>	<b>168,370</b>	<b>1,684</b>	<b>174,838</b>	<b>344,892</b>
<b>Fund Balance</b>				
Restricted for:				
Capital Outlay	176,827	-	-	176,827
Committed	779,567	-	-	779,567
Assigned	-	264,984	-	264,984
Unassigned	-	-	(72,496)	(72,496)
<b>Total Fund Balance</b>	<b>956,394</b>	<b>264,984</b>	<b>(72,496)</b>	<b>1,148,882</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,124,764</b>	<b>\$ 266,668</b>	<b>\$ 102,342</b>	<b>\$ 1,493,774</b>

See accompanying notes.



**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
June 30, 2014**

Total Fund Balance - Governmental Funds (page 12)	\$ 1,148,882
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Amounts reported for governmental activities in the statement of net position (page 10) are different because:

Receivables that are not available to provide current financial resources and, therefore, are reported as unearned revenues in the governmental funds.	4,454
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet but are reported in the governmental activities in the statement of net position. In the current period, these amounts were as follows:

Capital Assets	6,120,342
Accumulated Depreciation	(2,709,939)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet but are reported in the governmental activities in the statement of net position. These liabilities include:

Other Postemployment Benefit Obligation	(206,637)
Loan Payable	(98,181)
Compensated Absences	(40,783)

Net Position - Governmental Activities (page 10)	\$ 4,218,138
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See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2014**

	General (Parks and Recreation)	Measure B	Streetlighting	Total Governmental Funds
<b>REVENUES</b>				
General Revenues				
Property Taxes	\$ 516,221	\$ -	\$ -	\$ 516,221
Special Assessments	-	206,270	-	206,270
Total General Revenues	516,221	206,270	-	722,491
Charges for Services and Facilities	482,205	-	89,488	571,693
Grants and Contributions	30,252	3,000	-	33,252
Other Income	5,781	-	15,500	21,281
Unrestricted Investment Earnings	6,420	335	-	6,755
<b>Total Revenues</b>	<b>1,040,879</b>	<b>209,605</b>	<b>104,988</b>	<b>1,355,472</b>
<b>EXPENDITURES</b>				
Current				
Recreation Programs, Parks, Open Space, Facilities, and Other Cultural Activities	1,015,687	88,270	80,604	1,184,561
Capital Outlay	177,463	129,360	123,950	430,773
<b>Total Expenditures</b>	<b>1,193,150</b>	<b>217,630</b>	<b>204,554</b>	<b>1,615,334</b>
<b>Excess (Deficiency) of Expenditures over Revenues</b>	<b>(152,271)</b>	<b>(8,025)</b>	<b>(99,566)</b>	<b>(259,862)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Long-Term Debt	-	-	98,181	98,181
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>98,181</b>	<b>98,181</b>
<b>Net Change in Fund Balance</b>	<b>(152,271)</b>	<b>(8,025)</b>	<b>(1,385)</b>	<b>(161,681)</b>
<b>Fund Balance - Beginning of Year</b>	<b>1,108,665</b>	<b>273,009</b>	<b>(71,111)</b>	<b>1,310,563</b>
<b>Fund Balance - End of Year</b>	<b>\$ 956,394</b>	<b>\$ 264,984</b>	<b>\$ (72,496)</b>	<b>\$ 1,148,882</b>

See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2014**

Change in Fund Balance - Governmental Funds (page 14)	\$ (161,681)
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Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	4,454
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Proceeds from long-term debt provides current financial resources and, therefore, are reported as other financing sources in governmental funds. Conversely, the proceeds from long-term debt have no impact on net position.	(98,181)
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Governmental funds report capital outlays as expenditures since they consume the current financial resources of governmental funds. Conversely, in the government-wide statement of activities, the cost of those assets is capitalized and expensed over the assets estimated useful lives as depreciation expense. This is the amount by which capital outlays were less than depreciation in the current period.	255,704
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not accrued as expenditures in the governmental funds. In the current period, these expenses are as follows:

Other Postemployment Benefit Obligation	(58,854)
Compensated Absences	<u>(11,135)</u>

Change in Net Position - Governmental Activities (page 11)	<u><u>\$ (69,693)</u></u>
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See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 747,834	\$ 2,950,569	\$ 3,698,403
Accounts Receivable	241,640	178,221	419,861
State Grants Receivable	79,575	-	79,575
Interest Receivable	3,245	3,793	7,038
Inventory	64,326	23,758	88,084
<b>Total Current Assets</b>	<u>1,136,620</u>	<u>3,156,341</u>	<u>4,292,961</u>
<b>Non-Current Assets</b>			
Restricted Cash and Cash Equivalents	1,025,832	849,976	1,875,808
Net Capital Assets	6,953,633	11,797,007	18,750,640
<b>Total Non-Current Assets</b>	<u>7,979,465</u>	<u>12,646,983</u>	<u>20,626,448</u>
<b>Total Assets</b>	<u>9,116,085</u>	<u>15,803,324</u>	<u>24,919,409</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	147,604	123,259	270,863
Customer Deposits	98,446	-	98,446
Interest Payable	12,375	14,137	26,512
Compensated Absences, Due Within One Year	41,725	41,725	83,450
Bonds and Loans, Due Within One Year	145,021	173,259	318,280
<b>Total Current Liabilities</b>	<u>445,171</u>	<u>352,380</u>	<u>797,551</u>
<b>Non-Current Liabilities</b>			
Compensated Absences, Due Beyond One Year	42,470	42,470	84,940
Revenue Bonds, Due Beyond One Year	-	575,000	575,000
Loans, Due Beyond One Year	3,066,950	250,177	3,317,127
Net Other Post Employment Benefit Obligation	230,648	232,796	463,444
<b>Total Non-Current Liabilities</b>	<u>3,340,068</u>	<u>1,100,443</u>	<u>4,440,511</u>
<b>Total Liabilities</b>	<u>3,785,239</u>	<u>1,452,823</u>	<u>5,238,062</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,741,662	10,798,571	14,540,233
Restricted for:			
Capital Outlay	269,603	689,159	958,762
Debt Service	657,783	160,817	818,600
Unrestricted	661,798	2,701,954	3,363,752
<b>Total Net Position</b>	<u>\$ 5,330,846</u>	<u>\$ 14,350,501</u>	<u>\$ 19,681,347</u>

See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Sale of Water	\$ 2,229,197	\$ -	\$ 2,229,197
Sewer Charges	-	1,765,837	1,765,837
Other Operating Revenue	130,615	58,907	189,522
<b>Total Operating Revenues</b>	<u>2,359,812</u>	<u>1,824,744</u>	<u>4,184,556</u>
<b>Operating Expenses</b>			
Personnel Services	766,824	843,382	1,610,206
Purchased Water	801,270	-	801,270
Contracted Services	74,439	61,804	136,243
Utilities	49,136	110,316	159,452
Insurance	26,668	26,168	52,836
Repairs, Supplies, and Other Expenses	167,440	236,540	403,980
Depreciation and Amortization	303,585	462,621	766,206
<b>Total Operating Expenses</b>	<u>2,189,362</u>	<u>1,740,831</u>	<u>3,930,193</u>
<b>Operating Income (Loss)</b>	<u>170,450</u>	<u>83,913</u>	<u>254,363</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Expense	(81,588)	(46,721)	(128,309)
Unrestricted Investment Earnings	11,079	19,833	30,912
Gain on Sale of Capital Assets	562	562	1,124
State Grants	79,575	-	79,575
Other Income	19,173	40,803	59,976
<b>Total Non-Operating Revenues (Expenses)</b>	<u>28,801</u>	<u>14,477</u>	<u>43,278</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<u>199,251</u>	<u>98,390</u>	<u>297,641</u>
<b>Transfers and Capital Contributions</b>			
Capital Contributions - Capacity Fees	150,221	228,519	378,740
Capital Contributions - Infrastructure	181,815	206,580	388,395
<b>Total Transfers and Capital Contributions</b>	<u>332,036</u>	<u>435,099</u>	<u>767,135</u>
<b>Change in Net Position</b>	<u>531,287</u>	<u>533,489</u>	<u>1,064,776</u>
<b>Net Position - Beginning of Year</b>	<u>4,799,559</u>	<u>13,817,012</u>	<u>18,616,571</u>
<b>Net Position - End of Year</b>	<u>\$ 5,330,846</u>	<u>\$ 14,350,501</u>	<u>\$ 19,681,347</u>

See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>			
Cash Receipts from Customers	\$ 2,271,100	\$ 1,813,776	\$ 4,084,876
Cash Received from Interfund Services	21,442	-	21,442
Cash Paid to Suppliers of Goods and Services	(1,068,081)	(337,717)	(1,405,798)
Cash Paid to Employees for Services	(692,474)	(768,340)	(1,460,814)
Cash Paid for Interfund Services	-	(14,129)	(14,129)
Net Cash Provided (Used) by Operating Activities	<u>531,987</u>	<u>693,590</u>	<u>1,225,577</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital Contributions - Capacity Fees	150,221	228,519	378,740
Proceeds from Sale of Equipment	562	562	1,124
Principal Paid on Long-Term Debt	(141,736)	(170,154)	(311,890)
Acquisition and Construction of Capital Assets	(101,953)	(439,728)	(541,681)
Interest and Fees Paid on Long-Term Debt	(82,122)	(46,811)	(128,933)
Net Cash Provided (Used) in Capital Financing Activities	<u>(175,028)</u>	<u>(427,612)</u>	<u>(602,640)</u>
<b>Cash Flows from Non-Operating Activities</b>			
Receipts from Other Income	19,173	40,803	59,976
Net Cash Provided (Used) by Non-Operating Activities	<u>19,173</u>	<u>40,803</u>	<u>59,976</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Investment Earnings	10,345	19,246	29,591
Net Cash Provided (Used) by Investing Activities	<u>10,345</u>	<u>19,246</u>	<u>29,591</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>386,477</u>	<u>326,027</u>	<u>712,504</u>
Unrestricted Cash - Beginning of Year	522,311	3,080,374	3,602,685
Restricted Cash - Beginning of Year	864,878	394,144	1,259,022
Total Restricted and Unrestricted Cash and Cash Equivalents - Beginning of Year	<u>1,387,189</u>	<u>3,474,518</u>	<u>4,861,707</u>
Unrestricted Cash - End of Year	747,834	2,950,569	3,698,403
Restricted Cash - End of Year	1,025,832	849,976	1,875,808
Total Restricted and Unrestricted Cash and Cash Equivalents - End of Year	<u>\$ 1,773,666</u>	<u>\$ 3,800,545</u>	<u>\$ 5,574,211</u>
<b>Reconciliation of Operating Loss to Net Cash</b>			
<b>Flows from Operating Activities</b>			
Operating Income (Loss)	\$ 170,450	\$ 83,913	\$ 254,363
Adjustments to Reconcile Operating Loss to Net Cash			
Flows Provided by Operating Activities:			
Depreciation	303,585	462,621	766,206
(Increase) Decrease in Accounts Receivable	(77,164)	(10,968)	(88,132)
(Increase) Decrease in Inventory	(636)	1,217	581
Increase (Decrease) in Accounts Payable	51,508	81,765	133,273
Increase (Decrease) in Customer Deposits	9,894	-	9,894
Increase (Decrease) in Payroll Related Liabilities	74,350	75,042	149,392
Net Cash Flows from Operating Activities	<u>\$ 531,987</u>	<u>\$ 693,590</u>	<u>\$ 1,225,577</u>
<b>Noncash Capital and Related Financing Activities</b>			
Contribution of Capital Assets	\$ 181,815	\$ 206,580	\$ 388,395
Purchase of Capital Assets on Account	15,691	15,691	31,382

See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of McKinleyville Community Services District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

**Reporting Entity**

The McKinleyville Community Services District is an independent governmental unit organized under the Community Services District Law, pursuant to Title 6 Division 3 of the California Government Code Section 61000, et seq. The District is governed by an elected five-member Board of Directors which maintains the District's highest level of decision-making authority. There are several other governmental agencies that provide services within the District's boundaries, including the McKinleyville Union School District, Northern Humboldt Union High School District, and the County of Humboldt. These other entities have independently elected boards and the District has no oversight or financial responsibility for these entities. Accordingly, the financial information for these agencies is not included in the basic financial statements of the District.

**Nature of Activities**

The District operates a water and wastewater utility and provides streetlighting, open space maintenance, and recreational services to the unincorporated community of McKinleyville in the County of Humboldt, State of California. The governmental activities are funded by property taxes, assessments, grants, donations and user fees. The District charges fees to utility customers to cover the cost of the services it provides.

