

FINANCIAL SECURITY PACKAGE (PLANNING)

Applicant (Entity) Name: GARBERVILLE SANITARY DISTRICT	
Project Title: MEADOWS AERIAL WATERLINE RECONSTRUCTION PROJECT	
Contact Person: JENNIE SHORT	Phone: () 223-4567

1. Amount of Assistance Requested: \$ 300,000

2. Planning has a term of 5 years.

3. Other Project Funding Sources

Name and Type of Funding Sources	Amount	Applied	Approved	Received
GSD RESERVES	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Current Year Median Household Income: \$ 28,265

5a. Current Year Estimated Population Served: 913	5b. Check box if less than 50% of residences are permanently occupied <input type="checkbox"/>
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6. Active Service Connections Not Applicable

Connection Type	Number of Connections	Current Monthly Service Charge	Average Monthly Billing (Last 12 months)
Residential	313	\$ 79.76	\$ 299,578.08
Commercial	147	\$ 132.18	\$ 233,174.04
Industrial	0	\$	\$
Other	11	\$ 0	\$ 1,500
TOTAL	471	\$	\$ 534,252.12

Rate increase effective date for projected monthly service charges:

7. Projected Annual Operations and Maintenance Costs, Including amortized replacement costs (upon completion):	\$ 250
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8. Discussion of Material Events, Material Obligation Conditions, and Any Debt Limit

Identify any current prior material events such as bankruptcy, defaults, litigation, grand jury findings, unscheduled draws on reserve funds, substitution of insurers or their failure to perform, unscheduled draws on credit enhancements, actions taken in anticipation of filing Chapter 9, rating changes, relevant conditions in material obligations, and any local debt limit.

NONE

9. Water Rate Study

Has a water rate study been conducted for the water system? Yes No

If **yes**, please submit a complete copy of the Water Rate Study.

2009 Study and 2011 Update.

ATTACHMENTS (Check the box next to each item attached to your application.)

- F1 – AUDITED FINANCIAL STATEMENTS (3 years)**
- F5a – AUTHORIZING RESOLUTION/ORDINANCE (required for publicly owned entities)**
- F5b – CORPORATE RESOLUTION TO APPLY, BORROW AND TO GRANT SECURITY (required for corporations)**
- F6 – RATE ADOPTION RESOLUTION**
- F10 – NEW SPECIAL TAX, ASSESSMENT DISTRICT, OR SERVICE CHARGE PROJECTIONS (if applicable)**
- F11 – RELEVANT SERVICE, MANAGEMENT, CONSOLIDATION, OPERATING, OR JOINT POWERS AGREEMENTS (if applicable)**
- F12 – FUTURE CAPITAL NEEDS (if applicable)**

The following attachments are not required for Small DAC/SDAC applying for 100% grant or principal forgiveness funding. If a loan determination applies, applicant must submit all attachments.

GSD IS A SDAC.

- F2- BUDGETS OR PROJECTIONS (2 years)**
- F7 – PLEDGED REVENUES AND FUND(S) RESOLUTION**
- F8 – RELATED DEBT OR NO DEBT LETTER (see Application Information & Instructions)**
- F9 – DEBT MANAGEMENT POLICY**

State Use Only	
DWSRF Project #	
Project Manager	
Date Received	

RELATED DEBT

The following related debts are senior to the proposed DWSRF financing:

Name of Lender and Title of Debt or Loan Number	Debt Security or Source of Revenue	Debt Service Coverage Requirement	Rating	Original Debt Amount	Current Balance	Payment Amount	Interest Rate	Debt Term & Maturity Date
RCAC;6200-GSD02	Water Revenue			\$ 250,000	\$ 59,579.24	\$ 4,717.84	5.0%	5yr /
				\$	\$	\$		/
				\$	\$	\$		/

The following related debts are on parity to the proposed Financing Agreement:

Name of Lender and Title of Debt or Loan Number	Debt Security or Source of Revenue	Debt Service Coverage Requirement	Rating	Original Debt Amount	Current Balance	Payment Amount	Interest Rate	Debt Term & Maturity Date
SWRCB-DDW	WATER REVENUE			\$ 1,379,471	\$ 1,218,532	\$ 22,991.4	0%	30YR/ 2046
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/

The following related debts are subordinate to the proposed Financing Agreement:

Name of Lender and Title of Debt or Loan Number	Debt Security or Source of Revenue	Debt Service Coverage Requirement	Rating	Original Debt Amount	Current Balance	Payment Amount	Interest Rate	Debt Term & Maturity Date
C-06-4700-110	SEWER REVENUE			\$ 428,907	\$ 104,359.67	\$ 26,089.6	0%	20YR/2023
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/

Attach copies of the debt documents associated with the above debts.

GARBERVILLE SANITARY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

GARBERVILLE SANITARY DISTRICT

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June 30, 2018

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ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018 and 2017, 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, 2018 and 2017, 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

November 5, 2018

Fortuna, California

BASIC FINANCIAL STATEMENTS

GARBERVILLE SANITARY DISTRICT

Statement of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 223,082	\$ 149,997
Cash - Insurance Proceeds Held	34,100	-
Restricted Cash	46,517	46,355
Accounts Receivable - Net of \$5,000 Allowance for Doubtful Accounts	90,692	94,092
Prepays and Deposits	7,871	20,119
Total Current Assets	<u>402,262</u>	<u>310,563</u>
Restricted Assets		
Cash in County Treasury	647,263	611,988
Total Restricted Assets	<u>647,263</u>	<u>611,988</u>
Noncurrent Assets		
Capital Assets, Net of Depreciation	11,018,345	11,496,261
Construction in Progress	91,947	6,627
Total Noncurrent Assets	<u>11,110,292</u>	<u>11,502,888</u>
Total Assets	<u><u>\$ 12,159,817</u></u>	<u><u>\$ 12,425,439</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 47,258	\$ 27,769
Insurance Proceeds Payable	34,100	-
Accrued Payroll Liabilities	-	2,049
Accrued Vacation	20,836	16,721
Current Portion of Long-Term Obligations	112,632	131,751
Total Current Liabilities	<u>214,826</u>	<u>178,290</u>
Noncurrent Liabilities		
Noncurrent Portion of Long-Term Obligations	1,442,307	1,554,938
Total Liabilities	1,657,133	1,733,228
NET POSITION		
Invested in Capital Assets, Net of Related Debt	9,555,353	9,816,199
Reserved for Debt Service	46,517	46,355
Unrestricted	900,814	829,657
Total Net Position	<u><u>\$ 10,502,684</u></u>	<u><u>\$ 10,692,211</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, 2018

	Water	Sewer	Total 2018
OPERATING REVENUES			
Utility Sales	\$ 534,001	\$ 359,798	\$ 893,799
Connection Fees	-	-	-
Other Revenues	22,825	23,546	46,371
<u>Total Operating Revenues</u>	556,826	383,344	940,170
OPERATING EXPENSES			
Salaries and Wages	161,827	126,438	288,265
Payroll Taxes	13,531	10,715	24,246
Employee Benefits	17,116	16,934	34,050
Rent	5,428	5,428	10,856
Materials and Supplies	801	801	1,602
Transportation	902	902	1,804
Sewage Collection	-	16,288	16,288
Office Expense	12,513	12,431	24,944
Insurance	16,024	14,757	30,781
Professional Services	37,369	32,322	69,691
Sewage Treatment	-	32,576	32,576
Water Treatment	75,716	-	75,716
Water Distribution	34,020	-	34,020
Permits and Fees	3,931	18,079	22,010
Utilities	1,204	1,204	2,408
Bad Debts	928	928	1,856
Other Expenses	7,805	7,625	15,430
Deprecation and Amortization	349,249	176,763	526,012
<u>Total Operating Expenses</u>	738,364	474,191	1,212,555
OPERATING GAIN (LOSS)	(181,538)	(90,847)	(272,385)
NON-OPERATING REVENUES (EXPENSES)			
Property Taxes and Exemptions	-	26,933	26,933
Capital Grant Income	60,000	0	60,000
Interest Income	3,600	5,363	8,963
Interest Expense	(8,713)	(4,325)	(13,038)
<u>Total Non-operating Revenues (Expenses)</u>	54,887	27,971	82,858
CHANGE IN NET POSITION	(\$126,651)	(\$62,876)	\$ (189,527)
NET POSITION			
BEGINNING OF YEAR			\$ 10,692,211
END OF YEAR			\$ 10,502,684

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 Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 943,570	\$ 874,274
Cash Paid for Employees	(344,495)	(362,040)
Cash Paid for Goods and Services	<u>(308,245)</u>	<u>(322,364)</u>
Net Cash Provided by Operating Activities	<u>290,830</u>	<u>189,870</u>
Cash Flows From Non-Capital Financing Activities		
Cash from Sale of Assets	-	14,001
Property Tax Revenues	<u>26,933</u>	<u>24,879</u>
Net Cash Provided by Non-Capital Financing Activities	<u>26,933</u>	<u>38,880</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from Long-Term Debt	-	-
Principal Paid on Long-Term Debt	(131,750)	(88,295)
Interest Paid on Long-Term Debt	(13,038)	(14,127)
Acquisition of Capital Assets	(203,667)	(210,579)
Proceeds from Insurance	104,351	-
Capital Grant	<u>60,000</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(184,104)</u>	<u>(313,001)</u>
Cash Flows From Investing Activities		
Interest on Investments	<u>8,963</u>	<u>7,191</u>
Net Cash Provided by Investing Activities	<u>8,963</u>	<u>7,191</u>
Net (Decrease) in Cash and Cash Equivalents	142,622	(77,060)
Cash and Cash Equivalents - Beginning of Year	<u>808,340</u>	<u>885,400</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 950,962</u></u>	<u><u>\$ 808,340</u></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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities		
Operating Gain (Loss)	\$ (272,385)	\$ (311,161)
Adjustment to Reconcile Operating Gain (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	526,012	532,044
(Increase) Decrease in Accounts Receivable	3,400	(9,223)
(Increase) Decrease in Other Receivable	-	-
(Increase) Decrease in Prepaid Expenses	12,248	(15,955)
Increase (Decrease) in Accounts Payable	19,489	2,742
Increase (Decrease) in Accrued Liabilities	<u>2,066</u>	<u>(8,577)</u>
Total Adjustments	<u>563,215</u>	<u>501,031</u>
Net Cash Provided by Operating Activities	<u>\$ 290,830</u>	<u>\$ 189,870</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>\$ 950,962</u>	<u>\$ 808,340</u>
Cash and Cash Equivalents per Balance Sheet:		
Cash and Cash Equivalents	\$ 303,699	\$ 196,352
Cash in County Treasury	<u>647,263</u>	<u>611,988</u>
	<u>\$ 950,962</u>	<u>\$ 808,340</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, 2018

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, 2018

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, 2018 was \$20,836, and at June 30, 2017 was \$16,721, 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, 2018 and 2017.

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2018

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>2018</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	145,541	111,428	-	-	256,969
Restricted Water Fund	46,517	-	-	-	46,517
Petty Cash	-	-	-	213	213
Subtotal					303,699
Pooled with County	-	-	647,263	-	647,263
Total	<u>192,058</u>	<u>111,428</u>	<u>647,263</u>	<u>213</u>	<u>950,962</u>
<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					196,352
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>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital Assets for the District for the years ended June 30, 2018 and 2017 consisted of the following:

	Balance 6/30/17	Additions	Deletions Transfers	Balance 6/30/18
Land - Sewer	129,811	-	-	129,811
Land - Water	88,699	-	-	88,699
Water System	142,475	-	-	142,475
Water Easements	177,397	-	-	177,397
Collection Facilities	2,311,581	22,420	-	2,334,001
Sewer Treatment Facilities	507,553	-	-	507,553
Water Distribution	2,696,416	16,247	(50)	2,712,613
Water Treatment	59,930	7,252	(1,800)	65,382
Water Pumps	2,910	-	-	2,910
Sewer Pumps	9,882	4,027	-	13,909
Water Project 2015	4,968,105	-	-	4,968,105
Sewer Project 2011	2,792,452	-	-	2,792,452
Wallan Road Tank	-	13,790	-	13,790
Office Equipment	32,004	-	-	32,004
Equipment	158,307	-	-	158,307
Vehicles	81,171	-	-	81,171
CIP Leino Lane	585	-	-	585
CIP Bear Canyon	1,236	1,530	-	2,766
CIP SWTP Coag	4,806	-	-	4,806
CIP Fire Hydrant Replace	-	70,000	-	70,000
CIP Contact Chamber Replace	-	70,251	(70,251)	-
Annexation Project	157,367	-	-	157,367
Less: Accumulated Depreciation	<u>(2,819,799)</u>	<u>(526,588)</u>	<u>576</u>	<u>(3,345,811)</u>
Total	<u>\$ 11,502,888</u>	<u>(321,071)</u>	<u>(71,525)</u>	<u>11,110,292</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (Continued)

	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	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, 2018

NOTE 4 - LONG-TERM DEBT

Long-term debt of the District for the years ended June 30, 2018 and 2017 consisted of the following:

	Balance 6/30/17	Additions	Principal Payments	Balance 6/30/18
SWRCB	168,855	0	(22,713)	146,142
Ford Truck Lease	27,339	0	(13,239)	14,100
RCAC-ALPT TANK	177,471	0	(48,850)	128,621
SRF Loan	1,310,498	0	(45,982)	1,264,516
Copier Lease	2,526	0	(966)	1,560
	1,686,689	0	(131,750)	1,554,939

	Balance 6/30/2016	Additions	Principal Payments	Balance 6/30/17
SWRCB	191,123	0	(22,268)	168,855
MFC	0	42,355	(15,016)	27,339
RCAC-ALPT TANK	223,943	0	(46,472)	177,471
Copier Lease	1,356,480	0	(45,982)	1,310,498
SRF Loan	36,438	0	(912)	2,526
	1,774,984	42,355	(130,650)	1,686,689

Current portion of long-term debt is as follows:

SWRCB	\$ 23,167
SRF Loan	22,991
RCAC Loan	51,349
Ford Motor Credit	14,100
Copier	1,025
	\$ 112,632

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, 2018 was \$146,142.

