

MUNICIPAL IMPROVEMENT DISTRICT NO.1

BASIC FINANCIAL STATEMENTS

JUNE 30, 2024

This page intentionally left blank.

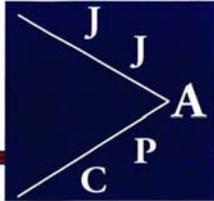
Municipal Improvement District No.1
Basic Financial Statements
For the year ended June 30, 2024

Table of Contents

Page

Independent Auditors' Report.....	1
Basic Financial Statements:	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position.....	7
Statement of Cash Flows	8
Notes to Basic Financial Statements.....	9
Required Supplementary Information:	
Schedule of Contributions – Miscellaneous Plan	24
Schedule of the Utility's Share of the Net Pension Liability – Miscellaneous Plan.....	25
Supplementary Information:	
Schedule of Debt Service Coverage	28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29

This page intentionally left blank.



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
of the City of Fort Bragg
Fort Bragg, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Municipal Improvement District No. 1 (Utility), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Utility's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Utility's Schedules of Contributions, Miscellaneous Plan on page 24, and the Schedule of the Utility's Proportionate Share of the Net Pension Liability on page 25, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The Schedule of Debt Service Coverage is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Debt Service Coverage is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule of Debt Service Coverage is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

April 25, 2025

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

Municipal Improvement District No. 1

Statement of Net Position

June 30, 2024

	<u>2024</u>
ASSETS	
Current assets:	
Cash equivalents and investments - pooled	\$ 2,892,740
Accounts receivable	439,612
Inventory and prepaids	12,314
Total current assets	<u>3,344,666</u>
Non-current assets:	
Property, plant and equipment:	
Non-depreciable	972,868
Depreciable (net of accumulated depreciation)	23,671,162
Net property, plant and equipment	<u>24,644,030</u>
Total assets	<u>27,988,696</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	414,562
Total assets and deferred outflows of resources	<u>\$ 28,403,258</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 78,073
Accrued payroll and benefits	3,148
Unearned revenue	6,466
Compensated absences - current portion	4,659
Current portion of long-term liabilities	95,000
Total current liabilities	<u>187,346</u>
Non-current liabilities:	
Compensated absences	42,030
Due after one year	4,461,000
Net pension liability	457,836
Total non-current liabilities	<u>4,960,866</u>
Total liabilities	<u>5,148,212</u>
DEFERRED INFLOWS OF RESOURCES	
Pension plan	413,841
Total deferred outflows of resources	<u>413,841</u>
Net position:	
Net investment in capital assets	20,088,030
Unrestricted (deficit)	2,753,175
Total net position	<u>22,841,205</u>
Total liabilities, deferred inflows and net position	<u>\$ 28,403,258</u>

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

Municipal Improvement District No. 1
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2024

	<u>2024</u>
OPERATING REVENUES:	
Charges for services:	
Sewer service charges	\$ 3,435,858
Other operating revenue	190,782
Total operating revenues	<u>3,626,640</u>
OPERATING EXPENSES:	
General and administrative	1,421,271
Sewer maintenance and operations	94,231
Sewer treatment	1,215,185
Depreciation and amortization expense	816,971
Total operating expenses	<u>3,547,658</u>
OPERATING INCOME	<u>78,982</u>
NON-OPERATING REVENUES (EXPENSES):	
Use of money and property	164,443
Interest and debt service expenses	(91,545)
Total non-operating revenues (expenses)	<u>72,898</u>
Transfers from(to) City of Fort Bragg	<u>(187,951)</u>
Net income	(36,071)
NET POSITION:	
Net position - beginning	<u>22,877,276</u>
Net Position - ending	<u>\$ 22,841,205</u>

