

**MENDOCINO COMMUNITY NETWORK**  
(A PROPRIETARY FUND OF THE  
MENDOCINO UNIFIED SCHOOL DISTRICT)  
**MENDOCINO, CALIFORNIA**

**AUDIT REPORT**  
**JUNE 30, 2024**

**MENDOCINO COMMUNITY NETWORK**  
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## **FINANCIAL SECTION**

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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Independent Auditors' Report

Governing Board  
Mendocino Community Network  
Mendocino Unified School District  
Mendocino, California

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the accompanying Financial Statements of the Mendocino Community Network, a Proprietary Fund within the Mendocino Unified School District, for the year ended June 30, 2024, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mendocino Community Network, as of June 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mendocino Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

## ***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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Mendocino Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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.

## ***Report on Summarized Comparative Information***

We have previously audited the Mendocino Community Network's 2022-23 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Organization/Board of Education/Administration but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025 on our consideration of the Mendocino Unified School 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 specific to the Mendocino Community Network. 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 the Mendocino Unified School District 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 Mendocino Unified School District's internal control over financial reporting and compliance specific to the Mendocino Community Network.

*Christy White, Inc.*

San Diego, California  
March 26, 2025

**MENDOCINO COMMUNITY NETWORK**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2023)**

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 135,481	\$ 165,469
Accounts receivable	11,977	18,414
Prepaid expenses	3,719	4,494
Total current assets	151,177	188,377
Non-current assets		
Capital assets, net of accumulated depreciation	81,963	121,291
Total non-current assets	81,963	121,291
<b>Total Assets</b>	<b>233,140</b>	<b>309,668</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	331,604	331,674
<b>Total Deferred Outflows of Resources</b>	<b>331,604</b>	<b>331,674</b>
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	34,740	2,289
Unearned revenue	55,092	13,709
Financed purchases, current portion	19,455	17,767
Total current liabilities	109,287	33,765
Non-current liabilities		
Net pension liability	1,114,437	1,135,712
Financed purchases, non-current portion	44,631	64,086
Compensated absences	48,642	13,706
Total non-current liabilities	1,207,710	1,213,504
<b>Total Liabilities</b>	<b>1,316,997</b>	<b>1,247,269</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	125,811	121,752
<b>Total Deferred Inflows of Resources</b>	<b>125,811</b>	<b>121,752</b>
<b>NET POSITION</b>		
Net investment in capital assets	17,877	39,438
Unrestricted	(895,941)	(767,117)
<b>Total Net Position</b>	<b>\$ (878,064)</b>	<b>\$ (727,679)</b>

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

**MENDOCINO COMMUNITY NETWORK**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)**

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	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>OPERATING REVENUE</b>		
Charges for services	\$ 2,153,148	\$ 2,187,053
<b>Total operating revenues</b>	<u>2,153,148</u>	<u>2,187,053</u>
<b>OPERATING EXPENSE</b>		
Salaries and benefits	812,874	839,528
Supplies and materials	128,520	104,946
Professional services	1,294,820	1,224,747
Depreciation	39,328	39,328
<b>Total operating expenses</b>	<u>2,275,542</u>	<u>2,208,549</u>
<b>Operating income/(loss)</b>	<u>(122,394)</u>	<u>(21,496)</u>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>		
Interest income	2,990	(1,246)
Transfers in from District	9,019	8,866
Net donation to District	(40,000)	(40,000)
<b>Total non-operating revenues/(expenses)</b>	<u>(27,991)</u>	<u>(32,380)</u>
<b>CHANGE IN NET POSITION</b>	(150,385)	(53,876)
<b>Net Position - Beginning</b>	<u>(727,679)</u>	<u>(673,803)</u>
<b>Net Position - Ending</b>	<u>\$ (878,064)</u>	<u>\$ (727,679)</u>

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



**MENDOCINO COMMUNITY NETWORK  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2024  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)**

