



ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

ART STEWART (1945-1964)
RICHARD RODRIGUE (1950-1985)
DAVID J. SOMERVILLE (1971-1982)
DONALD J. HARRIS (1962-1994)
EUGENE B. LUCAS (1950-2013)
JAMES M. ANDERSON (1964-2001)

1338 MAIN STREET
FORTUNA, CALIFORNIA 95540
(707)725-4483 & (707) 725-4442
Toll Free: 800-794-1643
FAX: (707) 725-6340
E-mail: team@alsb.com
www.alsb.com

KEITH D. BORGES
BARBARA J. GUEST
RITA CHISM
VANESSA ANDERSON, E.A.
DAVID A. SOMERVILLE, INACTIVE

December 28, 2017

To the Board of Directors and Members of Management
Garberville Sanitary District
Garberville, California

Board of Directors and Members of Management:

We have audited the financial statements of the business-type activities of the Garberville Sanitary District as of and for the year ended June 30, 2017. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated September 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our audit engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audits

We performed the audits according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were accumulated depreciation and depreciation expense.

Management's estimate of the accumulated depreciation and related expense for the current year was based on management's estimate of the life expectancy of the fixed assets. We reviewed the capital asset listing, and current year depreciation schedule. We were satisfied that the calculations used were reasonable.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audits

We encountered no difficulties in dealing with management in performing and completing our audits.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no adjustments to the financial statements in the current year.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 28, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District, financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Garberville Sanitary District and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Lucas, Somerville, & Borges

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP



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C E R T I F I E D P U B L I C A C C O U N T A N T S

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Board of Directors and Management Garberville Sanitary District

In planning and performing our audit of the financial statements of the business-type activities of the Garberville Sanitary District as of and for the year ended June 30, 2017 in accordance with auditing standards generally accepted in the United States of America, we considered Garberville Sanitary District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

Anderson, Lucas, Somerville, & Borges

Fortuna, California
December 28, 2017

**GARBERVILLE SANITARY DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2017

GARBERVILLE SANITARY DISTRICT

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June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Garberville Sanitary District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Garberville Sanitary District as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Garberville Sanitary District

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, each major fund, and the aggregate remaining fund information of the Garberville Sanitary District, as of June 30, 2017 and 2016, 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.

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 28, 2017

Fortuna, California

BASIC FINANCIAL STATEMENTS

GARBERVILLE SANITARY DISTRICT

Statement of Net Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 149,997	\$ 258,610
Restricted Cash	46,355	46,193
Accounts Receivable - net of \$5,000		
Allowance for Doubtful Accounts	94,092	84,869
Grants Receivable	-	-
Prepays and Deposits	20,119	4,164
Total Current Assets	<u>310,563</u>	<u>393,836</u>
Restricted Assets		
Cash in County Treasury	611,988	580,597
Total Restricted Assets	<u>611,988</u>	<u>580,597</u>
Noncurrent Assets		
Capital Assets, Net of Depreciation	11,496,261	11,668,935
Construction in Progress	6,627	158,528
Total Noncurrent Assets	<u>11,502,888</u>	<u>11,827,463</u>
Total Assets	<u><u>\$ 12,425,439</u></u>	<u><u>\$ 12,801,896</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 27,769	\$ 25,027
Accrued Payroll Liabilities	2,049	1,438
Accrued Vacation	16,721	25,910
Current Portion of Long-Term Obligations	131,751	115,634
Total Current Liabilities	<u>178,290</u>	<u>168,009</u>
Noncurrent Liabilities		
Noncurrent Portion of Long-Term Obligations	1,554,938	1,659,350
Total Liabilities	1,733,228	1,827,359
NET POSITION		
Invested in Capital Assets, Net of Related Debt	9,816,199	10,052,479
Reserved for Debt Service	46,355	46,193
Unrestricted	829,657	875,865
Total Net Position	<u><u>\$ 10,692,211</u></u>	<u><u>\$ 10,974,537</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, 2017

	Water	Sewer	Total 2017
OPERATING REVENUES			
Utility Sales	\$ 510,062	\$ 362,192	\$ 872,254
Connection Fees	-	-	-
Other Revenues	7,825	3,415	11,240
<u>Total Operating Revenues</u>	517,887	365,607	883,494
OPERATING EXPENSES			
Salaries and Wages	163,701	124,590	288,291
Payroll Taxes	14,327	10,978	25,305
Employee Benefits	19,887	19,977	39,864
Rent	5,010	5,010	10,020
Materials and Supplies	4,128	3,827	7,955
Transportation	1,477	1,477	2,955
Sewage Collection	-	14,784	14,784
Office Expense	10,775	10,906	21,682
Insurance	15,808	14,184	29,992
Professional Services	30,527	25,788	56,314
Sewage Treatment	-	36,581	36,581
Water Treatment	74,978	-	74,978
Water Distribution	27,305	-	27,305
Permits and Fees	3,742	17,578	21,320
Utilities	2,565	2,565	5,129
Bad Debts	-	-	-
Other Expenses	69	69	138
Deprecation and Amortization	355,832	176,212	532,044
<u>Total Operating Expenses</u>	730,131	464,525	1,194,655
OPERATING GAIN (LOSS)	(212,244)	(98,917)	(311,161)
NON-OPERATING REVENUES (EXPENSES)			
Property Taxes and Exemptions	(12)	24,891	24,879
Gain on Asset Disposal	5,446	5,446	10,891
Interest Income	3,040	4,151	7,191
Interest Expense	(10,223)	(3,903)	(14,127)
<u>Total Non-operating Revenues (Expenses)</u>	(1,749)	30,584	28,835
CHANGE IN NET POSITION	(\$213,993)	(\$68,333)	\$ (282,326)
NET POSITION			
BEGINNING OF YEAR			\$ 10,974,537
PRIOR PERIOD ADJUSTMENT			-
END OF YEAR			\$ 10,692,211

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, 2016

	Water	Sewer	Total 2016
OPERATING REVENUES			
Utility Sales	\$ 481,221	\$ 365,409	\$ 846,630
Connection Fees	8,600	7,200	15,800
Other Revenues	6,054	2,420	8,474
<u>Total Operating Revenues</u>	495,875	375,029	870,904
OPERATING EXPENSES			
Salaries and Wages	73,162	68,030	141,192
Payroll Taxes	14,284	10,145	24,429
Employee Benefits	19,552	18,668	38,220
Rent	5,575	4,975	10,550
Materials and Supplies	4,182	4,875	9,057
Transportation	1,598	1,597	3,195
Sewage Collection	-	31,255	31,255
Office Expense	11,072	10,215	21,287
Insurance	21,340	19,520	40,860
Professional Services	24,548	22,046	46,594
Sewage Treatment	-	86,832	86,832
Water Treatment	117,884	-	117,884
Water Distribution	63,398	-	63,398
Permits and Fees	3,736	18,304	22,040
Utilities	3,256	3,472	6,728
Bad Debts	1,500	1,500	3,000
Other Expenses	1,500	-	1,500
Deprecation and Amortization	317,263	165,025	482,288
<u>Total Operating Expenses</u>	683,850	466,459	1,150,309
OPERATING GAIN (LOSS)	(187,975)	(91,430)	(279,405)
NON-OPERATING REVENUES (EXPENSES)			
Property Taxes and Exemptions	(12)	24,452	24,440
Interest Income	1,169	3,009	4,178
Interest Expense	(8,231)	(4,625)	(12,856)
<u>Total Non-operating Revenues (Expenses)</u>	(7,074)	22,836	15,762
CHANGE IN NET POSITION	(\$195,049)	(\$68,594)	\$ (263,643)
NET POSITION			
BEGINNING OF YEAR			\$ 11,235,220
PRIOR PERIOD ADJUSTMENT			2,960
END OF YEAR			\$ 10,974,537

The accompanying notes are an integral part of these financial statements

GARBERVILLE SANITARY DISTRICT
Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 874,274	\$ 925,428
Cash Paid for Employees	(362,040)	(203,841)
Cash Paid for Goods and Services	(322,364)	(456,180)
	<u>189,870</u>	<u>265,407</u>
Cash Flows From Non-Capital Financing Activities		
Cash from Sale of Assets	14,001	-
Property Tax Revenues	24,879	24,440
	<u>38,880</u>	<u>24,440</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from Long-Term Debt	-	250,000
Principal Paid on Long-Term Debt	(88,295)	(104,975)
Interest Paid on Long-Term Debt	(14,127)	(12,856)
Acquisition of Capital Assets	(210,579)	(462,515)
Capital Grant	-	(179,751)
	<u>(313,001)</u>	<u>(510,097)</u>
Cash Flows From Investing Activities		
Interest on Investments	7,191	4,178
	<u>7,191</u>	<u>4,178</u>
Net (Decrease) in Cash and Cash Equivalents	(77,060)	(216,072)
Cash and Cash Equivalents - Beginning of Year	885,400	1,101,472
Cash and Cash Equivalents - End of Year	<u>\$ 808,340</u>	<u>\$ 885,400</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities		
Operating Gain (Loss)	\$ (311,161)	\$ (279,405)
Adjustment to Reconcile Operating Gain (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	532,044	482,288
(Increase) Decrease in Accounts Receivable	(9,223)	16,746
(Increase) Decrease in Other Receivable	-	-
(Increase) Decrease in Prepaid Expenses	(15,955)	37,778
Increase (Decrease) in Accounts Payable	2,742	-
Increase (Decrease) in Accrued Liabilities	<u>(8,577)</u>	<u>8,000</u>
Total Adjustments	<u>501,031</u>	<u>544,812</u>
Net Cash Provided by Operating Activities	<u>\$ 189,870</u>	<u>\$ 265,407</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>\$ 808,340</u>	<u>\$ 885,400</u>
Cash and Cash Equivalents per Balance Sheet:		
Cash and Cash Equivalents	\$ 196,352	\$ 304,803
Cash in County Treasury	<u>611,988</u>	<u>580,597</u>
	<u>\$ 808,340</u>	<u>\$ 885,400</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, 2017

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. 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, 2017

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 \$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, 2017 was \$16,721, and at June 30, 2016 was \$25,910, 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, 2017 and 2016.

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2017

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 invested and maintained by other agencies are as follows:

<u>2017</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	13,490	136,268	-	-	149,758
Restricted Water Fund	46,355	-	-	-	46,355
Petty Cash	-	-	-	239	239
Subtotal					<u>196,352</u>
Pooled with County	-	-	611,988	-	611,988
Total	<u>59,845</u>	<u>136,268</u>	<u>611,988</u>	<u>239</u>	<u>808,340</u>
<u>2016</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	110,628	147,746	-	-	258,374
Restricted Water Fund	46,193	-	-	-	46,193
Petty Cash	-	-	-	236	236
Subtotal					<u>304,803</u>
Pooled with County	-	-	580,597	-	580,597
Total	<u>156,821</u>	<u>147,746</u>	<u>580,597</u>	<u>236</u>	<u>885,400</u>

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital Assets for the District for the years ended June 30, 2017 and 2016 consisted of the following:

	Balance 6/30/16	Additions	Deletions Transfers	Balance 6/30/17
Land - Sewer	129,811	-	-	129,811
Land - Water	88,699	-	-	88,699
Water System	133,382	9,093	-	142,475
Water Easements	177,397	-	-	177,397
Collection Facilities	2,245,631	36,144	29,806	2,311,581
Kimtu Waterline	1,908,669	-	(1,908,669)	-
Sewer Treatment Facilities	500,762	6,791	-	507,553
Water Distribution	-	86,424	2,609,992	2,696,416
Water Treatment	-	-	59,930	59,930
Water Pumps	-	2,910	-	2,910
Sewer Pumps	-	9,882	-	9,882
Water Project 2015	4,968,105	-	-	4,968,105
Tobin Well 2015	40,189	-	(40,189)	-
Sewer Project 2011	2,792,452	-	-	2,792,452
SWTP Office Remodel	19,741	-	(19,741)	-
Alderpoint Tank	671,517	-	(671,517)	-
Melville Road (2015)	59,613	-	(59,613)	-
Office Equipment	32,004	-	-	32,004
Equipment	158,307	-	-	158,307
Vehicles	48,024	53,869	(20,722)	81,171
CIP Leino Lane	585	-	-	585
CIP Bear Canyon	576	660	-	1,236
CIP SWTP Coag	-	4,806	-	4,806
Annexation Project CIP	157,367	-	-	157,367
Less: Accumulated Depreciation	(2,305,367)	(532,044)	17,612	(2,819,799)
Total	\$ 11,827,464	(321,465)	(3,111)	\$ 11,502,888

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (Continued)

	Balance 6/30/15	Additions	Deletions Transfers	Balance 6/30/16
Land - Sewer	129,811	-	-	129,811
Land - Water	88,699	-	-	88,699
Water System	153,405	-	(20,023)	133,382
Water Easements	177,397	-	-	177,397
Collection Facilities	2,265,653	-	(20,022)	2,245,631
Kimtu Waterline	1,908,669	-	-	1,908,669
Treatment Facilities	496,074	4,688	-	500,762
Water Project 2015	4,968,105	-	-	4,968,105
Tobin Well 2015	40,189	-	-	40,189
Sewer Project 2011	2,792,452	-	-	2,792,452
SWTP Office Remodel	-	19,741	-	19,741
Alderpoint Tank	-	327,908	343,609	671,517
Melville Road (2015)	-	19,568	40,045	59,613
Annexation Project CIP	155,452	1,915	-	157,367
Office Equipment	29,320	2,684	-	32,004
Equipment	73,456	84,851	-	158,307
Vehicles	48,024	-	-	48,024
CIP Leino Lane	-	585	-	585
CIP Bear Canyon	-	576	-	576
CIP Alderpoint Tank	343,609	-	(343,609)	-
Less: Accumulated Depreciation	(1,823,079)	(482,288)	-	(2,305,367)
Total	<u>\$ 11,847,236</u>	<u>(19,772)</u>	<u>-</u>	<u>\$ 11,827,464</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 4 - LONG-TERM DEBT

Long-term debt of the District for the years ended June 30, 2017 and 2016 consisted of the following:

	Balance 6/30/16	Additions	Principal Payments	Balance 6/30/17
SWRCB	191,123	-	(22,268)	168,855
Ford Truck Lease	-	42,355	(15,016)	27,339
RCAC-ALPT TANK	223,943	-	(46,472)	177,471
SRF Loan	1,356,480	-	(45,982)	1,310,498
Copier Lease	3,438	-	(912)	2,526
	<u>1,774,984</u>	<u>42,355</u>	<u>(130,650)</u>	<u>1,686,689</u>

	Balance 6/30/2015	Additions	Principal Payments	Balance 6/30/16
SWRCB	212,954	-	(21,831)	191,123
MFC	33,236	-	(33,236)	-
RCAC-ALPT TANK	-	250,000	(26,057)	223,943
Copier Lease	4,298	-	(860)	3,438
SRF Loan	1,379,471	-	(22,991)	1,356,480
	<u>1,629,959</u>	<u>250,000</u>	<u>(104,975)</u>	<u>1,774,984</u>

Current portion of long-term debt is as follows:

SWRCB	\$ 22,713
SRF Loan	45,982
RCAC Loan	48,850
Ford Motor Credit	13,239
Copier	967
	<u>\$ 131,751</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, 2017 was \$168,855.

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2017

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
2018	22,713	3,377	26,090
2019	23,167	2,923	26,090
2020	23,631	2,459	26,090
2021	24,103	1,987	26,090
2022	24,585	1,505	26,090
2023-2024	50,656	1,524	52,180
	<u>\$ 168,855</u>	<u>\$ 13,775</u>	<u>\$ 182,630</u>

WELLS FARGO FINANCIAL LEASING

On January 9, 2015, the District entered a capital lease agreement for a Toshiba Copier. The terms were for a 60 month period with purchase option. The following principal and interest to maturity are:

Year(s) Ending June 30	Principal	Interest	Total
2018	967	122	1,089
2019	1,025	64	1,089
2020	534	9	543
	<u>\$ 2,526</u>	<u>\$ 195</u>	<u>\$ 2,721</u>

RURAL COMMUNITY ASSISTANCE CORPORATION (RCAC-ALPT TANK)

The Alderpoint Tank Replacement Project was completed in 2016. The total project cost was \$671,517. The majority of this cost was paid for out of GSD cash funds. The District entered into a 5-year note and construction loan agreement on October 14, 2015 in the amount of \$250,000 with Rural Community Assistance Corporation. The maturity date is November 1, 2020 with an interest rate of 5.00%. Monthly payments of \$4,717.81 began on December 1, 2015. The principal balance at June 30, 2017 was \$177,471.

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 4 - LONG-TERM DEBT (Continued)

RURAL COMMUNITY ASSISTANCE CORPORATION (RCAC-ALPT TANK) – (Continued)

Year(s) Ending June 30	Principal	Interest	Total
2018	48,850	7,764	56,614
2019	51,349	5,265	56,614
2020	53,976	2,638	56,614
2021	23,296	248	23,544
	<u>\$ 177,471</u>	<u>\$ 15,915</u>	<u>\$ 193,386</u>

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. As of June 30, 2016 there were no grant receivables outstanding and all loan and grant reimbursements had been received.

The principal payments of \$22,991 are due semiannually on January 1 and July 1 commencing January 2016. The principal balance at June 30, 2017 was \$1,310,498.

Year(s) Ending June 30	Principal	Interest	Total
2018	45,982	-	45,982
2019	45,982	-	45,982
2020	45,982	-	45,982
2021	45,982	-	45,982
2022	45,982	-	45,982
2023-2046	1,080,588	-	1,080,588
	<u>\$1,310,498</u>	<u>\$ -</u>	<u>\$1,310,498</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2017

FORD TRUCK LEASE

The District entered into a 3-year lease purchase agreement for a new Ford Truck, including interest at 6.5% and annual payments of \$15,016.21.

Year(s) Ending June 30	Principal	Interest	Total
2018	13,239	1,777	15,016
2019	14,100	916	15,016
	<u>\$ 27,339</u>	<u>\$ 2,693</u>	<u>\$ 30,032</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, 2016 through June 30, 2017. 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

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2017

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>2017</u>	<u>2016</u>
Current Secured Taxes	23,214	23,010
Current Unsecured Taxes	920	859
Taxes-Prior Years	8	11
Taxes-Current-Supplemental Rolls	406	220
State-Homeowners' Exemptions	307	322
Taxes-Prior Years-Supplemental	36	30
Total Taxes/Exemptions	<u>24,891</u>	<u>24,452</u>

NOTE 7 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required during the year ended June 30, 2016. The adjustment was needed to correctly capitalize an invoice that was expensed in error in 2015.

	<u>2016</u>
Capitalize invoice American Leak Detection for Melville Project	<u>\$ 2,960</u>

NOTE 8 – FORD F-250 LEASE

Management has obtained a three year vehicle lease effective September 2, 2016 for a Ford F250 Utility truck. Three annual payments of \$15,016.21 are due on September 2 with a total of \$2,693 in interest.

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 28, 2017, the date the financial statements were available to be issued.

Storm Damage

On November 24, 2017, the surface water treatment plant's chlorine contact chamber underground piping experienced catastrophic failure. Coordination with the contractor that completed the construction of piping in 2014 and the State Water Resources Control Board Division of Drinking Water ensued. Temporary emergency measures were completed within days that allowed for operation of the plant while bypassing the chlorine contact chamber. SDRMA, the District's insurance company, was contacted along with various professionals and construction specialists. An insurance claim has been filed. The temporary measures in place now will be sufficient until spring when the flow rates for the plant will need to increase to fulfill increased demand. Staff is coordinating the design and implantation of a permanent fix to the failure. The cost for construction of the chlorine contact chamber underground piping in 2014 was approximately \$210,000. Replacement costs will either be paid for under the claim with the insurance company or will come from the District's reserve funds.