

**GARBERVILLE SANITARY DISTRICT  
FINANCIAL STATEMENTS**

**JUNE 30, 2023**

**GARBERVILLE SANITARY DISTRICT**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Garberville Sanitary District

#### Opinions

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, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit opinions.

### **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.

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

### **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.

Board of Directors  
Garberville Sanitary District

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Garberville Sanitary District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

*Anderson, Lucas, Somerville, & Borges*

December 29, 2023

Fortuna, California

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

GARBERVILLE SANITARY DISTRICT  
Management's Discussion & Analysis Report

For Year ended June 30, 2023

Purpose of the MD&A

This Management Discussion and Analysis report is being prepared to provide an objective and easily readable analysis of the District's financial activities based on currently known facts, decisions, or conditions. It is meant to supplement the detailed financial statements and the audit with a concise overview or an explanation of what makes up the numbers presented. It is Management's intention that this information provides the financial statement reader with a brief and concise overview and analysis of the District's financial activities for the fiscal year ended June 30, 2023.

Brief Discussion of Basic Financial Statements

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The District's annual report consists of: Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements.

The basic financial statements following this discussion are: Statement of Net Position, Statement of Activities and Changes in Net Position, and Statement of Cash Flows. The District's basic statements report "Business-Type Activities" of the Water and Sewer operations. Following the basic financial statements are Notes to the Financial Statement that provide accounting methodology and other disclosures related to specifically identified financial statement reporting.

Condensed Comparative Financial Statements

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FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities at the close of the fiscal year by \$ 9,667,511.49. This represents the net position of the District as of June 30, 2023.
- The District's net position decreased by \$ 78,631.12.
- Total operational revenues for the fiscal year were \$1,196,866.60, an increase of \$106,706.25 or 9.79% over the prior fiscal year.
- Total operating expenses for the fiscal year were \$910,918.09, an increase of \$15,149.57 or 1.69% over the prior fiscal year. Consistent with generally accepted accounting principles, operating expenses do not include principal payments or capital asset purchases.
- In addition to the operating expenses, the District also made principal payments on long term debt in the amount of \$115,882.24 during the fiscal year.
- In addition to the operating expenses, the District incurred \$465,021.23 in capital asset purchases during the current fiscal year.
- Cash and Cash Equivalents on June 30, 2023 totaled \$788,489.70.
- Cash and Cash Equivalents decreased by \$84,327.93 during the fiscal year.
- Net Income excluding Grant Income and Depreciation was \$327,467.22, which is an increase of \$84,041.36 over last year.
- Accounts receivable increased this year by \$32,633.76 this year.

GARBERVILLE SANITARY DISTRICT  
Management's Discussion & Analysis Report

For Year ended June 30, 2023

**Analysis of Financial Position and Results of Operations**

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**REVENUE**

The District receives revenue from two sources, service fees and property taxes. Services fees are considered as operating revenue and for the purposes of the financial statements they are labeled Operational Revenue. Property taxes are consolidated with other non-operating revenues such as interest income and grant income into the category of Other Revenue. The table below compares Program Revenue and General Revenue for the year ended June 30, 2023 to the year ended June 30, 2022.

Table 1. Revenue Summary and Comparison

	June 30, 2023	June 30, 2022	Change (\$)	Change (%)
<b>Operational Revenue</b>				
Water Charges	673,649.75	621,407.25	52,242.50	8.41%
Sewer Charges	501,436.10	450,658.10	50,778.00	11.27%
Late Charges	14,655.00	15,255.00	-600.00	-3.93%
Other	7,125.75	2,840.00	4,285.75	150.91%
<b>Total Operational Revenue</b>	<b>1,196,866.60</b>	<b>1,090,160.35</b>	<b>106,706.25</b>	<b>9.79%</b>
<b>General Revenue</b>				
Property Tax	33,308.34	31,190.57	2,117.77	6.79%
Water Grants	387,970.26	55,802.85	332,167.41	595.25%
Interest	1,762.00	10,813.94	-9,051.94	-83.71%
Other	3,739.67	14,475.03	-10,735.36	-74.16%
<b>Total General Revenue</b>	<b>426,780.27</b>	<b>112,282.39</b>	<b>314,497.88</b>	<b>280.10%</b>
<b>Total Revenue</b>	<b>1,623,646.87</b>	<b>1,202,442.74</b>	<b>421,204.13</b>	<b>35.03%</b>