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2018

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
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	25,077	1,013	26,090
2024	25,579	511	26,090
	<u>\$ 146,142</u>	<u>\$ 10,398</u>	<u>\$ 156,540</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
2019	1,025	64	1,089
2020	535	9	544
	<u>\$ 1,560</u>	<u>\$ 73</u>	<u>\$ 1,633</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, 2018 was \$128,622.

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 4 - LONG-TERM DEBT (Continued)

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

Year(s) Ending June 30	Principal	Interest	Total
2019	51,349	5,265	56,614
2020	53,976	2,638	56,614
2021	23,296	248	23,544
	<u>\$ 128,621</u>	<u>\$ 8,151</u>	<u>\$ 136,772</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, 2018 was \$1,264,515.

Year(s) Ending June 30	Principal	Interest	Total
2019	45,982	-	45,982
2020	45,982	-	45,982
2021	45,982	-	45,982
2022	45,982	-	45,982
2023	45,982	-	45,982
2024-2046	1,034,606	-	1,034,606
	<u>\$ 1,264,516</u>	<u>\$ -</u>	<u>\$ 1,264,516</u>

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2018

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
2019	14,100	916	15,016
	\$ 14,100	\$ 916	\$ 15,016

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, 2017 through June 30, 2018. During its membership, the following policies were in effect:

	Limits
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, 2018

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>2018</u>	<u>2017</u>
Current Secured Taxes	25,296	23,214
Current Unsecured Taxes	890	920
Taxes-Prior Years	0	8
Taxes-Current-Supplemental Rolls	373	406
State-Homeowners' Exemptions	317	307
Taxes-Prior Years-Supplemental	57	36
Total Taxes/Exemptions	<u>26,933</u>	<u>24,891</u>

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2018, 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.

As of June 30, 2018, the design and partial construction of the replacement chlorine contact pressure vessel was complete. As of the date of the audit report, the construction is virtually complete and only minor sundry items remain to be completed. The operations of the water treatment plant are now fully transitioned to the new chlorine contact pressure vessel.

GARBERVILLE SANITARY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2017

GARBERVILLE SANITARY DISTRICT

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June 30, 2017

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ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

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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	310,563	393,836
Restricted Assets		
Cash in County Treasury	611,988	580,597
Total Restricted Assets	611,988	580,597
Noncurrent Assets		
Capital Assets, Net of Depreciation	11,496,261	11,668,935
Construction in Progress	6,627	158,528
Total Noncurrent Assets	11,502,888	11,827,463
Total Assets	\$ 12,425,439	\$ 12,801,896
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	178,290	168,009
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	\$ 10,692,211	\$ 10,974,537

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
Depreciation 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	<u>(322,364)</u>	<u>(456,180)</u>
Net Cash Provided by Operating Activities	<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	<u>24,879</u>	<u>24,440</u>
Net Cash Provided by Non-Capital Financing Activities	<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	<u>-</u>	<u>(179,751)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(313,001)</u>	<u>(510,097)</u>
Cash Flows From Investing Activities		
Interest on Investments	<u>7,191</u>	<u>4,178</u>
Net Cash Provided by Investing Activities	<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	<u>885,400</u>	<u>1,101,472</u>
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	(8,577)	8,000
	501,031	544,812
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	611,988	580,597
	<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 appropriate for expenditures or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

Allowance Method Used to Record Bad Debts – Management has provided an allowance for doubtful accounts equal to the estimated uncollectible amounts. The estimate is based on a review of the current status of trade accounts receivable. It is reasonably possible that the District's estimate of the allowance for doubtful accounts will change. Accounts receivable are presented net of an allowance for doubtful accounts of \$5,000 at June 30, 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					196,352
Pooled with County	-	-	611,988	-	611,988
Total	59,845	136,268	611,988	239	808,340

<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					304,803
Pooled with County	-	-	580,597	-	580,597
Total	156,821	147,746	580,597	236	885,400

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	<u>(2,305,367)</u>	<u>(532,044)</u>	<u>17,612</u>	<u>(2,819,799)</u>
Total	<u>\$ 11,827,464</u>	<u>(321,465)</u>	<u>(3,111)</u>	<u>\$ 11,502,888</u>

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	\$ 11,847,236	(19,772)	-	\$ 11,827,464

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.

**GARBERVILLE SANITARY DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2016

GARBERVILLE SANITARY DISTRICT

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June 30, 2016

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ANDERSON, LUCAS, SOMERVILLE & BORGES, LLP

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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DAVID J. SOMERVILLE (1971-1982)
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JAMES M. ANDERSON, *Inactive*

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 year ended June 30, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 20, 2016
Fortuna, California

BASIC FINANCIAL STATEMENTS

GARBERVILLE SANITARY DISTRICT
Statement of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 258,610	\$ 733,006
Restricted Cash	46,193	46,025
Accounts Receivable - net of \$5,000 Allowance for Doubtful Accounts	84,869	101,615
Grants Receivable	-	39,910
Prepays and Deposits	4,164	41,942
Total Current Assets	393,836	962,498
Restricted Assets		
Cash in County Treasury	580,597	322,441
Total Restricted Assets	580,597	322,441
Noncurrent Assets		
Capital Assets, Net of Depreciation	11,668,935	11,348,175
Construction in Progress	158,528	499,061
Total Noncurrent Assets	11,827,463	11,847,236
Total Assets	\$ 12,801,896	\$ 13,132,175
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 25,027	\$ 247,648
Accrued Payroll Liabilities	1,438	3
Accrued Vacation	25,910	19,345
Current Portion of Long-Term Obligations	115,634	78,918
Total Current Liabilities	168,009	345,914
Noncurrent Liabilities		
Noncurrent Portion of Long-Term Obligations	1,659,350	1,551,041
Total Liabilities	1,827,359	1,896,955
NET POSITION		
Invested in Capital Assets, Net of Related Debt	10,052,479	10,217,277
Reserved for Debt Service	46,193	46,025
Unrestricted	875,865	971,918
Total Net Position	\$ 10,974,537	\$ 11,235,220

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 Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Water	Sewer	Total 2015
OPERATING REVENUES			
Utility Sales	\$ 490,533	\$ 365,128	\$ 855,661
Connection Fees	16,100	22,500	38,600
Other Revenues	6,303	3,387	9,690
<u>Total Operating Revenues</u>	512,936	391,015	903,951
OPERATING EXPENSES			
Salaries and Wages	49,891	43,691	93,582
Payroll Taxes	11,309	8,076	19,385
Employee Benefits	16,393	15,518	31,911
Rent	5,400	4,800	10,200
Materials and Supplies	3,257	2,185	5,442
Transportation	1,719	1,718	3,437
Sewage Collection	-	53,285	53,285
Office Expense	9,277	8,105	17,382
Insurance	19,329	17,164	36,493
Professional Services	17,605	15,540	33,145
Sewage Treatment	-	70,406	70,406
Water Treatment	112,274	-	112,274
Water Distribution	67,694	-	67,694
Permits and Fees	3,493	18,021	21,514
Bad Debts	2,708	3,385	6,093
Other Expenses	5,366	4,830	10,196
Deprecation and Amortization	155,607	149,606	305,213
<u>Total Operating Expenses</u>	481,322	416,330	897,652
OPERATING GAIN (LOSS)	31,614	(25,315)	6,299
NON-OPERATING REVENUES (EXPENSES)			
Capital Grants	687,192	-	687,192
Property Taxes and Exemptions	(12)	23,831	23,819
Interest Income	237	2,378	2,615
Interest Expense	(3,120)	(5,755)	(8,875)
Other Expenses	-	950	950
Gain (Loss) on Dispositions	(10,160)	-	(10,160)
<u>Total Non-operating Revenues (Expenses)</u>	674,137	21,404	695,541
CHANGE IN NET POSITION	\$705,751	(\$3,911)	\$ 701,840
NET POSITION			
BEGINNING OF YEAR			\$ 10,538,893
PRIOR PERIOD ADJUSTMENT			\$ (5,513)
END OF YEAR			\$ 11,235,220

The accompanying notes are an integral part of these financial statements

GARBERVILLE SANITARY DISTRICT
Statement of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 925,428	\$ 874,282
Cash Paid for Employees	(203,841)	(144,878)
Cash Paid for Goods and Services	(456,180)	(454,018)
	<u>265,407</u>	<u>275,386</u>
Cash Flows From Non-Capital Financing Activities		
Other Non-Operating Revenue	-	950
Property Tax Revenues	24,440	23,819
	<u>24,440</u>	<u>24,769</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from Long-Term Debt	250,000	1,065,474
Principal Paid on Long-Term Debt	(104,975)	(1,432,036)
Interest Paid on Long-Term Debt	(12,856)	(8,875)
Acquisition of Capital Assets	(462,515)	(1,880,703)
Capital Grant	(179,751)	1,122,618
	<u>(510,097)</u>	<u>(1,133,522)</u>
Cash Flows From Investing Activities		
Interest on Investments	4,178	2,615
	<u>4,178</u>	<u>2,615</u>
Net (Decrease) in Cash and Cash Equivalents	(216,072)	(830,752)
Cash and Cash Equivalents - Beginning of Year	<u>1,101,472</u>	<u>1,932,224</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 885,400</u></u>	<u><u>\$ 1,101,472</u></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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by Operating Activities		
Operating Gain (Loss)	\$ (279,405)	\$ 6,299
Adjustment to Reconcile Operating Gain (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	482,288	305,213
(Increase) Decrease in Accounts Receivable	16,746	10,018
(Increase) Decrease in Other Receivable	-	-
(Increase) Decrease in Prepaid Expenses	37,778	(39,687)
Increase (Decrease) in Accounts Payable	-	-
Increase (Decrease) in Accrued Liabilities	8,000	(6,457)
	544,812	269,087
Total Adjustments		
	\$ 265,407	\$ 275,386
 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	\$ 885,400	\$ 1,101,472
Cash and Cash Equivalents per Balance Sheet:		
Cash and Cash Equivalents	\$ 304,803	\$ 779,031
Cash in County Treasury	580,597	322,441
	\$ 885,400	\$ 1,101,472

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2016

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, 2016

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, 2016 was \$25,910, and at June 30, 2015 was \$19,345, 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, 2016.

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2016

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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

<u>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					304,803
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, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

<u>2015</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	643,766	135,015	-	-	778,781
Petty Cash	-	-	-	250	250
Subtotal					779,031
Pooled with County	-	-	322,441	-	322,441
Total	643,766	135,015	322,441	250	1,101,472

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital Assets for the District for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions Transfers</u>	<u>Balance 6/30/16</u>
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
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
Annexation Project CIP	155,452	1,915	-	157,367
CIP Alderpoint Tank	343,609	-	(343,609)	-
Less: Accumulated Depreciation	(1,823,079)	(482,288)	-	(2,305,367)
Total	\$ 11,847,236	(19,772)	-	\$ 11,827,464

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (Continued)

	Balance 6/30/14	Additions	Deletions Transfers	Balance 6/30/15
Land - Sewer	129,811	-	-	129,811
Land - Water	88,699	-	-	88,699
Water System	120,924	43,823	(11,342)	153,405
Water Easements	177,397	-	-	177,397
Collection Facilities	2,245,631	20,022	-	2,265,653
Kimtu Waterline	1,908,669	-	-	1,908,669
Treatment Facilities	491,574	4,500	-	496,074
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
Annexation Project	145,075	10,377	-	155,452
Office Equipment	17,765	11,555	-	29,320
Equipment	-	73,456	-	73,456
Vehicles	48,024	-	-	48,024
CIP Water	3,993,477	974,628	(4,968,105)	-
CIP Tobin Well	34,364	5,825	(40,189)	-
CIP Alderpoint Tank	75,710	267,899	-	343,609
Less: Accumulated Depreciation	<u>(1,519,048)</u>	<u>(305,213)</u>	<u>1,182</u>	<u>(1,823,079)</u>
Total	<u>\$ 10,750,524</u>	<u>1,106,872</u>	<u>(10,160.00)</u>	<u>\$ 11,847,236</u>

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 4 - LONG-TERM DEBT

Long-term debt of the District for the years ended June 30, 2016 and 2015 consisted of the following:

	Balance 6/30/15	Additions	Principal Payments	Balance 6/30/16
SWRCB	212,954	-	(21,831)	191,123
MFC	33,236	-	(33,236)	-
RCAC-2	-	250,000	(26,057)	223,943
SRF Loan	1,379,471	-	(22,991)	1,356,480
Copier Lease	4,298	-	(860)	3,438
	<u>1,629,959</u>	<u>250,000</u>	<u>(104,975)</u>	<u>1,774,984</u>

	Balance 6/30/2014	Additions	Principal Payments	Balance 6/30/15
SWRCB	234,358	-	(21,404)	212,954
MFC	97,648	-	(64,412)	33,236
RCAC	925,269	420,515	(1,345,784)	-
Copier Lease	-	4,736	(438)	4,298
SRF Loan	739,247	640,224	-	1,379,471
	<u>1,996,522</u>	<u>1,065,475</u>	<u>(1,432,038)</u>	<u>1,629,959</u>

Current portion of long-term debt is as follows:

SWRCB	\$ 22,268
SRF Loan	45,982
RCAC Loan	46,472
Copier	912
	<u>\$ 115,634</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, 2016 was \$191,123.

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 4 - LONG-TERM DEBT (Continued)

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

SWRCB LOAN

Year(s) Ending June 30	Principal	Interest	Total
2017	22,268	3,822	26,090
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
2022-2024	75,241	3,029	78,270
	<u>\$ 191,123</u>	<u>\$ 17,597</u>	<u>\$ 208,720</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
2017	912	177	1,089
2018	967	122	1,089
2019	1,025	64	1,089
2020	534	9	543
	<u>\$ 3,438</u>	<u>\$ 372</u>	<u>\$ 3,810</u>

MUNICIPAL FINANCE CORPORATION (MFC)

On August 24, 2010, the District borrowed \$300,000 for a Wastewater Construction Project. The loan is payable in semi-annual installments of \$34,233.36, including 4.95% interest. This loan was paid off during the year.