**Basis of Presentation**

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and statement of activities) report information about the District as a whole and include all funds of the District. These statements distinguish between governmental activities, which normally are financed by taxes and other non-exchange revenues, and business-type activities, which are financed in whole or in part by fees charged to external parties for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. While the direct costs of providing services to the District's customers are charged directly to the function or segment benefited, joint costs of providing such services, or costs that are not identifiable with any specific function or program, are allocated to functions or programs based on Management's estimate of the benefits received by each function or program. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

function or program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the governmental and proprietary funds of the District. Each major fund is presented in a separate column of the appropriate fund-type (governmental, proprietary) financial statement.

The District reports the following major governmental funds:

The General Fund is used to account for the general operations of the District, including parks and recreation services, and all financial resources except those required to be in another fund.

The Measure B Fund is a special revenue fund used to account for the assessments collected and used in accordance with Measure B.

The Streetlighting Fund is a special revenue fund used to account for the fees collected and used to fund streetlighting services.

The District reports the following major proprietary funds:

The Water Utility Fund is used to account for the water utility operations of the District.

The Wastewater Utility Fund is used to account for the wastewater utility operations of the District.

**Measurement Focus and Basis of Accounting**

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, in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or asset used, regardless of the timing of related cash flows.

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 functions and other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. 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



**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater utility funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Cash, Cash Equivalents, and Investments**

For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, cash deposited in external investment pools are considered to be cash equivalents as deposits and withdrawals may be made at any time without prior notice or penalty.

Under its investment policy, the District is authorized to invest in the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury, bankers' acceptances, repurchase agreements, time deposits, savings and demand accounts, and the Humboldt County Treasurer's Investment Fund.

Investments in the Humboldt County Treasurer's Investment Fund and the State of California LAIF are carried at cost as this approximates fair value. Investments in money market accounts are carried at cost and all other investments are carried at fair value based on quoted market information obtained from fiscal agents or other sources.

**Receivables**

Receivables at year-end consist of revenues earned but not yet received as well as loan obligations for which proceeds have not yet been received. Major receivable balances include accounts receivable from customers, loan proceeds receivable from lender, interest receivable related to cash and investment earnings, and receivables from state grants. Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations as a bad debt expense.

**Interfund Transactions and Balances**

Interfund transactions are reflected as either loans, services provided and used, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. They are referred to as either "due to/from

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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). 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 governmental fund financial statements, are offset by a nonspendable portion of fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

The due to/from other funds account balance, as presented in the governmental funds balance sheet, resulted from interfund loans to eliminate cash deficits at June 30, 2014, for reporting purposes only.

Services provided and used, deemed to be at market or near market rates, are treated as revenues in the provider funds and expenditures or expenses in the user funds.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.

Transfers are when one fund provides assets (such as cash, goods, or services) to another fund without the requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

**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.

**Restricted Cash and Cash Equivalents**

The use of certain cash balances are limited as follows: (1) to comply with financing agreements, (2) to offset new development related capital projects (capacity fees, Quimby fees), or (3) to satisfy deposits held on behalf of District customers.

**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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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, 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 the assets or materially extend assets lives are not capitalized.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

Major outlays for capital assets and improvements, including internal labor, 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:

Buildings and Improvements	10-50	years
Water and Wastewater Systems	10-50	years
Other Infrastructure	10-50	years
Land Improvements	10-30	years
Machinery and Equipment	5-20	years
Vehicles	5-10	years

**Compensated Absences and Other Postemployment Benefit Obligations**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and vested sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental fund financial statements, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements, otherwise, an expenditure is recognized when the obligation is liquidated with current resources. Other post employment benefit obligations are reported as incurred in the government-wide and proprietary fund financial statements using the accrual basis of accounting.

**Unearned Revenues**

Unearned revenues in the governmental fund financial statements arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues in the government-wide and proprietary fund financial statements arise when resources are received prior to the District's right of use (i.e. grant funds received in advance of qualifying expenditures).

**Long-Term Obligations**

In the government-wide financial statements, and the proprietary 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 funds statement of net assets.

**Net Position and Fund Balance**

The difference between fund assets and liabilities is called "net position" in the government-wide and proprietary fund financial statements and it is called "fund balance" in the governmental fund financial statements.

Government-wide and proprietary fund financial statements have the following categories of net position:

Net investment in capital assets represents capital assets, net of accumulated depreciation reduced by the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Restricted net position includes amounts that can be spent only for specific purposes as stipulated by law, external resource providers, contract, or through enabling legislation.

Unrestricted net position is neither restricted nor invested in capital assets, net of related debt.

In accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements have the following categories of fund balance:

Nonspendable fund balance includes amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for specific purposes as stipulated by law, external resource providers, contract, or through enabling legislation.

Committed fund balance includes amounts that can be spent only for specific purposes determined by a formal action of the District's governing body. Commitments may be changed or lifted only by the District's governing body taking the same formal action.

Assigned fund balance includes amounts that are intended to be spent for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the District's governing body or by an official or body to which the governing body delegates authority.

Unassigned fund balance represents the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

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

**Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds and proprietary funds including capital projects. Appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, function, and department. The General Manager of the District may make transfers of appropriations within a department. Transfers between departments and other changes require approval by the District's Board of Directors. The legal level of control is the department and fund level. No supplemental appropriations were made during the fiscal year. Encumbrance accounting is not employed in governmental funds.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

The General Manager submits a proposed operating budget for the fiscal year commencing on July 1 to the District's Board of Directors. Public hearings are conducted to obtain taxpayer and ratepayer comments. A final budget is legally adopted on or before June 30.

The budget is prepared on a detailed line-item basis. Revenues are budgeted by source per the California Government Code Section 61110, as amended by Senate Bill 135. In accordance with GASB Statement No. 34, only the general and special revenue fund budgets are presented as required supplementary information to the basic financial statements.

**New Governmental Accounting Standards Implemented**

The following accounting standards issued by the Government Accounting Standards Board (GASB) were implemented by the District during the fiscal year:

GASB Statement No. 66, *Technical Corrections – 2012: An Amendment of GASB Statements No. 10 and No. 62*, which is intended to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. Adoption of GASB No. 66 had no impact on the basic financial statements of the District.

**Upcoming Governmental Accounting Standards Implementation**

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions* (as amended by *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*) improves accounting and financial reporting for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The requirements of GASB No. 68 would require the District to recognize a liability for its proportionate share of the collective net pension liability related to its CalPERS pension plan. The requirements for GASB No. 68 are effective for fiscal year 2014-15.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2014, consisted of the following:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash on Hand	\$ -	\$ 759	\$ 759
Checking Accounts	-	234,040	234,040
Investment in Money Market Accounts	160,817	183,277	344,094
Investment in Humboldt County Treasurer's Fund	1,899,229	4,161,237	6,060,466
Investment in State of California LAIF	-	128,337	128,337
	<u>          </u>	<u>          </u>	<u>          </u>
Total Cash and Cash Equivalents	<u>\$ 2,060,046</u>	<u>\$ 4,707,650</u>	<u>\$ 6,767,696</u>

At June 30, 2014, cash and cash equivalent balances for governmental and business-type activities were restricted, reserved in accordance with District policy, or unrestricted as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Restricted for:			
Customer Deposits	\$ 7,411	\$ 98,446	\$ 105,857
Capital Outlay	176,827	958,762	1,135,589
Debt Service	-	818,600	818,600
	<u>          </u>	<u>          </u>	<u>          </u>
Total Restricted Cash	<u>\$ 184,238</u>	<u>\$ 1,875,808</u>	<u>\$ 2,060,046</u>
Unrestricted:			
Petty Cash	\$ 220	\$ 539	\$ 759
Measure B	266,668	-	266,668
Reserved for:			
Operations	10,374	269,170	279,544
Capital Asset Repair and Replacement	403,804	2,139,385	2,543,189
Catastrophe	80,761	657,475	738,236
Compensated Absences	40,783	168,390	209,173
Other Postemployment Benefits	206,637	463,444	670,081
	<u>          </u>	<u>          </u>	<u>          </u>
Total Unrestricted Cash	<u>\$ 1,009,247</u>	<u>\$ 3,698,403</u>	<u>\$ 4,707,650</u>

The Humboldt County Treasurer's Investment Fund is administered by the County of Humboldt Treasurer's Office and conforms to the California Government Code. At June 30, 2014, a majority of the County's portfolio consisted of U.S. Treasury and U.S. Agency securities, certificates of deposit as well as the State of California Local Agency Investment Fund (LAIF). All cash invested by the County in demand deposit accounts is collateralized to 110% with approved U.S. Government securities, such as Treasury Bills and other U.S. Treasury issues. The value of the pool shares, which may be withdrawn at anytime, is determined on an amortized cost basis. At June 30, 2014, the District reported its investment in the pool at cost which approximated fair value.



**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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LAIF is part of the Pooled Money Investment Account (PMIA), an investment pool consisting of funds held by the State in addition to those deposited in LAIF. All PMIA funds are managed by the Investment Division of the State Treasurer's Office. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. The LAIF Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members designated by State statute. The value of the pool shares, which may be withdrawn at anytime, is determined on an amortized cost basis. At June 30, 2014, the District reported its investment in the pool at cost which approximated fair value.

At June 30, 2014, the District had the following investments:

	<b>Cost</b>	<b>Fair Value</b>	<b>Maturities</b>
Investment in Money Market Accounts	\$ 344,094	\$ 344,094	N/A
Investment in Humboldt County Treasurer's Fund	6,060,466	6,060,466	Average 1,004 Days
Investment in State of California LAIF	128,337	128,337	Average 232 Days
Total Investments	<u>\$ 6,532,897</u>	<u>\$ 6,532,897</u>	

**Custodial Credit Risk**

For cash deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to the District. The District's policy for deposits is that they will be made only in institutions located 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, 2014, the District's cash in bank had a carrying balance of \$578,134 and a bank balance of \$593,973. The District had no custodial credit risk exposure since its deposits were either insured or collateralized as required by State law.

For an investment, custodial credit risk is the risk that, in the event of the failure of a financial institution or 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 participates in two external investment pools: the Humboldt County Treasurer's Investment Fund and LAIF. The District also invests in money market funds. These investments are not subject to custodial credit risk.

**Interest Rate Risk**

This is the risk of receiving less than optimal interest earnings, or a decline in market value of securities held, due to fluctuations in interest rates. As a means of limiting its exposure to interest rate risk, the District limits its investments to securities having maturities of less than five years at the time of purchase.

**Credit Risk**

This is the risk of loss due to the issuer of the security. In mitigation of this risk, the District requires investment in high grade securities. The Humboldt County Treasurer's Investment Fund and LAIF are unrated.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 3 CAPITAL ASSETS**

The change in the governmental activities capital assets for the year ended June 30, 2014, is as follows:

	Balance 6/30/2013	Additions	Dispositions	Transfers	Balance 6/30/2014
<b>Capital Assets Not Depreciated</b>					
Land	\$ 1,416,723	\$ 137,008	\$ -	\$ -	\$ 1,553,731
Construction in Progress	44,904	145,523	-	-	190,427
<b>Total Capital Assets Not Depreciated</b>	<u>1,461,627</u>	<u>282,531</u>	<u>-</u>	<u>-</u>	<u>1,744,158</u>
<b>Capital Assets Being Depreciated</b>					
Buildings and Parking Lots	2,352,538	-	-	-	2,352,538
Furniture and Equipment	241,671	-	-	-	241,671
Park Improvements	1,208,024	24,294	-	-	1,232,318
Vehicles	60,306	-	(17,248)	-	43,058
Streetlighting	382,648	123,950	-	-	506,598
<b>Total Capital Assets Being Depreciated</b>	<u>4,245,187</u>	<u>148,244</u>	<u>(17,248)</u>	<u>-</u>	<u>4,376,183</u>
Accumulated Depreciation	(2,552,115)	(175,071)	17,248	-	(2,709,938)
<b>Capital Assets Being Depreciated, Net</b>	<u>1,693,072</u>	<u>(26,827)</u>	<u>-</u>	<u>-</u>	<u>1,666,245</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 3,154,699</u>	<u>\$ 255,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,410,403</u>

The change in business-type activities capital assets for the year ended June 30, 2014, is as follows:

	Balance 6/30/2013	Additions	Dispositions	Transfers	Balance 6/30/2014
<b>Capital Assets Not Depreciated</b>					
Land, Easements, and Water Rights	\$ 3,400,386	\$ 10,545	\$ -	\$ -	\$ 3,410,931
Construction in Progress	603,066	473,891	-	(71,141)	1,005,816
<b>Total Capital Assets Not Depreciated</b>	<u>4,003,452</u>	<u>484,436</u>	<u>-</u>	<u>(71,141)</u>	<u>4,416,747</u>
<b>Capital Assets Being Depreciated</b>					
Buildings and Parking Lots	467,095	-	-	-	467,095
Water Infrastructure	11,458,604	180,215	-	71,141	11,709,960
Wastewater Infrastructure	17,620,412	223,429	-	-	17,843,841
Tools and Equipment	1,033,142	41,996	(24,053)	-	1,051,085
Vehicles	764,596	31,382	-	-	795,978
<b>Total Capital Assets Being Depreciated</b>	<u>31,343,849</u>	<u>477,022</u>	<u>(24,053)</u>	<u>71,141</u>	<u>31,867,959</u>
Accumulated Depreciation	(16,791,913)	(766,206)	24,053	-	(17,534,066)
<b>Capital Assets Being Depreciated, Net</b>	<u>14,551,936</u>	<u>(289,184)</u>	<u>-</u>	<u>71,141</u>	<u>14,333,893</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 18,555,388</u>	<u>\$ 195,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,750,640</u>