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

Municipal Improvement District No. 1

Statement of Cash Flows

For the year ended June 30, 2024

	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 3,570,412
Payments to vendors for services and supplies	(2,213,453)
Payments to City of Fort Bragg employees for salaries and benefits	(1,335,799)
Net cash provided(used) by operating activities	<u>21,160</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Receipts from (to) the City of Fort Bragg	(187,951)
Net cash provided by non-capital financing activities	<u>(187,951)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(468,422)
Principal payments on long-term debt	(93,000)
Interest and fees paid on long-term financing	(91,545)
Net cash used by capital and related financing activities	<u>(652,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income received	164,443
Net increase(decrease) in cash	<u>(655,315)</u>
CASH AND INVESTMENTS:	
Beginning of year	3,548,055
End of year	<u>\$ 2,892,740</u>
PRESENTATION IN STATEMENT OF NET POSITION:	
Cash equivalents and investments-pooled	\$ 2,892,740
Total	<u>\$ 2,892,740</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 78,982
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation and amortization	816,971
Pension	(737,405)
Changes in current assets and liabilities:	
Accounts receivable	(56,228)
Inventory	(4,207)
Accounts payable	(41,733)
Accrued liabilities	(20,264)
Compensated absences	(14,956)
Net cash provided(used) by operating activities	<u>\$ 21,160</u>

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

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Municipal Improvement District No.1 (Utility) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental enterprises classified as proprietary fund types. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Utility's accounting policies are described below.

A. Description of the Reporting Entity

Municipal Improvement District No.1 is a fund of the City of Fort Bragg. The Utility provides sewage collection services for the City. The Utility is an integral part of the City and is included in the City's June 30, 2024 basic financial statements. City personnel provide all engineering, management, and operational services to the wastewater collection system, including management and operational services for sewage collection pump station maintenance. The funding of the Utility's sewage facilities was funded by the Utility's users.

B. Fund Accounting Classification and Basis of Accounting

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position.

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, and cash flow from operations.

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting, continued

The Utility's operations are funded almost entirely by user fees imposed as a rate based on type of usage (e.g. commercial, residential, etc.). The bulk of that rate is an amount charged primarily to residential users. Since July 2009, the residential rates have been based on average water used in the winter quarter.

C. Cash Equivalents and Investments

For the purposes of the Statement of Net Position and Statement of Cash Flows, "cash equivalents and investments" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

The Utility, through the City of Fort Bragg, pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

The Utility indirectly, through the City of Fort Bragg, participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

D. Fixed Assets

Purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. Depreciation is provided on a straight-line basis over estimated useful lives ranging from 5 to 40 years.

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Compensated Absences

The liability for vested vacation pay is recorded as an expense when the vacation is taken. Unused balances of vacation and sick time are accrued by employees when earned and may be subject to maximum accrual limits. Sick time accrued is paid based on the number of years of service to the employee when employment is terminated. There is no maximum accrual amount for sick time. Vacation time has a maximum accrual of 2 times the employee's annual accrual, dependent on the accrual rate of that employee, which is based on years of service. Upon termination of employment, sick time is paid out at a maximum of 50% and vacation is paid out at 100% of the accrued time available, depending on years of service. Compensatory time accrued is paid in full at the end of employment.

F. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Utility has only one item that qualifies for reporting in this category. It is the deferred charge on the Utility's pension plan reported in the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utility has one item reported as a deferred inflow of resources. The deferred inflow on the Utility's pension plan and is reported in the statement of net position.

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS

A. Cash Deposits

The Utility pools cash from all sources. The Utility invests excess cash in the City of Fort Bragg, an unrated investment pool, which at June 30, 2024, approximated fair value of \$2,892,740.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The City Treasurer maintains the cash and investment pool, on behalf of the Utility, as their custodian, which includes cash balances and authorized investments for all Utility funds, which is invested to enhance interest earnings. The pooled interest earned is allocated monthly to the Utility based on average daily cash and investment balance.