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 4 - LONG-TERM DEBT (Continued)

RURAL COMMUNITY ASSISTANCE CORPORATION (RCAC)

The District entered into a five year note and loan agreement on October 14, 2015 for the Alderpoint Tank Replacement Project. The maturity date is November 1, 2020 with interest at 5.00 %. Monthly payments beginning December 1, 2015 are \$4,717.81. The principal balance at June 30, 2016 was \$223,943.

Year(s) Ending June 30	Principal	Interest	Total
2017	46,472	10,142	56,614
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>\$ 223,943</u>	<u>\$ 26,057</u>	<u>\$ 250,000</u>

STATE REVOLVING FUND (SRF)

The District entered into a funding agreement (Project 1210008-006C) under the provisions of California Safe Drinking Water State Revolving Fund in April 2013 for a total Project cost of \$4,379,431. This loan was for the Drinking Water Improvement Project. Under this agreement, the Loan amount is not to exceed \$1,379,471 at 0% interest, over 30 years, with principal payments of \$22,991.18 due semiannually on January 1 and July 1 commencing January 2016. The principal balance at June 30, 2016 was \$1,356,480.

Year(s) Ending June 30	Principal	Interest	Total
2017	45,982	-	45,982
2018	45,982	-	45,982
2019	45,982	-	45,982
2020	45,982	-	45,982
2021	45,982	-	45,982
2022-2046	1,126,570	-	1,126,570
	<u>\$ 1,356,480</u>	<u>\$ -</u>	<u>\$ 1,356,480</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2016

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, 2015 through June 30, 2016. During its membership, the following policies were in effect:

	<u>Limits</u>
General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability (per occurrence)	2,500,000
Employee Dishonesty Coverage (per loss)	400,000
Property Loss (per occurrence)	1,000,000,000
Boiler and Machinery (per occurrence)	100,000,000
Public Officials Personal Liability (per occurrence)	500,000

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>2016</u>	<u>2015</u>
Current Secured Taxes	23,010	22,431
Current Unsecured Taxes	859	868
Taxes-Prior Years	11	26
Taxes-Current-Supplemental Rolls	220	141
State-Homeowners' Exemptions	322	329
Taxes-Prior Years-Supplemental	30	36
Total Taxes/Exemptions	<u>24,452</u>	<u>23,831</u>

GARBERVILLE SANITARY DISTRICT

Notes to Financial Statements

June 30, 2016

**NOTE 7 – SURFACE WATER TREATMENT PLANT AND INFRASTRUCTURE
CAPITAL IMPROVEMENT PROJECT**

This capital improvement project was completed January 29, 2015. The project was expected to cost \$4.5 million dollars. Funding for this project is from CDPH, in Funding Agreement SRFCX103, executed on May 10, 2013 in the amount of \$4,060,478. The grant amount is \$3,000,000 and the loan amount is \$1,060,478 with 0% interest and a 30-year term. The Funding agreement was amended September 2014 to increase the total cost to \$4,379,471 with the original loan amount increased to \$1,379,471. (See Note 4)

The total amount of interest cost capitalized for this project was \$ -0- , \$15,510 and \$29,259 as of June 30, 2016, 2015 and 2014, respectively.

Grant receivables were \$-0- and \$39,909 at June 30, 2016 and 2015, respectively.

**NOTE 8 – ANNEXATION (JURISDICTIONAL BOUNDARY, SOI EXPANSION, CHANGE
IN PLACE OF USE, AND MSR) PROJECT**

The MSR/SOI Annexation project is complete: the updated Place of Use was adopted on October 11, 2013 and the updated Jurisdictional Boundary was recorded on May 12, 2016. Every five years, the Humboldt County Local Agency Formation Commission (LAFCo) is mandated to review the Spheres of Influence (SOI's) of all government entities within the District. A Municipal Service Review (MSR) is prepared by LAFCo as part of the SOI review. The District participates in the preparation of the document and provides the data necessary for the LAFCo to perform the review. As part of the MSR/SOI review, in 2011, the District identified numerous parcels that were being provided with water service which were outside of the existing District's Jurisdictional Boundary and SOI. The LAFCo process for remedy of that condition was to complete an annexation of these parcels into the boundaries by petitioning LAFCo for the proposed change. As part of this project the District also modified the Place of Use for the Diversion License and Permit as regulated by the State Water Resources Control Board Division of Water Rights to be consistent with the areas served. Now that the Annexation, the Change in Place of Use, the Municipal Services Review and Sphere of Influence update have been completed, the District will not need to complete this planning process for five years or until a property asks to be annexed into the District Boundary or brought into the Sphere of Influence.

NOTE 9 – ALDERPOINT TANK REPLACEMENT PROJECT

During 2016, the Alderpoint Tank construction was completed and capitalized for a total cost of \$671,517 (See Note 3).

GARBERVILLE SANITARY DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 10 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required during the years ended June 30, 2016 and 2015. The adjustment was needed to correctly capitalize an invoice that was expensed in error in 2015. The adjustment for 2014 was for an engineering invoice that was written off in 2015.

	<u>2015</u>	<u>2014</u>
Capitalize invoice American Leak Detection for Melville Project	<u>\$ 2,960</u>	
Write- off Arc-Sine invoice		<u>\$ 5,513</u>

NOTE 11 – 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.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 20, 2016, the date the financial statements were available to be issued.



GARBERVILLE SANITARY DISTRICT

P.O. BOX 211 • GARBERVILLE, CA 95542 • (707) 923-9566

RESOLUTION NO. 19-012

AUTHORIZING RESOLUTION/ORDINANCE

A RESOLUTION OF THE GARBERVILLE SANITARY DISTRICT AUTHORIZING THE CHAIR OF THE BOARD TO SIGN APPLICATIONS, FUNDING AGREEMENT, AMENDMENTS, AND CERTIFICATIONS FOR FUNDING FOR THE MEADOWS AERIAL WATERLINE RECONSTRUCTION PROJECT

WHEREAS, the Garberville Sanitary District operates a public water system that includes treatment, distribution, and storage facilities; and

WHEREAS, the Meadow Aerial Waterline was constructed over Bear Gulch on very steep slopes with no maintenance access prior to construction of the Meadows Subdivision infrastructure in the 1970s; and

WHEREAS, this aerial waterline is the sole transmission line for water from the main pressure zone to the Meadows Subdivision including California Department of Fire station, the County Roads Maintenance station, Caltrans, and approximately 104 customers; and

WHEREAS, the aerial waterline has failed numerous times and that each repair has lessened the capacity of the line; and

WHEREAS, a geologist has evaluated the 2010 failures and recommends that rerouting the line into a bridge structure will remedy the risk; and

WHEREAS, Humboldt County constructed a bridge over Bear Gulch at Redwood Drive with accommodation for the waterline to be placed on the bridge structure; and

IT IS, THEREFORE, RESOLVED BY THE BOARD OF DIRECTORS OF THE GARBERVILLE SANITARY DISTRICT (the "Entity"), AS FOLLOWS:

The CHAIR OF THE BOARD OF DIRECTORS (the "Authorized Representative") or designee is hereby authorized and directed to sign and file, for and on behalf of the Entity, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board for the planning and/or design of the MEADOWS AERIAL WATERLINE RECONSTRUCTION PROJECT (the "Project").

This Authorized Representative, or his/her designee, is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

The Authorized Representative, or his/her designee, is designated to represent the Entity in carrying out the Entity's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the Entity and compliance with applicable state and federal laws.

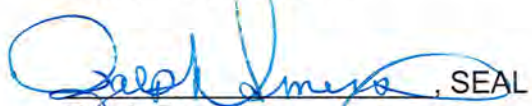
Passed and adopted by the Garberville Sanitary District's Board of Directors on October 22, 2019 during a regular business meeting, by the following vote:

AYES: Directors ANDERSON, BRODERSEN, THOMPSON, LYON
NOES: Directors NONE
EXCUSED: Directors NONE


Chair of the Board of Directors

CERTIFICATION

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the GARBERVILLE SANITARY DISTRICT held on OCTOBER 22, 2019.

 , SEAL
Ralph Emerson
Clerk of Board of Directors



GARBERVILLE SANITARY DISTRICT

P.O. BOX 211 • GARBERVILLE, CA 95542 • (707) 923-9566

Approved Rate Structure from November 11, 2011 Bartle Wells Rate Study

Meter Size	Recommended Monthly Water Rates			
	7/2010	7/2011	7/2012	7/2013
BWA's recommended percentage increase to reach final dollar amounts approved on Proposition 218 notice				
Fixed (meter charge)		11%	11%	11%
Volume (consumption charge)	Current Rates	10%	3%	3%
5/8" & 3/4"	\$43.80	\$48.62	\$53.97	\$60.22
1"	87.60	97.24	107.93	120.43
1.5"	175.20	194.47	215.86	240.87
2"	262.80	291.71	323.80	361.30
Upper Zone Fixed Surcharge	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-500 cu ft (\$/hcf)	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 500 cu ft (\$/hcf)	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.48	\$0.53	\$0.54	\$0.56

APPROVED 6.28.09



ATTACHMENT F6
GARBERVILLE SANITARY DISTRICT

P.O. BOX 211 • GARBERVILLE, CA 95542 • (707) 823-9566

RESOLUTION 09-004

THE GARBERVILLE SANITARY DISTRICT BOARD OF DIRECTORS AMENDS
THE DISTRICT'S WATER AND RECYCLED WATER ORDINANCES BY
ESTABLISHING NEW RATES, FEES, CHARGES AND CHANGES:

1. DISTRICT'S WATER ORDINANCE, ARTICLE # 15
2. SEWER ORDINANCE NO. 83-1, CHAPTER 7. SECTION 18.
3. AMENDS THE TITLE "SEWER ORDINANCE NO. 83-1" TO READ
"RECYCLED WATER ORDINANCE"

WHERE AS, Authority for Rate Increases as defined in Health and Safety Code, Sections 6512, 6520.2, and 6520.5 require the Board of Directors to be fiscally responsive to the needs of the community.

WHERE AS, The community is faced with ever increasing operational costs, the Board of Directors finds that water and recycled water rates set forth in the Ordinances are required for the public health, safety, and welfare in order to more equitably allocate the costs of operation, maintenance, and repair of the water and recycled water systems among residential and commercial users. The new Water and Recycled Wastewater rates established by these Ordinances are based upon the 2009 independent Rate Study Report and Recommendations performed and generated by Bartle Wells Associates.

WHERE AS, Proposition 218 AND Government Code Section 53753 establishes procedures: The Board of Directors adopted on July 14, 2008 "Assessment Balloting Procedures" in compliance with the above referenced statutory requirements,

- 4. **THEREFORE BE IT RESOLVED;** Changes of the Ordinances, DISTRICT'S WATER ORDINANCE, ARTICLE # 15 and SEWER ORDINANCE NO. 83-1, CHAPTER 7. SECTION 18. are hereby amended to read as set forth in the Table of Proposed Monthly Water Rates, page 2 and Tables of Proposed Monthly Residential and Commercial Wastewater Rates, pages 3 and 4 as noticed in the 07/10/2009 Notice to Property Owners attached hereto and made a part hereof and,


Effective Date. This Ordinance shall take effect upon compliance with statutory requirements.

PASSED, APPROVED, AND ADOPTED July 28, 2009, by the following roll call vote:

AYES:

NAYS:

ABSENT:



 Herb Schwartz
 President of the Board

ATTEST:



 Director, Secretary of the Board

old
Water Rates

Under the current water rate structure, customers are billed based on the size of their meter and zone where the meter is located. This monthly charge includes a base allocation of water which varies by meter size.

With the proposed water rates, single family residential customers would continue to be billed a monthly charge based on meter size plus a two tier monthly consumption charge for all water consumed. The first tier is for 0-5 hundred cubic feet (hcf) of water per month. This is the average amount of water needed for a family of four for indoor water use. Use above 5 hcf would be billed at the tier 2 rate.

Zone	Meter Size	Base hcf allocation	Base Rate	Per hcf over base
Zone 1 Central				
	5/8 & 3/4	0-10	\$30.60	\$2.64
	1 inch	0-15	34.26	2.64
	1 1/2 inch	0-17.5	37.17	3.00
	2 inch	0-22.5	47.76	3.00
	2 inch (IR)	0-22.5	47.40	1.20
	3 inch	0-22.5	53.10	3.00
Zone 2 Lower Meadows				
	5/8 & 3/4	0-10	\$34.64	\$2.98
	1 inch	0-15	38.78	2.98
	1 1/2 inch	0-17.5	42.08	3.39
	2 inch	0-22.5	54.07	3.39
	2 inch (IR)	0-22.5	53.66	1.35
	3 inch	0-22.5	60.12	3.39
Zone 3 Upper Meadows				
	5/8 & 3/4	0-10	\$35.14	\$3.03
	1 inch	0-15	39.36	3.03
	1 1/2 inch	0-17.5	42.70	3.44
	2 inch	0-22.5	54.86	3.44
	2 inch (IR)	0-22.5	54.45	1.38
	3 inch	0-22.5	60.99	2.71
System Reserve Fee			\$5.00 per connection per month	

All non-single family residential customers (multi-family, commercial, irrigation) would be billed a monthly service charge based on meter size plus a uniform consumption charge for all water consumed.

There would be a monthly meter and consumption surcharge for customers in the Upper Zone.