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

**Governmental Activities**

Parks and Recreation	\$ 158,930
Streetlighting	16,141
Total Depreciation	<u>\$ 175,071</u>

**Business-Type Activities**

Water	\$ 303,585
Wastewater	462,621
Total Depreciation	<u>\$ 766,206</u>

**NOTE 4 LONG-TERM LIABILITIES**

**Governmental Activities – Streetlighting Fund**

**PG&E Loan**

The District, in 2014, entered into a loan agreement with the Pacific Gas and Electric Company to finance improvements to the District's streetlights. The original loan amount was \$98,181 and bears no interest. Principal payments of \$1,423 are due monthly and are expected to begin in December 2014 and continue through August 2020. Future debt service on the loan is as follows:

<b>Year Ending</b>			
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2015	\$ 9,960	\$ -	\$ 9,960
2016	17,075	-	17,075
2017	17,075	-	17,075
2018	17,075	-	17,075
2019	17,075	-	17,075
2020	17,075	-	17,075
2021	2,846	-	2,846
Total	<u>98,181</u>	<u>-</u>	<u>98,181</u>
Due Within One Year	(9,960)	-	(9,960)
Due Beyond One Year	<u>\$ 88,221</u>	<u>\$ -</u>	<u>\$ 88,221</u>

**Business-Type Activities – Water Fund**

**Davis-Grunsky Act Loan**

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% per annum. Under the arrangement, the District was permitted to defer payment of interest on the loan for the first 10

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years with such interest to be repaid over the remaining 50 year term of the loan. Payments are due each January (principal and interest) and July (interest only) through January 2033. The District was required to establish a reserve fund in an amount specified by the State. The District as an entity is obligated for the repayment of this loan and a specific revenue source is not pledged for its 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 as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 94,753	\$ 46,525	\$ 141,278
2016	96,695	44,583	141,278
2017	98,687	42,591	141,278
2018	100,728	40,550	141,278
2019	102,821	38,457	141,278
2020- 2024	547,366	159,024	706,390
2025 - 2029	608,102	98,288	706,390
2030 - 2033	535,534	29,577	565,111
Total	2,184,686	499,595	2,684,281
Due Within One Year	(94,753)	(46,525)	(141,278)
Due Beyond One Year	<u>\$ 2,089,933</u>	<u>\$ 453,070</u>	<u>\$ 2,543,003</u>

**ARRA Loan**

The District, in 2011, entered into a loan agreement with the California Energy Resources Conservation and Development Commission for the purpose of financing water system improvements. The original loan was \$165,100 and bears interest at 1% per annum. Semi-annual principal and interest payments of \$6,225 are due each June and December. Repayment began in December 2012 and will continue through December 2026. The District as an entity is obligated for the repayment of this loan and a specific revenue source is not pledged for its repayment. Future debt service on the loan is as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 11,019	\$ 1,432	\$ 12,451
2016	11,126	1,325	12,451
2017	11,241	1,210	12,451
2018	11,353	1,098	12,451
2019	11,467	984	12,451
2020 - 2024	59,080	3,175	62,255
2025 - 2027	30,665	461	31,126
Total	145,951	9,685	155,636
Due Within One Year	(11,019)	(1,432)	(12,451)
Due Beyond One Year	<u>\$ 134,932</u>	<u>\$ 8,253</u>	<u>\$ 143,185</u>

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**I-Bank Loan**

The District, in 2012, entered into a loan agreement with the California Infrastructure and Economic Development Bank for the purpose of financing water system improvements. The original loan was \$956,034 and bears interest at 3.37% per annum. Semi-annual payments are due each February (interest only) and August (principal and interest) and continue through August 2030. The District as an entity is obligated for the repayment of this loan and a specific revenue source is not pledged for its repayment. Future debt service on the loan is as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 39,249	\$ 31,683	\$ 70,932
2016	40,571	30,221	70,792
2017	41,939	28,709	70,648
2018	43,352	27,146	70,498
2019	44,813	25,530	70,343
2020 - 2024	247,761	101,446	349,207
2025 - 2029	292,420	52,060	344,480
2030 - 2031	131,229	5,052	136,281
Total	881,334	301,847	1,183,181
Due Within One Year	(39,249)	(31,683)	(70,932)
Due Beyond One Year	<u>\$ 842,085</u>	<u>\$ 270,164</u>	<u>\$ 1,112,249</u>

**Business-Type Activities - Wastewater Fund**

**State Revolving Fund Loans**

The District, in 1996, entered into a loan agreement with the State Water Resources Control Board for the purpose of financing wastewater treatment plant improvements. The original loan was \$810,628 and bears no interest. Annual principal payments are due each April and continue through April 2016. The District as an entity is obligated for the repayment of this loan and a specific revenue source is not pledged for its repayment. The District is obligated to levy taxes or assessments for the repayment of this loan should it not have other revenues available for repayment of this obligation. Future debt service on the loan is as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 40,920	\$ -	\$ 40,920
2016	40,920	-	40,920
Total	81,840	-	81,840
Due Within One Year	(40,920)	-	(40,920)
Due Beyond One Year	<u>\$ 40,920</u>	<u>\$ -</u>	<u>\$ 40,920</u>

The District, in 1998, entered into a second loan agreement with the State Water Resources Control Board for the purpose of financing phase 2 of a wastewater capacity expansion project. The original loan was \$430,293 and bears interest at 2.6% per annum. Annual principal and

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interest payments are due each March and continue through March 2018. The District as an entity is obligated for the repayment of this loan 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 the obligation. Future debt service on the loan is as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 25,184	\$ 2,722	\$ 27,906
2016	25,839	2,067	27,906
2017	26,510	1,396	27,906
2018	27,163	719	27,882
Total	104,696	6,904	111,600
Due Within One Year	(25,184)	(2,722)	(27,906)
Due Beyond One Year	<u>\$ 79,512</u>	<u>\$ 4,182</u>	<u>\$ 83,694</u>

**USDA Revenue Bonds**

The District, in 1982, issued \$1,575,000 in 1982 Sewer Revenue Bonds which 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 bonds bear interest at 5.0% per annum with semi-annual principal and interest payments due each August and February and continue through August 2022. The District's repayment obligation is secured by a pledge of the net revenues of its wastewater enterprise. Future debt service on the loan is as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 60,000	\$ 31,750	\$ 91,750
2016	60,000	28,750	88,750
2017	70,000	25,750	95,750
2018	70,000	22,250	92,250
2019	70,000	18,750	88,750
2020 - 2023	305,000	37,000	342,000
Total	635,000	164,250	799,250
Due Within One Year	(60,000)	(31,750)	(91,750)
Due Beyond One Year	<u>\$ 575,000</u>	<u>\$ 132,500</u>	<u>\$ 707,500</u>

Annual principal and interest payments on the bonds are expected to require less than 17% of system net revenues.

**Umpqua Bank Loan**

The District, in fiscal year 1998, obtained a \$675,000 loan from Umpqua Bank for the purpose of financing wastewater system improvements. The loan bears interest at 5.5% per annum with principal and interest payments of \$4,644 due monthly through December 2017. The District as

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an entity is obligated for the repayment of this loan and a specific revenue source is not pledged for its repayment. Future debt service on the loan is as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 47,155	\$ 8,579	\$ 55,734
2016	49,806	5,928	55,734
2017	52,664	3,070	55,734
2018	27,275	576	27,851
Total	176,900	18,153	195,053
Due Within One Year	(47,155)	(8,579)	(55,734)
Due Beyond One Year	\$ 129,745	\$ 9,574	\$ 139,319

Long-term debt activity for the year ended June 30, 2014, was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>6/30/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>6/30/2014</b>	<b>One Year</b>
<b><u>Governmental Activities</u></b>					
<b>Streetlighting Fund</b>					
PG&E Loan	\$ -	\$ 98,181	\$ -	\$ 98,181	\$ 9,960
Due Within One Year				(9,960)	
Due Beyond One Year				\$ 88,221	
<b><u>Business-Type Activities</u></b>					
<b>Water Fund</b>					
Davis-Grunsky Act Loan	\$ 2,277,543	\$ -	\$ (92,857)	\$ 2,184,686	\$ 94,753
ARRA Loan	156,861	-	(10,910)	145,951	11,019
I-Bank Loan	919,303	-	(37,969)	881,334	39,249
Total Water Fund	3,353,707	-	(141,736)	3,211,971	145,021
<b>Wastewater Fund</b>					
State Revolving Fund Loan #1	122,760	-	(40,920)	81,840	40,920
State Revolving Fund Loan #2	129,242	-	(24,546)	104,696	25,184
USDA Revenue Bonds	695,000	-	(60,000)	635,000	60,000
Umpqua Bank Loan	221,588	-	(44,688)	176,900	47,155
Total Wastewater Fund	1,168,590	-	(170,154)	998,436	173,259
Total Business-Type Activities	\$ 4,522,297	\$ -	\$ (311,890)	4,210,407	\$ 318,280
Due Within One Year				(318,280)	
Due Beyond One Year				\$ 3,892,127	

Interest expense included in the direct functional expenses of business-type activities was \$128,309.

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Other long-term liability activity for the year ended June 30, 2014, was as follows:

	<b>Balance 6/30/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2014</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
Compensated Absences	\$ 29,648	\$ 11,135	\$ -	\$ 40,783	\$ 21,960
OPEB	147,783	58,854	-	206,637	-
Total	<u>\$ 177,431</u>	<u>\$ 69,989</u>	<u>\$ -</u>	<u>\$ 247,420</u>	<u>\$ 21,960</u>
<b><u>Business-Type Activities</u></b>					
Compensated Absences					
Water	\$ 68,734	\$ 15,461	\$ -	\$ 84,195	\$ 41,725
Wastewater	68,734	15,461	-	84,195	41,725
Total	<u>\$ 137,468</u>	<u>\$ 30,922</u>	<u>\$ -</u>	<u>\$ 168,390</u>	<u>\$ 83,450</u>
OPEB					
Water	\$ 171,759	\$ 58,889	\$ -	\$ 230,648	\$ -
Wastewater	173,215	59,581	-	232,796	-
Total	<u>\$ 344,974</u>	<u>\$ 118,470</u>	<u>\$ -</u>	<u>\$ 463,444</u>	<u>\$ -</u>

**NOTE 5 FUND BALANCE**

**Restricted Fund Balance**

At June 30, 2014, the fund balance of the general fund has been restricted to reflect unexpended Quimby fees (collected in accordance with the Quimby Act) paid by developers as follows:

	<b>Balance</b>
Park & Recreation Capital Projects - Coastal	\$ 41,067
Park & Recreation Capital Projects - Inland	135,760
Total Restricted Fund Balance	<u>\$ 176,827</u>

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**Committed Fund Balance**

At June 30, 2014, in accordance with the District's reserve policy, the fund balance of the general fund has been committed (see Note 1 for more information about committed fund balance) as follows:

Reserve Description	Target Reserve Balance	Reserve Balance
Operations	180 Days of Operating Expenses	\$ 47,582
Capital Asset Repair and Replacement	10% of Capital Asset Replacement Cost	403,804
Catastrophe	2% of Capital Assets	80,761
Compensated Absences	Equal to Compensated Absences Liability	40,783
Other Postemployment Benefits (OPEB)	Equal to OPEB Liability	206,637
Total Committed Fund Balance		<u>\$ 779,567</u>

**NOTE 6 PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**Plan Description**

The District participates in a cost-sharing, multiple-employer, public employee, defined benefit pension plan that is administered by the California Public Employees Retirement System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provision and all other requirements are established by State statute and District ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814, or on-line at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The District participates in risk pooling, which consists of combining assets and liabilities across employers to produce large groups where the impact of loss is shared among all employers in the same risk pool. The District participates in the Miscellaneous 2% at 55 Risk Pool. Participation in the CalPERS risk pool is mandatory for all rate plans with less than 100 active members.

**Funding Policy**

Employer contribution rates are dependent upon the experience of each risk pool with additional consideration for each employer's side fund amortization as well as an adjustment to phase out the difference between the risk pool's normal cost and the employer's normal cost at the time of joining the pool. Side funds were established for each employer plan in order to reflect the excess assets or unfunded liabilities present at the time participation in the risk pool began. Amortization of the side fund began over a closed period of ten years with any subsequent plan amendments being amortized as a level percentage of pay over a closed twenty-year period. The District's side fund (unfunded liability) as of the most recent actuarial valuation (June 30, 2012) was \$20,167.