B. Authorized Investments

Under provisions of the Utility/City's Investment Policy and in accordance with California Government Code Section 53601 & 53635 (a-n), the Utility/City may invest or deposit in the following types of investments:

- Local Utility Bonds
- US Treasury Obligations
- US Agencies
- Time Deposits
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Funds (LAIF) of California State Treasurer's Office (State Pool)
- State of California Obligations
- CA Local Utility Obligations
- Repurchase Agreements (Repos)
- Reverse Repurchase Agreements
- Medium-Term Notes (Corporate Debt Investment Grade)
- Mutual Funds
- Money Market Funds
- Collateralized Bank Deposits

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

Criteria for selecting investments and the order of priority are:

- *Safety* - The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The Utility/City only invests in those investments that they consider very safe.
- *Liquidity* - This refers to the ability to "cash in" at any moment in time with a minimal possibility of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occurs occasionally.
- *Yield* - This refers to the rate of return and is the least important of the criteria. Safe, liquid investments do not enjoy the yields of investments not having those characteristics.

C. Safekeeping

Securities purchased from broker-dealers are held in third party safekeeping by the trust department of the broker-dealer or other designated third party trust in the Utility/City's name and control, whenever possible.

D. Investments in External Investment Pools

The Utility's investments with the City at June 30, 2024, included a portion of the pool funds invested in structured notes and asset backed securities and similar transactions through the Local Agency Investment Fund (LAIF). These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depends on one or more indices and/or that have embedded forwards or options.

Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2024, LAIF had invested 3.00% of its pooled assets in structured notes and asset-backed securities and similar transactions.

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS

The following is a summary of changes in property, plant and equipment during the fiscal year:

	Balance June 30, 2022	Additions	Deletions/ Adjustments	Balance June 30, 2024
Land	\$ 69,000	\$ -	\$ -	\$ 69,000
Construction in progress	571,558	332,310	-	903,868
Total nondepreciable assets	640,558	332,310	-	972,868
Buildings	4,033,024	-	-	4,033,024
Machinery, equipment and vehicles	1,268,824	-	(165,091)	1,103,734
Infrastructure	29,843,150	102,978	-	29,946,128
Total depreciable property, at cost	35,144,998	102,978	(165,091)	35,082,886
Less accumulated depreciation				
Buildings	(2,539,867)	(55,387)	(1)	(2,595,255)
Machinery, equipment and vehicles	(864,205)	(34,248)	198,224	(700,229)
Infrastructure	(7,388,904)	(727,336)	-	(8,116,240)
Total accumulated depreciation	(10,792,976)	(816,971)	198,223	(11,411,724)
Total depreciable property, net	24,352,022	(713,993)	33,132	23,671,162
Total capital assets, net	\$ 24,992,580	\$ (381,683)	\$ 33,132	\$ 24,644,030

These assets are being depreciated on a straight-line basis over their estimated useful lives ranging from 5 to 40 years.

4. NON-CURRENT LIABILITIES

The Utility generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Utility's debt issues and transactions related to Utility activities are summarized below and discussed in detail subsequently:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Due Within One Year
Bonds payable:					
2018 WW Plant Certificates of Participation	\$ 4,649,000	\$ -	\$ (93,000)	\$ 4,556,000	\$ 95,000
Compensated absences	61,645	-	(14,956)	46,689	4,659
Total	\$ 4,710,645	\$ -	\$ (107,956)	\$ 4,602,689	\$ 99,659

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

4. NON-CURRENT LIABILITIES, Continued

2018 Wastewater Revenue Refunding Bonds

In 2018, the City issued \$5,000,000 in Certificates of Participation as partial funding to acquire and construct the District’s Wastewater Treatment Facility. The Certificates of Participation are secured by an Installment Sale agreement between the City and City of Fort Bragg Joint Powers Financing Authority (JPFA) with the JPFA acting as seller and the City as purchaser. The obligation is secured and payable from net revenues of the Wastewater Enterprise. The outstanding principal balance as of June 30, 2024 was \$4,556,000.

Debt service requirements to maturity for bonds payable by the Fort Bragg Municipal Improvement District No. 1 are presented on the following schedule.

Year Ending June 30,	Principal	Interest
2025	\$ 95,000	\$ 90,130
2026	97,000	88,210
2027	99,000	86,250
2028	101,000	84,250
2029	103,000	82,210
2030-2034	545,000	379,050
2035-2039	601,000	321,850
2040-2044	664,000	258,600
2045-2049	732,000	188,840
2050-2054	809,000	111,890
2055-2059	710,000	28,660
Total	<u>\$ 4,556,000</u>	<u>\$ 1,719,940</u>
Due within one year	\$ 95,000	\$ 90,130
Due after one year	4,461,000	1,629,810
Total	<u>\$ 4,556,000</u>	<u>\$ 1,719,940</u>

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

5. RISK MANAGEMENT

The City of Fort Bragg is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Member entity obtains insurance coverage.

