

**GARBERVILLE SANITARY DISTRICT  
FINANCIAL STATEMENTS**

**JUNE 30, 2022**

**GARBERVILLE SANITARY DISTRICT**

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**June 30, 2022**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Garberville Sanitary District

#### Opinion

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Garberville Sanitary District as of and for the years ended June 30, 2022 and 2021, 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 business-type activities, each major fund, and the aggregate remaining fund information of the Garberville Sanitary District, as of June 30, 2022 and 2021, and the respective changes in its financial position and cash flows for the years 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. 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 Garberville Sanitary 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 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.

### **Auditors' Responsibility for 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 accounting standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted accounting 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 Garberville Sanitary 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 have identified during the audit.

Board of Directors  
Garberville Sanitary District

**Other Matters**

*Required Supplementary Information*

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

*Anderson, Lucas, Somerville, & Borges*

December 20, 2022  
Fortuna, California

## **BASIC FINANCIAL STATEMENTS**

**GARBERVILLE SANITARY DISTRICT**

**Statement of Net Position**

June 30, 2022 and 2021

|  | <u>2022</u>                 | <u>2021</u>                 |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |                             |                             |
| <b>Current Assets</b>  |                             |                             |
| Cash and Cash Equivalents  | \$ 250,413                  | \$ 97,512                   |
| Cash - Restricted for Debt Service   | 46,832                      | 46,828                      |
| Accounts Receivable - net of \$5,000<br>Allowance for Doubtful Accounts        | 102,217                     | 123,170                     |
| Capital Grant Receivable   | 55,267                      | -                           |
| Interest Receivable - County   | 18,900                      | 8,100                       |
| Prepays and Deposits   | 4,198                       | 3,440                       |
| <b>Total Current Assets</b>  | <u>477,827</u>              | <u>279,050</u>              |
| <b>Restricted Assets</b>   |                             |                             |
| Cash in County Treasury  | 575,572                     | 670,165                     |
| <b>Total Restricted Assets</b>   | <u>575,572</u>              | <u>670,165</u>              |
| <b>Noncurrent Assets</b>   |                             |                             |
| Capital Assets, Net of Depreciation  | 9,497,684                   | 9,815,198                   |
| Construction in Progress   | 159,246                     | 37,701                      |
| <b>Total Noncurrent Assets</b>   | <u>9,656,930</u>            | <u>9,852,899</u>            |
| <b>Total Assets</b>  | <u><u>\$ 10,710,329</u></u> | <u><u>\$ 10,802,114</u></u> |
| <b>LIABILITIES</b>   |                             |                             |
| <b>Current Liabilities</b>   |                             |                             |
| Accounts Payable   | \$ 61,360                   | \$ 28,072                   |
| Utility Service Deposits   | 6,400                       | 7,300                       |
| Accrued Vacation   | 40,953                      | 30,436                      |
| Current Portion of Long-Term Obligations                                       | 116,056                     | 90,385                      |
| <b>Total Current Liabilities</b>   | <u>224,769</u>              | <u>156,193</u>              |
| <b>Noncurrent Liabilities</b>  |                             |                             |
| Noncurrent Portion of Long-Term Obligations                                    | <u>1,113,871</u>            | <u>1,155,648</u>            |
| <b>Total Liabilities</b>   | <u><u>\$ 1,338,640</u></u>  | <u><u>\$ 1,311,841</u></u>  |
| <b>NET POSITION</b>  |                             |                             |
| Invested in Capital Assets, Net of Related Debt<br>Restricted for Debt Service | 8,427,003                   | 8,606,866                   |
| Unrestricted   | 46,832                      | 46,828                      |
|  | 897,854                     | 836,579                     |
| <b>Total Net Position</b>  | <u><u>\$ 9,371,689</u></u>  | <u><u>\$ 9,490,273</u></u>  |