Plan participants are required to contribute 7% of their annual covered salary while the District is required to contribute at an actuarially determined rate of annual covered payroll. The

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District's required contribution rate for fiscal year 2013-14 was 9.690% and will increase to 10.432% for fiscal year 2014-15.

**Annual Pension Cost and Funded Status**

For the fiscal year ended June 30, 2014, the District's annual pension cost was \$190,981. The annual pension cost exceeded the District's required contribution due to its election to fund the employees' 7% required contribution. The District's required contribution rate was determined as part of a June 30, 2011, risk pool actuarial valuation. A summary of the principal assumptions and methods used to determine the contractually required contribution is as follows:

<b>Actuarial Cost Method</b>	Entry Age Normal Cost Method
<b>Amortization Method</b>	Level Percent of Payroll
<b>Average Remaining Period</b>	20 Years as of Valuation Date
<b>Asset Valuation Method</b>	15 Year Smoothed Market
<b>Actuarial Assumptions</b>	(1) 7.50% investment rate of return (net of administrative expenses), (2) 3.30% to 14.20% projected annual salary increases depending on category, entry age, and duration of service, (3) overall payroll growth of 3.00%, and (4) 2.75% annual compounded rate of inflation

**SCHEDULE OF CALPERS EMPLOYER CONTRIBUTIONS (THREE-YEAR TREND)**

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
06/30/12	\$ 178,113	100%	\$ -
06/30/13	\$ 186,934	100%	\$ -
06/30/14	\$ 190,981	100%	\$ -

A schedule of funding progress for the three most recent actuarial valuations of the Miscellaneous 2% at 55 Risk Pool is presented as required supplementary information following the notes to the financial statements.

**NOTE 7 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The District sponsors and administers a single-employer defined benefit postemployment health care plan (the Plan) to provide healthcare benefits to eligible retired employees and their dependents. District resolutions and regulations assign responsibility to establish and amend benefit provisions to the District. Although the District has not yet established a separate postemployment benefit (OPEB) trust fund, the District has committed funds in accordance with its reserve policy equal to its OPEB liability at June 30, 2014 (\$670,081).



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**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 projected pay-as-you-go financing, with additional amounts to prefund benefits as determined annually by the District's Board of Directors. For the fiscal year ended June 30, 2014, the District contributed \$98,361 of its annual required contribution of \$275,685. As a result, the net OPEB liability increased by \$177,324 during the fiscal year.

**Annual OPEB Costs and Net OPEB Obligation**

The District's annual 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the 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.

Annual Required Contribution (ARC)	\$ 272,873
Interest on Net OPEB Obligation	24,638
Adjustments to the ARC	<u>(21,826)</u>
Annual OPEB Cost	275,685
Contributions Made	<u>(98,361)</u>
Change in Net OPEB Obligation	177,324
Net OPEB Obligation - Beginning of Year	<u>492,757</u>
Net OPEB Obligation - End of Year	<u><u>\$ 670,081</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation at June 30, 2014, and the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/12	\$ 181,558	41.9%	\$ 336,064
06/30/13	\$ 251,047	37.6%	\$ 492,757
06/30/14	\$ 275,685	35.7%	\$ 670,081

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**Funded Status**

The funded status of the Plan as of the most recent actuarial valuation is as follows:

			(C) Excess	(D) Funded	(E) Annual	(F) Unfunded
Actuarial	(A) Actuarial	(B) Entry Age	Assets/ (Unfunded	Ratio	Covered	Actuarial Accrued
Valuation	Value of	Actuarial	Liability) [(A)	[(A)/(B)]	Payroll	Liability as a
Date	Assets	Liability	- (B)]			Percentage of
						Covered Payroll
						[(C)/(E)]
06/01/13	\$ -	\$ 2,692,157	\$ (2,692,157)	0.0%	\$ 1,249,028	215.5%

A valuation of the District's OPEB obligation must be performed on a triennial basis. Actuarial valuations of an ongoing plan involve an estimate of the value of expected benefit payments and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and healthcare cost 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 multi-year 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) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of 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 June 1, 2013, valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5% investment rate of return, a 3.0% rate of inflation, annual healthcare trend rate of 4%, and a 3% payroll increase. There were no plan assets at the valuation date.

**NOTE 8 PROPERTY TAXES**

The County of Humboldt (the County) is responsible for assessing, collecting, and apportioning property taxes within the County. Assessed values as of the preceding January 1 become a lien on real property as of January 1. Property taxes are due and payable November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Supplemental property taxes are levied based on changes in assessed values between the date of real property sales and construction and the next normal assessment date.

In accordance with State law (Proposition 13), property taxes are based either on a 1% rate applied to the 1975-76 assessed value of the real property or on 1% of the sales price of the

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
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property on sales transactions and construction which occur after the 1975-76 assessment. The County can also increase the assessed valuation (exclusive of increases related to sales transactions and improvements) for cost of living increases up to a maximum of 2% per year. The District receives a share of the county-wide property tax revenue based on State formula which provides \$1/\$100 of assessed value, the maximum allowable under Proposition 13.

During fiscal year 1993-94, an alternate method of property tax allocation (the "Teeter Plan") was adopted by the County of Humboldt. Under this plan, the County distributes 100% of current secured taxes billed to taxing entities during the current year, whether collected or not. The District recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**Capital Project Commitments**

The District has active capital projects, as outlined in its Capital Improvement Plan, in which it has entered or will enter into significant agreements for the design and construction of these projects.

**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 discharge permit by the State which contains compliance provisions that will 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 present and future effluent standards regarding nutrient removal.

**NOTE 10 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters 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). 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. Financial information pertaining to SDRMA can be obtained from its administrative offices at 1112 I Street, Suite 300, Sacramento, California 95814.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

Below is a summary of the District's insurance coverage for the year ended June 30, 2014:

<b><u>Type of Coverage</u></b>	<b><u>Coverage per Occurrence</u></b>
General Liability	\$ 5,000,000
Public Officials and Employees Errors	5,000,000
Personal Liability - Board Members	500,000
Employment Practices Liability	5,000,000
Employee Benefits Liability	5,000,000
Employee Dishonesty Coverage	400,000
Auto Liability	5,000,000
Auto Physical Damage	Actual Value
Uninsured/Underinsured Motorists	1,000,000
Trailer Coverage	Actual Value
Property Coverage	Replacement Cost up to \$1 Billion
Boiler and Machinery Coverage	Replacement Cost up to \$100 Million
Workers' Compensation	Statutory
Employers' Liability Coverage	5,000,000

There have been no significant changes in insurance coverage during the fiscal year 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, 2014.

**NOTE 11 WATER PURCHASE CONTRACT**

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

**NOTE 12 SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through December 10, 2014, which is the date the financial statements were available to be issued, and concluded that no additional adjustments to the financial statements or disclosures are required.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (PARKS AND RECREATION)  
For the Fiscal Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget - Over (Under)</b>
<b>Fund Balance - July 1</b>	\$ 1,108,665	\$ 1,108,665	\$ 1,108,665	\$ -
<b>Resources (Inflows)</b>				
Property Taxes	510,000	510,000	516,221	6,221
Program Fees	334,300	334,300	328,129	(6,171)
Facility and Open Space Fees	143,330	143,330	154,076	10,746
Other Revenues	116,400	116,400	36,033	(80,367)
Unrestricted Investment Earnings	3,150	3,150	6,420	3,270
<b>Amounts Available for Appropriations</b>	<b>2,215,845</b>	<b>2,215,845</b>	<b>2,149,544</b>	<b>(66,301)</b>
<b>Charges to Appropriations (Outflows)</b>				
Salaries and Benefits	777,122	777,122	763,967	(13,155)
Other Expenditures	227,040	227,040	251,720	24,680
Capital Outlay	103,000	103,000	177,463	74,463
<b>Total Charges to Appropriations</b>	<b>1,107,162</b>	<b>1,107,162</b>	<b>1,193,150</b>	<b>85,988</b>
<b>Fund Balance - June 30</b>	<b>\$ 1,108,683</b>	<b>\$ 1,108,683</b>	<b>\$ 956,394</b>	<b>\$ (152,289)</b>

**Note 1** - An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

**Resources (Inflows):**

Actual amounts available for appropriations from the budgetary comparison schedule	\$ 2,149,544
Differences - Budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,108,665)
Total revenues and other financing sources as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	1,040,879

**Charges to Appropriations (Outflows):**

Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	1,193,150
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<b>Net Change in Fund Balance</b>	<b>\$ (152,271)</b>
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See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**MEASURE B FUND**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Over (Under)</b>
<b>Fund Balance - July 1</b>	\$ 273,009	\$ 273,009	\$ 273,009	\$ -
<b>Resources (Inflows)</b>				
Special Assessments	209,000	209,000	206,270	(2,730)
Grants and Contributions	-	-	3,000	3,000
Unrestricted Investment Earnings	125	125	335	210
<b>Amounts Available for Appropriations</b>	<u>482,134</u>	<u>482,134</u>	<u>482,614</u>	<u>480</u>
<b>Charges to Appropriations (Outflows)</b>				
Salaries and Benefits	95,958	95,958	85,221	(10,737)
Other Expenditures	8,500	8,500	3,049	(5,451)
Capital Outlay	<u>103,822</u>	<u>103,822</u>	<u>129,360</u>	<u>25,538</u>
<b>Total Charges to Appropriations</b>	<u>208,280</u>	<u>208,280</u>	<u>217,630</u>	<u>9,350</u>
<b>Fund Balance - June 30</b>	<u>\$ 273,854</u>	<u>\$ 273,854</u>	<u>\$ 264,984</u>	<u>\$ (8,870)</u>

**Note 1** - An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

**Resources (Inflows):**

Actual amounts available for appropriations from the budgetary comparison schedule	\$ 482,614
Differences - Budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(273,009)</u>
Total revenues and other financing sources as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	209,605

**Charges to Appropriations (Outflows):**

Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>217,630</u>
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**Net Change in Fund Balance**

\$ (8,025)

See accompanying notes.

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**STREETLIGHTING FUND**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Over (Under)</b>
<b>Fund Balance - July 1</b>	\$ (71,111)	\$ (71,111)	\$ (71,111)	\$ -
<b>Resources (Inflows)</b>				
Streetlight Charges & Fees	72,000	72,000	89,488	17,488
Proceeds from Long-Term Debt	100,000	100,000	98,181	(1,819)
Other Revenues	16,300	16,300	15,500	(800)
Unrestricted Investment Earnings	100	100	-	(100)
<b>Amounts Available for Appropriations</b>	<b>117,289</b>	<b>117,289</b>	<b>132,058</b>	<b>14,769</b>
<b>Charges to Appropriations (Outflows)</b>				
Salaries and Benefits	39,799	39,799	37,305	(2,494)
Electricity	26,335	26,335	26,103	(232)
Other Expenditures	17,675	17,675	17,196	(479)
Capital Outlay	100,000	100,000	123,950	23,950
<b>Total Charges to Appropriations</b>	<b>183,809</b>	<b>183,809</b>	<b>204,554</b>	<b>20,745</b>
<b>Fund Balance - June 30</b>	<b>\$ (66,520)</b>	<b>\$ (66,520)</b>	<b>\$ (72,496)</b>	<b>\$ (5,976)</b>

**Note 1** - An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

**Resources (Inflows):**

Actual amounts available for appropriations from the budgetary comparison schedule	\$ 132,058
Differences - Budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	71,111
Total revenues and other financing sources as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	203,169

**Charges to Appropriations (Outflows):**

Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances - governmental funds	204,554
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**Net Change in Fund Balance** \$ (1,385)

See accompanying notes.



**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**For the Fiscal Year Ended June 30, 2014**

**1. DEFINED BENEFIT PENSION PLAN**

The District contributes to the California Public Employees Retirement System, a cost-sharing, multiple-employer, public employee, defined benefit pension plan. The District participates in the Miscellaneous 2% at 55 Risk Pool. The following schedule of funding progress presents information for the three most recent risk pool actuarial valuations (in thousands) about whether the actuarial value of the plan assets (of the risk pool) is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (of the risk pool).

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Excess Assets/ (Unfunded Liability)	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
06/30/10	\$ 2,946,408	\$ 3,309,065	\$ (362,657)	89.0%	\$ 748,401	48.5%
06/30/11	\$ 3,203,215	\$ 3,619,836	\$ (416,621)	88.5%	\$ 759,264	54.9%
06/30/12	\$ 3,686,598	\$ 4,175,139	\$ (488,541)	88.3%	\$ 757,046	64.5%

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Information regarding the actuarial methods and assumptions for each of the above actuarial valuations may be obtained from CalPERS Executive Office, 400 P Street, Sacramento, California, 95814 or on-line at [www.calpers.ca.gov](http://www.calpers.ca.gov). The June 30, 2013 actuarial valuation was not available at the time the financial statements were issued.