The City of Fort Bragg is a member of the California Intergovernmental Risk Authority (CIRA), a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, workers' compensation, and property claims.

Under the General Liability program, the City of Fort Bragg has a \$5,000 deductible, with CIRA responsible for losses above that amount up to \$1 million. CIRA has additional coverage of \$39 million in excess of its \$1 million retention limit through affiliated risk management authorities. CIRA also provides \$600 million aggregate property coverage to its members with such coverage provided by purchased insurance. Liabilities of the member entity are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liability estimate.

CIRA covers workers' compensation claims for participating members up to its self-insurance limit of \$500,000. Safety National and Gray Insurance Company provide excess coverage to statutory limits. Financial Statements of CIRA may be obtained from its administrative office located at 2330 E. Bidwell Street, Suite 150, Folsom, CA 95630; www.cira-jpa.org or by calling (916) 927-7727.

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

A. General Information about the Pension Plans

Plan Descriptions - All qualified full-time employees are eligible to participate in the Utility's Miscellaneous Plan and PEPRM Miscellaneous Plan (The Plans), agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued

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

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

	Miscellaneous	PEPRA Miscellaneous
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% - 2.0%	1.0% to 2.5%
Required employee contribution rates	6.90%	6.50%
Required employer contribution rates	11.06%	7.76%

A. General Information about the Pension Plans, Continued

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

For the year ended June 30, 2024, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">Miscellaneous</td> </tr> <tr> <td style="text-align: center;">\$ 65,931</td> </tr> </table>	Miscellaneous	\$ 65,931
Miscellaneous			
\$ 65,931			

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

6. PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS), Continued

The Utility’s average required contribution rate was 8.84% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Utility were \$188,229 for the year ended June 30, 2024.

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

As of June 30, 2024, the Utility reported a net pension liability for its proportionate shares of the net pension liability of the Plans as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	<u>\$ 457,836</u>
Total Net Pension Liability	<u>\$ 457,836</u>

The Utility’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The Utility’s proportion of the net pension liability was based on a projection of the Utility’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Utility’s proportionate share of the net pension liability for the Plan as of June 30, 2024 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2023	0.06550%
Proportion - June 30, 2024	<u>0.06368%</u>
Change - Increase (Decrease)	-0.00182%

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued

For the year ended June 30, 2024, the Utility recognized pension credit of \$758,148. At June 30, 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Changes in assumptions	\$ 29,998	\$ -
Differences between expected and actual experiences	27,002	-
Net differences between projected and actual investment	76,148	-
Differences between the employer's contributions and the employer's proportionate share of the contributions	214,517	24,836
Change in Employer's Proportion	966	389,005
Pension contributions subsequent to measurement date	65,931	-
Total	<u>\$ 414,562</u>	<u>\$ 413,841</u>

\$65,9314 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended 30-Jun	
2025	\$ (64,043)
2026	(50,501)
2027	46,605
2028	2,729
2029	
Thereafter	-
	<u>\$ (65,210)</u>

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued

Actuarial Assumptions -The total pension liabilities in the June 30, 2024 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	PEPRA - Miscellaneous
Valuation Date	30-Jun-22	30-Jun-22
Measurement	30-Jun-23	30-Jun-23
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.300%	2.300%
Projected Salary Increase	Varies by entry age and service	
Mortality	Derived using CalPERS' Membership Data for all Funds	

The underlying mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund.