NEW
SCHEDULE OF PROPOSED MONTHLY WATER RATES

Meter Size	Proposed 35% Increase 9/2009	Proposed 20% Increase 7/2010	Proposed 10% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
5/8" & 3/4"	\$43.00	\$51.60	\$56.76	\$58.46	\$60.22
1"	86.00	103.20	113.52	116.93	120.43
1.5"	172.00	206.40	227.04	233.85	240.87
2"	258.00	309.60	340.56	350.78	361.30
Upper Zone Fixed Surcharge	\$5.00	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-5 hcf (\$/hcf)	\$0.50	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 5 hcf (\$/hcf)	\$2.75	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$1.90	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.40	\$0.48	\$0.53	\$0.54	\$0.56

HCF = one hundred cubic feet (100 cu ft) = 748 gallons

Calculating Your Single Family Residential Water Bill

A single family residence with a 5/8" water meter consuming 5 hcf (hundred cubic feet) of water per month would have a monthly water bill of \$45.50, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter			\$43.00
Monthly water consumption: 5 hcf	Tier 1 (0-5 hcf)	5 hcf x \$0.50 per hcf	2.50
			Monthly water bill
			\$45.50

A single family residence with a 5/8" water meter consuming 8 hcf of water per month would have a monthly water bill of \$53.75, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter			\$43.00
Monthly water consumption: 8 hcf	Tier 1 (0-5 hcf)	5 hcf x \$0.50 per hcf	2.50
	Tier 1 (6+ hcf)	3 hcf x \$2.75 per hcf	8.25
			Monthly water bill
			\$53.75

A single family residence in the Upper Zone with a 5/8" water meter consuming 5 hcf of water per month would have a monthly water bill of \$52.50, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter			\$43.00
Upper Zone meter surcharge:			5.00
Monthly water consumption: 5 hcf	Tier 1 (0-5 hcf)	5 hcf x \$0.50 per hcf	2.50
		5 hcf x \$0.40 per hcf	2.00
Upper Zone consumption surcharge:			2.00
			Monthly water bill
			\$52.50

Calculating Your Non-Single Family Water Bill

A non-single family water customer (multi-family, commercial, irrigation) with a 5/8" meter consuming 15.0 hcf of water per month would have a monthly water bill of \$71.50, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter			\$43.00
Monthly water consumption: 15 hcf		15 hcf x \$1.90 per hcf	28.50
			Monthly water bill
			\$71.50

Wastewater Rates

Under the current wastewater rate structure, customers are billed by customer type.

With the proposed wastewater rates, single family residential customers would be billed a base rate plus a consumption charge that is based on winter water usage (the average of all water consumed in January, February, and March).

Summary of Current Wastewater Rates	
Customer Type	Total per Month
Residential Dwelling Unit	\$26.02
Commercial/ per toilet	\$21.19
Food Preparation/ Restaurant	\$81.67
Bar	\$57.48
Grocery/ Deli	\$154.24
Gas Station	\$57.48
Motel per Unit	\$22.64
Laundromat	\$722.76
Hospital	\$529.22
Veterinary	\$93.76
System Reserve Fee	\$5.00 per connection per month

SCHEDULE OF PROPOSED MONTHLY SINGLE FAMILY RESIDENTIAL WASTEWATER RATES

Single Family Residential	Proposed 50% Increase 9/2009	Proposed 3% Increase 7/2010	Proposed 3% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
Base Monthly Charge	\$31.09	\$32.02	\$32.98	\$33.97	\$34.99
Consumption per hcf	2.58	2.66	2.74	2.82	2.90

Calculating Your Single Family Residential Wastewater Bill

A single family residence with an average winter water use of 6 hcf would have a wastewater bill of \$46.57 per month, under the proposed wastewater rates on the October 2009 bill.

Single Family Residential		Month	Water Use (hcf)
Example:		January	6
		February	5
		March	7
		Total	18
		Average winter water use	18 (hcf) / 3 (months) = 6 hcf
Monthly sewer charge	Base monthly charge		\$31.09
	Consumption charge		15.48 (6 hcf x \$2.58/hcf)
	Total monthly sewer charge		\$46.57

All non-single family residential customers (multi-family, commercial) would be billed a monthly base charge plus a consumption charge that is weighted by the

Waste Strength	Typical Customers
Low	Laundromat, schools, offices
Domestic	Residential, commercial, hospital, hotel
Medium	Mixed use with restaurant
High	Restaurant, bakery, mortuary

strength of the discharge. The base monthly charge would be calculated once every year and is based on water usage in the previous year. The amount of that charge would be the same for 12 months, and then it would be recalculated. The consumption charge is based on 90% of the previous month's water usage.

SCHEDULE OF PROPOSED MONTHLY NON-SINGLE FAMILY RESIDENTIAL/COMMERCIAL WASTEWATER RATES

Non-Single Family Residential/Commercial	Proposed 50% Increase 9/2009	Proposed 3% Increase 7/2010	Proposed 3% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
Base Monthly Charge	varies	varies	varies	varies	varies
Consumption Charge \$/hcf					
Low	\$1.89	\$1.95	\$2.01	\$2.07	\$2.13
Domestic	2.36	2.43	2.50	2.58	2.66
Medium	3.54	3.65	3.76	3.87	3.98
High	4.72	4.86	5.01	5.16	5.31

GARBERVILLE SANITARY DISTRICT

2009 WATER AND WASTEWATER RATE STUDY

March 2010

BARTLE WELLS ASSOCIATES

Independent Public Finance Advisors

1889 Alcatraz Avenue

Berkeley, CA 94703

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INDEPENDENT PUBLIC FINANCE ADVISORS

1889 Alcatraz Avenue
Berkeley, CA 94703
510 653 3399 fax: 510 653 3769
e-mail: bwa@bartlewells.com

March 3, 2010

Garberville Sanitary District
919 Redwood Drive
Garberville, CA 95560

Attn: Mark Bryant, General Manager

Re: Water and Wastewater Rate Study

Bartle Wells Associates is pleased to submit the attached Water and Wastewater Rate Study report. The study develops water and wastewater rate recommendations based on financial projections developed with substantial input from District staff.

The District's water enterprise is facing challenges. The water utility has an operating deficit in fiscal year 2007/08 and budget year 2008/09, revenues do not cover expenses and debt service. The water enterprise is in need of water projects estimated to cost \$3 million. The recommendations developed in our study are designed to ensure the long-term financial health of the water enterprise. Key recommendations include five years of water rate increases as well as some adjustments to the water rate structure to encourage conservation, better align rates with the cost of service, and improve equity among ratepayers.

The District's wastewater enterprise is in need of wastewater projects estimated to cost \$3.2 million. The recommendations developed in our study are designed to ensure the long-term financial health of the wastewater enterprise. Key recommendations include five years of water rate increases as well as some adjustments to the wastewater rate structure to better align rates with the cost of service and improve equity among ratepayers.

The District is phasing-in five rate increases over the next five years pursuant to the procedural requirements of Proposition 218. This will eliminate the need for the District to go through the Proposition 218 process each year. The District still retains the flexibility to revise the rate adjustments, if needed, as long as the increases did not exceed the rates adopted under the Proposition 218 procedure. Water and wastewater rate recommendations are summarized on the attached tables.

We enjoyed working with the District on this assignment and appreciate the cooperation and assistance provided by District staff throughout the project. Special thanks to Mark Bryant, General Manager and Bunny Valk, Administrative Clerk. Please do not hesitate to contact us any time in the future if you have any questions about this study or other issues regarding water and sewer rates and finance.

Sincerely,

BARTLE WELLS ASSOCIATES

Doug Dove, CIPFA
President

Stephanie Osborn, CIPFA
Financial Analyst

Summary of Proposed Rates – Approved by the Board of Directors on August 25, 2009

SCHEDULE OF MONTHLY WATER RATES

Meter Size	Proposed 35% Increase 9/2009	Proposed 20% Increase 7/2010	Proposed 10% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
5/8" & 3/4"	\$43.00	\$51.60	\$56.76	\$58.46	\$60.22
1"	86.00	103.20	113.52	116.93	120.43
1.5"	172.00	206.40	227.04	233.85	240.87
2"	258.00	309.60	340.56	350.78	361.30
Upper Zone Fixed Surcharge	\$5.00	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-5 hcf (\$/hcf)	\$0.50	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 5 hcf (\$/hcf)	\$2.75	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$1.90	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.40	\$0.48	\$0.53	\$0.54	\$0.56

SCHEDULE OF MONTHLY SINGLE FAMILY RESIDENTIAL WASTEWATER RATES

Single Family Residential	Proposed 50% Increase 9/2009	Proposed 3% Increase 7/2010	Proposed 3% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
Base Monthly Charge	\$31.09	\$32.02	\$32.98	\$33.97	\$34.99
Consumption per hcf	2.58	2.66	2.74	2.82	2.90

**SCHEDULE OF MONTHLY NON-SINGLE FAMILY
RESIDENTIAL/COMMERCIAL WASTEWATER RATES**

Non-Single Family Residential/Commercial	Proposed 50% Increase 9/2009	Proposed 3% Increase 7/2010	Proposed 3% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
Base Monthly Charge	varies	varies	varies	varies	varies
Consumption Charge \$/hcf					
Low	\$1.89	\$1.95	\$2.01	\$2.07	\$2.13
Domestic	2.36	2.43	2.50	2.58	2.66
Medium	3.54	3.65	3.76	3.87	3.98
High	4.72	4.86	5.01	5.16	5.31

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BACKGROUND & OBJECTIVES

Garberville Sanitary District (District or GSD) is an unincorporated town in southern Humboldt County. There are approximately 450 service connections. The District's customer base is predominantly single family residential with some commercial customers. The District serves a population of approximately 2,400 residents. The water and wastewater utilities are accounted for as self-supporting enterprise funds; revenues are derived primarily from utility service charges and must be adequate to fund operating and capital needs.

In November 2008, the District retained Bartle Wells Associates (BWA) to develop a rate and fee study for the water and wastewater enterprises. Prior to this study, the District's water and wastewater rates and fees had not been independently reviewed in many years. Basic objectives of our study included:

- Conduct an independent analysis of water and wastewater rates and finances.
- Develop cash flow projections incorporating reasonable estimates of future operating expenses. Coordinate construction and financing capital improvement projects for the water and wastewater enterprise.
- Determine the annual revenue requirement.
- Evaluate water and wastewater rate structure.
- Recommend rate adjustments to support the long-term financial health of the water and wastewater enterprise.
- Phase in rate adjustments over time, to the extent possible, to minimize the annual impact on ratepayers.

This report presents key findings and recommendations of our study. The recommendations were developed with substantial input from the District.

WATER RATE STUDY

Water System & Supply

The District owns and operates approximately 17 miles of water transmission and distribution pipelines, 1 well, and 1 storage tank. The District's water supply is from the Eel River. The District's storage capacity of about 350,000 gallons is used to supplement peak demand and maintain system pressure.

The District is anticipating construction of a water project that will result in a new water treatment system complying with state mandates. Construction costs are estimated to be about \$3 million through fiscal year 2011/12. The District has submitted an application for a \$1 million grant and \$2 million State Revolving Fund (SRF) loan at 0% interest. Funding for the remaining water projects is expected to come from District funds.

Anticipated Water Projects and Funding Sources

<u>Water Projects</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>Total</u>
Prior engineering	120,000			120,000
Treatment plant site, easement	50,000			50,000
Tank site, easement	75,000			75,000
Tank & pipeline construction	500,000	1,500,000	1,000,000	<u>3,000,000</u>
				3,245,000

<u>Water Funding Sources</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>Total</u>
SRF Loan, @ 0% for 30 years		2,000,000		2,000,000
Grant		1,000,000		1,000,000
Owner carry for easements	125,000			125,000
Loan to pay prior engineering costs	120,000			<u>120,000</u>
				3,245,000

Previous Water Rates

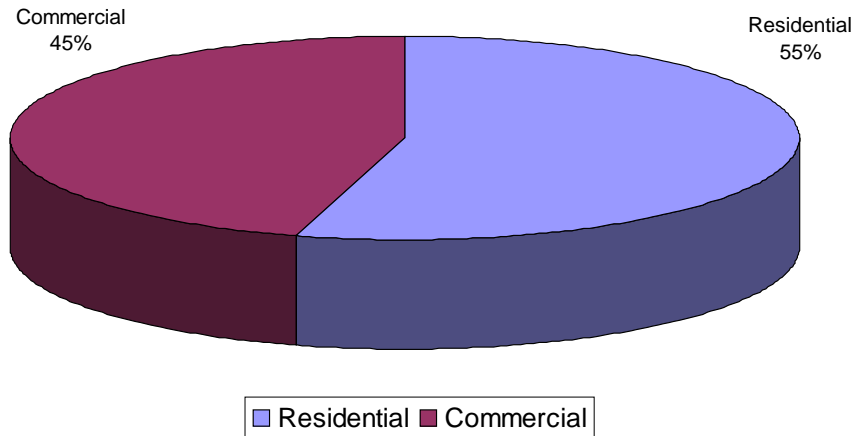
The District's previous water rates included a monthly base rate charge determined by the size of the water meter which included a water consumption allocation. The minimum monthly base rate charge and the water consumption allocation increased with meter size. Water consumption over the allocation was billed on a one-tier schedule based on the amount of water consumed. The monthly consumption rate was a uniform block, since the price per 100 cubic feet over the base was sold at the same price. Each connection was also charged a system reserve fee of \$5.00 per connection regardless of meter size. The monthly base rate charge and water consumption charge were approved by the Board in 2008. All customers are billed monthly for water service.

Previous Water Rates				
Zone	Meter Size	Base hcf allocation	Base Rate	Per hcf over base
Zone 1 Central				
	5/8 & 3/4	0-10	\$30.60	\$2.64
	1 inch	0-15	34.26	2.64
	1 1/2 inch	0-17.5	37.17	3.00
	2 inch	0-22.5	47.76	3.00
	2 inch (IR)	0-22.5	47.40	1.20
	3 inch	0-22.5	53.10	3.00
Zone 2 Lower Meadows				
	5/8 & 3/4	0-10	\$34.64	\$2.98
	1 inch	0-15	38.78	2.98
	1 1/2 inch	0-17.5	42.08	3.39
	2 inch	0-22.5	54.07	3.39
	2 inch (IR)	0-22.5	53.66	1.35
	3 inch	0-22.5	60.12	3.39
Zone 3 Upper Meadows				
	5/8 & 3/4	0-10	\$35.14	\$3.03
	1 inch	0-15	39.36	3.03
	1 1/2 inch	0-17.5	42.70	3.44
	2 inch	0-22.5	54.86	3.44
	2 inch (IR)	0-22.5	54.45	1.38
	3 inch	0-22.5	60.99	2.71
System Reserves Fee		\$5.00 per connection per month		

Water Customers

The District currently provides water service to approximately 400 predominantly residential connections. Water consumption for calendar year 2008 shows that while service connections are for predominantly residential connections they account for 55% of the water consumption while commercial connections account for 45% of the water consumption.