**2. OTHER POSTEMPLOYMENT BENEFITS**

The District sponsors and administers a single-employer defined benefit postemployment healthcare plan (the Plan) to provide healthcare benefits to eligible retired employees and their dependents. The following schedule presents information about the funded status for the Plan's two actuarial valuations as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Excess Assets/ (Unfunded Liability)	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
05/01/10	\$ -	\$ 1,710,113	\$ (1,710,113)	0.00%	\$1,131,599	151.12%
06/01/13	\$ -	\$ 2,692,157	\$ (2,692,157)	0.00%	\$1,249,028	215.54%

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Information regarding the actuarial methods and assumptions for the above actuarial valuation can be found in Note 7 to the basic financial statements. The next actuarial valuation will be performed during fiscal year 2015-16.

See accompanying notes.

**REPORT ON INTERNAL CONTROL AND COMPLIANCE  
AND OTHER MATTERS**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

To the Board of Directors  
McKinleyville Community Services District  
McKinleyville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of McKinleyville Community Services District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise McKinleyville Community Services District's basic financial statements, and have issued our report thereon dated December 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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


**Compliance and Other Matters**

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

1315 Fourth Street  
Eureka, California 95501

# Hunter, Hunter & Hunt, LLP

CERTIFIED PUBLIC ACCOUNTANTS

—  —  
Members of the AICPA

Phone 707-476-0674  
Fax 707-476-0675  
[www.hhh-cpa.com](http://www.hhh-cpa.com)

## **Purpose of this Report**

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

*Hunter, Hunter & Hunt*

December 10, 2014

# **McKinleyville Community Services District**

## **BOARD OF DIRECTORS**

January 7, 2015

TYPE OF ITEM: **INFORMATIONAL**

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**ITEM: E.2**                      **MCSD Employee of the Year Presentation to David Baldosser**

**PRESENTED BY:**              **Greg Orsini, General Manager**

**TYPE OF ACTION:**            **None**

### **Recommendation:**

Recognize David Baldosser as Employee of the year and participate in the presentation of this award to him.

### **Discussion:**

Each year, McKinleyville Community Services District (MCSD) employees vote for Employee of the Year. This award and recognition was started by Norman Shopay in 2009.

The Employee of the Year is chosen through a secret ballot by their peers. The award is judged on merit.

The Employee of the Year must be a person who has brought about significant positive change; one who eliminates obstacles in achieving District goals and objectives, is resourceful, contributes constructively, innovates, exceeds expectations, inspires others, and proactively identifies and resolves challenges.

Sharon Denison was the first employee of the year for 2009, followed by Tony Rutten in 2010, James Henry in 2011, Lesley Frisbee in 2012 and William (Bill) McBroom in 2013.

The 2014 Employee of the Year honor was awarded to David Baldosser, who truly exemplifies the qualifications required.

David will hold this distinction for the 2015 calendar year, and a new Employee of the Year will be chosen at the end of 2015.

### **Fiscal Analysis:**

Not applicable

### **Exhibits/Attachments**

- None

## **McKinleyville Community Services District**

### **BOARD OF DIRECTORS**

January 7, 2015

TYPE OF ITEM: **INFORMATIONAL**

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**ITEM: E.3                      2014 CWEA Awards**

**PRESENTED BY:              James Henry, Operations Director**

**TYPE OF ACTION:            None**

#### **Recommendation:**

Staff recommends that the Board listen to a presentation, air questions and take public comment.

#### **Discussion:**

Each year California Water Environmental Association (CWEA) presents awards at their annual banquet. Nomination forms are sent in from agencies recognizing their staff or facility for the award. A committee then goes through the nominations and chooses a worthy recipient for each category.

This year staff member Christopher Jones was honored with the Collection System Person of the Year award. McKinleyville Community Services District also received an award for Collection System of the Year due to their proactive maintenance program. This award has been presented to the District three times in the last five years.

#### **Alternatives:**

Take no action

#### **Fiscal Analysis:**

Not applicable

#### **Environmental Requirements:**

Not applicable

#### **Exhibits/Attachments**

- Attachment 1 – CWEA Award Nomination Forms

<b>North Coast Section California Water Environment Association 2014 Awards Nomination Form</b>			
(Make Selection Here)			
x	Collection Systems: Person of the Year		
	Collection Systems: System of the Year	Miles of Pipe	
	Electrical/Instrumentation: Person of the Year		
	Engineering Achievement Award		
	Research Achievement Award		
	Laboratory: Person of the Year		
	Mechanical Technician of the Year		
	Operations: Operator of the Year		
	Treatment Plant - Overall: Plant of the Year	Plant Flow in MGD	
	Pretreatment Pollution Prevention & Stormwater: Person of the Year		
	Safety: Plant of the Year Award	Number of Employees	
	Supervisor of the Year		
	Public Education: Program of the Year	Budget in Dollars	
<b>Nominations are due by October 3, 2014 to the address below.</b>			
<b>Name of Nominee:</b>	Chris Jones		
<b>Title:</b>	Utility Person 2		
<b>Employer:</b>	MCSD	<b>Phone #:</b>	707-838-3251
<b>Address:</b>	PO Box 2037 McKinleyville CA 95519		
Describe below or as an attachment, why this person/ agency qualifies to receive this award. Use specific examples whenever possible and attach any supporting information. The more complete the information the better the chance for nominee. The winning NCS applicant will need to provide additional information later and fill out the online application if they desire to proceed with the state CWEA competition. Contact Mike Veach for more information on the state nomination process.			
<p>Mr. Jones has proven over the past decade to be a very valuable member of our team at McKinleyville Community Services District. As you know, the employees working in the smaller communities serve double duty, and Chris excels in both the water and wastewater fields. His mechanical aptitude lends itself well to maintaining, troubleshooting, and affecting repairs on the pumps, plumbing, and back-up generators that ensure the wastewater gets where it needs to go. Chris is always on site, in the trench, whether its installing a new lateral or replacing a section of damaged main. He is skilled at using various grouting systems to seal leaks in manholes, and has shown the ability to effectively sleeve leaks in mains. Quite recently, Chris has been introduced to our food oil and grease program, performing trap and interceptor inspections at our various restaurants. One of our most experienced hydro cleaners, Chris can be depended upon to keep the mains flowing smoothly. With his ability and attitude, Mr. Chris Jones is OUR Collection</p>			
Person of the Year.			
<b>Nominator:</b>	Erik Jones	<b>Title:</b>	Leadman
<b>Employer:</b>	MCSD	<b>Phone #:</b>	839-3251
<b>Address:</b>	PO Box 2037 McKinleyville CA, 95519		
<b>Signature:</b>			
<b>Send, email or Fax Applications to:</b>	Doug Culbert c/o City of Fortuna P.O. Box 545 Fortuna, CA 95540 Phone: 725-1476 Fax: 725-7651 dculbert@ci.fortuna.ca.us		

**North Coast Section  
California Water Environment Association  
2014 Awards Nomination Form**

(Make Selection Here)

	Collection Systems: Person of the Year	
x	Collection Systems: System of the Year	Miles of Pipe   68
	Electrical/Instrumentation: Person of the Year	
	Engineering Achievement Award	
	Research Achievement Award	
	Laboratory: Person of the Year	
	Mechanical Technician of the Year	
	Operations: Operator of the Year	
	Treatment Plant - Overall: Plant of the Year	Plant Flow in MGD
	Pretreatment Pollution Prevention & Stormwater: Person of the Year	
	Safety: Plant of the Year Award	Number of Employees
	Supervisor of the Year	
	Public Education: Program of the Year	Budget in Dollars

**Nominations are due by October 3, 2014 to the address below.**

<b>Name of Nominee:</b>	McKinleyville Community Services District		
<b>Title:</b>			
<b>Employer:</b>		<b>Phone #:</b>	839-3251
<b>Address:</b>	PO Box 2037 McKinleyville CA 95519		

Describe below or as an attachment, why this person/ agency qualifies to receive this award. Use specific examples whenever possible and attach any supporting information. The more complete the information the better the chance for nominee. The winning NCS applicant will need to provide additional information later and fill out the online application if they desire to proceed with the state CWEA competition. Contact Mike Veach for more information on the state nomination process.

McKinleyville Community Services District has one of the tightest collection systems in Northern California. The District's operations staff spends a great deal of their time ensuring that efficiency is high and costs are low by performing bi-annual manhole inspections, smoke testing, inspecting new mains and installed services, and overseeing an effective food oil and grease program, as well as an industrial discharge permitting program. Infiltration issues are sought out and corrected, typically by gel-grouting or sleeve patching. The District's quarterly newsletter is a useful vehicle for communicating with the public the negative effects of inflow and other collection related issues. Finally, the quarterly hydrocleaning schedule ensures that blockages are prevented from altering the flow that is necessary to ensure that the waste stream arrives at its treatment plant destination.

<b>Nominator:</b>	Erik Jones	<b>Title:</b>	Leadman
<b>Employer:</b>	MCSD	<b>Phone #:</b>	839-3251
<b>Address:</b>	PO Box 2037 McKinleyville CA 95519		
<b>Signature:</b>			
<b>Send, email or Fax Applications to:</b>	Doug Culbert c/o City of Fortuna P.O. Box 545 Fortuna, CA 95540 Phone: 725-1476 Fax: 725-7651 dculbert@ci.fortuna.ca.us		



## McKinleyville Community Services District

### BOARD OF DIRECTORS

January 7, 2015

TYPE OF ITEM: **ACTION**

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**ITEM: E.4**                      **Discuss and Consider Committee Assignments and Appointment of Committee Chairs by the Board President for the 2015 Calendar Year**

**PRESENTED BY:**              **Becky Schuette, Board Secretary**

**TYPE OF ACTION:**            **Appointment by Board President**

**Recommendation:**

Staff recommends that the Board take public comment and the Board President make the committee appointments for the 2015 calendar year effective immediately.

**Discussion:**

Committee assignments were briefly discussed at the December meeting, in anticipation that the 2015 Board President would be prepared to make the assignments at the January 7, 2015 meeting.

Discuss and consider various committee assignments that will be appointed by the Board President and also designate committee chair/co-chair as well as Treasurer (Colleen M.R. Trask, Finance Director).

Board Secretary (Becky Schuette) is appointed by the General Manager per Board Policy Manual.

Government Code § 54952(b) defines an *advisory committee* as a committee which is comprised solely of less than a quorum of the members of the legislative body that created the advisory body. A *standing committee* is a committee which has continuing jurisdiction over a particular subject matter (e.g., budget, finance, legislation) or if the committee's meeting schedule is fixed by charter, ordinance, resolution or other formal action of the legislative body that created it. With this information in mind, the Board may also choose to discuss the necessity for existing active committees. The current committees include:

- Recreation Advisory Committee (RAC)
- McKinleyville Area Fund
- Redwood Region Economic Development Commission (RRDEC)
- McKinleyville Senior Center Advisory Committee
- Audit
- Employee Negotiations
- Water Task Force
- AdHoc No Drugs & Toxins Down the Drain

- McKinleyville Municipal Advisory Committee (MMAC or McMAC)

**Alternatives:**

Staff's analysis includes the following potential alternative:

- Take no action

**Exhibits/Attachments**

- Attachment 1- 2014 Positions, Staff Member Appointments and 2014 Committee Assignments

## **2014 ROSTER for MCSD**

### **2014 Board positions are as follows:**

- |                   |              |
|-------------------|--------------|
| 1. President      | David Couch  |
| 2. Vice-President | John Corbett |

Directors: Helen Edwards, Dennis Mayo and George Wheeler

Staff Members Appointed as Board Officers:

- |              |                                      |
|--------------|--------------------------------------|
| 1. Treasurer | Finance Director, Colleen M.R. Trask |
| 2. Secretary | Becky Schuette                       |

### **2014 Committee Assignments are as follows:**

1. Recreation Advisory Committee (RAC)  
George Wheeler; alternate David Couch
2. McKinleyville Area Fund  
John Kulstad
3. Redwood Region Economic Development Commission (RREDC)  
Dennis Mayo; alternate Helen Edwards
4. McKinleyville Senior Center Advisory Committee  
Helen Edwards
5. Audit  
John Corbett; Helen Edwards
6. Employee Negotiations  
David Couch; Helen Edwards
7. Water Task Force  
George Wheeler; alternate John Corbett
8. AdHoc No Drugs & Toxics Down the Drain  
George Wheeler; alternate David Couch
9. McKinleyville Municipal Advisory Committee (MMAC or McMAC)  
Helen Edwards; alternate John Corbett

## McKinleyville Community Services District

### BOARD OF DIRECTORS

January 7, 2015

TYPE OF ITEM: **ACTION**

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**ITEM: E.5**                      **Discuss and Update Board Officer Rotation Schedule**

**PRESENTED BY:**              **Gregory Orsini, General Manager/Becky Schuette,  
Board Secretary**

**TYPE OF ACTION:**          **Voice Vote**

**Recommendation:**

Discuss and consider updating the existing Board Officer Rotation Schedule consistent with the Board Policy Manual.