The accompanying notes are an integral part of these financial statements

**GARBERVILLE SANITARY DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
For the Year Ended June 30, 2022

|  | Water            | Sewer            | Total<br>2022    |
|--|------------------|------------------|------------------|
| <b>OPERATING REVENUES</b>                |                  |                  |                  |
| Utility Sales                            | 629,035          | 458,285          | 1,087,320        |
| Other Revenues                           | 2,840            | -                | 2,840            |
| <u>Total Operating Revenues</u>          | 631,875          | 458,285          | 1,090,160        |
| <b>OPERATING EXPENSES</b>                |                  |                  |                  |
| Salaries and Wages                       | 165,735          | 203,125          | 368,860          |
| Payroll Taxes                            | 13,259           | 16,269           | 29,528           |
| Employee Benefits                        | 26,802           | 29,640           | 56,442           |
| Rent                                     | 5,010            | 5,010            | 10,020           |
| Materials and Supplies                   | 904              | 592              | 1,496            |
| Transportation                           | 1,795            | 1,794            | 3,589            |
| Sewage Collection                        | -                | 12,729           | 12,729           |
| Office Expense                           | 4,452            | 4,451            | 8,903            |
| Insurance                                | 29,041           | 30,120           | 59,161           |
| Professional Services                    | 43,975           | 37,500           | 81,475           |
| Sewage Treatment                         | -                | 38,425           | 38,425           |
| Water Treatment                          | 100,235          | -                | 100,235          |
| Water Distribution                       | 38,082           | -                | 38,082           |
| Permits and Fees                         | 3,396            | 27,693           | 31,089           |
| Utilities                                | 1,338            | 1,338            | 2,676            |
| Bad Debts                                | 5,312            | (1,026)          | 4,286            |
| Other Expenses                           | 23,025           | 20,972           | 43,997           |
| Deprecation and Amortization             | 272,942          | 149,647          | 422,589          |
| <u>Total Operating Expenses</u>          | 735,303          | 578,279          | 1,313,582        |
| <b>OPERATING GAIN (LOSS)</b>             | <b>(103,428)</b> | <b>(119,994)</b> | <b>(223,422)</b> |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                  |                  |                  |
| Capital Grant Income                     | 55,267           | -                | 55,267           |
| Property Taxes and Exemptions            | -                | 31,191           | 31,191           |
| Other Income                             | 14,156           | 856              | 15,012           |
| Other Expense                            | (4,180)          | -                | (4,180)          |
| Interest Income                          | 3,610            | 7,204            | 10,814           |
| Interest Expense                         | (881)            | (2,385)          | (3,266)          |
| <u>Total Non-operating Revenues</u>      | 67,972           | 36,866           | 104,838          |
| <b>CHANGE IN NET POSITION</b>            | <b>(35,456)</b>  | <b>(83,128)</b>  | <b>(118,584)</b> |
| <b>NET POSITION</b>                      |                  |                  |                  |
| <b>BEGINNING OF YEAR</b>                 |                  |                  | <b>9,490,273</b> |
| <b>END OF YEAR</b>                       |                  |                  | <b>9,371,689</b> |

The accompanying notes are an integral part of these financial statements



**GARBERVILLE SANITARY DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
For the Year Ended June 30, 2021

|  | Water               | Sewer               | Total<br>2021       |
|--|---------------------|---------------------|---------------------|
| <b>OPERATING REVENUES</b>                      |                     |                     |                     |
| Utility Sales                                  | \$ 575,986          | \$ 417,839          | \$ 993,825          |
| Connection Fees                                | 8,000               | -                   | 8,000               |
| Other Revenues                                 | 4,555               | 3,480               | 8,035               |
| <u>Total Operating Revenues</u>                | 588,541             | 421,319             | 1,009,860           |
| <b>OPERATING EXPENSES</b>                      |                     |                     |                     |
| Salaries and Wages                             | 175,666             | 160,619             | 336,285             |
| Payroll Taxes                                  | 14,322              | 13,147              | 27,469              |
| Employee Benefits                              | 20,482              | 20,714              | 41,196              |
| Rent   | 5,020               | 5,020               | 10,040              |
| Materials and Supplies                         | 567                 | 503                 | 1,070               |
| Transportation                                 | 1,868               | 1,650               | 3,518               |
| Sewage Collection                              | -                   | 24,749              | 24,749              |
| Office Expense                                 | 6,005               | 6,005               | 12,010              |
| Insurance                                      | 26,352              | 26,094              | 52,446              |
| Professional Services                          | 42,977              | 36,852              | 79,829              |
| Sewage Treatment                               | -                   | 24,818              | 24,818              |
| Water Treatment                                | 72,363              | -                   | 72,363              |
| Water Distribution                             | 66,423              | -                   | 66,423              |
| Permits and Fees                               | 5,276               | 24,101              | 29,377              |
| Utilities                                      | 1,247               | 1,247               | 2,494               |
| Bad Debts                                      | 6,111               | 2,239               | 8,350               |
| Other Expenses                                 | 21,670              | 20,419              | 42,089              |
| Deprecation and Amortization                   | 298,899             | 181,838             | 480,737             |
| <u>Total Operating Expenses</u>                | 765,248             | 550,015             | 1,315,263           |
| <b>OPERATING GAIN (LOSS)</b>                   | <b>\$ (176,707)</b> | <b>\$ (128,696)</b> | <b>\$ (305,403)</b> |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>       |                     |                     |                     |
| Property Taxes and Exemptions                  | -                   | 31,105              | 31,105              |
| Other Income                                   | 1,292               | 1,048               | 2,340               |
| Other Expense                                  | (6,652)             | (212)               | (6,864)             |
| Interest Income                                | 4,662               | 9,043               | 13,705              |
| Interest Expense                               | (1,624)             | (3,611)             | (5,235)             |
| <u>Total Non-operating Revenues (Expenses)</u> | (2,322)             | 37,373              | 35,051              |
| <b>CHANGE IN NET POSITION</b>                  | <b>\$ (179,029)</b> | <b>\$ (91,323)</b>  | <b>\$ (270,352)</b> |
| <b>NET POSITION</b>                            |                     |                     |                     |
| <b>BEGINNING OF YEAR</b>                       |                     |                     | <b>9,760,625</b>    |
| <b>END OF YEAR</b>                             |                     |                     | <b>\$ 9,490,273</b> |