Water Consumption Calendar Year 2008



Recommended Rate Structure Modifications

Based on evaluation of the District's rate structure and input provided by District staff, BWA recommends the District adopt some modifications to the water rate structure. These rate structure modifications include:

Align Fixed Meter Charges with Accepted Meter Ratios

The District's meter charges vary by meter size with higher charges for larger meters. However, the charges are not currently proportional to accepted equivalent meter ratios. BWA recommends the District align its meter charges with standards established by the American Water Works Association (AWWA). The table below compares the District's 2008 meter ratios (based on the base rate charges) and those based on AWWA equivalent meter standards.

Since 1881 AWWA has shaped best practices and set industry standards. The AWWA meter ratios in the table on the following page are based on flow through the meter.

Meter Size	AWWA Flow Standards	Meter Ratios	2008 GSD Charge (Zone 1)	2008 Meter Ratio Bases on GSD Charge	Charge Based on AWWA Meter Ratios
5/8" & 3/4"	25	1.0	\$30.60	1.0	\$30.60
1"	50	2.0	34.26	1.1	61.20
1.5"	100	4.0	37.17	1.2	122.40
2"	160	6.0	47.76	1.6	183.60
3"	300	12.0	53.10	1.7	734.40

Include System Reserve Fee in Monthly Meter Charge

BWA recommends that the District include the system reserve fee in the monthly meter charge.

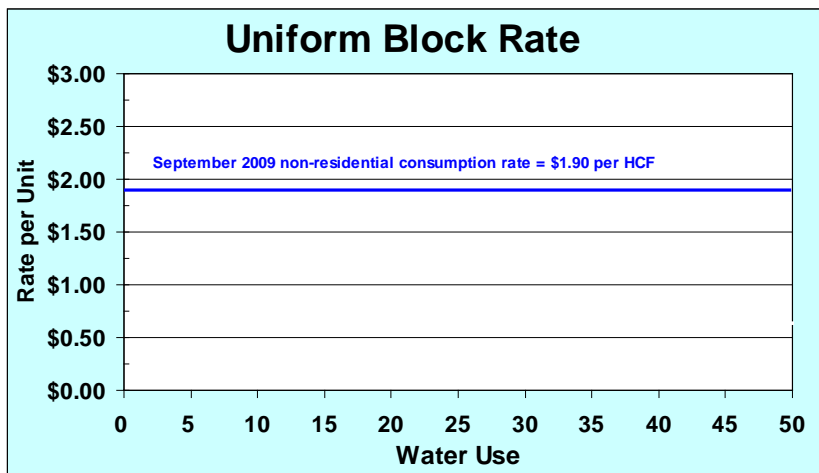
Revise Single Family Residential Water Tiers

Under the 2008 rate structure every meter size included a monthly base allocation for water consumption. Consumption over the base allocation was charged according to a uniform block rate for each hundred cubic feet (HCF). BWA recommended the District charge a monthly meter charge based on meter size and a two-tier inclining block rate for all water consumed. Tier 1 would be for the first five HCF consumed, Tier 2 would be for all water consumed over 5 HCF. Tier 1 includes enough water needed for a conserving household for indoor water use.

The inclining two-tier structure encourages water conservation. Starting in September 2009 the charge for each HCF of water in Tier 1 is \$0.50 per HCF or unit. Each HCF of water consumed in Tier 2 is charged at \$2.75 per unit.

Uniform Block Rate for All Non-single Family Residential Water Consumption

BWA recommends the District bill all non-single family water customers (multi-family, commercial, irrigation) a uniform consumption charge for all water consumed. All water is sold at the same price per unit which provides good conservation incentive. There are large differences in water use for different types of businesses. For example, a restaurant and a warehouse are likely to use vastly different amounts of water. It is difficult to establish an equitable tiered block rate structure for different commercial uses.



Water Customers in Upper Zones

The 2008 rate structure had three zones (Zone 1 – 3). Surcharges were added to Zone 2 Lower Meadows and Zone 3 Upper Meadows to cover additional costs associated with these customers, including the cost of pumping water to these higher zones. BWA recommends combining Zones 2 and 3 in to one Upper Zone with a fixed surcharge and variable surcharge per HCF of water consumed.

Encourage Conservation

BWA recommends that all of the water allocation currently included in the fixed monthly meter charge (10 to 22.5 HCF depending on meter size) be eliminated. The recommended two tiers for single family residential customers will encourage conservation with a higher rate kicking in as usage increases. Tier 1 includes enough water (up to 5 HCF/month) for a typical conserving household's interior water use.

Fixed vs. Variable Revenue

The Board was presented with two rate options for fixed (monthly meter charge) vs. variable (water consumption charge) revenues. The Board opted to move ahead with the rate option where approximately 66% of the water revenues are fixed and 34% are variable.

Recommended Rates

Water rates were developed to cover O&M costs, the anticipated water projects, build fund reserves, and provide debt service funding for water capital improvement projects financed through the State Revolving Fund (SRF) and pay-as-you-go. Roughly \$1.0 million of the financing would be in the form of a grant, \$2.0 million would be in the form of a SRF loan, and the remaining \$245,000 would be paid by the District.

Water bills include two components: a monthly meter charge based on the size of the water meter and a monthly consumption charge based on the amount of water consumed. The recommended monthly consumption charge is an inclining block rate with two tiers. Under this structure low water users save money on their bill, this encourages water conservation.

All non-single family water customers (multi-family, commercial, irrigation) will be billed a monthly meter charge based on meter size plus a uniform consumption charge for all water consumed.

SCHEDULE OF MONTHLY WATER RATES

Meter Size	Proposed 35% Increase 9/2009	Proposed 20% Increase 7/2010	Proposed 10% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
5/8" & 3/4"	\$43.00	\$51.60	\$56.76	\$58.46	\$60.22
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1.5"	172.00	206.40	227.04	233.85	240.87
2"	258.00	309.60	340.56	350.78	361.30
Upper Zone Fixed Surcharge	\$5.00	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-5 hcf (\$/hcf)	\$0.50	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 5 hcf (\$/hcf)	\$2.75	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$1.90	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.40	\$0.48	\$0.53	\$0.54	\$0.56

Rate Survey

A rate survey of the surrounding area shows that the District's current water rates fall in the mid-range. After the increase in September 2009, the District's bill for 10 HCF of water consumption will be lower than the City of Trinidad's proposed alternative 3.

Monthly Single Family Residential Water Bill	Cost For: 5 HCF	Cost For: 10 HCF	Cost For: 15 HCF
City of Trinidad (proposed alternative 3)	\$40.00	\$65.00	\$100.00
Garberville SD (proposed 66/34, including system reserve fee)	45.50	59.25	73.00
City of Trinidad (on 7/1/09)	45.43	57.43	69.43
Ferndale - Del Oro Water Company	36.68	55.33	73.99
City of Trinidad (proposed alternative 2)	34.50	52.00	69.50
City of Rio Dell	30.90	41.20	56.65
City of Eureka	26.57	40.77	54.97
City of Fortuna (November-April - on 7/1/09)	27.03	35.88	44.73
Garberville SD (current, including system reserve fee)	35.60	35.60	48.80
Willow Creek CSD	30.00	33.38	40.13
City of Fortuna (May-October - on 7/1/09)	22.60	31.45	40.30
Fieldbrook CSD	29.02	29.02	36.97
City of Arcata	14.15	28.55	42.95
Humboldt CSD	18.75	26.50	34.25
Humboldt Bay Municipal WD - Residential	16.75	23.60	30.45
McKinleyville CSD	12.07	19.72	27.37
Based on most common SFR meter 5/8" or 3/4"			

Cash Flow Projections

BWA developed ten-year financial projections to evaluate long-term finances and determine rate increases. Water cash flow projections are shown on the next page. The financial projections are based on the best information currently available as well as a number of reasonable and slightly conservative assumptions including:

- The projections assume no growth.
- Interest income estimated at 3% of beginning fund reserves over the next ten years.
- Operating costs are based on the 2008/09 budget and escalate at the annual rate of 5% for salaries and benefits, 8% for retirement, and 3% for operations and maintenance.
- Funding for anticipated water projects using proceeds from a \$1 million grant, \$2 million State Revolving Fund (SRF) loan, and District funds.

The cash flow projections indicate the need for rate increases to fund the water system expenses and capital improvements. The recommended adjustments are needed to enable the water enterprise to:

- Bring in sufficient revenues to cover operating costs and annual inflation.
- Fund the anticipated water projects.
- Start to build fund reserves.

Under the water rates adopted in August 2009, rates increased in September 2009 and will increase in July 2010 and each July thereafter with the last scheduled increase taking place July 2013.

Garberville Sanitary District 10-year Water Fund Cash Flow

	Revised												
	Unaudited	Budget											
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Rate Increase			35%	20%	10%	3%	3%	3%	3%	3%	3%	3%	3%
Typical Monthly Residential Water Bill		\$30.60	\$41.31	\$49.57	\$54.53	\$56.17	\$57.85	\$59.59	\$61.37	\$63.21	\$65.11	\$67.06	\$69.08
Beginning Fund Balance	26,803	6,000	-9,696	5,984	68,334	90,454	111,644	131,594	149,884	166,104	179,854	230,544	278,774
Revenues													
Residential water charges	121,549	140,079	189,100	226,900	249,600	257,100	264,800	272,700	280,900	289,300	298,000	306,900	316,100
Commercial water charges	83,470	96,471	130,200	156,200	171,800	177,000	182,300	187,800	193,400	199,200	205,200	211,400	217,700
Bulk water charges	642	770	1,000	1,200	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
System reserve fees	11,658	21,380	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Late charges	1,699	2,933	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Connection fees		1,000											
Interest & penalties	6,693	7,362	-300	200	2,100	2,700	3,300	3,900	4,500	5,000	5,400	6,900	8,400
Property tax revenue	10,029	10,029	10,110	10,190	10,270	10,350	10,430	10,510	10,590	10,670	10,760	10,850	10,940
Misc. revenues	<u>163</u>	<u>179</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total all revenues	235,902	280,202	356,510	421,090	461,470	474,850	488,530	502,610	517,090	531,870	547,060	563,750	580,840
Expenses													
<u>Administrative & General</u>													
Salaries & wages	58,269	64,096	97,300	102,200	107,300	112,700	118,300	124,200	130,400	136,900	143,700	150,900	158,400
Payroll taxes	7,030	7,733	8,100	8,500	8,900	9,300	9,800	10,300	10,800	11,300	11,900	12,500	13,100
Retirement	1,821	2,003	21,000	22,700	24,500	26,500	28,600	30,900	33,400	36,100	39,000	42,100	45,500
Insurance	14,133	15,546	16,000	16,500	17,000	17,500	18,000	18,500	19,100	19,700	20,300	20,900	21,500
Directors' fees	903	993	1,020	1,050	1,080	1,110	1,140	1,170	1,210	1,250	1,290	1,330	1,370
Office expense & rent	7,123	7,835	8,100	8,300	8,500	8,800	9,100	9,400	9,700	10,000	10,300	10,600	10,900
Operating supplies	5,183	5,701	5,900	6,100	6,300	6,500	6,700	6,900	7,100	7,300	7,500	7,700	7,900
Education & training	1,211	1,332	1,370	1,410	1,450	1,490	1,530	1,580	1,630	1,680	1,730	1,780	1,830
Memberships	688	757	780	800	820	840	870	900	930	960	990	1,020	1,050
License & permits	2,150	2,365	2,400	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400
Interest	6,907	7,160	7,400	7,600	7,800	8,000	8,200	8,400	8,700	9,000	9,300	9,600	9,900
Professional services			0	0	0	0	0	0	0	0	0	0	0
Outside services	8,766	9,643	9,900	10,200	10,500	10,800	11,100	11,400	11,700	12,100	12,500	12,900	13,300
Utilities	674	741	760	780	800	820	840	870	900	930	960	990	1,000
Contingency													
Misc	<u>520</u>	<u>572</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Subtotal Administrative & General	115,378	126,477	180,530	189,140	198,050	207,560	217,480	227,920	239,070	250,820	263,170	276,120	289,650
<u>Treatment</u>													
Monitoring	1,310	1,440	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Repairs & maintenance	8,382	9,221	9,500	9,800	10,100	10,400	10,700	11,000	11,300	11,600	11,900	12,300	12,700
Supplies	8,605	9,465	9,700	10,000	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
Utilities	27,939	30,733	31,700	32,700	33,700	34,700	35,700	36,800	37,900	39,000	40,200	41,400	42,600
Wages	<u>17,356</u>	<u>19,092</u>	<u>20,000</u>	<u>21,000</u>	<u>22,100</u>	<u>23,200</u>	<u>24,400</u>	<u>25,600</u>	<u>26,900</u>	<u>28,200</u>	<u>29,600</u>	<u>31,100</u>	<u>32,700</u>
Subtotal Treatment	63,592	69,951	72,400	75,000	77,700	80,400	83,200	86,100	89,100	92,100	95,400	98,900	102,500
<u>Transmission & Distribution</u>													
Pumping	0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs & maintenance	20,208	22,228	22,900	23,600	24,300	25,000	25,800	26,600	27,400	28,200	29,000	29,900	30,800
Supplies	2,448	2,693	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800
Utilities	6,691	7,360	7,600	7,800	8,000	8,200	8,400	8,700	9,000	9,300	9,600	9,900	10,200
Wages	<u>16,712</u>	<u>18,384</u>	<u>19,300</u>	<u>20,300</u>	<u>21,300</u>	<u>22,400</u>	<u>23,500</u>	<u>24,700</u>	<u>25,900</u>	<u>27,200</u>	<u>28,600</u>	<u>30,000</u>	<u>31,500</u>
Subtotal Transmission & Distribution	46,059	50,665	52,600	54,600	56,600	58,700	60,900	63,300	65,700	68,200	70,800	73,500	76,300
Total all expenses	225,029	247,094	305,530	318,740	332,350	346,660	361,580	377,320	393,870	411,120	429,370	448,520	468,450
<u>New Project O&M Expenses</u>													
Subtotal New Project O&M	0	0	0	0	0	0	0	0	0	0	0	0	0
Total O&M expenses	225,029	247,094	305,530	318,740	332,350	346,660	361,580	377,320	393,870	411,120	429,370	448,520	468,450
Net Operating Revenues	10,873	33,109	50,980	102,350	129,120	128,190	126,950	125,290	123,220	120,750	117,690	115,230	112,390
Capital & Debt Service													
New Water System Debt				0	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000
Tank & Treatment Site Easements \$125,000*			0	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
LACO design costs \$120,000*			15,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Garberville Water Co.	<u>48,805</u>	<u>48,805</u>	<u>20,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Capital & Debt Service	48,805	48,805	35,300	40,000	107,000	107,000	107,000	107,000	107,000	107,000	67,000	67,000	67,000
Net Revenues	(37,932)	(15,696)	15,680	62,350	22,120	21,190	19,950	18,290	16,220	13,750	50,690	48,230	45,390
Ending Fund Balance	(11,128)	(9,696)	5,984	68,334	90,454	111,644	131,594	149,884	166,104	179,854	230,544	278,774	324,164
Debt Service Coverage					1.93	1.91	1.89	1.87	1.84	1.80	1.76	1.72	1.68