Staff recommends that the Board take public comment and update the Officer Rotation Schedule to fill Vice Chair for 2016 and 2017 and Chair for 2017.

**Discussion:**

The Board Policy Manual, Rule 3.1 states *“Annually, at the regular January Board Meeting, the Board shall update the rotation schedule for the coming years. Appointment of officers shall be subject to the affirmative vote of the Board with a strong preference for a rotation schedule. The Finance Director shall perform the duties of Treasurer and the General Manager shall select a staff member to serve as Board Secretary.”*

At the January 8, 2014 Regular Board Meeting, the Directors voted on a Motion by Director Edwards, Seconded by Director Mayo to:

1. Approve the rotation schedule reflecting Vice-Chair elect becomes the Chair the subsequent year;
2. 2014 Chair is Couch and Vice-Chair is Corbett;
3. 2015 Chair is Corbett and Vice-Chair is Wheeler;
4. 2016 Chair is Wheeler and Vice-Chair is to be determined
5. 2017 Chair and Vice-Chair is to be determined

The existing Board Officer Rotation Schedule indicates that effective January of 2016, Director Wheeler will rotate to President.

Pursuant to this policy, it is important that the Board discuss and update the rotation schedule for the coming years.

The current rotation schedule appears like this:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Term Expiration												
Corbett	VC	C										
Edwards												
Mayo												
Couch	C											
Wheeler		VC	C									
C = Chair	VC = Vice-Chair											

### **Alternatives:**

Staff's analysis includes the following potential alternative:

- Take no action

### **Fiscal Analysis:**

Not applicable

### **Environmental Requirements:**

Not applicable

### **Exhibits/Attachments**

- None

# McKinleyville Community Services District

## BOARD OF DIRECTORS

January 7, 2015

TYPE OF ITEM: **ACTION**

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**ITEM: E.6**                      **Review Recent Teen Center Bid Results, Discuss Alternatives and Consider Recommended Path Forward**

**PRESENTED BY:**              **Greg Orsini, General Manager**

**TYPE OF ACTION:**          **Voice Vote**

**Recommendation:**

Staff recommends that the Board carefully review the information presented, take public comment and direct staff to revise the design to reflect a reduced square footage with addition of other cost saving measures also utilizing additive and deductive alternates to give the highest level of flexibility to control final bid costs with a target cost of less than \$1.7 million.

**Discussion:**

The process for planning and design for the construction of an MCSD Teen and Community Center moved to a new phase this November with the acceptance of bids for construction.

Three bids were received and the lowest bid was determined to be responsive.

	Bidder	Bid Amount
1	Adams Commercial General Contracting	\$2,114,600.00
2	Randy Hill Construction	\$2,180,000.00
3	Danco Builders	\$2,228,499.00

Shortly after being appointed to the position of Interim General Manager I met with the lead architect LDA Partners Eric Wohle, Jason Sehon and Colleen Trask. We discussed how much Measure B would bring in over its life. We then worked out the cost of financing and determined how much reserves and Quimby Parkland Dedication we were comfortable utilizing for the project. That number dictated the size and amenities for the facility we would design.

It was determined that \$1.8 million would provide the community with a facility that would be affordable but also opportunity to expand. Financing was secured for \$1.4 million and is sitting in our account, with the other \$400,000 planned to come from reserves and Quimby funding.

We were surprised when low bid came in at \$2.115 million as LDA Partners has an exceptional track record of coming in at or below their estimates. Before we came to the Board with a recommendation for next steps we requested our architect analyze the discrepancy between their estimate and the bid results.

An analysis of the Bid results has yielded the following conclusions:

- There was confusion regarding the kitchen equipment leading the bidders to include equipment items that were not intended.
- Additional discussions with the Bidders indicated a lack of Bond capacity for many local firms. This tends to be seasonal and may change depending on the time of the year and the individual Contractor.
- Site work was higher than anticipated. This can be attributed to the need to modify or include items that were not currently present on site to meet current codes, such as accessible path of travel to all portions of the existing activity center and new teen center, off-site sidewalk, trash enclosure, and upgrades to the existing HCAP parking stalls. Since the site is part of a sloping grade and the floor level must be level to the existing activity center, there was a higher cost to “level” the site with engineered fill and retention walls.

Since many of these items are required by current building codes and public contracting laws, they can be deemed a project necessity and not something that can be easily mitigated with alternate building systems. Therefore, our conclusion is that in order to deduce the overall project costs, square footage of the facility must be reduced.

The next step in the process was to produce alternatives to give the Board latitude and the information necessary to make an informed decision.

**Alternatives 1 through 3 are presented for review:**

1. Should the Board decide to move forward with the low bidder and then choose to Value Engineer some of the costs out, it would be expected that the District would not receive full dollar credit for the various Value Engineered items. This is typical of the building industry. This alternative could be protested by the other participating contractors. District counsel and GM would recommend against this alternative.
2. Retain the existing floor plan but simplify the form of the facility. In this scenario, the floor plan would be left the same; however, the building form and structure would be altered. This scenario would require extensive re-design of all of the building systems. However, in the current configuration, the basic

structure of the existing design is very straightforward with the use of readily available building materials. It is not anticipated that this would produce any substantial savings, while incurring higher re-design costs. We would not recommend this option.

3. Should the Board choose to rebid, we have discussed and identified several items that may be altered or modified that could be expected to significantly reduce the Construction costs. Many of these suggestions could also help reduce long term maintenance costs as well. These items include but are not limited to:
  - Overall reduction in square footage – The architect has evaluated several studies which include incorporating the music room into the main building space. This could reduce the facilities square footage by 600 sf. It is anticipated that this move could save up to \$150,000 without significantly altering the overall function or look of the center.
  - Use of traditional asphalt/concrete paving in lieu of permeable paving systems. Due to the higher up-front costs of these systems, it may prove cost effective to use traditional paving systems. However, as a trade off, some storm water retention system would have to be enlarged to accommodate excess runoff.
  - Modification of some of the interior finishes. These could be modified to reduce the cost of the finishes without compromising the aesthetic integrity or the maintenance aspects of the facility.
  - Reduction of items recessed within the floor slab. These are items such as walk-off mats or other finish materials.

**Alternative 3 could be accomplished utilizing either Scenario A or B:**

- A. Rebid the project as is and provide narratives describing a “Base Bid” and various additive and deductive alternates. This would give the flexibility to “alter the project up or down. This would provide a more cost effective upfront cost, however, the down side of this, is that without a revised plan, it can be difficult to accurately describe the Base Bid. Anticipated additional design costs: +/- \$5,000-\$7,500.
- B. Revise the drawings to reflect a reduced scope Base Bid (reduced square footage and additional suggestions indicated above). This would be the preferred and better way to provide the most bidding flexibility to the District. In this scenario, the drawings are altered to depict a smaller project, while providing for additive and deductive alternates. We think the best way to do this would be to incorporate the music room into the main structure of the building, which would reduce square footage as well as remove some of the site work from the project. This allows the District the maximum flexibility to know the exact costs of the various parts of the project should we want them to be added or deleted from the project in the future. This could allow the District to custom select the project components they want to build based upon the results on Bid Day. Our architect’s experience indicated it is best to limit the



amount of alternates to +/- 6 to avoid bidder confusion. Anticipated additional design costs: +/- \$5,000- \$10,000.

In either scenario, care must be taken to accurately convey how the project would be awarded. Typically in these cases, the project would be awarded based upon the Base Bid results. However, the bid can be structured so that the project would be awarded based upon the outcome of the Base Bid plus any number of predetermined Alternates, should the District deem that beneficial.

### **Alternatives:**

Staff's analysis includes the following potential alternative:

- Direct staff to bring back the original Low Bid to the next meeting for acceptance

### **Fiscal Analysis:**

Alternative 1:

Low Bid, construction only, design not included:	\$2,114,600
Loan Amount:	\$1,400,000
Reserves(Difference between loan amount and Low bid):	\$714,600
Current Designated Reserves, General Fund (per FY2013-14 financials):	\$672,370
Quimby Inland Fund (per FY2013-14 financials):	<u>\$135,760</u>
Total Parks and Recreation Reserves:	\$808,130
Required if low bid contract approved:	\$714,600
Remaining Parks and Recreation Reserves including Quimby:	\$93,530
Option 1:	No replacement - run without reserves
Option 2:	Cut Parks expenditures for programs and/or lay off staff
Option 3:	Cut Parks expenditures for maintenance and/or lay off staff
Option 4:	Find additional funding (County? another Measure B? Other?)

Alternative 2:

Fiscal Analysis Unknown

Alternative 3:

Cut square footage consistent with cost per square footage to bring project cost in at approximately \$1.6 million.

Projected low bid including additive deductive alternatives plus additional design costs :	\$1,610,000
Loan Amount:	\$1,400,000
Reserves(Difference between loan amount and Low bid):	\$210,000
Total Parks and Recreation Reserves:	\$808,130
Remaining Parks and Recreation Reserves:	\$598,130

**Environmental Requirements:**

Met with a Categorical Exemption

**Exhibits/Attachments**

- None

# **McKinleyville Community Services District**

## **BOARD OF DIRECTORS**

January 7, 2015

TYPE OF ITEM: **ACTION**

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**ITEM: E.7**                      **Consider Approval of Law Enforcement Facility Lease Agreement with County of Humboldt**

**PRESENTED BY:**              **Jason Sehon, Parks & Recreation Director**

**TYPE OF ACTION:**          **Voice Vote**

**Recommendation:**

Staff recommends that the Board listen to staff's presentation, air questions, take public comment and approve the Law Enforcement Facility (LEF) Lease for a term of five (5) years and authorize Board President execute the lease.

**Discussion:**

The Humboldt County Sheriff Department has leased the facility since September 1998. The Lease Agreement is due to expire on January 31, 2015. MCSD staff has worked with MCSD legal counsel to make a few revisions to the Lease. A summary of the revisions are outlined below:

3.3     Added:

"except that Lessor may terminate Lessee's hold over tenancy upon 30 days written notice."

4.1     Revised

Rent. Lessee shall pay rent to Lessor in the minimum sum of One Hundred Seventy-Three Dollars and Two Cents (\$173.02) per month throughout the term of this Lease. This amount is due and payable on the Tenth (10<sup>th</sup>) day of each month of occupancy. This monthly rent amount will be re-evaluated by Lessor and may be increased at Lessor's sole discretion annually, but in no event decreased, on February 1 of each year during the term of this Lease based on the percentage increase (if any) in the Consumer Price Index in an amount not to exceed 3% per year for all items (1982-84 =100), U.S. City Average, West Cities B-C, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the index" in this Lease) for the prior calendar year. In calculating this percentage increase, the most current Index available on the date of commencement of the prior term and the most current Index available immediately preceding the date of annual adjustment during the extended term shall be used. In the event the Index is either unavailable, is no longer published, or is calculated on a significantly different

basis following the date of this Lease, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. November shall be the base month for this adjustment. On adjustment of the rent in accordance with this section, LESSEE shall execute a letter stating the adjustment. In no event shall the rent be less than One Hundred Seventy Three Dollars and Two Cents (\$173.02) per month. Regardless of the CPI percentage change, the increase or decrease shall be no more than three percent (3%) annually.

4.2 Added:

"Each crew member shall work a minimum of six (6) hours each day assigned.

Upon MCSD Board approval, Staff will finalize and forward two (2) original copies of the LEF Lease to Humboldt County Real Properties. The Humboldt County Real Properties will request approval from the Humboldt County Board of Supervisors. Upon County approval, any requested modifications will be reviewed by District General Counsel if there are material changes to the agreement the lease will be brought back to the Board to be approved.

**Alternatives:**

Staff's analysis includes the following potential alternative:

- Take no action

**Fiscal Analysis:**

Over the next five (5) years, the District cost is estimated to be \$20,000 for the Law Enforcement Facility. These expenses include labor for janitorial services and janitorial supplies. This amount does not take into account the fair market value of the property and long term maintenance costs.

Over the next five (5) years, the County will pay an estimated \$11,000 in rent to the District. Staff feels that having access to a SWAP crew each Saturday will offset the differential costs associated with the operation and maintenance of the facility more in line with fair market value. Based on three (3) SWAP crew members in attendance each Saturday, the estimated value is \$135,000 over the next five (5) years.