The accompanying notes are an integral part of these financial statements

**GARBERVILLE SANITARY DISTRICT**  
**Statement of Cash Flows**  
For the Years Ended June 30, 2022 and 2021

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>                     |                   |                   |
| Cash Received from Customers                                    | \$ 1,110,215      | \$ 998,519        |
| Cash Paid for Employees   | (444,313)         | (419,863)         |
| Cash Paid for Goods and Services                                | (403,631)         | (423,448)         |
|   | <u>262,271</u>    | <u>155,208</u>    |
| <b>Cash Flows From Non-Capital Financing Activities</b>         |                   |                   |
| Cash from Sale of Assets  | -                 | -                 |
| Property Tax Revenues   | 31,191            | 31,105            |
|   | <u>31,191</u>     | <u>31,105</u>     |
| <b>Cash Flows From Capital and Related Financing Activities</b> |                   |                   |
| Proceeds from Long-Term Debt                                    | 74,280            | 60,000            |
| Principal Paid on Long-Term Debt                                | (90,386)          | (109,158)         |
| Payment on SWRCB Settlement                                     | -                 | (40,000)          |
| Interest Paid on Long-Term Debt                                 | (3,266)           | (5,235)           |
| Acquisition of Capital Assets                                   | (226,619)         | (101,574)         |
| Proceeds from Other Income                                      | 15,007            | 2,340             |
| Other Expenses  | (4,180)           | (6,864)           |
|   | <u>(235,164)</u>  | <u>(200,491)</u>  |
| <b>Cash Flows From Investing Activities</b>                     |                   |                   |
| Interest on Investments   | 14                | 5,605             |
|   | <u>14</u>         | <u>5,605</u>      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>     | <b>58,312</b>     | <b>(8,573)</b>    |
| <b>Cash and Cash Equivalents - Beginning of Year</b>            | <b>814,505</b>    | <b>823,078</b>    |
| <b>Cash and Cash Equivalents - End of Year</b>                  | <b>\$ 872,817</b> | <b>\$ 814,505</b> |