Each year the Board adopts a budget that estimates the revenues from both base rate service charges and the more variable revenues from the units of water that are consumed by each customer. This year the operational revenues are \$43,133.40 under the budget amount. This is concerning because of the potential effect that the rate increases are having on conservation of water usage, which directly affects the variable portion of the operational revenues. Because both water and sewer revenues are calculated in part on the number of units used by the customer, this conservation affects both classes of operational revenue. Further investigation into where this deficit has come from is warranted. The majority of the District's revenue is from base rates, which remain stable. In August 2023, the Board reconvened the Rate Committee to investigate the causes of the deficit in projected revenue from the new rates and actual revenue.

The GSD Board adopted the five-year incremental rate structure in Attachment 1 of Resolution 20-007. The scheduled rate increase with an effective date of July 1, 2022 was approved for implementation with a slight modification in Resolution 22-007.

In addition to the revenues not meeting budget projections, the Accounts Receivable balance increased by \$32,633.76 this year, which is indicative of the difficulties that a significant percent of the customers are having in paying the higher water and sewer rates in the current local economy.



GARBERVILLE SANITARY DISTRICT  
Management's Discussion & Analysis Report

For Year ended June 30, 2023

**EXPENSES**

The operational expenses are divided into five categories in the financial statements: Administrative and General, Sewage Collection, Sewage Treatment, Water Transmission and Distribution, and Water Treatment. In the following table the expenses have been summarized into major groups.

Table 2. Expense Summary and Comparison

	June 30, 2023	June 30, 2022	Change (\$)	Change (%)
Operational Expenses				
General Administrative	195,965.08	187,527.39	8,437.69	4.31%
Payroll	481,178.12	465,494.38	15,683.74	3.26%
Liability Insurance	52,534.86	53,273.43	-738.57	-1.41%
Sewage Collection	18,996.23	12,729.51	6,266.72	32.99%
Sewage Treatment	44,601.21	38,425.50	6,175.71	13.85%
Water Trans. & Dist.	33,559.15	38,082.61	-4,523.46	-13.48%
Water Treatment	84,083.44	100,235.70	-16,152.26	-19.21%
Total Operational Expenses	910,918.09	895,768.52	15,149.57	1.66%
Other Expenses				
Interest	5,233.55	3,265.76	1,967.79	37.60%
Miscellaneous	8,057.75	4,179.75	3,878.00	48.13%
Depreciation	414,839.60	422,589.00	-7,749.40	-1.87%
Total Other Expenses	428,130.90	430,034.51	-1,903.61	-0.44%
Total Expenses	1,339,048.99	1,325,803.03	-5,775.01	-0.43%

For the current fiscal year, the expenses were \$50,677.49 less than the amount budgeted.

Since the deficiency in revenue is less than the savings in expenses, it basically balanced out so that the operational net income was \$7,544.09 more than budgeted. On a million-dollar budget, that is a very small variation in the bottom line for the budget performance.

**Budgetary Analysis**

This year the overall net income was \$300,597.88. Once Grant Income and Depreciation are removed from this amount, the Net Income is \$327,467.22. This is \$84,041.36 more than last year.

There are a group of expenses that increase each year by more than standard cost of living and inflation rates and are mainly out of the control of District personnel. Each year we experience increases in costs for the various insurances that we have to possess. These include worker's compensation, health/dental/vision, property, pollution, cyber, General liability, errors & omissions, employee and public officials' dishonesty, auto liability, comprehensive and collision, and mobile equipment/trailer coverage. These are in four policies. Two policies we pay for on an annual basis due July 1 and the other two we pay for monthly, one month in advance. The total for all four policies in 2022-23 was \$ 100,994.57 and for 2023-24 is budgeted for \$117,140 which is an \$16,145 or 15.99% increase. This particular expense is escalating much quicker than the existing rate structure anticipated.