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
<b>Cash flows from operating activities</b>		
Cash received from user charges	\$ 2,200,968	\$ 2,183,583
Cash payments for payroll, insurance, and operating costs	(2,185,198)	(2,113,846)
Net cash provided by (used for) operating activities	15,770	69,737
<b>Cash flows from non-capital financing activities</b>		
Interfund transfers in (out)	(30,981)	(31,134)
Net cash provided by (used for) non-capital financing activities	(30,981)	(31,134)
<b>Cash flows from capital and related financing activities</b>		
Financed purchase payments	(17,767)	(54,858)
Net cash provided by (used for) in capital and related financing activities	(17,767)	(54,858)
<b>Cash flows from investing activities</b>		
Interest received	2,990	(1,246)
Net cash provided by (used for) investing activities	2,990	(1,246)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(29,988)</b>	<b>(17,501)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	165,469	182,970
End of year	\$ 135,481	\$ 165,469
<b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>		
Operating income (loss)	\$ (122,394)	\$ (21,496)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	39,328	39,328
Changes in assets, liabilities, deferred outflows, deferred inflows:		
(Increase) decrease in accounts receivable	6,437	(3,470)
(Increase) decrease in prepaid expenses	775	(4,494)
(Increase) decrease in deferred outflows of resources	70	(137,548)
Increase (decrease) in accrued liabilities	32,451	(26,359)
Increase (decrease) in unearned revenue	41,383	(2,739)
Increase (decrease) in compensated absences	34,936	1,463
Increase (decrease) in net pension liability	(21,275)	433,063
Increase (decrease) in deferred inflows of resources	4,059	(208,011)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 15,770</b>	<b>\$ 69,737</b>

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

**MENDOCINO COMMUNITY NETWORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Mendocino Community Network (MCN) was established by the Mendocino Unified School District (District) in 1994 to provide internet services to the school district and not-for-profit organizations within the community.

MCN has developed a solid customer base of analog dialup subscribers, DSL, web hosting, and local and long-distance phone service in the Mendocino and Fort Bragg areas. MCN is a proprietary fund of the District. The financial statements present only MCN and do not purport to, and do not, present fairly the financial position of the District as a whole.

**B. Basis of Accounting – Measurement Focus**

These statements are prepared on the accrual basis of accounting. Under this method, revenues from services and interest are recognized when earned and expenses are recognized when goods or services have been rendered.

The accounts of MCN are organized on the basis of funds, each of which is considered a separate accounting entity. MCN only maintains one fund, the Mendocino Community Network Fund. This fund is a proprietary fund type, which is a fund that is used to account for activities similar to those found in the private sector, where determination of net income is necessary or useful to sound financial administration.

**C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

**Cash and Cash Equivalents**

MCN's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Management considers all accounts receivable outstanding less than 60 days to be fully collectable. At June 30, 2024 and 2023 all accounts over 60 days old are excluded from the balance of accounts receivable.

**Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. MCN maintains a capitalization threshold of \$5,000. MCN does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over 3 to 20 years depending on asset type:

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. Accumulated sick leave benefits are not recognized as liabilities of MCN. MCN's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position, (continued)**

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, MCN 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, MCN 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 and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plan (the Plan) of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**D. Estimates**

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

**E. Income Taxes**

MCN is a political subdivision of the State of California and is not liable for Federal and State income taxes.

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. New Accounting Pronouncements**

**GASB Statement No. 99** – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. MCN has fully implemented this Statement as of June 30, 2024.

**GASB Statement No. 100** – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. MCN has fully implemented this Statement as of June 30, 2024.

**GASB Statement No. 101** – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. MCN has not yet determined the impact on the financial statements.

**GASB Statement No. 102** – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The MCN has not yet determined the impact on the financial statements.

**GASB Statement No. 103** – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The MCN has not yet determined the impact on the financial statements.