The accompanying notes are an integral part of these financial statements

**GARBERVILLE SANITARY DISTRICT**

**Statement of Cash Flows**

For the Years Ended June 30, 2022 and 2021

|   | <u>2022</u>              | <u>2021</u>              |
|---|--------------------------|--------------------------|
| <b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities</b>                                   |                          |                          |
| Operating Gain (Loss)   | \$ (223,422)             | \$ (305,403)             |
| Adjustment to Reconcile Operating Gain (Loss) to Net Cash Provided by Operating Activities:                                   |                          |                          |
| Depreciation and Amortization   | 422,589                  | 480,737                  |
| (Increase) Decrease in Accounts Receivable  | 20,953                   | (12,041)                 |
| (Increase) Decrease in Customer Deposits  | (900)                    | 700                      |
| (Increase) Decrease in Prepaid Expenses   | (758)                    | -                        |
| Increase (Decrease) in Accounts Payable   | 33,290                   | (6,126)                  |
| Increase (Decrease) in Accrued Liabilities  | 10,517                   | (2,661)                  |
| Total Adjustments   | <u>485,692</u>           | <u>460,610</u>           |
| <b>Net Cash Provided by Operating Activities</b>  | <u><u>\$ 262,271</u></u> | <u><u>\$ 155,208</u></u> |
| <br>  |                          |                          |
| <b>Reconciliation of Cash and Cash Equivalents per Statement of Cash Flows to Cash and Cash Equivalents per Balance Sheet</b> |                          |                          |
| Cash and Cash Equivalents per Statement of Cash Flows   | <u><u>\$ 872,817</u></u> | <u><u>\$ 814,505</u></u> |
| Cash and Cash Equivalents per Balance Sheet:  |                          |                          |
| Cash and Cash Equivalents   | \$ 297,245               | \$ 144,340               |
| Cash in County Treasury   | 575,572                  | 670,165                  |
|   | <u><u>\$ 872,817</u></u> | <u><u>\$ 814,505</u></u> |

The accompanying notes are an integral part of these financial statements

## **NOTES TO FINANCIAL STATEMENTS**

# GARBERVILLE SANITARY DISTRICT

## Notes to Financial Statements

June 30, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** - On April 12<sup>th</sup>, 1932, the Garberville Sanitary District (the "District") was formed, pursuant to the Sanitary District Act of 1923, Health & Safety Code Section 6400 et seq. for the following purposes:

1. The collection, treatment, and disposal of wastewater for the District and its inhabitants.

In December of 2004, the community voted to purchase the assets of the Garberville Water Company for the following purposes:

1. To supply the inhabitants of the District with water for domestic use, irrigation, sanitation, industrial use, fire protection and recreation.

Garberville is an unincorporated community in the southern reaches of Humboldt County, California.

**Measurement Focus and Basis of Accounting** - The financial statements of the District are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District uses proprietary funds. Proprietary funds are accounted for using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the District's assets and liabilities including capital assets and long-term liabilities are included in the accompanying Balance Sheet. Under the accrual method of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The District reports the following proprietary funds:

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to a private business or where the board of directors has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

**GARBERVILLE SANITARY DISTRICT**  
**Notes to Financial Statements**  
June 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgets and Budgetary Accounting*** – The General Manager with the assistance from the Consultant Project Manager presents proposed budgets to the Board of Directors for approval. The budget is approved by a motion to adopt by the Board of Directors.

The budgets for the enterprise funds are adopted on the full accrual basis of accounting consistent with the comparative actual amounts.

***Cash and Cash Equivalents*** - Cash and cash equivalents for purposes of the statement of cash flows includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District. Restricted assets are included.

The District has a pooled investment which is administered by the County of Humboldt. These approved investments are carried at cost, which approximates market value, and may be liquidated as needed. The investment pool has not been assigned a risk category since the District is not issued securities, but rather owns an undivided beneficial interest in the assets of this pool.

***Capital Assets and Depreciation*** - Capital assets are recorded at cost. Capital asset purchases with values exceeding \$2,500 and having a life expectancy of at least 3 years are capitalized.

Depreciation is computed under the straight-line method using lives ranging from 3 to 50 years. Depreciation expense is calculated by using annual allowance rates varying from 2% to 33% of the various year-end account balances.

***Compensated Absences*** - Qualified employees of the District accrue vacation, sick, compensatory and other leave time. Upon retirement, resignation, or dismissal, employees are paid in cash for all leave time accumulated except sick leave. No compensation for accrued sick leave upon retirement or termination is made. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave. The liability for compensated absences at June 30, 2022 and 2021 was \$40,953 and \$30,436 respectively and has been reflected thus on the Balance Sheet.

***Fund Equity*** - Reservations of the ending retained earnings indicate the portions of retained earnings not appropriate for expenditures or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

***Allowance Method Used to Record Bad Debts*** – Management has provided an allowance for doubtful accounts equal to the estimated uncollectible amounts. The estimate is based on a review of the current status of trade accounts receivable. It is reasonably possible that the District's estimate of the allowance for doubtful accounts will change. Accounts receivable are presented net of an allowance for doubtful accounts of \$5,000 at June 30, 2022 and 2021.

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Policy for Defining Operating and Non-Operating Revenues* - The District's proprietary funds make a distinction between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing goods and services related directly to the principal operations of the funds. All revenues and expenses not meeting this definition are reported as non-operating including interest income and expense.