GARBERVILLE SANITARY DISTRICT  
Management's Discussion & Analysis Report

For Year ended June 30, 2023

Payroll expenses also increase each year, which include wages, taxes, worker's compensation insurance, and benefits such as health and dental insurance, retirement, and vacation. The increases for worker's compensation and health/dental/vision insurances are dictated by SDRMA, but we have also awarded raises to the majority of the staff each year.

One area in which there is significant variation between years is for the Monitoring expenses. This is due to the terms of the State Water Resources Control Board monitoring schedule for distribution within our Water Permit and the requirements for our Wastewater Discharge Permit. Some tests are required annually, but there are groups that must be completed every 2, 3, 5, and 10 years. Depending upon where we are within the cycle, the cost of the tests can vary greatly. The budget adopted by the Board includes an estimate of the anticipated costs based upon the scheduled tests and the estimated cost per test.

Analysis of the Balances and Significant Transactions of Individual Funds

**CASH BALANCES**

The cash balances saw some significant changes this year as we moved funds from the Water Fund treasury account to the operations account to cover the large expenses associated with the tank replacement project. These funds will be replaced in those accounts once the project is completed and the state has fully reimbursed the District for the expenses that we have to "front" for the project. The requirement to be reimbursed in arrears has resulted in a negative cash flow of \$84,327.93 for this fiscal year.

Table 3. Cash Account Balances

Checking/Savings	June 30, 2023	June 30, 2022	Change (\$)
1005 · Umpqua Checking - Operating	113,735.48	165,091.66	(51,356.18)
1006 · Umpqua System Reserve - Water	25,814.51	25,811.93	2.58
1007 · Umpqua System Reserve - Sewer	31,273.32	31,270.19	3.13
1011 · Water Enterprise Fund	46,837.03	46,832.34	4.69
1030 · County Treasury - Sewer Reserve	481,067.57	434,307.06	37,585.17
1031 · County Treasury - Water Reserve	45,419.65	141,265.36	(97,118.79)
1035 · Water Capital Improvement Fund	26,001.84	18,000.01	8,001.83
1036 · Sewer Capital Improvement Fund	18,000.04	9,998.82	8,001.22
1040 · Petty Cash	39.51	39.51	0.00
1050 · Cash Drawer	300.75	200.75	100.00
<b>Total Checking/Savings</b>	<b>788,489.70</b>	<b>872,817.63</b>	<b>-84,327.93</b>

**GRANT RECEIVABLE**

Grant Receivables are at a significant level this year as we await reimbursement for the project expenses that have been incurred through the end of this fiscal year, but have not yet been reimbursed. There is a total grant receivable balance of \$379,229.00 as of June 30, 2023. Details for what makes up this balance are provided in section 6 as part of the discussion on the Tanks Replacement Project. The expenses that make up this receivable amount have been paid for in part from Capital Project reserve account funds, which will be put back when the reimbursement is received, but the Board should be prepared for the reserve fund balance

GARBERVILLE SANITARY DISTRICT  
Management's Discussion & Analysis Report

For Year ended June 30, 2023

to drop below the \$700,000 target balance at least for a period of time during the upcoming year(s) while we proceed with this project.

**Capital Assets and Reoccurring Fixed Assets**

As part of the budget review and adoption process, the District identifies fixed assets and capital projects that will be undertaken over the next fiscal year. For the 2022-23 fiscal year, the Board budgeted for a year-end total of \$478,000.00. Actual expenditures for fixed asset acquisition through June 30, 2023 total \$465,021.23. The following table summarizes the budgeted and actual expenses.

Table 4. Details of Fixed Assets and Capital Projects Budgeted and Spent

Asset Description	Amount Budgeted	Amount Spent
Robertson + Wallen + Hurlbutt Tank Replacement Project	350,000	420,057.70
Meadows Aerial Waterline SRF Grant/Loan	8,000	
Bear Canyon Sewer Aerial Preliminary Design	5,000	
WWTP Flow Meters/Reprogram	7,500	
Fencing/Shelter for Raw Water Intake Generator & Controls	20,000	
Raw Water Intake Pump	70,000	
Pumps - Rebuild FW @ SWTP	7,500	
LMI Pumps - Water		5,793.31
LMI Pump - Sewer		1,565.61
Loprest Actuators for SWTP Filters		33,135.61
Chlorine analyzer & Turbidity sensor		4,469.00
Unspecified	10,000	
Total:	478,000	465,021.23

**ROBERTSON, WALLAN, AND HURLBUTT TANKS REPLACEMENT PLANNING PROJECT**

This capital asset project consists of replacing the existing 180,000-gallon, in-ground, concrete, finished water storage tank (Hurlbutt Tank) with a new in-ground, 550,000-gallon, pre-stressed concrete tank (Main Tank) located on an adjacent parcel. Replace the existing 20,000-gallon, failing, redwood drinking water storage tank (Wallan Tank) with an approximately 77,000-gallon bolted steel tank. Remove the failing Robertson Tank from the system. Demolish the existing Upper Maple Lane Pump Station and replace it with a new one at the site of the new Main Tank. Demolish the existing Arthur Pump Station and replace it with a new Alderpoint Pump Station. Upgrade the existing Wallan Pump Station to meet the operational requirements of the new Wallan Tank. Install new segments of distribution piping to connect the new tanks and pump stations to the existing distribution system. Install new, diesel-powered, backup generators at the Tobin Well, Upper Maple Lane Pump Station, Alderpoint Pump Station, and Wallan Pump Station. Install new instrumentation, controls, and radio telemetry improvements.

We executed a funding agreement with SWRCB for state revolving funds to complete surveying, geotechnical, design, CEQA, permitting and preparation of biddable plans and specifications for replacement of these three old tanks. The funding is in the amount of \$325,000 as 100% grant through Proposition 86. The scope of work associated with this planning project is estimated to be more than the \$325,000 and now includes some components deemed necessary, but not included in the original funding agreement. A request

GARBERVILLE SANITARY DISTRICT  
Management's Discussion & Analysis Report

For Year ended June 30, 2023

for an increase in planning grant funds has been prepared for the State's review and approval. At this time the amendment for the increase in funding has not been executed.

The grant program is a reimbursement program which means that the District will incur all the expenses and then SWRCB DFA will review eligibility of the expenses and eventually reimburse us. The difficulty with this is that it can take 6 - 12 months, or sometimes even more, to elapse between the date the District pays the expense and when they receive the reimbursement. This results in hundreds of thousands of dollars being utilized from the reserve account during the delay.

In November 2021, the District submitted a grant application packet for the Small Community Drought Relief Program for the Wallan, Robertson, and Hurlbutt Tanks. On August 22, 2022, the District received notice from the State of California Department of Water Resources Small Community Drought Relief Program that they had approved funding in an amount not to exceed \$4,545,000 for this project. This grant covers administration, project development, property acquisition, and construction for the tank replacement project. The Grant Agreement was executed on March 6, 2023. An amendment was executed on October 4, 2023, which modified the scope of work to only include the Hurlbutt/Main Tank and associated waterline and pump station.

Table 5. Summary of CIP-Robertson/Wallan/Hurlbutt project costs and Reimbursement Sources (including prior fiscal years) through June 30, 2023.

Description	Amount
Ineligible Expenses - Pre FA	\$ 32,796.28
Arthur Road PRV Construction Costs	\$ 57,610.01
DFA Reimbursement Invoice #1 (paid 12/12/23)	\$ 64,007.74
DWR Reimbursement Invoice #1 (paid 8/8/23)	\$165,759.30
DFA Reimbursement Invoice #2 (paid 9/21/23)	\$ 71,396.46
DWR Reimbursement Invoice #2 (submitted)	\$ 64,291.73
DFA Reimbursement Invoice #3 (paid 9/27/23)	\$ 52,220.29
DWR Retention Due	\$ 25,561.23
Expenses Awaiting Invoicing	0.00
Expenses Awaiting FA Amendment for Reimbursement	\$ 26,542.50
<b>Total Project Costs to Date</b>	<b>\$ 562,380.93</b>

The only Reimbursement that we received prior to June 30, 2023 was DFA #1. This amount was partially from FY 22/23, but the majority was from 2021/22 that had already been posted as a grant receivable as of 6/30/22 in the amount of \$55,266.74.

The amount outstanding from DFA as of 6/30/23 is  $\$71,396.46 + 52,220.29 = \$123,616.75$ .

The amount outstanding from DWR as of 6/30/23 is  $\$165,759.30 + 64,291.73 + 25,561.23 = \$255,612.25$ .

The total Grant Receivable is \$379,229.00

GARBERVILLE SANITARY DISTRICT  
Management's Discussion & Analysis Report

For Year ended June 30, 2023

Upon completion of the environmental review, permitting, property acquisition and final design, this project will transition into a construction project. Partial funding for the construction phase is included in the DWR grant. The remainder will be applied for from the SWRCB Division of Financial Assistance Drinking Water State Revolving Fund program. All indications are that the construction funds will be awarded.

In July 2023 the District submitted a funding agreement amendment to add additional planning grant funds to the project in the amount of \$347,000, and the District also requested that the Work Completion Date be extended from March 31, 2024 to December 31, 2024. All indications from the DFA Project Manager are that this request has been approved by each level of review as it works its way through the approval process.

### Long-term Debt Activity

The District has several long-term loans for various projects or assets that have been acquired over the past few years. Each loan is listed below with loan terms and remaining balance as of June 30, 2023. More detail can be found in the Financial Statement Note 4.

Table 6. Loan Payments made this year are:

Name of Lender	PRINCIPLE	INTEREST	TOTAL
SWRCB WWTP Principle Pmt (until 8/2023, 2%, \$428,907)	25,076.93	1,012.98	26,089.91
SWRCB DWIP Principle Pmt (until 01/2046, 0%, \$1,379,471)	45,982.36	0	45,982.36
RCAC Backhoe (3 yr. 9/1/23, 5%, \$60,000)	20,831.84	747.20	21,579.04
Ditch Witch Vac Trailer (3 yr., until 5/2025, 4.83%, \$74,280)	23,991.15	3,473.37	27,464.52
<b>TOTAL</b>	<b>115,882.28</b>	<b>5,233.55</b>	<b>121,115.83</b>

Table 7. Loan Payments budgeted for next year are:

Name of Lender	PRINCIPLE	INTEREST	TOTAL
SWRCB WWTP Principle Pmt (until 8/2023, 2%, \$428,907)	25,578.45	511.49	26,089.94
SWRCB DWIP Principle Pmt (until 01/2046, 0%, \$1,379,471)	45,982.36	-	45,982.36
RCAC Backhoe (3 yr. 9/1/23, 5%, \$60,000)	3,566.69	22.35	3,589.05
Ditch Witch Vac Trailer (3 yr., until 5/2025, 4.83%, \$74,280)	25,657.61	1,806.91	27,464.52
<b>TOTAL</b>	<b>100,785.11</b>	<b>2,340.75</b>	<b>103,125.87</b>

As of June 30, 2023, we only have three more months of payments on the backhoe and one payment left on the 20-year sewer loan for IP-2000 project. This will free up a significant amount of funds for use on other CIP or asset acquisition/replacement projects.

### Currently Known Facts, Decisions, or Conditions

There are no additional facts, decisions or conditions that management anticipates having a material effect on the District's financial position in the next fiscal year.