**Environmental Requirements:**

Not applicable

**Exhibits/Attachments**

- Attachment 1 - Law Enforcement Facility Lease Agreement

## **LEASE**

Effective this 1st day of February 2015, the MCKINLEYVILLE COMMUNITY SERVICES DISTRICT (MCSD), herein called "Lessor," hereby leases to COUNTY OF HUMBOLDT, herein called "Lessee," the Premises located at 1608 Pickett Road, as described herein, on the following terms and conditions:

### ARTICLE 1. LEASED PREMISES

Description of Premises. A description of the leased premises (herein "Premises"), located in the County of Humboldt, State of California, is described as Parcel B on Exhibit A, attached hereto, and includes that Parcel, and all improvements thereon.

### ARTICLE 2. PARKING AREA USE

Non-Exclusive Parking Rights. Lessee shall have the non-exclusive right to use, consistent with the defined use of the Premises, the parking area(s), (herein called "Parking Area") described as Parcel A on Exhibit A, attached hereto.

### ARTICLE 3. TERM OF LEASE

- 3.1 Term. This Lease shall be for a term of five (5) years commencing on February 1, 2015 ("Commencement Date"), and ending at midnight on January 31, 2020, ("Termination Date").
- 3.2 Renewal. At the conclusion of the term of this Lease or earlier if requested by either Lessor or Lessee, Lessor and Lessee agree to discuss and negotiate terms and conditions of a lease extension or renewal, without any express or implied obligations on the part of either to reach agreement on any such lease extension or renewal.

- 3.3 Hold Over. Should Lessee hold over and continue in possession of said Premises after expiration of the term of this Lease, Lessee's continued occupancy of said Premises shall be considered a month-to-month tenancy subject to all terms and conditions of this Lease except that Lessor may terminate Lessee's hold over tenancy upon 30 days written notice.

#### ARTICLE 4. RENT

- 4.1 Rent. Lessee shall pay rent to Lessor in the minimum sum of One Hundred Seventy-Three Dollars and Two Cents (\$173.02) per month throughout the term of this Lease. This amount is due and payable on the Tenth (10<sup>th</sup>) day of each month of occupancy. This monthly rent amount will be re-evaluated by Lessor and may be increased at Lessor's sole discretion annually, but in no event decreased, on February 1 of each year during the term of this Lease based on the percentage increase (if any) in the Consumer Price Index in an amount not to exceed 3% per year for all items (1982-84 =100), U.S. City Average, West Cities B-C, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the index" in this Lease) for the prior calendar year. In calculating this percentage increase, the most current Index available on the date of commencement of the prior term and the most current Index available immediately preceding the date of annual adjustment during the extended term shall be used. In the event the Index is either unavailable, is no longer published, or is calculated on a significantly different basis following the date of this Lease, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. November shall be the base month for this adjustment. On adjustment of the rent in accordance with this section, LESSEE shall execute a letter stating the adjustment. In no event shall the rent be less than One Hundred Seventy Three Dollars and Two Cents (\$173.02) per month. Regardless of the CPI percentage change, the increase or decrease shall be no more than three percent (3%) annually.

- 4.2 Lessee shall provide a minimum of two (2) to a maximum of five (5) Sheriff's Work Alternative Program (SWAP) SWAP crew members to Lessor each Saturday as participant levels allow. Each crew member shall work a minimum of six (6) hours for each day assigned. SWAP participants shall be assigned to Lessor and report to the Lessor's Supervisor on the day they are assigned. Lessor's staff shall maintain written records of each SWAP participant's work record and send copies of the records on a weekly basis to the Humboldt County Sheriff's Office, Custody Services Division, SWAP Supervisor, at 825 Fifth Street, Eureka CA 95501.

## ARTICLE 5. USE OF PREMISES

- 5.1 Use. Said Premises shall, during the term of this Lease and any extensions thereof, be used as a law enforcement facility and for uses normally incident to such purposes, and for no other purpose. Said uses shall comply with all applicable zoning requirements and permit procedures.
- 5.2 Covenant of Continuing Use. Lessee shall not leave the Premises unoccupied or vacant, and must continuously occupy the Premises during the entire term of this Lease. Lessee shall actively conduct on the Premises the public services described herein. This provision shall not obligate the Lessee to provide 24-hour law enforcement service, but only to provide more or less day-to-day services continuously during the term of the Lease and any renewal or extension thereof, with specific hours of operation to be determined by the Lessee.
- 5.3 Waste or Nuisance. Lessee shall not commit or permit the commission by others of any waste on said Premises; Lessee shall not maintain, commit, or permit the maintenance or commission of any nuisance as defined in Section 3479 of the California Civil Code on said Premises; and Lessee shall not use or permit the use of said Premises for any unlawful purpose.

- 5.4 Compliance With Law. Lessee shall comply with all statutes, ordinances, regulations, and requirements of all governmental entities, federal, state, county or municipal, relating to Lessee's use and occupancy of said Premises whether such statutes, ordinances, regulations, and requirements be now in force or hereinafter enacted. Lessee's obligations shall include, without limitation, all alterations and modifications of the Premises required to enable Lessee to continue its use thereof for the purposes provided in the Lease. Costs and expenses necessary for such compliance shall be the responsibility of Lessee except for necessary costs or expenses incurred in major alteration or modification of the primary structure of the Premises' building, including the foundation, walls and roof, which shall be the responsibility of Lessor, and Lessor shall be fully responsible for making alterations and modifications to the Premises which may be required as a result of changes in the law.

## ARTICLE 6. UTILITIES

Payment of Utility Charges. Lessee shall pay, and hold Lessor and the property of Lessor free and harmless from all charges for the furnishing of gas, water, electricity, telephone service, other public utilities to said Premises, and for the removal of garbage and rubbish from said Premises during the term of this Lease or any extension thereof.

## ARTICLE 7. ALTERATIONS AND REPAIRS

- 7.1 Condition of Premises at Commencement; Notice to Lessor. Lessee's taking possession of the Premises shall be conclusive evidence as against the Lessee that the Premises was in good order and satisfactory condition when the Lessee took possession. At all times during the term of this Lease or any extension thereof, Lessee agrees to give Lessor prompt notice of any defective condition in or about the Premises.



- 7.2 Maintenance by Lessor. Lessor shall, at its own cost and expense, maintain in good condition and repair the major structural elements of the Premises which are defined to constitute the foundation, walls, and roof; provided, however, that Lessee shall pay the cost and expense of any structural repairs required because of the negligence or other fault of Lessee or its employees, agents or sublessee, if any. Lessor shall be responsible for providing limited janitorial services for the Premise not to exceed two (2) hours per week, with Lessee responsible for stripping and waxing the vinyl floors twice annually, and cleaning of carpets once annually.
- 7.3 Maintenance by Lessee. Except as otherwise expressly provided in Section 7.2 of this Lease, Lessee shall at its own cost and expense keep and maintain all portions of said Premises as well as improvements of said Premises and all facilities appurtenant to said Premises in good order and repair and in as safe and clean a condition as they were when received by Lessee from Lessor, normal wear and tear excepted.
- 7.4 Maintenance of Parking Area. Lessee and Lessor will share equally in the use of the Parking Area. Lessee and Lessor will therefore share equally in the cost of maintenance of the Parking Area. Each shall bear fifty percent (50%) of the costs to maintain the Parking Area in as good condition and repair as it was in at the commencement of the lease, except that Lessee and Lessor will be separately responsible for cost and expense of any repairs required because of the negligence, wear and tear or other fault, other than normal and proper use, of themselves or their employees, agents or sublessee(s), if any.
- 7.5 Alterations and Liens. Lessee shall not make or permit any other person to make any alterations to said Premises or to any improvement thereon or facility appurtenant thereto without the written consent of Lessor first had and obtained. Lessee shall keep the Premises free and clear from any and all liens, claims, and demands for work performed, materials furnished, or operations conducted on said Premises at the instance or request of Lessee. Furthermore,

any and all alterations, additions, improvements and fixtures, except furniture and trade fixtures, made or placed in or on said Premises by Lessee or any other person shall on expiration or sooner termination of this Lease become the property of the Lessor and remain in said Premises; provided, however, that Lessor shall have the option on expiration or sooner termination of this Lease of requiring Lessee, at Lessee's sole cost and expense, to remove any or all such alterations, additions, improvements or fixtures from said Premises.

7.6 Inspection by Lessor. Lessee shall permit Lessor or Lessor's agents, representatives, or employees to enter said Premises at all reasonable times which do not interfere with the Lessee's operation of a law enforcement facility, for the purpose of inspecting said Premises, to determine whether Lessee is complying with the terms of this Lease and for the purpose of doing other lawful acts that may be necessary to protect Lessor's interest in said Premises under this Lease or to perform Lessor's duties under this Lease.

7.7 Surrender of Premises. On expiration or sooner termination of this Lease, or any extensions or renewals of this Lease, Lessee shall promptly surrender and deliver said Premises to Lessor in as good condition as they were at the commencement of this Lease, reasonable wear and tear and repairs herein required to be made by Lessor excepted.

## ARTICLE 8. INDEMNITY AND INSURANCE

8.1 Lessee Responsibility. Lessee agrees to defend, indemnify and hold Lessor and the property of Lessor, including said Premises, free and harmless from any and all claims, liability, loss, damage, or expenses resulting from Lessee's occupation and use of said Premises; specifically including, without limitation, any claim, liability, loss, or damage arising by reason of:

8.1.1 The Death or injury of any person or persons, including Lessee or any

person who is an employee or agent of Lessee, or by reason of damage to or destruction of any property, including property owned by Lessee or any person who is an employee or agent of Lessee, and caused or allegedly caused by either the condition of said Premises for which Lessee is responsible, or some act or omission of Lessee or of some agent, contractor, employee, servant, sublessee, or concessionaire of Lessee on said Premises;

8.1.2 Any work performed on said Premises or materials furnished to said Premises at the instance or request of Lessee or any agent or employee of Lessee; and

8.1.3 Lessee's failure to perform any of its obligations under this Lease.

8.2 Lessor Responsibility. Lessor agrees to defend, indemnify and hold Lessee and the property of Lessee, free and harmless from any and all claims, liability, loss, damage or expenses resulting from any condition of the Premises for which Lessor is responsible or due to any act or omission of Lessor, its agents, contractors, employees.

8.3 Liability Insurance. Lessor and Lessee shall each cause the other party to be added to the existing policies of liability insurance maintained by each party in the ordinary course of its governmental functions. Each party shall be added to the other's insurance coverage as additional insureds, and certificates evidencing the fact of such coverage shall be provided by each party to the other party prior to the Lease Commencement Date.

8.4 Lessee's Fire Insurance. In order that the business of Lessee may continue with as little interruption as possible, Lessee shall, during the full term of this Lease and any renewals or extensions thereof, maintain at Lessee's own cost and expense an insurance policy issued by a reputable company authorized to conduct insurance business in California insuring a minimum of 80% of

replacement cost of all fixtures and equipment that are, at any time during the term of this Lease or any renewal or extension thereof, in or on said Premises against damage or destruction by fire, theft, or the elements.

8.5 Premises' Fire Insurance. Lessor shall carry fire and extended coverage insurance, insuring the building and improvements upon the Premises. The insurance coverage will be in the amount of the full replacement value of the Premises. On said insurance coverage, Lessor and Lessee are to be jointly designated as loss payees, as their interests may appear, and the proceeds shall be utilized in accordance with the provisions of Article 10 of this Lease, as applicable.

8.6 Certificate of Insurance. Upon commencement of the Lease, Lessee agrees to deliver to Lessor a certificate of insurance, evidencing all insurance required to be maintained by Lessee under this Lease.

8.7 Waiver of Subrogation. The parties agree to release each other, and their respective authorized representatives, from any claims for damage to any person, the Premises or any improvements on the Premises, or Lessee's trade fixtures, equipment, merchandise, or personal property located on the Premises, caused by or resulting from risks insured against under any insurance policies carried by the parties pursuant to this Lease that are in force at the time of any such damage to the extent of the available insurance proceeds. Each party shall cause each insurance policy carried pursuant to this Lease by that party to be written to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by the policy.

## ARTICLE 9. SIGNS AND TRADE FIXTURES

9.1 Installation and Removal of Trade Fixtures. Lessee shall have the right at any time and from time to time during the term of this Lease and any renewal or

extension of such term, at Lessee's sole cost and expense, to install and affix in, to, or on said Premises such items, herein called "trade fixtures" for use by Lessee as Lessee may, in its sole discretion, deem advisable. Any and all such trade fixtures that can not be removed without structural damage to said Premises or any building or improvements on said Premises shall, subject to Section 7.5 of this Lease, remain the property of Lessor and may not be removed by Lessee at any time or times prior to the expiration or sooner termination of this Lease.