*Policy for Applying FASB Pronouncements* - The District has adopted all applicable FASB Statements and Interpretations, APB Opinions, and ARBs issued after November 30, 1989.

*Policy for Applying Restricted/Unrestricted Resources* - When an expense is incurred for which both restricted and unrestricted retained earnings are available, restricted resources are applied first.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The District has no self-directed investments other than the pooled investment administered by the County referred to in Note 1. The District's funds maintained by other agencies are as follows:

| <u>2022</u>           | <u>Cash in<br/>Checking</u> | <u>Cash in<br/>Savings</u> | <u>Cash in County</u> | <u>Petty<br/>Cash</u> | <u>Total</u>      |
|-----------------------|-----------------------------|----------------------------|-----------------------|-----------------------|-------------------|
| Insured by FDIC       | \$ 165,092                  | \$ 85,080                  | \$ -                  | \$ -                  | \$ 250,171        |
| Restricted Water Fund | 46,832                      | -                          | -                     | -                     | 46,832            |
| Petty Cash            | -                           | -                          | -                     | 241                   | 241               |
| Subtotal              |                             |                            |                       |                       | <u>297,244</u>    |
| Pooled with County    | -                           | -                          | 575,573               | -                     | 575,573           |
| Total                 | <u>\$ 211,924</u>           | <u>\$ 85,080</u>           | <u>\$ 575,573</u>     | <u>\$ 241</u>         | <u>\$ 872,817</u> |
|                       |                             |                            |                       |                       |                   |
| <u>2021</u>           | <u>Cash in<br/>Checking</u> | <u>Cash in<br/>Savings</u> | <u>Cash in County</u> | <u>Petty<br/>Cash</u> | <u>Total</u>      |
| Insured by FDIC       | \$ 40,295                   | \$ 57,076                  | \$ -                  | \$ -                  | \$ 97,371         |
| Restricted Water Fund | 46,828                      | -                          | -                     | -                     | 46,828            |
| Petty Cash            | -                           | -                          | -                     | 142                   | 142               |
| Subtotal              |                             |                            |                       |                       | <u>144,340</u>    |
| Pooled with County    | -                           | -                          | 670,165               | -                     | 670,165           |
| Total                 | <u>\$ 87,123</u>            | <u>\$ 57,076</u>           | <u>\$ 670,165</u>     | <u>\$ 142</u>         | <u>\$ 814,505</u> |

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2022

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION**

Capital Assets for the District for the years ended June 30, 2022 and 2021 consisted of the following:

|                                | Balance<br>6/30/21  | Additions           | Deletions<br>Transfers | Balance<br>6/30/22  |
|--------------------------------|---------------------|---------------------|------------------------|---------------------|
| Land - Sewer                   | 129,811             | \$ -                | \$ -                   | \$ 129,811          |
| Land - Water                   | 94,595              | -                   | -                      | 94,595              |
| Water System                   | 142,475             | -                   | -                      | 142,475             |
| Water Easements                | 177,397             | -                   | -                      | 177,397             |
| Collection Facilities          | 2,387,357           | 7,939               | -                      | 2,395,296           |
| Sewer Treatment Facilities     | 507,553             | -                   | -                      | 507,553             |
| Water Distribution             | 2,804,483           | -                   | -                      | 2,804,483           |
| Water Treatment                | 79,920              | -                   | -                      | 79,920              |
| Water Pumps                    | 2,910               | 7,139               | -                      | 10,049              |
| Sewer Pumps                    | 16,932              | 15,716              | -                      | 32,648              |
| Water Project 2015             | 4,968,105           | -                   | -                      | 4,968,105           |
| Sewer Project 2011             | 2,792,452           | -                   | -                      | 2,792,452           |
| Wallan Road Tank               | 25,035              | 117,288             | -                      | 142,323             |
| Office Equipment               | 38,244              | -                   | -                      | 38,244              |
| Equipment                      | 237,122             | 74,280              | -                      | 311,402             |
| Vehicles                       | 121,206             | -                   | -                      | 121,206             |
| Annexation Project             | 157,367             | -                   | -                      | 157,367             |
| CIP Church Street              | -                   | 6,800               | -                      | 6,800               |
| CIP Hurlbutt Tank Replacement  | 2,768               | -                   | (2,768)                | -                   |
| CIP Bear Canyon                | 764                 | 225                 | -                      | 989                 |
| CIP Meadows Aerial             | 9,134               | -                   | -                      | 9,134               |
| Less: Accumulated Depreciation | <u>(4,842,731)</u>  | <u>(422,589)</u>    | <u>-</u>               | <u>(5,265,319)</u>  |
| Total                          | <u>\$ 9,852,899</u> | <u>\$ (193,202)</u> | <u>\$ (2,768)</u>      | <u>\$ 9,656,930</u> |