## **BASIC FINANCIAL STATEMENTS**

**GARBERVILLE SANITARY DISTRICT**

**Statement of Net Position**

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 215,165	\$ 250,413
Cash - Restricted for Debt Service	46,837	46,832
Accounts Receivable - net of \$5,000 Allowance for Doubtful Accounts	127,971	102,217
Capital Grant Receivable	379,229	55,267
Interest Receivable - County	2,267	18,900
Prepays and Deposits	7,684	4,198
<b>Total Current Assets</b>	<u>779,153</u>	<u>477,827</u>
<b>Restricted Assets</b>		
Cash in County Treasury	526,487	575,572
<b>Total Restricted Assets</b>	<u>526,487</u>	<u>575,572</u>
<b>Noncurrent Assets</b>		
Capital Assets, Net of Depreciation	9,127,808	9,497,684
Construction in Progress	579,303	159,246
<b>Total Noncurrent Assets</b>	<u>9,707,111</u>	<u>9,656,930</u>
<b>Total Assets</b>	<u><b>\$ 11,012,751</b></u>	<u><b>\$ 10,710,329</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 183,036	\$ 61,360
Utility Service Deposits	5,800	6,400
Accrued Vacation	40,734	40,953
Other Accrued Liabilities	1,625	-
Current Portion of Long-Term Obligations	100,785	116,056
<b>Total Current Liabilities</b>	<u>331,980</u>	<u>224,769</u>
<b>Noncurrent Liabilities</b>		
Noncurrent Portion of Long-Term Obligations	1,013,260	1,113,871
<b>Total Liabilities</b>	<u><b>\$ 1,345,240</b></u>	<u><b>\$ 1,338,640</b></u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	8,593,066	8,427,003
Restricted for Debt Service	46,837	46,832
Unrestricted	1,027,608	897,854
<b>Total Net Position</b>	<u><b>\$ 9,667,511</b></u>	<u><b>\$ 9,371,689</b></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, 2023

	Water	Sewer	Total 2023
<b>OPERATING REVENUES</b>			
Utility Sales	673,650	501,436	1,175,086
Connection Fees	8,000	8,000	16,000
Other Revenues	12,231	9,550	21,781
<u>Total Operating Revenues</u>	693,881	518,986	1,212,867
<b>OPERATING EXPENSES</b>			
Salaries and Wages	181,545	210,204	391,749
Payroll Taxes	14,560	16,782	31,342
Employee Benefits	24,018	25,400	49,418
Rent	4,593	4,592	9,185
Materials and Supplies	1,132	1,154	2,286
Transportation	2,385	2,386	4,771
Sewage Collection	-	18,996	18,996
Office Expense	5,249	5,179	10,428
Insurance	30,288	30,916	61,204
Professional Services	35,926	30,729	66,655
Sewage Treatment	-	44,601	44,601
Water Treatment	84,083	-	84,083
Water Distribution	33,559	-	33,559
Permits and Fees	9,479	27,135	36,614
Utilities	1,619	1,619	3,238
Bad Debts	15,298	471	15,769
Other Expenses	24,198	22,821	47,019
Deprecation and Amortization	270,353	144,487	414,840
<u>Total Operating Expenses</u>	738,285	587,472	1,325,757
<b>OPERATING GAIN (LOSS)</b>	<b>(44,404)</b>	<b>(68,486)</b>	<b>(112,890)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Capital Grant Income	387,970	-	387,970
Property Taxes and Exemptions	-	34,050	34,050
Other Income	2,320	1,420	3,740
Other Expense	(7,451)	(1,349)	(8,800)
Interest Income (Current Year)	1,252	7,830	9,082
Interest Income (Prior Year Adjustment)	(3,078)	(4,242)	(7,320)
Interest Expense	(3,124)	(2,110)	(5,234)
<u>Total Non-operating Revenues</u>	377,889	35,599	413,488
<b>CHANGE IN NET POSITION</b>	<b>333,485</b>	<b>(32,887)</b>	<b>300,598</b>
<b>NET POSITION</b>			
<b>BEGINNING OF YEAR</b>			<b>9,371,689</b>
<b>ADJUSTMENT FOR PRIOR YEAR INSURANCE EXPENSE</b>			<b>(4,776)</b>
<b>END OF YEAR</b>			<b>9,667,511</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, 2022

	Water	Sewer	Total 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 Cash Flows**  
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Cash Received from Customers	\$ 1,186,513	\$ 1,110,215
Cash Paid for Employees	(431,758)	(444,313)
Cash Paid for Goods and Services	(364,338)	(403,631)
	<b>390,417</b>	<b>262,271</b>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Property Tax Revenues	34,050	31,191
	<b>34,050</b>	<b>31,191</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from Long-Term Debt	-	74,280
Principal Paid on Long-Term Debt	(115,882)	(90,386)
Proceeds from Capital Grants	64,008	-
Interest Paid on Long-Term Debt	(5,234)	(3,266)
Acquisition of Capital Assets	(465,022)	(226,619)
Proceeds from Other Income	3,740	15,007
Other Expenses	(8,800)	(4,180)
	<b>(527,190)</b>	<b>(235,164)</b>
<b>Cash Flows From Investing Activities</b>		
Interest on Investments	18,395	14
	<b>18,395</b>	<b>14</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(84,328)</b>	<b>58,312</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>872,817</b>	<b>814,505</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 788,489</b>	<b>\$ 872,817</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Gain (Loss)	\$ (112,890)	\$ (223,422)
Adjustment to Reconcile Operating Gain (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	414,840	422,589
Prior Period Adjustment to Prepaid Insurance	(4,776)	-
(Increase) Decrease in Accounts Receivable	(25,754)	20,953
(Increase) Decrease in Customer Deposits	(600)	(900)
(Increase) Decrease in Prepaid Expenses	(3,486)	(758)
Increase (Decrease) in Accounts Payable	121,676	33,290
Increase (Decrease) in Accrued Liabilities	1,406	10,517
	503,307	485,692
<b>Total Adjustments</b>	<b>503,307</b>	<b>485,692</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 390,417</b>	<b>\$ 262,271</b>
 <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	<b>\$ 788,489</b>	<b>\$ 872,817</b>
Cash and Cash Equivalents per Balance Sheet:		
Cash and Cash Equivalents	\$ 215,165	\$ 250,413
Cash - Restricted for Debt Service	46,837	46,832
Cash in County Treasury	526,487	575,572
	<b>\$ 788,489</b>	<b>\$ 872,817</b>

The accompanying notes are an integral part of these financial statements

**NOTES TO FINANCIAL STATEMENTS**

# GARBERVILLE SANITARY DISTRICT

## Notes to Financial Statements

June 30, 2023

### 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, 2023

**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, 2023 and 2022 was \$40,734 and \$40,953 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 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.

***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, 2023 and 2022.

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2023

**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>2023</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	\$ 113,735	\$ 101,090	\$ -	\$ -	\$ 214,824
Restricted Water Fund	46,837	-	-	-	46,837
Petty Cash	-	-	-	341	341
Subtotal					262,002
Pooled with County	-	-	526,487	-	526,487
Total	<u>\$ 160,572</u>	<u>\$ 101,090</u>	<u>\$ 526,487</u>	<u>\$ 341</u>	<u>\$ 788,489</u>

<u>2022</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	\$ 165,092	\$ 85,080	\$ -	\$ -	\$ 250,171
Restricted Water Fund	46,832	-	-	-	46,832
Petty Cash	-	-	-	241	241
Subtotal					297,244
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>

**GARBERVILLE SANITARY DISTRICT**  
**Notes to Financial Statements**  
June 30, 2023

**NOTE 3 - CAPITAL ASSETS AND DEPRECIATION**

Capital Assets for the District for the years ended June 30, 2023 and 2022 consisted of the following:

	Balance 6/30/22	Additions	Deletions Transfers	Balance 6/30/23
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	2,395,296	-	-	2,395,296
Sewer Treatment Facilities	507,553	-	-	507,553
Water Distribution	2,804,483	-	-	2,804,483
Water Treatment	79,920	33,136	-	113,056
Water Pumps	10,049	5,793	-	15,842
Sewer Pumps	32,648	1,566	-	34,214
Water Project 2015	4,968,105	-	-	4,968,105
Sewer Project 2011	2,792,452	-	-	2,792,452
Wallan Road Tank	142,323	420,058	-	562,381
Office Equipment	38,244	-	-	38,244
Equipment	311,402	4,469	-	315,871
Vehicles	121,206	-	-	121,206
Annexation Project	157,367	-	-	157,367
CIP Church Street	6,800	-	-	6,800
CIP Bear Canyon	989	-	-	989
CIP Meadows Aerial	9,134	-	-	9,134
Less: Accumulated Depreciation	<u>(5,265,319)</u>	<u>(414,842)</u>	<u>-</u>	<u>(5,680,160)</u>
Total	<u>\$ 9,656,930</u>	<u>\$ 50,180</u>	<u>\$ -</u>	<u>\$ 9,707,111</u>



**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2023

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

	Balance 6/30/21	Additions	Deletions Transfers	Balance 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, 2023

**NOTE 4 - LONG-TERM DEBT**

Long-term debt of the District for the years ended June 30, 2023 and 2022 consisted of the following:

	Balance 6/30/22	Additions	Principal Payments	Balance 6/30/23
SWRCB	50,655	-	(25,076)	25,578
RCAC-Backhoe	24,406	-	(20,832)	3,574
Ditchwitch Trailer	74,280	-	(23,991)	50,289
SRF Loan	1,080,586	-	(45,982)	1,034,604
	<u>\$ 1,229,927</u>	<u>\$ -</u>	<u>\$ (115,881)</u>	<u>\$ 1,114,045</u>

	Balance 6/30/21	Additions	Principal Payments	Balance 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>

Current portion of long-term debt is as follows:

SWRCB	\$ 25,578
Ditchwitch Trailer	25,658
SRF Loan	45,982
RCAC Loan	3,567
	<u>\$ 100,785</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, 2023 was \$25,578.

**GARBERVILLE SANITARY DISTRICT**  
**Notes to Financial Statements**  
June 30, 2023

**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 June 30	Principal	Interest	Total
2024	25,578	980	26,558
	<u>\$ 25,578</u>	<u>\$ 980</u>	<u>\$ 26,558</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, 2023 was \$3,574.

Year(s) Ending June 30	Principal	Interest	Total
2024	3,567	22	3,589
2025	7	-	7
	<u>\$ 3,574</u>	<u>\$ 22</u>	<u>\$ 3,596</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, 2023 was \$50,289.

Year(s) Ending June 30	Principal	Interest	Total
2024	25,658	1,906	27,564
2025	24,631	1,099	25,730
	<u>\$ 50,289</u>	<u>\$ 3,005</u>	<u>\$ 53,294</u>

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2023

**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, 2023 was \$1,034,604.

Year(s) Ending June 30	Principal	Interest	Total
2024	45,982	-	45,982
2025	45,982	-	45,982
2026	45,982	-	45,982
2027	45,982	-	45,982
2028	45,982	-	45,982
2029-2033	229,910	-	229,910
2034-2038	229,910	-	229,910
2039-2043	229,910	-	229,910
2044-2046	114,964	-	114,964
	<u>\$1,034,604</u>	<u>\$ -</u>	<u>\$1,034,604</u>

**GARBERVILLE SANITARY DISTRICT**

**Notes to Financial Statements**

June 30, 2023

**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, 2022 through June 30, 2023. 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>2023</u>	<u>2022</u>
Current Secured Taxes	\$ 31,952	\$ 29,334
Current Unsecured Taxes	1,215	1,135
Prior Years - Taxes	14	84
Current Supplemental Taxes	511	343
Prior Years - Supplemental	66	-
Homeowners' Exemptions	<u>292</u>	<u>295</u>
Total Taxes and Exemptions	<u>\$ 34,050</u>	<u>\$ 31,191</u>

## **GARBERVILLE SANITARY DISTRICT**

### **Notes to Financial Statements**

June 30, 2023

#### **NOTE 7 – ROBERTS/HURLBUTT/WALLAN TANK REPLACEMENT 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 2026.

#### **NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 29, 2023, the date the financial statements were available to be issued.