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments consisted of the following:

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Investment in county treasury	\$ 69,151	\$ 73,535
Fair value adjustment	-	(1,340)
Cash on hand and in banks	51,330	78,274
Cash in revolving fund	15,000	15,000
<b>Total cash and investments</b>	<b>\$ 135,481</b>	<b>\$ 165,469</b>

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, MCN's deposits may not be returned to it. MCN does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2024, MCN's bank balance was not exposed to custodial credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. MCN manages its exposure to interest rate risk by investing in the County Treasury. MCN maintains a pooled investment with the County Treasury with an amortized cost of \$69,151 and a fair value of approximately \$68,986 at June 30, 2024. The average weighted maturity for this pool is 485 days.

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Fair Value**

MCN categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include MCN's own data. MCN should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to MCN are not available to other market participants.

Uncategorized - Investments in the Mendocino County Treasury Investment Pool are not measured using the input levels above because MCN's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

MCN's fair value measurements at June 30, 2024 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	\$ 68,986
<b>Total</b>	<b><u>\$ 68,986</u></b>

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2024 and 2023 consisted of the following:

	<b><u>June 30, 2024</u></b>	<b><u>June 30, 2023</u></b>
Fees for service	\$ 11,977	\$ 18,414
<b>Total</b>	<b><u>\$ 11,977</u></b>	<b><u>\$ 18,414</u></b>

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 01, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets being depreciated				
Buildings & improvements	\$ 66,234	\$ -	\$ -	\$ 66,234
Furniture & equipment	341,930	-	-	341,930
Total Capital Assets Being Depreciated	408,164	-	-	408,164
Less Accumulated Depreciation				
Buildings & improvements	66,234	-	-	66,234
Furniture & equipment	220,639	39,328	-	259,967
Total Accumulated Depreciation	286,873	39,328	-	326,201
<b>Capital Assets, net</b>	<b>\$ 121,291</b>	<b>\$ (39,328)</b>	<b>\$ -</b>	<b>\$ 81,963</b>

**NOTE 5 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2024 consisted of the following:

	Balance July 01, 2023	Additions	Deductions	Balance June 30, 2024	Balance Due In One Year
Financed purchases	\$ 81,853	\$ -	\$ 17,767	\$ 64,086	\$ 19,455
Compensated absences	13,706	34,936	-	48,642	-
Net pension liability	1,135,712	-	21,275	1,114,437	-
<b>Total</b>	<b>\$ 1,231,271</b>	<b>\$ 34,936</b>	<b>\$ 39,042</b>	<b>\$ 1,227,165</b>	<b>\$ 19,455</b>

**Financed purchase**

Mendocino Community Network entered into an agreement for networking and storage devices which provides for title to pass upon expiration of the agreement period. Future minimum payments at June 30, 2024 were as follows:

Year Ended June 30,	Payment
2025	\$ 25,543
2026	25,543
2027	25,543
Total minimum payments	76,629
Less amount representing interest	(12,543)
Present value of minimum payments	<u>\$ 64,086</u>

**Compensated absences**

Total unpaid employee compensated absences as of June 30, 2024 amounted to \$48,642.

**Net pension liability**

MCN's beginning net pension liability was \$1,135,712 and decreased by \$21,275 during the year ended June 30, 2024. The ending net pension liability at June 30, 2024 was \$1,114,437. See Note 8 for additional information regarding the net pension liability.

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 6 – UNEARNED REVENUE**

Unearned revenue in the amount of \$55,092 and \$13,709 as of June 30, 2024 and 2023, respectively, consists of prepayments of service fees collected in advance.

**NOTE 7 – DONATION TO THE DISTRICT/INTERFUND TRANSFERS**

MCN made the following donations to the Mendocino Unified School District's governmental operations:

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Contribution to the District's General Fund	\$ 40,000	\$ 40,000
<b>Total</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>

Mendocino Unified School District transferred the following amounts from other District Funds to MCN for telephone services:

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Transfer in from District	\$ 9,019	\$ 8,866
<b>Total</b>	<b>\$ 9,019</b>	<b>\$ 8,866</b>

**NOTE 8 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS). MCN reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources as follows:

	<b>Net pension liability</b>	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>	<b>Pension expense</b>
CalPERS	\$ 1,114,437	\$ 331,604	\$ 125,811	\$ 110,293
<b>Total</b>	<b>\$ 1,114,437</b>	<b>\$ 331,604</b>	<b>\$ 125,811</b>	<b>\$ 110,293</b>



**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 8 – PENSION PLANS (continued)**

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

MCN contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

MCN is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2024 was 26.68% of annual payroll. Contributions to the plan from MCN were \$127,439 for the year ended June 30, 2024.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2024, MCN reported a liability of \$1,114,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The MCN's proportion of the net pension liability was based on a projection of the MCN's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2023, the MCN's proportion was 0.003 percent, which did not change from its proportion measured as of June 30, 2022.

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 8 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2024, MCN recognized pension expense of \$110,293. At June 30, 2024, MCN reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 111,151	\$ -
Differences between expected and actual experience	37,975	15,982
Changes in assumptions	47,940	-
Changes in proportion and differences between MCN contributions and proportionate share of contributions	7,099	109,829
MCN contributions subsequent to the measurement date	127,439	-
	<u>\$ 331,604</u>	<u>\$ 125,811</u>

The \$127,439 reported as deferred outflows of resources related to pensions resulting from MCN 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 in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 62,487	\$ 31,606
2026	50,921	17,332
2027	85,434	8,981
2028	5,323	67,892
	<u>\$ 204,165</u>	<u>\$ 125,811</u>

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

**MENDOCINO COMMUNITY NETWORK**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2024**

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**NOTE 8 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (continued)**

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects 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. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>
Global Equity – cap-weighted	30.0%	4.54%
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)%
	<u>100.0%</u>	

\*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

NOTE 8 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Sensitivity of MCN’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents MCN’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the MCN’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	<b>1% Decrease (5.90%)</b>	<b>Current Discount Rate (6.90%)</b>	<b>1% Increase (7.90%)</b>
MCN's proportionate share of the net pension liability	\$ 1,611,188	\$ 1,114,437	\$ 703,884

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 – CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

In November 2024, Mendocino Unified School District accepted a proposal from the City of Fort Bragg to purchase MCN for \$500,000, to be paid over ten years. Under the proposal, the City of Fort Bragg has stated it “would continue to service MCN customers, including those residing outside city limits, maintaining the same high-quality service MCN customers have come to rely on. Additionally, all current MCN staff members would become the City of Fort Bragg employees, ensuring continuity in operations and customer support, pending approval by the Fort Bragg City Council. The anticipated closing date of the sale is June 30, 2025.

There are no known material contingent liabilities or additional significant subsequent events relating to the Mendocino Community Network. Management has evaluated subsequent events through March 26, 2025, the date on which the financial statements were available to be issued.

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## **OTHER INFORMATION**

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**MENDOCINO COMMUNITY NETWORK  
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION  
JUNE 30, 2024**

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The Mendocino Unified School District was established in 1964 and is comprised of an area of approximately 420 square miles located in Mendocino County. There were no changes in the boundaries of the District during the current year. The District operates three elementary schools, one high school, one continuation high school, one preschool and one alternative education K-12. Mendocino Community Network is a proprietary fund of the District.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Emily Griffen	President	November 2026
Windspirit Aum	Clerk	November 2024
Lisa James	Member	November 2024
Mark Morton	Member	November 2024
Michael Schaeffer	Member	November 2024

**DISTRICT ADMINISTRATORS**

Jason Morse  
*Superintendent/Secretary to the Board*

Meg Kailikole  
*Chief Business Officer*

Rob Buch  
*MCN Manager*

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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**Independent Auditors' Report

Governing Board  
Mendocino Community Network  
Mendocino Unified School District  
Mendocino, 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 Mendocino Community Network a proprietary fund of the Mendocino Unified School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Mendocino Community Network's basic financial statements, and have issued our report thereon dated March 26, 2025.

**Report on Internal Control over Financial Reporting**

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mendocino Community Network'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.

*Christy White, Inc.*

San Diego, California  
March 26, 2025