**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2022

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (Continued)**

|                                | Balance<br>6/30/20   | Additions           | Deletions<br>Transfers | Balance<br>6/30/21  |
|--------------------------------|----------------------|---------------------|------------------------|---------------------|
| Land - Sewer                   | 129,811              | \$ -                | \$ -                   | \$ 129,811          |
| Land - Water                   | 94,595               | -                   | -                      | 94,595              |
| Water System                   | 142,475              | -                   | -                      | 142,475             |
| Water Easements                | 177,397              | -                   | -                      | 177,397             |
| Collection Facilities          | 2,387,357            | -                   | -                      | 2,387,357           |
| Sewer Treatment Facilities     | 507,553              | -                   | -                      | 507,553             |
| Water Distribution             | 2,804,483            | -                   | -                      | 2,804,483           |
| Water Treatment                | 70,773               | 9,147               | -                      | 79,920              |
| Water Pumps                    | 2,910                | -                   | -                      | 2,910               |
| Sewer Pumps                    | 16,932               | -                   | -                      | 16,932              |
| Water Project 2015             | 4,968,105            | -                   | -                      | 4,968,105           |
| Sewer Project 2011             | 2,792,452            | -                   | -                      | 2,792,452           |
| Wallan Road Tank               | 18,368               | 6,667               | -                      | 25,035              |
| Office Equipment               | 38,244               | -                   | -                      | 38,244              |
| Equipment                      | 158,307              | 78,815              | -                      | 237,122             |
| Vehicles                       | 121,206              | -                   | -                      | 121,206             |
| Annexation Project             | 157,367              | -                   | -                      | 157,367             |
| CIP Hurlbutt Tank Replacement  | -                    | 2,768               | -                      | 2,768               |
| CIP Bear Canyon                | 280                  | 484                 | -                      | 764                 |
| CIP Meadows Aerial             | 5,442                | 610                 | 3,082                  | 9,134               |
| Less: Accumulated Depreciation | <u>(4,361,995)</u>   | <u>(480,737)</u>    | <u>-</u>               | <u>(4,842,731)</u>  |
| Total                          | <u>\$ 10,232,062</u> | <u>\$ (382,246)</u> | <u>\$ 3,082</u>        | <u>\$ 9,852,899</u> |

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2022

**NOTE 4 - LONG-TERM DEBT**

Long-term debt of the District for the years ended June 30, 2022 and 2021 consisted of the following:

|                    | Balance<br>6/30/21  | Additions        | Principal<br>Payments | Balance<br>6/30/22  |
|--------------------|---------------------|------------------|-----------------------|---------------------|
| SWRCB              | 75,241              | -                | (24,585)              | 50,655              |
| RCAC-Backhoe       | 44,224              | -                | (19,818)              | 24,406              |
| Ditchwitch Trailer | -                   | 74,280           | -                     | 74,280              |
| SRF Loan           | 1,126,568           | -                | (45,982)              | 1,080,586           |
|                    | <u>\$ 1,246,033</u> | <u>\$ 74,280</u> | <u>\$ (90,385)</u>    | <u>\$ 1,229,927</u> |

|              | Balance<br>6/30/20  | Additions        | Principal<br>Payments | Balance<br>6/30/21  |
|--------------|---------------------|------------------|-----------------------|---------------------|
| SWRCB        | 99,344              | -                | (24,103)              | 75,241              |
| RCAC-Tank    | 23,297              | -                | (23,297)              | -                   |
| RCAC-Backhoe | -                   | 60,000           | (15,776)              | 44,224              |
| SRF Loan     | 1,172,550           | -                | (45,982)              | 1,126,568           |
|              | <u>\$ 1,295,191</u> | <u>\$ 60,000</u> | <u>\$ (109,158)</u>   | <u>\$ 1,246,033</u> |