* Assumes easements funded by owner and LACO cost funded by Umpqua Bank Loan

Source: Garberville Sanitary District
Financial Statements June 30, 2006
Financial Statements June 30, 2007
Profit & Loss July 2006-June 2007
Profit & Loss July 2007-June 2008
GSD 08/09 Budget Revision

WASTEWATER RATE STUDY

Wastewater Collection & Treatment

The District is anticipating construction of a wastewater project that will result in a completely new wastewater treatment plant which will satisfy state mandates and repeal the current 'Cease and Desist Order'. Construction costs are estimated to be about \$3 million through fiscal year 2011/12. Funding for the wastewater projects is expected to come from the American Recovery and Reinvestment Act (ARRA) principle forgiveness funding. The remaining projects are anticipated to be funded with a State Revolving Fund loan at 1% interest.

The Wastewater Project

The wastewater project involves expansion and alteration of the current treatment system, which consists of several ponds and wetlands on the east side of the South Fork Eel River across the Bear Creek Bridge. The facility will consist of over fourteen acres in a series of constructed wetlands cells that will provide a refined natural treatment process.

A new primary treatment pond capable of holding 4.5 million gallons of sewage and wastewater will be constructed to the east of the current ponds. The four current treatment ponds will be consolidated into two ponds where the bacterial bioactive process will occur. Vegetation will enhance the process by removing nitrogen-fixing bacteria. One of the current wetlands will be replaced by a new pond to receive clear water discharged from the bioactive ponds. Here remaining vegetative material will settle out. Finally, the treated effluent will flow into infiltration galleries to percolate through the soil.

The project also includes replacement of the sewage collection system in the oldest part of town along Riverview Lane, Sunnybank Lane, and Sprowel Creek Road. Beneath these streets are clay pipes installed in the 1920s. During winter storms, street runoff infiltrates these old pipes, diminishing the plant's capacity to treat sewage and wastewater from homes and businesses.

Anticipated Wastewater Projects and Funding Sources

Recycled Wastewater Projects	2009/10	2010/11	2011/12	Total
Construction, including construction management	200,000	1,500,000	1,500,000	<u>3,200,000</u> 3,200,000
Recycled Wastewater Funding Sources	2009/10	2010/11	2011/12	Total
SRF Loan, @ 1% for 30 years	248,827			248,827
ARRA grant		2,951,173		<u>2,951,173</u> 3,200,000

Previous Wastewater Rates

The District's previous wastewater rates include a fixed monthly charge determined by customer type and the number of plumbing fixtures. This method had been used for many years. Each connection was also charged a system reserve fee of \$5.00 per connection. The fixed monthly charge was approved by the Board in 2008. All customers are billed monthly for wastewater service.

Previous Monthly Wastewater Rates	
Customer Type	Total per Month
Residential	\$26.02
Commercial	\$21.19
Hospital	\$529.22
Laundromat	\$722.76
Restaurant	\$81.67
Motel - Lone Pine	\$388.82
Bar	\$57.48
Residential (3)	\$82.56
Commercial (2)	\$45.38
Commercial (3)	\$69.57
Gas station	\$57.48
Veterinary	\$93.76
Apts. Scher (7)	\$203.19
Motel - HHI (76U/1C)	\$1,675.32
Garber Square (2 food/1C)	\$190.53
Commercial (10)	\$238.92
Motel - Johnston (12U/1R)	\$287.24
Motel - Grvl (30U/1R)	\$679.06
Apts D Miller (5R/1C)	\$166.33
Resident/commercial	\$50.22
Residential (4)	\$113.11
Grocery/deli	\$154.24
Residential (10) VanMeter	\$287.28
Motel - Scown (21U/4C/1R)	\$579.92
Motel - Sherwood (36U/1R)	\$809.67
Brannan (2 food/7C/10R)	\$771.10
Amaral (3C/1R)	\$98.60
Sentry111 (7C)	\$166.34
Childs, Hodges, Sinoway (2C)	\$248.58
Restaurant/residence	\$110.70
Olson/rental (5C/9R)	\$379.21
Bar/restaurant/Blue Room	\$142.15
Sentry 111 (12C)	\$287.30
Scown Kirk (17R)	\$442.34
Shapiro (2C/4R)	\$161.49
Studebaker (1restaurant/1C)	\$105.86
Wagner (1restaurant/5C)	\$202.63
Winters/SHSC (6R)	\$171.16
Residential (3)	\$84.08
SHSC (5R)	\$142.14
System Reserves Fee	\$5.00 per connection per month

Wastewater Customers

The District currently provides wastewater service to approximately 350 predominantly residential connections. Flow from commercial customers is influenced by tourist traffic which takes place primarily in the summer and fall. GSD needs to size their facilities for peak flow.

Recommended Rate Structure Modifications

Based on evaluation of the District’s rate structure and input provided by District staff, BWA recommends the District adopt some modifications to the wastewater rate structure. These rate structure modifications include:

Revise Single Family Residential Structure

Under the 2008 rate structure residential customers are charged a fixed monthly charge based on plumbing fixtures. BWA recommended that residential wastewater bills include two components: a fixed base monthly charge and a variable consumption per HCF charge based on the customer’s average winter water use. The consumption per HCF charge is calculated by the average of all actual winter water consumed for the months of January, February, and March. The variable consumption charge is calculated once per year, then remains the same throughout the year. Under this structure low water users save money on their wastewater bill, this encourages water conservation.

Revise Non-Single Family Residential/Commercial Structure

BWA recommends that all non-single family wastewater customers (multi-family, commercial, irrigation) be billed a monthly base charge plus a consumption charge that is weighted by the strength of the discharge. The base monthly charge would be calculated once every year and is based on water usage in the previous year. The amount of that charge would be the same for 12 months, and then it would be recalculated. The consumption charge is based on 90% of the previous month’s water usage.

The base monthly charge is calculated according to this formula:

$$\begin{array}{rcl}
 \text{Monthly Non-Single} & & \text{2/3 annual} \\
 \text{Family} & & \text{commercial revenue} \\
 \text{Residential/Commercial} & = & \text{requirement} \\
 \text{Base Charge} & & \text{-----} \\
 & & \text{90\% of commercial} \\
 & & \text{flow} \\
 & & \text{-----} \\
 & & \text{12 months}
 \end{array}
 \quad * \quad
 \begin{array}{l}
 \text{90\% of customers'} \\
 \text{prior year water} \\
 \text{consumption}
 \end{array}$$

The strength of the wastewater discharge is based on California State Water Resources Control Board Sewer Strength Guidelines:

Waste Strength	Typical Customers
Low	Laundromat, schools, offices
Domestic	Residential, commercial, hospital, hotel
Medium	Mixed use with restaurant
High	Restaurant, bakery, mortuary

The monthly consumption charged weighted by the strength of the discharge is calculated according to this formula:

$$\begin{array}{l}
 \text{Monthly Non-Single} \\
 \text{Family} \\
 \text{Residential/Commercial} \\
 \text{Variable Charge}
 \end{array}
 =
 \frac{\begin{array}{l}
 \text{1/3 annual} \\
 \text{commercial revenue} \\
 \text{requirement}
 \end{array}}{\begin{array}{l}
 \text{90\% of commercial} \\
 \text{flow * average} \\
 \text{strength factor}
 \end{array}}
 *
 \begin{array}{l}
 \text{90\% of customers'} \\
 \text{prior month water} \\
 \text{consumption}
 \end{array}
 *
 \begin{array}{l}
 \text{customers'} \\
 \text{strength} \\
 \text{factor}
 \end{array}$$

Recommended Rates

Wastewater rates were developed to cover O&M costs, the anticipated wastewater projects, build up a fund reserve, and provide debt service funding for wastewater capital improvement projects. Roughly \$3.2 million of the financing would be in the form of American Recovery and Reinvestment Act (ARRA) principle forgiveness funding and the remaining \$250,000 would come from an SRF loan.

Wastewater bills include two components: a base monthly charge based on customer type and a monthly consumption charge (per HCF) based on the amount of water consumed. For single family residential customers the consumption charge is based on winter water usage (the average of all water consumed in January, February, and March). For non-single family residential/commercial customers the consumption charge is based on 90% of the previous months water usage and weighted by the strength of the discharge.

According to the State Water Board, the median household income in the District is \$37,115. Since the average single family residential wastewater rate in the District needs to be above 1.5% of median household income to cover O&M costs and fund the anticipated wastewater projects, the District may qualify for full ARRA funding.

SCHEDULE OF MONTHLY SINGLE FAMILY RESIDENTIAL WASTEWATER RATES

Single Family Residential	Proposed	Proposed	Proposed	Proposed	Proposed
	50% Increase 9/2009	3% Increase 7/2010	3% Increase 7/2011	3% Increase 7/2012	3% Increase 7/2013
Base Monthly Charge	\$31.09	\$32.02	\$32.98	\$33.97	\$34.99
Consumption per hcf	2.58	2.66	2.74	2.82	2.90

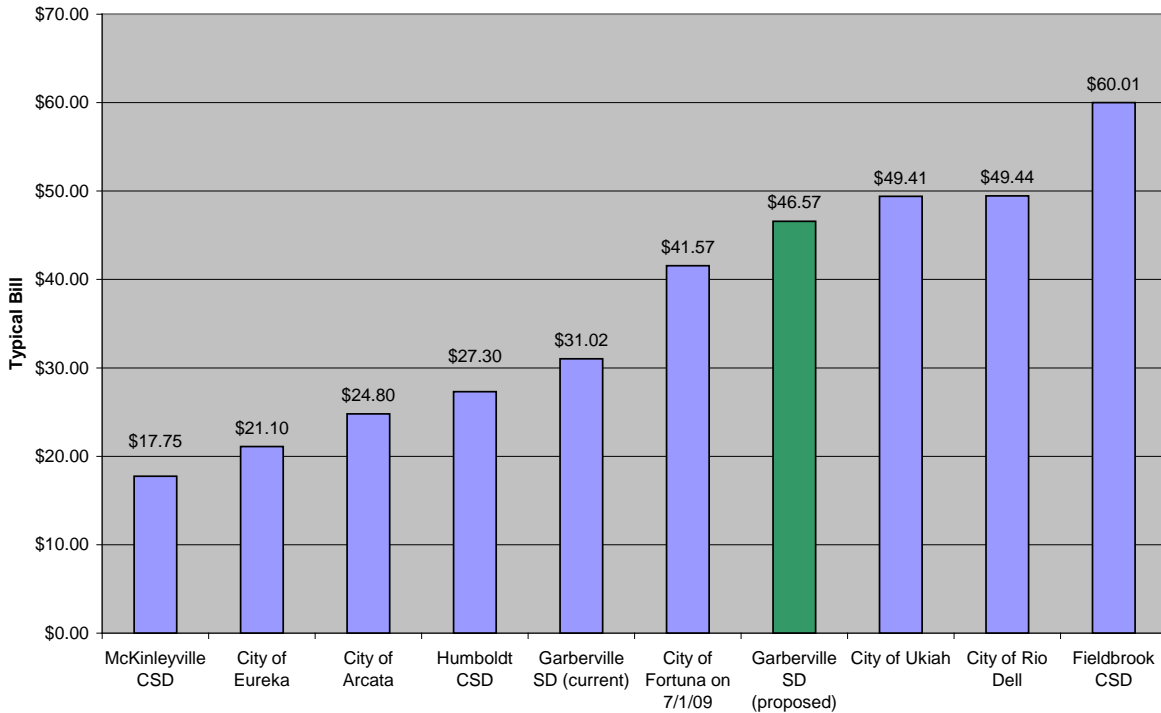
SCHEDULE OF MONTHLY NON-SINGLE FAMILY
RESIDENTIAL/COMMERCIAL WASTEWATER RATES

Non-Single Family Residential/Commercial	Proposed 50% Increase 9/2009	Proposed 3% Increase 7/2010	Proposed 3% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
Base Monthly Charge	varies	varies	varies	varies	varies
Consumption Charge \$/hcf					
Low	\$1.89	\$1.95	\$2.01	\$2.07	\$2.13
Domestic	2.36	2.43	2.50	2.58	2.66
Medium	3.54	3.65	3.76	3.87	3.98
High	4.72	4.86	5.01	5.16	5.31

Rate Survey

A rate survey of the surrounding area shows that the District's current wastewater rates fall in the mid-range. After the increase in September 2009, the District's bill with average winter water use of 6 HCF will still fall in the mid-range.

Monthly Single Family Residential Sewer Bill



Cash Flow Projections

BWA developed ten-year financial projections to evaluate long-term finances and determine rate increases. Wastewater cash flow projections are shown on the next page. The financial projections are based on the best information currently available as well as a number of reasonable and slightly conservative assumptions including:

- The projections assume no growth.
- Interest income estimated at 3% of beginning fund reserves over the next ten years.
- Operating costs are based on the 2008/09 budget and escalate at the annual rate of 5% for salaries and benefits and 3% for operations and maintenance.
- Funding for the wastewater projects is expected to come from an American Recovery and Reinvestment Act (ARRA) principle forgiveness funding and a State Revolving Fund loan.

The cash flow projections indicate the need for rate increases to fund the wastewater system expenses and capital improvements. The recommended adjustments are needed to enable the wastewater enterprise to:

- Bring sufficient revenues to cover operating costs and annual inflation.
- Fund the anticipated wastewater projects.
- Build fund reserves.

Under the wastewater rates adopted in August 2009, rates increased in September 2009 and will increase in July 2010 and each July thereafter with the last scheduled increase taking place July 2013.

Garberville Sanitary District 10-year Wastewater Fund Cash Flow

	Unaudited 2007/08	Revised Budget 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Rate Increase			50%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Typical Monthly Residential Sewer Bill		\$31.02	\$46.57	\$47.97	\$49.41	\$50.89	\$52.41	\$53.99	\$55.61	\$57.28	\$58.99	\$60.76	\$62.59
Beginning Fund Balance	47,310	223,000	240,236	333,886	420,546	509,806	601,466	695,306	791,516	889,596	989,546	1,091,166	1,194,046
Revenues													
Sewer charges	190,956	219,542	368,300	379,300	390,700	402,400	414,500	426,900	439,700	452,900	466,500	480,500	494,900
System reserve fees	8,590	15,038	0	0	0	0	0	0	0	0	0	0	0
Late charges	1,699	2,933	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Connection fees	1,619	1,000											
Interest & penalties	6,693	7,362	7,200	10,000	12,600	15,300	18,000	20,900	23,700	26,700	29,700	32,700	35,800
Property tax revenue	10,029	10,029	10,100	10,200	10,300	10,400	10,500	10,600	10,700	10,800	10,900	11,000	11,100
Rental income													
Misc. revenues	163	179	100	100	100	100	100	100	100	100	100	100	100
Total all revenues	219,750	256,082	388,000	401,900	416,000	430,500	445,400	460,800	476,500	492,800	509,500	526,600	544,200
Expenses													
<u>Administrative & General</u>													
Salaries & wages	58,269	64,096	97,300	102,200	107,300	112,700	118,300	124,200	130,400	136,900	143,700	150,900	158,400
Payroll taxes	7,030	7,733	8,100	8,500	8,900	9,300	9,800	10,300	10,800	11,300	11,900	12,500	13,100
Retirement	1,821	2,003	19,500	20,400	21,500	22,500	23,700	24,800	26,100	27,400	28,700	30,200	31,700
Insurance	14,133	15,546	16,000	16,500	17,000	17,500	18,000	18,500	19,100	19,700	20,300	20,900	21,500
Directors' fees	903	993	1,030	1,070	1,110	1,150	1,200	1,250	1,300	1,350	1,400	1,460	1,520
Office expense & rent	7,123	7,835	8,100	8,300	8,500	8,800	9,100	9,400	9,700	10,000	10,300	10,600	10,900
Operating supplies	5,183	5,701	5,900	6,100	6,300	6,500	6,700	6,900	7,100	7,300	7,500	7,700	7,900
Education & training	1,211	1,332	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Memberships	688	757	780	800	820	840	870	900	930	960	990	1,020	1,050
License & permits	6,451	7,096	7,300	7,500	7,700	7,900	8,100	8,300	8,500	8,800	9,100	9,400	9,700
Interest	6,907	7,160	7,400	7,600	7,800	8,000	8,200	8,400	8,700	9,000	9,300	9,600	9,900
Professional services		8,000	8,200	8,400	8,700	9,000	9,300	9,600	9,900	10,200	10,500	10,800	11,100
Outside services	8,766	9,643	9,900	10,200	10,500	10,800	11,100	11,400	11,700	12,100	12,500	12,900	13,300
Utilities	674	741	760	780	800	820	840	870	900	930	960	990	1,020
Repairs & maintenance			0	0	0	0	0	0	0	0	0	0	0
Research & monitoring			0	0	0	0	0	0	0	0	0	0	0
Contingency			0										
Misc	520	572	500	500	500	500	500	500	500	500	500	500	500
Subtotal Administrative & General	119,679	139,208	192,170	200,250	208,830	217,710	227,110	236,720	247,030	257,840	269,050	280,870	292,990
<u>Collection</u>													
Repairs & maintenance	15,631	17,194	17,700	18,200	18,700	19,300	19,900	20,500	21,100	21,700	22,400	23,100	23,800
Supplies	2,248	2,473	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400	3,500
Utilities	4,327	4,760	4,900	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
Wages	13,930	15,323	16,100	16,900	17,700	18,600	19,500	20,500	21,500	22,600	23,700	24,900	26,100
Subtotal Collection	36,136	39,749	41,200	42,700	44,300	46,100	47,900	49,800	51,700	53,700	55,800	58,000	60,200
<u>Treatment & Disposal</u>													
Monitoring	5,160	5,675	5,800	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600	7,800
Outside Services	430	473	490	500	520	540	560	580	600	620	640	660	680
Repairs & maintenance	6,042	6,646	6,800	7,000	7,200	7,400	7,600	7,800	8,000	8,200	8,400	8,700	9,000
Supplies	6,905	7,595	7,800	8,000	8,200	8,400	8,700	9,000	9,300	9,600	9,900	10,200	10,500
Utilities	1,617	1,778	1,800	1,900	2,000	2,100	2,200	2,300	2,400	2,500	2,600	2,700	2,800
Wages	10,573	11,631	12,200	12,800	13,400	14,100	14,800	15,500	16,300	17,100	18,000	18,900	19,800
Subtotal Treatment & Disposal	30,726	33,799	34,890	36,200	37,520	38,940	40,460	41,980	43,600	45,220	46,940	48,760	50,580
Total all expenses	186,540	212,756	268,260	279,150	290,650	302,750	315,470	328,500	342,330	356,760	371,790	387,630	403,770
New Project O&M Expenses													
Subtotal New Project O&M	0	0	0	0	0	0	0	0	0	0	0	0	0
Total O&M expenses	186,540	212,756	268,260	279,150	290,650	302,750	315,470	328,500	342,330	356,760	371,790	387,630	403,770
Net Operating Revenues	33,209	43,326	119,740	122,750	125,350	127,750	129,930	132,300	134,170	136,040	137,710	138,970	140,430
Capital & Debt Service													
New Sewer System Debt SRF Loan (\$248,827)				10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
SRF Loan (Sewer System Relation Project)	26,090	26,090	26,090	26,090	26,090	26,090	26,090	26,090	26,090	26,090	26,090	26,090	26,090
Subtotal Capital & Debt Service	26,090	26,090	26,090	36,090	36,090	36,090	36,090	36,090	36,090	36,090	36,090	36,090	36,090
Net Revenues	7,119	17,236	93,650	86,660	89,260	91,660	93,840	96,210	98,080	99,950	101,620	102,880	104,340
Ending Fund Balance	54,429	240,236	333,886	420,546	509,806	601,466	695,306	791,516	889,596	989,546	1,091,166	1,194,046	1,298,386
Debt Service Coverage			4.59	3.40	3.47	3.54	3.60	3.67	3.72	3.77	3.82	3.85	3.89

Source: Garberville Sanitary District
Financial Statements June 30, 2006
Financial Statements June 30, 2007
Profit & Loss July 2006-June 2007
Profit & Loss July 2007-June 2008
GSD 08/09 Budget Revision

Proposition 218

Proposition 218, the “Right to Vote on Taxes Act”, was approved by California voters in November 1996 and is codified as Articles XIIC and XIID of the California Constitution. Proposition 218 establishes requirements for imposing or increasing property related taxes, assessments, fees and charges. For many years, there was no legal consensus on whether water and sewer rates met the definition of “property related fees”. In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water rates. The prevailing legal consensus is that Proposition 218 also applies to wastewater rates.

BWA recommended the District follow the procedural requirements of Proposition 218 for all water and wastewater rate increases. These requirements include:

- The District must mail a notice of proposed rate increases to all affected property owners. The notice must also specify the date/time/location of a public rate hearing at which the proposed rates will be adopted, and other related information.
- The District must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
- At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or utility rate payers submit written protests against the proposed rate increases, the increases cannot be adopted.

Charges for water, sewer, and refuse collection are exempt from the additional voting requirements of Proposition 218 provided the charges do not exceed the cost of providing service and are adopted pursuant to procedural requirements of Proposition 218.

The Proposition 218 notice mailed to District property owners is attached in Appendix A. The Board of Directors approved the rates in the Proposition 218 notice at their meeting on August 25, 2009.

APPENDIX



GARBERVILLE SANITARY DISTRICT

P.O. BOX 211 • GARBERVILLE, CA 95542 • (707) 923-9566

7/10/2009

To: All Record Owners of Parcels within Garberville Sanitary District

Subject: 45-day notice of proposed increases in water and wastewater user rates and ballot. Noticing the date set for a public hearing pursuant to Section 6 of Article XIID of the California Constitution and Government Code Section 53753, pursuant to Proposition 218.

The Board of Directors of the Garberville Sanitary District has authorized that this notice be sent to all of the District's affected property owners of record as shown on the latest equalized Humboldt County assessment roll concerning proposed increases in water and wastewater user rates and the date set for the public hearing when the Board will receive comments and concerns from such owners.

The District is anticipating construction of two major projects over the next two years. The water project will result in a new water treatment system complying with state mandates. Construction costs are estimated to be \$3 million. The District has submitted an application for a \$1 million grant and for a \$2 million State Revolving Fund (SRF) loan at 0% interest. The new water rates are necessary to:

- Repay the State Revolving Fund loan
- Purchase treatment plant and tank site easements
- Fund current and future operations and maintenance
- Hire an additional operator and offer a retirement plan to retain qualified staff
- Build fund reserves to improve and maintain the system in the future

The wastewater project will result in a completely new wastewater treatment plant which will satisfy state mandates repealing current 'Cease and Desist Order'. Construction costs are estimated to be \$3.2 million. The District has worked hard to secure funding through stimulus programs. \$2.951 million is expected to be funded through stimulus grants with the remaining \$249,000 coming from a SRF loan at 1% interest. The new wastewater rates are necessary to:

- Repay the SRF loan
- Build and maintain both operating and capital replacement reserves
- Continue the ongoing repairs and replacement program for the wastewater collection system

The Board has been listening to the comments received from the public during four rate / budget workshop sessions. The Board, staff, and the District's consultants have been working to keep the rates as low as possible and to make them fair and equitable.

**THE PUBLIC HEARING TO RECEIVE COMMENT FROM PROPERTY OWNERS OF
RECORD IS SET FOR AUGUST 25, 2009 AT 5:00PM AT THE DISTRICT OFFICE
LOCATED AT
919 REDWOOD DRIVE, GARBERVILLE, CALIFORNIA.**

1.

Water Rates

Under the current water rate structure, customers are billed based on the size of their meter and zone where the meter is located. This monthly charge includes a base allocation of water which varies by meter size.

With the proposed water rates, single family residential customers would continue to be billed a monthly charge based on meter size plus a two tier monthly consumption charge for all water consumed. The first tier is for 0-5 hundred cubic feet (hcf) of water per month. This is the average amount of water needed for a family of four for indoor water use. Use above 5 hcf would be billed at the tier 2 rate.

All non-single family residential customers (multi-family, commercial, irrigation) would be billed a monthly service charge based on meter size plus a uniform consumption charge for all water consumed.

Current Monthly Water Rates				
Zone	Meter Size	Base hcf allocation	Base Rate	Per hcf over base
Zone 1 Central				
	5/8 & 3/4	0-10	\$30.60	\$2.64
	1 inch	0-15	34.26	2.64
	1 1/2 inch	0-17.5	37.17	3.00
	2 inch	0-22.5	47.76	3.00
	2 inch (IR)	0-22.5	47.40	1.20
	3 inch	0-22.5	53.10	3.00
Zone 2 Lower Meadows				
	5/8 & 3/4	0-10	\$34.64	\$2.98
	1 inch	0-15	38.78	2.98
	1 1/2 inch	0-17.5	42.08	3.39
	2 inch	0-22.5	54.07	3.39
	2 inch (IR)	0-22.5	53.66	1.35
	3 inch	0-22.5	60.12	3.39
Zone 3 Upper Meadows				
	5/8 & 3/4	0-10	\$35.14	\$3.03
	1 inch	0-15	39.36	3.03
	1 1/2 inch	0-17.5	42.70	3.44
	2 inch	0-22.5	54.86	3.44
	2 inch (IR)	0-22.5	54.45	1.38
	3 inch	0-22.5	60.99	2.71
System Reserve Fee			\$5.00 per connection per month	

There would be a monthly meter and consumption surcharge for customers in the Upper Zone.

SCHEDULE OF PROPOSED MONTHLY WATER RATES

Meter Size	Proposed 35% Increase 9/2009	Proposed 20% Increase 7/2010	Proposed 10% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
5/8" & 3/4"	\$43.00	\$51.60	\$56.76	\$58.46	\$60.22
1"	86.00	103.20	113.52	116.93	120.43
1.5"	172.00	206.40	227.04	233.85	240.87
2"	258.00	309.60	340.56	350.78	361.30
Upper Zone Fixed Surcharge	\$5.00	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-5 hcf (\$/hcf)	\$0.50	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 5 hcf (\$/hcf)	\$2.75	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$1.90	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.40	\$0.48	\$0.53	\$0.54	\$0.56

HCF = one hundred cubic feet (100 cu ft) = 748 gallons

2.