- 9.2 Un-removed Trade Fixtures. Any trade fixtures described in this Article that are not removed from said Premises by Lessee within thirty (30) days after the expiration or sooner termination, regardless of cause, of this Lease shall be deemed abandoned by Lessee and shall automatically become the property of Lessor as owner of the real property to which they are affixed.
- 9.3 Signs. Lessee may not install, or permit any other person to install, any sign, awning, canopy, marquee, or other advertising on any exterior wall, door, or window of the Premises without Lessor's prior written consent. On the expiration or sooner termination of this Lease, or any extension thereof, Lessor may remove and destroy any items which were permitted to be installed according to the terms of this section unless removed as set forth in section 9.1.

## ARTICLE 10. DESTRUCTION AND CONDEMNATION

- 10.1 Partial Destruction. If, during the term of this Lease or any renewals or extensions thereof, the Premises are totally or partially destroyed from any cause, rendering the Premises totally or partially inaccessible or unusable, Lessor shall, as conditioned herein, restore the Premises to substantially the same condition as they were in immediately before destruction if the restoration can be made under the existing laws and can be completed within one (1) year after the date of the destruction, except that Lessor shall have no obligation to

restore any improvements upon the Premises unless such restoration can be accomplished with the use of insurance proceeds or other funding, not involving use of Lessor's funds or other assets. Such destruction shall not terminate this Lease; however, Lessee shall not be responsible for Lease payments during the time the Premises is inaccessible or unusable if such impairment was not caused by the Lessee. If the restoration cannot be made in the time stated in this section, then within fifteen (15) days after the parties determine that the restoration cannot be made in the time stated in this paragraph, either party can terminate this Lease immediately by giving written notice to the other party. If either party fails to terminate this Lease and if restoration is permitted under the existing laws, including any laws limiting use of Lessor's funds to restore the Premises, Lessor shall restore the Premises within a reasonable time and this Lease shall continue in full force and effect as provided herein. If the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

10.2 Insurance Proceeds. Any insurance proceeds received by Lessor because of the total or partial destruction of said Premises or the building on said Premises shall be utilized by Lessor or Lessee, as the case may be, to restore the Premises.

10.3 Lessor's Restoration. Should Lessor be required under Section 10.1 of this Lease to repair and restore said Premises to their former condition following partial or full destruction of said Premises:

10.3.1 Lessee shall not be entitled to any damages for any loss or inconvenience sustained by Lessee by reason of the making of such repairs and restoration; and

10.3.2 Lessor shall have full right to enter said Premises and take possession of so much of said Premises, including the whole of said Premises, as may be reasonably necessary to enable Lessor promptly and efficiently to

carry out the work of repair and restoration.

- 10.4 Condemnation. Should, during the term of this Lease or any renewal or extension thereof, title and possession of all of said Premises be taken under the power of eminent domain by any public or quasi-public agency or entity, this Lease shall terminate as of the date actual physical possession of said Premises is taken by the agency or entity exercising the power of eminent domain and both Lessor and Lessee shall thereafter be released from all obligations. If a lesser portion of the Premises is taken, the Lease will terminate as to the part taken, except that if the remaining portion is not reasonably suitable for Lessee's continuing use, then Lessee shall have the option to terminate the Lease in its entirety.
- 10.5 Condemnation Award. Should, during the term of this Lease or any renewal or extension thereof, title and possession of all or any portion of said Premises be taken under the power or eminent domain by any public or quasi-public agency or entity, the compensation or damages for the taking shall belong to and be the sole property of the Lessor, except that Lessee shall be entitled to that portion of the compensation which represents the value of Lessee's improvements or alterations made to the Premises by Lessee in accordance with this Lease, which improvements or alterations Lessee has the right to remove from the Premises, but elects not to remove.

#### ARTICLE 11. DEFAULT, ASSIGNMENT AND TERMINATION

- 11.1 Subleasing or Assigning as Breach. Lessee shall not encumber, assign, or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in said Premises or any of the improvements that may now or hereafter be constructed or installed on said Premises without the express written consent of Lessor. Neither shall Lessee sublet said Premises or any part thereof without the prior written consent of Lessor. A consent by Lessor to one assignment, one subletting, or occupation of said Premises by another person

shall not constitute consent to any such action involving others. Any encumbrance, assignment, subletting, or transfer without the prior written consent of Lessor, whether it be voluntary or involuntary, by operation of law or otherwise, is void and shall, at the option of Lessor, terminate this Lease. The consent of Lessor to any assignment of Lessee's interest in this Lease or the subletting by Lessee of said Premises or parts of said Premises shall not be unreasonably withheld.

11.2 Default by Lessee. Lessee's failure to pay rent when due, if the failure continues for five (5) days after written notice of the failure from Lessor to Lessee, shall constitute a default. Should Lessee default in the performance of any of the covenants, conditions, or agreements contained in this Lease other than the obligation to pay rent, then Lessee shall have breached the Lease and shall be in default unless such default is cured within ten (10) days of written notice from Lessor to Lessee. In the event of any default, not cured by Lessee within the time limits herein set forth, Lessor may, reenter and regain possession of said Premises in the manner provided by the laws of unlawful detainer of the State of California then in effect. In addition, Lessor may, in the event of default by Lessee, elect to exercise any of the remedies described in California Civil Code sections 1951.2 and 1951.4.

11.3 Cumulative Remedies. The remedies given to Lessor in this Article shall not be exclusive but shall be cumulative and in addition to all remedies now or hereafter allowed by law or elsewhere provided in this Lease.

11.4 Waiver of Breach. The waiver by Lessor of any breach by Lessee of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach by Lessee either of the same or another provision of this Lease.

## ARTICLE 12. MISCELLANEOUS

12.1 Force majeure – Unavoidable Delays. Should the performance of any act



required by this Lease to be performed by either Lessor or Lessee be prevented or delayed by reason of an act of God, strike, lockout, labor troubles, inability to secure materials, restrictive governmental laws or regulations, or any other cause except financial inability not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of delay and performance of the act during the period of delay will be excused; however, should Lessee not have the financial ability to fund the maintenance and/or operation of a law enforcement facility on the Premises, the Lease can be canceled in its entirety with not less than Ninety (90) days written notice from the Lessee.

- 12.2 Termination Without Cause. Either party may, without cause, terminate the Lease effective the first day of July of any year upon four (4) months written notice to the other party.
- 12.3 Attorney's Fees. Should any litigation be commenced between the parties to this Lease concerning said Premises, this Lease or the rights and duties of either in relation thereto, the party, Lessor or Lessee, prevailing in such litigation shall be entitled, in addition to such other relief as may be granted in the litigation, to a reasonable sum for attorney's fees in such litigation which shall be determined by the court in such litigation or in a separate action brought for that purpose.
- 12.4 Notice. Except as otherwise expressly provided by law, any and all notices or other communications required by this Lease or by law to be served on or given to either party hereto by the other party hereto shall be in writing and shall be deemed duly served and given when personally delivered to the party to whom they are directed, or in lieu of such personal service, when deposited in the United States mail, first class postage prepaid, addressed as follows:

**To Lessee:**

County of Humboldt

Real Property Division  
1106 Second Street  
Eureka, CA 95501

**To Lessor:**

McKinleyville Community Services District  
P.O. Box 2037  
McKinleyville, CA 95519

Either party, Lessee, or Lessor, may change its address for the purpose of this section by giving written notice of such change to the other party in the manner provided in this section.

- 12.5 Binding On Successors. This Lease shall be binding on and shall inure to the benefit of the successors and assigns of the parties hereto, Lessor and Lessee, but nothing in this section contained shall be construed as a consent by Lessor to any assignment of this Lease or any interest therein by Lessee except as provided in Article 11 of this Lease.
- 12.6 Partial Invalidity. Should any provision of this Lease be held by a court of competent jurisdiction to be either invalid, void, or unenforceable, the remaining provisions of this Lease shall remain in full force and effect unimpaired by the holding.
- 12.7 Sole and Only Agreement. This instrument constitutes the sole and only agreement between Lessor and Lessee respecting said Premises, the leasing of said Premises to Lessee, or the lease term herein specified, and correctly sets forth the obligations of Lessor and Lessee to each other as of its date. Any agreements or representations respecting said Premises or their leasing by Lessor to Lessee not expressly set forth in this instrument are null and void.
- 12.8 Nuclear Free Contractor. Lessor certifies by its signature below that Lessor is not a Nuclear Weapons contractor, in that Lessor is not knowingly or

intentionally engaged in the research, development, production, or testing of nuclear warheads, nuclear weapons systems, or nuclear weapons components as defined by the Nuclear Free Humboldt County Ordinance. Lessor agrees to notify Lessee immediately if it becomes a nuclear weapons contractor, as defined above. Lessee may immediately terminate this (Lease if it determines that the foregoing certification is false or if Lessor becomes a nuclear weapons contractor.

12.9 Smoking. Pursuant to Humboldt County Ordinance #1993, Lessee owned, leased or occupied premises are smoke free. Lessor shall comply with the ordinance.

12.10 Library License Agreement. This Lease does not affect or supersede the license agreement for the library previously entered into between the County of Humboldt and the McKinleyville Community Services District.

12.11 Time of Essence. Time is expressly declared to be of the essence of this Lease.

12.12 Modification. This Lease may not be altered, changed, or amended except by an instrument in writing signed by Lessee and Lessor.

Executed on \_\_\_\_\_, 2014, at \_\_\_\_\_, Humboldt County, California.

**LESSOR:** MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

\_\_\_\_\_  
John Corbett, President MCSD Board of Directors

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

\_\_\_\_\_  
General Manager

**LESSEE:** COUNTY OF HUMBOLDT

\_\_\_\_\_  
Chairperson, Board of Supervisors  
County of Humboldt, State of California

COUNTY OF HUMBOLDT

\_\_\_\_\_  
Deputy County Counsel  
County of Humboldt, State of California

INSURANCE CERTIFICATES  
REVIEWED AND APPROVED:

BY: \_\_\_\_\_  
Risk Manager

LEGAL DESCRIPTION

ALL THAT REAL PROPERTY SITUATED IN THE COUNTY OF HUMBOLDT, STATE OF CALIFORNIA DESCRIBED AS FOLLOWS:

BEING A PORTION OF THE LANDS DEEDED TO THE COUNTY OF HUMBOLDT AS SHOWN ON THE RECORD OF SURVEY DATED AUGUST, 1992 AS RECORDED MARCH 30, 1993 IN BOOK 54 OF SURVEYS AT PAGE 2, HUMBOLDT COUNTY RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PARCEL 'A':

COMMENCING AT THE NORTHEAST CORNER OF SAID LANDS; THENCE SOUTHERLY ALONG THE EAST LINE OF SAID LANDS SOUTH 0°09'30" WEST 152.00 FEET TO THE POINT OF BEGINNING; THENCE CONTINUING ALONG SAID EAST LINE SOUTH 0°09'30" WEST 88.00 FEET; THENCE LEAVING SAID EAST LINE NORTH 89°50'30" WEST 68.00 FEET; THENCE NORTHERLY ALONG A LINE LYING WESTERLY OF, PARALLEL WITH AND 68.00 FEET DISTANT MEASURED AT RIGHT ANGLES FROM SAID EASTERLY LINE NORTH 00°09'30" EAST 88.00 FEET; THENCE SOUTH 89°50'30" EAST 68.00 FEET TO THE POINT OF BEGINNING.

CONTAINING 5,984 SQUARE FEET OF LAND, MORE OR LESS

PARCEL 'B'

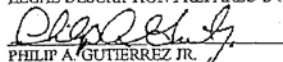
COMMENCING AT THE AFOREMENTIONED POINT OF BEGINNING OF SAID PARCEL 'A'; THENCE WESTERLY ALONG THE NORTH LINE OF SAID PARCEL 'A' NORTH 89°50'30" WEST 68.00 FEET TO THE POINT OF BEGINNING, SAID POINT BEING THE NORTHWEST CORNER OF SAID PARCEL 'A'; THENCE SOUTHERLY ALONG THE WEST LINE OF THE SAID PARCEL 'A' SOUTH 00°09'30" WEST 88.00 FEET TO THE SOUTHWEST CORNER OF SAID PARCEL 'A'; THENCE LEAVING SAID WEST LINE NORTH 89°50'30" WEST 150.82 FEET TO A POINT LYING ON THE WEST LINE OF SAID LANDS DEEDED TO THE COUNTY OF HUMBOLDT; THENCE NORTHERLY ALONG SAID WEST LINE THE FOLLOWING THREE (3) COURSES:

- 1) NORTH 11.65 FEET;
- 2) THENCE NORTH 89°50'30" WEST 0.96 FEET;
- 3) THENCE NORTH 00°33'20" WEST 76.35 FEET;

THENCE LEAVING SAID WEST LINE SOUTH 89°50'30" EAST 152.77 FEET TO THE POINT OF BEGINNING

CONTAINING 13,386 SQUARE FEET OF LAND, MORE OR LESS.

LEGAL DESCRIPTION PREPARED BY:

  
PHILIP A. GUTIERREZ JR.  
L.S. 7245