Current portion of long-term debt is as follows:

|                    |                   |
|--------------------|-------------------|
| SWRCB              | \$ 25,077         |
| Ditchwitch Trailer | 24,165            |
| SRF Loan           | 45,982            |
| RCAC Loan          | 20,832            |
|                    | <u>\$ 116,056</u> |

Descriptions, terms, and other information on each of the above categories of debt are as follows:

**STATE WATER RESOURCES CONTROL BOARD (SWRCB):**

On June 28, 2005, the District borrowed \$395,340 for the Sewer System Relocation Project. On September 27, 2006, the District received additional loan funding of \$33,567. The loan is payable in annual installments of \$26,090 each August 1, including 2% interest, through August 1, 2023. Net revenues of the District are pledged as collateral for this loan. The principal balance due as of June 30, 2022 was \$50,655.

**GARBERVILLE SANITARY DISTRICT**  
**Notes to Financial Statements**  
June 30, 2022

**NOTE 4 - LONG-TERM DEBT (Continued)**

**STATE WATER RESOURCES CONTROL BOARD (SWRCB) – (Continued)**

Following are the principal and interest requirements to maturity for each of the five subsequent fiscal years and in five-year increments thereafter:

| Year(s) Ending<br>June 30 | Principal        | Interest        | Total            |
|---------------------------|------------------|-----------------|------------------|
| 2023                      | 25,077           | 1,013           | 26,090           |
| 2024                      | 25,578           | 511             | 26,089           |
|                           | <u>\$ 50,655</u> | <u>\$ 1,524</u> | <u>\$ 52,179</u> |

**RURAL COMMUNITY ASSISTANCE CORPORATION (RCAC-BACKHOE LOAN)**

In June 2020 a used backhoe became available on the market. The District entered into a 3-year loan agreement on June 23, 2020 in the amount of \$60,000 with Rural Community Assistance Corporation, with whom the District has borrowed from many times previously. The maturity date on the loan is June 23, 2023 with an interest rate of 5.00%. Monthly payments of \$1,798.25 began on July 23, 2020. The principal balance at June 30, 2022 was \$24,406.

| Year(s) Ending<br>June 30 | Principal        | Interest      | Total            |
|---------------------------|------------------|---------------|------------------|
| 2023                      | 20,832           | 747           | 21,579           |
| 2024                      | 3,574            | 22            | 3,597            |
|                           | <u>\$ 24,406</u> | <u>\$ 769</u> | <u>\$ 25,176</u> |

**DITCHWITCH FINANCIAL SERVICES (DITCHWITCH VACUUM TRAILER)**

The District entered into a 3-year loan agreement on May 2, 2022 in the amount of \$74,280 with DitchWitch Financial Services. The maturity date on the loan is June 30, 2025 with an interest rate of 4.83%. Monthly payments of \$2,220.57 began on July 30, 2022. The principal balance at June 30, 2022 was \$74,280.

| Year(s) Ending<br>June 30 | Principal        | Interest        | Total            |
|---------------------------|------------------|-----------------|------------------|
| 2023                      | 23,576           | 3,071           | 26,647           |
| 2024                      | 24,740           | 1,906           | 26,646           |
| 2025                      | 25,964           | 684             | 26,648           |
|                           | <u>\$ 74,280</u> | <u>\$ 5,661</u> | <u>\$ 79,941</u> |

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2022

**NOTE 4 - LONG-TERM DEBT** (Continued)

**STATE REVOLVING FUND (SRF)**

The District began the Drinking Water Improvement Project in 2005. The project was completed January 29, 2015. The total project costs were \$4,968,105. Of this amount, the District received \$400,000 in planning grant and \$100,000 in planning loan funds (which have been fully repaid). The District entered into Funding Agreement (Project 1210008-006C) SRFCX103 under the provisions of the California Safe Drinking Water State Revolving Fund through the California Department of Public Health on May 10, 2013 in the amount of \$4,060,478. This amount consisted of \$3,000,000 in grant funds and the remainder in a 0% interest rate and 30-year term loan. The Funding Agreement was amended September 2014 to increase the total to \$4,379,471. The final loan amount was \$1,379,471.