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

6. PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (PERS), Continued

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ^{1,2}
Global equity - cap-weighted	30.0%	4.45%
Global equity non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

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

	1% Decrease (6.15%)	Current Discount Rate (6.9%)	1% Increase (8.15%)
Miscellaneous	\$ 962,862	\$ 457,836	\$ 43,419

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

Municipal Improvement District No.1
Financial Statements
For the year ended June 30, 2024

Notes to Basic Financial Statements, Continued

7. COMMITMENTS AND CONTINGENCIES

The District is subject to litigation arising in the normal course of business. In the opinion of the District's management and legal counsel, there is no pending litigation that is likely to have a material adverse effect on the financial position of the District.

REQUIRED SUPPLEMENTARY INFORMATION

Municipal Improvement District No. 1
Required Supplementary Information - Schedule of Contributions
Miscellaneous Plan
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 339,772	\$ 321,465	\$ 628,487	\$ 540,516	\$ 514,099	\$ 455,093	\$ 430,051	\$ 392,300
Contributions in relation to the actuarially determined contributions	<u>(339,772)</u>	<u>(321,465)</u>	<u>(628,487)</u>	<u>(540,516)</u>	<u>(514,099)</u>	<u>(394,321)</u>	<u>(430,051)</u>	<u>392,300</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 60,772</u>	<u>\$ -</u>	<u>\$ 784,600</u>				
Covered-employee payroll	\$ 2,711,702	\$ 3,129,486	\$ 2,614,508	\$ 2,327,258	\$ 2,661,903	\$ 2,833,921	\$ 2,641,425	\$ 2,598,675
Contribution as a percentage of covered-employee payroll	12.53%	10.27%	24.04%	23.23%	19.31%	16.06%	16.28%	15.10%

Notes to Schedule

1) Covered payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* Additional years will be presented as they become available.

Municipal Improvement District No. 1
Required Supplementary Information - Schedule of the Utility's Proportionate
Share of the Net Pension Liability
Miscellaneous Plan
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.06368%	0.06550%	0.16609%	0.13012%	0.12508%	0.12037%	0.11653%	0.11210%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,184,191	\$ 3,064,833	\$ 3,153,761	\$ 5,488,390	\$ 5,008,648	\$ 4,593,661	\$ 4,593,661	\$ 3,894,091
Plan's Covered Payroll	\$ 3,129,486	\$ 2,614,508	\$ 2,327,258	\$ 2,661,903	\$ 2,833,921	\$ 2,788,318	\$ 2,641,425	\$ 2,551,931
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	101.75%	117.22%	135.51%	206.18%	176.74%	164.75%	173.91%	152.59%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	87.30%	87.29%	86.24%	74.96%	76.25%	76.38%	76.38%	82.66%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 909,991	\$ 1,092,169	\$ 777,490	\$ 734,213	\$ 455,093	\$ 394,321	\$ 430,051	\$ 392,300

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* Additional years will be presented as they become available.

This page intentionally left blank.

SUPPLEMENTARY SCHEDULES

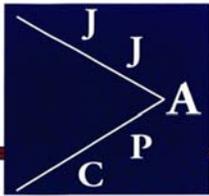
Municipal Improvement District No. 1
Schedule of Debt Service Coverage
June 30, 2024

In conjunction with the State of California Water Resources Control Board Loan, the Utility has covenanted to fix, prescribe and collect rates and charges for the MID service which will be sufficient to yield during the year net revenues equal to 110% of the debt service paid during the year. For purposes of this calculation, net revenues equals net income plus depreciation and amortization expenses. The debt service requirement for 2024 is as follows:

	2024
Operating income	\$ 78,982
Add:	
Depreciation and amortization expense	816,971
Use of money and property	164,443
Net revenue	\$ 1,060,396
Debt service:	
Principal	\$ 93,000
Interest	91,545
Total debt service	\$ 184,545
Calculated coverage	5.75

Note: Restricted cash and investments consist of the following amounts:

Cash with fiscal agents	\$ -
Amounts set aside for future debt repayment	-
Total restricted cash and investments	\$ -



JJACPA, Inc.

A Professional Accounting Services Corp.

**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 Honorable Mayor and City Council
of the City of Fort Bragg
Fort Bragg, 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 accompanying financial statements of the Municipal Improvement District No.1 (Utility), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated April 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and 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.

April 25, 2025

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA