

GARBERVILLE SANITARY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2012

GARBERVILLE SANITARY DISTRICT

Table of Contents

June 30, 2012

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	3
Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2012	4
Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2011	5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	8



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Garberville Sanitary District

We have audited the accompanying financial statements of the business-type activities and each major fund of the Garberville Sanitary District as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Minimum Audit Requirements and Reporting Guidelines for California Special Districts* issued by the State Controller. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Garberville Sanitary District as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

The District has omitted Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America requires 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

November 9, 2012
Fortuna, California

BASIC FINANCIAL STATEMENTS

GARBERVILLE SANITARY DISTRICT

Statements of Net Assets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 345,901	\$ 401,874
Accounts Receivable	88,490	73,524
Due from KIMTU	1,306	19,441
Grants Receivable	34,762	291,498
Prepays and Deposits	11,385	13,711
Total Current Assets	<u>481,844</u>	<u>800,048</u>
Restricted Assets		
Cash in County Treasury	245,291	408,005
Total Restricted Assets	<u>245,291</u>	<u>408,005</u>
Noncurrent Assets		
Capital Assets, Net of Depreciation	5,074,162	2,323,966
Construction in Progress: Water Project	779,020	3,255,007
Annexation Project	46,784	-
Total Noncurrent Assets	<u>5,899,966</u>	<u>5,578,973</u>
Total Assets	<u>\$ 6,627,101</u>	<u>\$ 6,787,026</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 35,889	\$ 437,176
Accrued Payroll Liabilities	5	8,614
Accrued Vacation	11,878	21,221
Current Portion of Long-Term Obligations	89,384	85,959
Total Current Liabilities	<u>137,155</u>	<u>552,970</u>
Noncurrent Liabilities		
Noncurrent Portion of Long-Term Obligations	<u>425,018</u>	<u>524,684</u>
Total Liabilities	562,173	1,077,654
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	5,385,564	4,968,330
Unrestricted	679,363	741,042
Total Net Assets	<u>\$ 6,064,927</u>	<u>\$5,709,372</u>

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

GARBERVILLE SANITARY DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

	Water	Sewer	Total 2012
OPERATING REVENUES			
Utility Sales	\$ 375,119	\$ 310,080	\$ 685,199
Bulk Water Sales	21,098	-	21,098
Connection Fees	1,200	-	1,200
Other Revenues	4,986	4,363	9,349
<u>Total Operating Revenues</u>	402,403	314,443	716,846
OPERATING EXPENSES			
Salaries and Wages	54,848	54,157	109,005
Payroll Taxes	9,193	8,566	17,759
Employee Benefits	3,614	3,689	7,303
Rent	5,400	4,800	10,200
Materials and Supplies	1,046	1,073	2,119
Transportation	1,154	285	1,439
Sewage Collection	-	33,864	33,864
Office Expense	2,136	2,238	4,374
Insurance	7,464	8,583	16,047
Professional Services	14,203	14,099	28,303
Sewage Treatment	-	60,071	60,071
Water Treatment	65,500	-	65,500
Water Distribution	46,570	-	46,570
Permits and Fees	3,166	12,714	15,880
Other Expenses	16,147	15,733	31,881
Deprecation and Amortization	32,411	110,602	143,013
<u>Total Operating Expenses</u>	262,852	330,475	593,326
OPERATING GAIN	139,551	(16,032)	123,520
NON-OPERATING REVENUES (EXPENSES)			
Capital Grants	225,368	-	225,368
Property Taxes and Exemptions	-	22,946	22,946
Interest Income	996	2,322	3,318
Interest Expense	(4,570)	(15,026)	(19,596)
<u>Total Non-operating Revenues (Expenses)</u>	221,794	10,242	232,036
CHANGE IN NET ASSETS	\$361,345	(\$5,790)	355,555
NET ASSETS			
BEGINNING OF YEAR			5,709,372
END OF YEAR			\$ 6,064,927

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

GARBERVILLE SANITARY DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

	Water	Sewer	Total 2011
OPERATING REVENUES			
Utility Sales	\$ 364,639	\$ 321,368	\$ 686,007
Bulk Water Sales	10,756	-	10,756
Connection Fees	-	-	-
Other Revenues	5,915	1,947	7,862
<u>Total Operating Revenues</u>	381,310	323,315	704,625
OPERATING EXPENSES			
Salaries and Wages	47,612	48,212	95,824
Payroll Taxes	6,453	7,247	13,700
Employee Benefits	6,627	5,813	12,440
Rent	5,400	4,800	10,200
Materials and Supplies	1,248	1,477	2,725
Transportation	238	236	474
Sewage Collection	-	49,131	49,131
Office Expense	2,058	2,064	4,122
Insurance	12,935	14,066	27,001
Professional Services	14,950	11,041	25,991
Sewage Treatment	-	50,457	50,457
Water Treatment	66,618	-	66,618
Water Distribution	35,127	-	35,127
Permits and Fees	3,069	10,934	14,003
Other Expenses	9,020	8,008	17,028
Depreciation and Amortization	33,332	66,320	99,652
<u>Total Operating Expenses</u>	244,687	279,806	524,493
OPERATING GAIN	136,623	43,509	180,132
NON-OPERATING REVENUES (EXPENSES)			
Capital Grants	174,636	1,834,294	2,008,930
Property Taxes and Exemptions	-	21,930	21,930
Interest Income	899	2,577	3,476
Interest Expense	(822)	(13,742)	(14,564)
<u>Total Non-operating Revenues (Expenses)</u>	174,713	1,845,059	2,019,772
CHANGE IN NET ASSETS	\$311,336	\$1,888,568	\$ 2,199,904
NET ASSETS			
BEGINNING OF YEAR			\$ 3,499,968
PRIOR PERIOD ADJUSTMENT			\$ 9,500
END OF YEAR			\$ 5,709,372

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

GARBERVILLE SANITARY DISTRICT
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 722,341	\$ 693,221
Cash Paid for Employees	(152,018)	(123,729)
Cash Paid for Goods and Services	<u>(717,534)</u>	<u>(378,226)</u>
Net Cash (Used) Provided by Operating Activities	<u>(147,211)</u>	<u>191,266</u>
Cash Flows From Non-Capital Financing Activities		
Property Tax Revenues	<u>22,946</u>	<u>21,930</u>
Net Cash Provided by Non-Capital Financing Activities	<u>22,946</u>	<u>21,930</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from Long-Term Debt	-	300,000
Principal Paid on Long-Term Debt	(96,242)	(97,159)
Interest Paid on Long-Term Debt	(19,596)	(14,564)
Acquisition of Capital Assets	(464,006)	(1,931,050)
Capital Grant	<u>482,104</u>	<u>2,033,911</u>
Net Cash (Used) Provided by Capital and Related Financing Activities	<u>(97,740)</u>	<u>291,138</u>
Cash Flows From Investing Activities		
Interest on Investments	<u>3,318</u>	<u>3,476</u>
Net Cash Provided by Investing Activities	<u>3,318</u>	<u>3,476</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(218,687)	507,810
Cash and Cash Equivalents - Beginning of Year	<u>809,879</u>	<u>302,069</u>
Cash and Cash Equivalents - End of Year	<u>\$ 591,192</u>	<u>\$ 809,879</u>

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

GARBERVILLE SANITARY DISTRICT

Statement of Cash Flows

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities		
Operating Gain	\$ 123,520	\$ 73,097
Adjustment to Reconcile Operating Gain to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	143,013	96,410
(Increase) Decrease in Accounts Receivable	(14,966)	59
(Increase) Decrease in Other Receivable	18,135	-
(Increase) Decrease in Prepaid Expenses	2,326	(997)
Increase (Decrease) in Accounts Payable	(401,287)	2,451
Increase (Decrease) in Accrued Liabilities	<u>(17,952)</u>	<u>20,407</u>
Total Adjustments	<u>(270,731)</u>	<u>118,330</u>
Net Cash Provided by Operating Activities	<u>\$ (147,211)</u>	<u>\$ 191,427</u>
Reconciliation of Cash and Cash Equivalents per Statement of Cash Flows to Cash and Cash Equivalents per Balance Sheet		
Cash and Cash Equivalents per Statement of Cash Flows	<u>\$ 591,192</u>	<u>\$ 302,069</u>
Cash and Cash Equivalents per Balance Sheet:		
Cash and Cash Equivalents	\$ 345,901	\$ 107,650
Cash in County Treasury	<u>245,291</u>	<u>194,419</u>
	<u>\$ 591,192</u>	<u>\$ 302,069</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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - On April 12th, 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. To supply the inhabitants of the District with water for domestic use, irrigation, sanitation, industrial use, fire protection and recreation;
2. The collection, treatment, and disposal of wastewater of the District and its inhabitants.