The principal payments of \$22,991 are due semiannually on January 1 and July 1 commencing January 2016. The principal balance at June 30, 2022 was \$1,080,586.

| Year(s) Ending | Principal           | Interest        | Total               |
|----------------|---------------------|-----------------|---------------------|
| <u>June 30</u> | <u>Principal</u>    | <u>Interest</u> | <u>Total</u>        |
| 2023           | 45,982              | -               | 45,982              |
| 2024           | 45,982              | -               | 45,982              |
| 2025           | 45,982              | -               | 45,982              |
| 2026           | 45,982              | -               | 45,982              |
| 2027           | 45,982              | -               | 45,982              |
| 2028-2032      | 229,910             | -               | 229,910             |
| 2033-2037      | 229,910             | -               | 229,910             |
| 2038-2042      | 229,910             | -               | 229,910             |
| 2043-2046      | 160,946             | -               | 160,946             |
|                | <u>\$ 1,080,586</u> | <u>\$ -</u>     | <u>\$ 1,080,586</u> |

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2022

**NOTE 5 - INSURANCE**

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created pursuant to California Government Code Sections 6500, et. seq., effective July 1, 2021 through June 30, 2022. During its membership, the following policies were in effect:

|   | <u>Limits</u> |
|---|---------------|
| General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability (per occurrence) | 2,500,000     |
| Employee Dishonesty Coverage (per loss)   | 1,000,000     |
| Property Loss (per occurrence)  | 1,000,000,000 |
| Boiler and Machinery (per occurrence)   | 100,000,000   |
| Public Officials Personal Liability (per occurrence)  | 500,000       |

**NOTE 6 - PROPERTY TAXES/EXEMPTIONS**

The County Board of Supervisors has authorized the District's receipt of taxes and exemptions from the County-wide \$1 per \$100 assessed valuation general purpose tax, as well as special taxes assessed for purposes of the general obligation bonds. The purpose of these appropriations is to assist the District in providing wastewater services. Following is a listing of the District's receipts by source:

|                            | <u>2022</u>      | <u>2021</u>      |
|----------------------------|------------------|------------------|
| Current Secured Taxes      | \$ 29,334        | \$ 29,235        |
| Current Unsecured Taxes    | 1,135            | 1,121            |
| Prior Years - Taxes        | 84               | 14               |
| Current Supplemental Taxes | 343              | 341              |
| Prior Years - Supplemental | -                | 89               |
| Homeowners' Exemptions     | 295              | 305              |
| Total Taxes and Exemptions | <u>\$ 31,191</u> | <u>\$ 31,105</u> |

## **GARBERVILLE SANITARY DISTRICT**

### **Notes to Financial Statements**

June 30, 2022

#### **NOTE 7 – ROBERTS/HURLBUTT/WALLAN TANK REPLECEMENT PROJECT**

In 2018, the District began initial planning efforts to investigate funding sources for replacement of the Robertson, Hurlbut and Wallan Tanks due to deterioration and leaking. On August 28, 2020, Compliance Order No. 01\_01\_20(R)\_004 was issued by the State Water Resources Control Board (SWRCB) Division of Drinking Water. The Order consisted of five directives. Directives 1, 4, and 5 were completed in 2020. Directives #2 and 3 read:

2. By January 31, 2022, submit a design proposal for replacement of the Robertson Tank with either another tank or with the installation of a pressure reducing valve that complies with California Waterworks Standards.
3. By September 30, 2022, construct a replacement tank or install a pressure reducing valve in accordance with the design proposal in Directive 2, and take the Robertson Tank offline permanently.

The District contracted for the construction of a pressure reduction valve system at the intersection of Arthur Road and Alderpoint Road, funded by capital reserve funds. This PRV allowed for the Robertson Tank to be taken off-line and the Arthur Road pressure zone to be served off the Alderpoint Tank. Robertson Tank was taken offline in February 2022, completing the required actions on the remaining Directives.

The Tank Replacement Project is expected to cost \$5.87 million dollars. The District is part way through the planning phase for these improvements. Analysis of the water demands for each of the pressure zones served by these three tanks is underway along with the engineering, surveying, geotechnical, and environmental analysis for the project. The District was awarded \$325,000 in grant funding from the SWRCB Division of Financial Assistance to assist with the planning phase of the project. The District was also awarded grant funding from the Department of Water Resources' Small Community Drought Relief Program in the amount of \$4,545,000 in August 2022 for both the planning and construction phase of the project. Once the project has been bid for construction, more will be known about whether the DWR funding will be sufficient. The District is coordinating with SWRCB-DFA to meet all the requirements associated with obtaining supplementary construction funding through the SRF program or Prop 68 in case additional funds are necessary. Construction and project closeout are estimated to be completed by December 2016.

#### **NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 30, 2022, the date the financial statements were available to be issued.