In November of 2004, following a community vote, the District purchased the assets of the Garberville Water Company.

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting - The Business 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 \$250 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, 2012 was \$11,878, and at June 30, 2011 was \$21,221, and has been reflected thus on the Balance Sheet.

Fund Equity - Reservations of the ending retained earnings indicate the portions of retained earnings not appropriable 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.

Bad Debts - The direct write-off method is used for recording bad debts relating to accounts receivable. Management believes use of this method, which is not in accordance with Generally Accepted Accounting Principles, does not result in amounts which would be materially different if the allowance method was used.

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.

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, except those that are limited to not-for-profit organizations.

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 invested and maintained by other agencies are as follows:

<u>2012</u>	<u>Cash in Checking</u>	<u>Cash in Savings</u>	<u>Cash in County</u>	<u>Petty Cash</u>	<u>Total</u>
Insured by FDIC	248,344	97,407			345,751
Petty Cash				150	<u>150</u>
Subtotal					345,901
Pooled with County			245,292		245,292
Total	<u>248,344</u>	<u>97,407</u>	<u>245,292</u>	<u>150</u>	<u>591,193</u>

<u>2011</u>	<u>Cash in Checking</u>	<u>Cash in Savings</u>	<u>Cash in County</u>	<u>Petty Cash</u>	<u>Total</u>
Insured by FDIC	326,981	74,699			401,680
Petty Cash				194	<u>194</u>
Subtotal					401,874
Pooled with County			408,005		408,005
Total	<u>326,981</u>	<u>74,699</u>	<u>408,005</u>	<u>194</u>	<u>809,879</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital Assets for the District for the years ended June 30, 2012 and 2011 consisted of the following:

	Balance 6/30/11	Additions (Provisions)	Deletions and Transfers	Balance 6/30/12
Land-Sewer	34,811		95,000	129,811
Land-Water	88,699			88,699
Water System	112,642	2,270		114,912
Water Easements	177,397			177,397
Collection Facilities	2,250,491			2,250,491
Treatment Facilities	685,632			685,632
Annexation Project	0	46,783		46,783
Office Equipment	18,339	3,487		21,826
Vehicles	28,802			28,802
CIP Sewer	2,876,373	24,923	(2,901,296)	0
CIP Water	378,634	386,542	13,844	779,020
Sewer Project 2011	0		2,792,452	2,792,452
Less: Accumulated Depreciation	<u>(1,072,847)</u>	<u>(143,012)</u>		<u>(1,215,859)</u>
Total	<u>5,578,973</u>	<u>320,923</u>	<u>0</u>	<u>5,899,966</u>

	Balance 6/30/10	Additions (Provisions)	Deletions and Transfers	Balance 6/30/11
Land-Sewer	34,811			34,811
Land-Water	88,699			88,699
Water System	112,642			112,642
Water Easements	177,397			177,397
Collection Facilities	2,246,746	3745		2,250,491
Treatment Facilities	682,787	2845		685,632
Building	0			0
Office Equipment	18,079	260		18,339
Vehicles	28,802	0		28,802
CIP Sewer	1,006,634	1,869,739		2,876,373
CIP Water	314,672	63,962		378,634
Less: Accumulated Depreciation	<u>(973,195)</u>	<u>(99,652)</u>		<u>(1,072,847)</u>
Total	<u>3,738,074</u>	<u>1,840,899</u>	<u>0</u>	<u>5,578,973</u>

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 4 - LONG-TERM DEBT

Long-term debt of the District for the years ended June 30, 2012 and 2011 consisted of the following:

	Balance 6/30/11	Additions	Principal Payments	Balance 6/30/12
SWRCB	296,082		(20,169)	275,914
GWC	0			0
SRF	41,369		(20,449)	20,919
MFC	273,192		(55,624)	217,568
Total	<u>610,643</u>		<u>(96,242)</u>	<u>514,401</u>

	Balance 6/30/10	Additions	Principal Payments	Balance 6/30/11
SWRCB	315,856		(19,774)	296,082
GWC	0		0	0
SRF	91,946		(50,577)	41,369
MFC	0	300,000	(26,808)	273,192
Total	<u>407,802</u>	<u>300,000</u>	<u>(97,159)</u>	<u>610,643</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. Details of this loan are as follows:

- a. Principal Amount at 6/30/12 - \$275,914
- b. Interest rate – 2.0% per annum

GARBERVILLE WATER COMPANY (GWC)

On December 1, 2004, the District issued a note for \$220,000, payable through November 1, 2009. The loan is payable in monthly installments of \$4,067.07. The note is secured by a first security interest in the assets, including all water rights, as well as the District's accounts receivable. Details of this loan are as follows:

- a. Principal Amount at 6/30/12 - \$0
- b. Interest rate – 4.0% per annum

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 4 - LONG-TERM DEBT (Continued)

STATE REVOLVING FUND (SRF)

The District is indebted to the California Department of Public Health Safe Drinking Water State Revolving Fund for one loan. Details of this loan are as follows:

- a. Principal Amount at 6/30/12 - \$20,919
- b. Interest rate - 2.32% per annum

MUNICIPAL FINANCE CORPORATION (MFC)

On August 24, 2010, the District borrowed \$300,000 for a Water and Wastewater Construction Project. The loan is payable in semi-annual installments of \$34,233.36, including 4.95% interest. Details of this loan are as follows:

- a. Principal Amount at 6/30/12 - \$217,568
 - Water Project Portion - \$167,051
 - Sewer Project Portion - \$ 50,517
- b. Interest Rate – 4.95% per annum

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

SWRCB Loan

Year(s) Ending June 30	Principal	Interest	Total
2013	20,572	5,518	26,090
2014	20,984	5,106	26,090
2015	21,403	4,687	26,090
2016	21,831	4,259	26,090
2017	22,267	3,823	26,090
2018-2022	118,198	12,252	130,450
2023-2024	50,659	1,525	52,184
Totals	<u>\$ 275,914</u>	<u>\$ 37,170</u>	<u>\$ 313,084</u>

GWC Loan

Year(s) Ending June 30	Principal	Interest	Total
2013	\$ 0	\$ 0	\$ 0
Totals	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 4 - LONG-TERM DEBT (Continued)

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

SRF Loan

Year(s) Ending June 30	Principal	Interest	Total
2013	10,400	239	10,639
2014	10,519	120	10,639
Totals	<u>\$ 20,919</u>	<u>\$ 359</u>	<u>\$ 21,278</u>

MFC Loan - (See Note 12 For Water Project and Sewer Project Allocation)

Year(s) Ending June 30	Principal	Interest	Total
2013	58,411	10,056	68,467
2014	61,338	7,129	68,467
2015	64,412	4,055	68,467
2016	33,407	827	34,234
Totals	<u>\$ 217,568</u>	<u>\$ 22,067</u>	<u>\$ 239,635</u>

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, 2011 through June 30, 2012. 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)	400,000
Property Loss (per occurrence)	1,000,000,000
Boiler and Machinery (per occurrence)	100,000,000
Public Officials Personal Liability (per occurrence)	500,000

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2012

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 water and solid waste utility services. Following is a listing of the District's receipts by source:

	<u>2012</u>	<u>2011</u>
Current Secured Taxes	21,581	20,549
Current Unsecured Taxes	829	860
Taxes-Prior Years	24	17
Taxes-Current-Supplemental Rolls	126	109
State-Homeowners' Exemptions	344	342
Taxes-Prior Years-Supplemental	42	54
Total Taxes/Exemptions	<u>22,946</u>	<u>21,931</u>

NOTE 7 – KIMTU MEADOWS CONSOLIDATION

The District is currently in the process of consolidation with the Kimtu Mutual Water Company (KMWC). The California Department of Public Health (CDPH) has determined the KMWC water quality did not meet drinking water standards. In studying the remediation issues and CDPH policies, the State agency determined the most cost effective corrective measure was a consolidation of KMWC with the Garberville Sanitary District (GSD). To effectively accomplish this, CDPH funded the construction of a new eight inch water main between the two water providers. As of end of the June 30, 2012 fiscal year, the construction for this pipe line was nearing completion, and was expected to be completed before the end of the 2012 calendar year. Upon GSD's acceptance of the project, the District will have acquired twenty additional water connections. The Kimtu project is being completed at no cost to the District. The amount shown in the financial statements as Receivable from Kimtu is for expenses incurred by the District for attorney and consultant fees related to the new system and which the majority of this amount will be reimbursed by Kimtu.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2012, the date the financial statements were available to be issued, and no subsequent events exist.

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
 June 30, 2012

**NOTE 9 – SURFACE WATER TREATMENT PLANT AND INFRASTRUCTURE
 CAPITAL IMPROVEMENT PROJECT**

In November 2004, the District purchased the assets of the Garberville Water Company. This acquisition enabled the community with the responsibility of providing water for their District. Along with this acquisition came a lengthy letter from the California Department of Public Health (CDPH), the regulatory agency for water. This letter addresses the many deficiencies with the operations, primarily infrastructure associated issues. The District knew of these deficiencies prior to the acquisition and was in contact the CDPH to define the needed improvements and possible funding. The District did the minor improvements in-house, When new Surface Water Treatment Regulations were implemented, the scope of the needed improvements drastically expanded. To date, the needed project is expected to cost \$5.5 million dollars. The District is nearing completion of the planning phase for these improvements. Funding for this project is expected to be from CDPH, in the form of a \$3 million dollar grant from the Safe Drinking Water State Revolving Fund (SDWSRF) and the balance funded by a 30-year 0% interest loan from SDWSRF.

**NOTE 10 – ANNEXATION (JURISDICTIONAL BOUNDARY, SOI EXPANSION, CHANGE
 IN PLACE OF USE, AND MSR) PROJECT**

Every five years, the Humboldt County Local Agency Formation Commission (LAFCo) is mandated to review the Spheres of Influence (SOI's) of all government entities within the District. A Municipal Service Review (MSR) is prepared by LAFCo as part of the SOI review. The District participates in the preparation of the document and provides the data necessary for the LAFCo to perform the review. As part of the MSR/SOI review in 2011, the District identified numerous parcels that are being provided with water service which are outside of the existing District's Jurisdictional Boundary and SOI. The LAFCo process for remedy of this condition is to complete an annexation of these parcels into the boundaries by petitioning LAFCo for the proposed change. As part of this project the District also needs to modify the Place of Use for the Diversion License and Permit as regulated by the State Water Resources Control Board Division of Water Rights to be consistent with the areas served. Upon completion of the Annexation, the Change in Place of Use, the Municipal Services Review and Sphere of Influence Update, the District will not need to complete this planning process again for five years or until a property requests to be annexed into the District Boundary or Sphere of Influence.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Certain adjustments of the books were required for the year ended June 30, 2011. These adjustments were necessitated in order to bring into alignment the proper capitalization of amounts related to the Construction in Progress – Water account. Details of the required adjustment are as follows:

	<u>2012</u>	<u>2011</u>
Adjust Construction in Progress – Water	<u>\$ 0</u>	<u>\$9,500</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 12 – MFC LONG-TERM DEBT SERVICE DETAILS

MFC Loan - Water Project Portion

<u>Year(s) Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	47,644	7,544	55,188
2014	46,019	5,349	51,368
2015	48,325	3,042	51,367
2016	25,063	620	25,683
Totals	<u>\$ 167,051</u>	<u>\$ 16,555</u>	<u>\$ 183,606</u>

MFC Loan - Sewer Project Portion

<u>Year(s) Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	10,767	2,512	13,279
2014	15,320	1,780	17,100
2015	16,087	1,013	17,100
2016	8,343	207	8,550
Totals	<u>\$ 50,517</u>	<u>\$ 5,512</u>	<u>\$ 56,029</u>