Calculating Your Single Family Residential Water Bill

A single family residence with a 5/8” water meter consuming 5 hcf (hundred cubic feet) of water per month would have a monthly water bill of \$45.50, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter				\$43.00
Monthly water consumption: 5 hcf	Tier 1 (0-5 hcf)	5 hcf x	\$0.50 per hcf	2.50
				Monthly water bill
				\$45.50

A single family residence with a 5/8” water meter consuming 8 hcf of water per month would have a monthly water bill of \$53.75, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter				\$43.00
Monthly water consumption: 8 hcf	Tier 1 (0-5 hcf)	5 hcf x	\$0.50 per hcf	2.50
	Tier 1 (6+ hcf)	3 hcf x	\$2.75 per hcf	8.25
				Monthly water bill
				\$53.75

A single family residence in the Upper Zone with a 5/8” water meter consuming 5 hcf of water per month would have a monthly water bill of \$52.50, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter				\$43.00
Upper Zone meter surcharge:				5.00
Monthly water consumption: 5 hcf	Tier 1 (0-5 hcf)	5 hcf x	\$0.50 per hcf	2.50
Upper Zone consumption surcharge:		5 hcf x	\$0.40 per hcf	2.00
				Monthly water bill
				\$52.50

Calculating Your Non-Single Family Water Bill

A non-single family water customer (multi-family, commercial, irrigation) with a 5/8” meter consuming 15.0 hcf of water per month would have a monthly water bill of \$71.50, under the proposed water rates on the October 2009 bill.

Monthly service charge: 5/8" water meter				\$43.00
Monthly water consumption: 15 hcf		15 hcf x	\$1.90 per hcf	28.50
				Monthly water bill
				\$71.50

Wastewater Rates

Under the current wastewater rate structure, customers are billed by customer type.

With the proposed wastewater rates, single family residential customers would be billed a base rate plus a consumption charge that is based on winter water usage (the average of all water consumed in January, February, and March).

Summary of Current Wastewater Rates	
Customer Type	Total per Month
Residential Dwelling Unit	\$26.02
Commercial/ per toilet	\$21.19
Food Preparation/ Restaurant	\$81.67
Bar	\$57.48
Grocery/ Deli	\$154.24
Gas Station	\$57.48
Motel per Unit	\$22.64
Laundromat	\$722.76
Hospital	\$529.22
Veterinary	\$93.76
System Reserve Fee	\$5.00 per connection per month

SCHEDULE OF PROPOSED MONTHLY SINGLE FAMILY RESIDENTIAL WASTEWATER RATES

Single Family Residential	Proposed 50% Increase 9/2009	Proposed 3% Increase 7/2010	Proposed 3% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
Base Monthly Charge	\$31.09	\$32.02	\$32.98	\$33.97	\$34.99
Consumption per hcf	2.58	2.66	2.74	2.82	2.90

Calculating Your Single Family Residential Wastewater Bill

A single family residence with an average winter water use of 6 hcf would have a wastewater bill of \$46.57 per month, under the proposed wastewater rates on the October 2009 bill.

Single Family Residential		
Example:	Month	Water Use (hcf)
	January	6
	February	5
	March	7
	Total	18
	Average winter water use	18 (hcf) / 3 (months) = 6 hcf
Monthly sewer charge	Base monthly charge	\$31.09
	Consumption charge	15.48 (6 hcf x \$2.58/hcf)
	Total monthly sewer charge	\$46.57

All non-single family residential customers (multi-family, commercial) would be billed a monthly base charge plus a consumption charge that is weighted by the strength of the

Waste Strength	Typical Customers
Low	Laundromat, schools, offices
Domestic	Residential, commercial, hospital, hotel
Medium	Mixed use with restaurant
High	Restaurant, bakery, mortuary

discharge. The base monthly charge would be calculated once every year and is based on water usage in the previous year. The amount of that charge would be the same for 12 months, and then it would be recalculated. The consumption charge is based on 90% of the previous month's water usage.

SCHEDULE OF PROPOSED MONTHLY NON-SINGLE FAMILY RESIDENTIAL/COMMERCIAL WASTEWATER RATES

Non-Single Family Residential/Commercial	Proposed 50% Increase 9/2009	Proposed 3% Increase 7/2010	Proposed 3% Increase 7/2011	Proposed 3% Increase 7/2012	Proposed 3% Increase 7/2013
Base Monthly Charge	varies	varies	varies	varies	varies
Consumption Charge \$/hcf					
Low	\$1.89	\$1.95	\$2.01	\$2.07	\$2.13
Domestic	2.36	2.43	2.50	2.58	2.66
Medium	3.54	3.65	3.76	3.87	3.98
High	4.72	4.86	5.01	5.16	5.31

Compliance with Proposition 218

In 1996 California voters approved Proposition 218, which amended the state constitution as it relates to the passage of property related fees. Today, "Prop 218" requires that local governments follow a defined process when setting fees such as water and wastewater bills. The District must 1) inform property owners that a proposed rate increase is being considered, 2) clearly demonstrate the basis on which these fees are calculated (the rate study), and 3) hold a public hearing at least 45 days after notice where the District hears all protests to the rate increase. Water rates are subject to "majority protest" meaning they **cannot be passed** if a majority of property owners impacted by the rate change submit written protests opposing the increase.

Concerns, Please Contact Us

If you have questions or comments about the proposed water and wastewater rate increases or wish to protest, you may:

Write: Written protests against the proposed rate change have to include the printed name of the impacted property owner, signature, and date. If the party signing the protest is not shown on the last equalized assessment roll for Humboldt County as the owner of record, the protest must contain, or be accompanied by, written evidence that such party is the owner of the parcel(s). Written protests must be received by the District at PO Box 211, Garberville, CA 95542 or before the time set for the public hearing. If the District receives written protests against the proposed water and wastewater rates by a majority of the affected property owners prior to the end of the hearing, the Board will not approve the change. Only one protest for each property will be counted.


Address the Board: Attend the Public Hearing on August 25, 2009 at 5:00pm

Questions: If you have any question about this notice, please call the District at (707) 923-9566

If you disagree with the proposed water and wastewater rate changes, fill in the information on the ballot below, detach and mail or deliver to the Garberville Sanitary District. Ballots will be counted after the close of the public hearing.

DO NOT include your monthly payment with your ballot.

Cut Here -----

	Garberville Sanitary District PO Box 211 919 Redwood Drive Garberville, CA 95542	
	No. I disagree with the proposed water and wastewater rate change.	
_____ Date Signed	_____ Signature	_____ Printed Name of Property Owner

5.



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

1889 Alcatraz Avenue
Berkeley, CA 94703
510 653 3399 fax: 510 653 3769
e-mail: bwa@bartlewells.com

Technical Memorandum

To: Mark Bryant, General Manager
Garberville Sanitary District

From: Doug Dove, President

Re: Water and Wastewater Rate Study Update 2011

Date: November 11, 2011

Background

In 2009 Bartle Wells Associates conducted a water and wastewater rate study for Garberville Sanitary District (GSD). The water enterprise was running a deficit and was in need of a new water treatment system to comply with state mandates. The wastewater enterprise was under a 'Cease and Desist Order' until a new treatment plant could be constructed. In October 2009 the District implemented water and wastewater rate increases. At the August 2009 Proposition 218 rate hearing, five years of rate increases were approved with the last increase to be implemented in July 2013.

Since the 2009 study conditions have changed. Bartle Wells Associates was retained to update the cash flow projections and the rate projections based on the most recent data on water and wastewater usage and project costs.

Water Enterprise

The District is working on construction of a water project that will result in a new water treatment system complying with state mandates. The District has secured a State funded, low interest loan to fund the design and a grant to fund the planning. Financing will be needed for construction. Depending on which design is chosen, construction costs are estimated to be about \$5.25 million. The District has submitted an application for a \$3 million grant. The remaining \$2.25 million is expected to be financed with a State Revolving Fund (SRF) loan at zero percent interest. SFR loans are typically repaid over 20 years; the District is likely to qualify for a 30 year repayment period, but the repayment period will not be determined until the California Department of Public Health (CDPH) has completed their financial evaluation of the District.

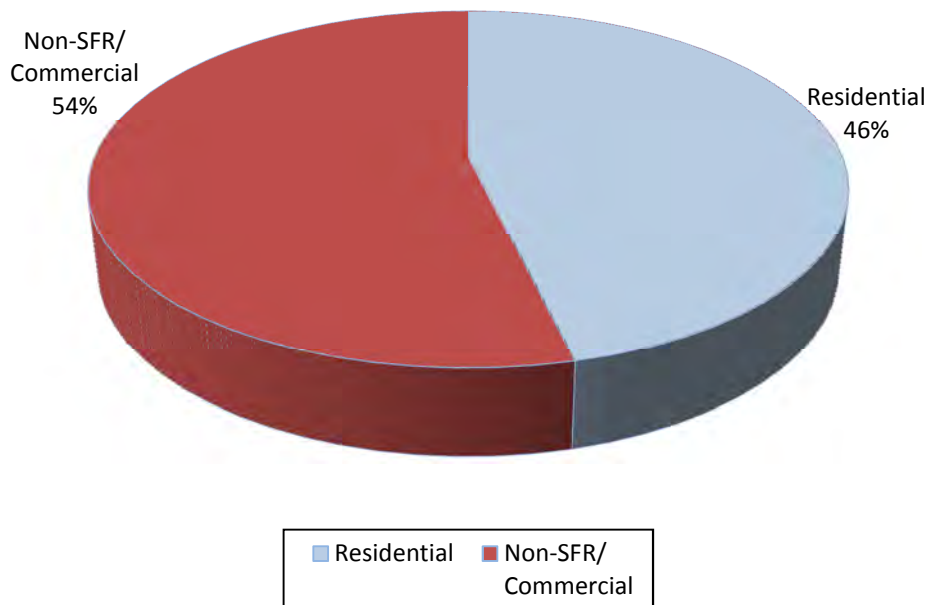
Water Customers

The District provides water service to approximately 400 predominantly residential connections.

Meter Size	Single Family Residential	Non-SFR/ Commercial	Total Meters
5/8" & 3/4"	266	104	370
1"	1	12	13
1.5"	0	7	7
2"	<u>0</u>	<u>6</u>	<u>6</u>
Total	267	129	396

Water consumption from June 2010 to May 2011 shows that 46 percent of the water sold was consumed by single family residential customers, 54 percent of the water sold was for non-single family residential/commercial (multi-family and commercial). In calendar year 2008, residential accounts consumed 55 percent of the water sold while commercial connections accounted for 45 percent of the water consumption. This shift is likely due to reclassification of multi-family customers to non-single family/commercial (Non-SFR) and single family residential accounts altering their consumption due to increased rates.

Water Consumption June 2010 – May 2011



Water Rates

In September 2009 the District implemented a new single family residential rate structure. The current rate structure includes a monthly meter charge based on meter size and a two-tier inclining block rate for all water consumed. Tier 1 is for the first five units (hundred cubic feet, HCF) of water consumed, Tier 2 is for all water consumed over five HCF.

All non-single family residential/commercial water customers (multi-family, commercial, irrigation) pay a monthly meter charge based on meter size and a uniform consumption charge for all water consumed. All water is sold at the same price per unit which provides good conservation incentive. There are large differences in water use for different types of businesses. For example, a restaurant and a warehouse are likely to use vastly different amounts of water. It is difficult to establish an equitable tiered block rate structure for different commercial uses.

Water bills with the new rate structure and rate increase were sent to customers in October 2009. In July 2010 water rates increased 20 percent, in accordance with the Schedule of Monthly Water Rates set forth in the Proposition 218 notice. In July 2011 water rates were approved for a ten percent increase. The District held off on this increase until the water rate study update was complete.

Below is the Schedule of Monthly Water Rates as it appeared in the Proposition 218 notice.

SCHEDULE OF MONTHLY WATER RATES					
Meter Size	35% Increase 9/2009	20% Increase 7/2010	10% Increase 7/2011	3% Increase 7/2012	3% Increase 7/2013
5/8" & 3/4"	\$43.00	\$51.60	\$56.76	\$58.46	\$60.22
1"	86.00	103.20	113.52	116.93	120.43
1.5"	172.00	206.40	227.04	233.85	240.87
2"	258.00	309.60	340.56	350.78	361.30
Upper Zone Fixed Surcharge	\$5.00	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-5 hcf (\$/hcf)	\$0.50	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 5 hcf (\$/hcf)	\$2.75	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$1.90	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.40	\$0.48	\$0.53	\$0.54	\$0.56

Cash Flow Projections

BWA developed a ten-year financial projection to evaluate long-term finances and determine rate increases. Water cash flow projections are shown on the following pages. The financial projections are based on the best information currently available as well as a number of reasonable and slightly conservative assumptions including:

- The projections assume no growth.
- Interest income estimated at one percent of beginning fund reserves over the next ten years.
- Operating costs are based on the 2010/11 actuals provided by the District and escalate at the annual rate of five percent for wages and utilities and three percent for operations and maintenance.
- Operations and maintenance expenses for the new water project are projected at an additional \$11,800 per year starting in fiscal year 2012/13, escalating at three percent per year.
- Total water project costs of \$5.25 million. Funding for anticipated water projects using proceeds from a \$3 million grant, \$2.25 million State Revolving Fund (SRF) loan, and District funds.
- No major additional capital improvement projects are anticipated outside of the water project.

The cash flow projections indicate that the District needs to continue to follow the approved Schedule of Monthly Water Rates. Rate adjustments have not been implemented as scheduled; therefore the District needs larger percentage increases to reach the approved dollar amounts. The adjustments are needed to enable the water enterprise to:

- Bring in sufficient revenues to cover operating costs and annual inflation.
- Fund the anticipated water projects, projected at \$5.25 million with \$2.25 million financed with a SRF loan with a repayment period of 30 years.
- Fund additional improvements and maintenance on a pay-as-you-go basis.
- Build fund reserves.
 - Recommended O&M reserves.
 - Recommended Capital reserves.

Garberville Sanitary District 10-year Water Fund Cash Flow Summary

Garberville Sanitary District						
Water Projected Cashflow/Budget	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Rate Increase:	Approved 20%	Approved 10%	Approved 3%	Approved 3%	Proposed	Proposed
Fixed (meter charge)	20%	11%	11%	11%	0%	0%
Volume (consumption charge)	20%	10%	3%	3%	0%	0%
Typical Monthly Residential Water Bill	\$50.10	\$55.55	\$61.10	\$67.57	\$67.57	\$67.57
Beginning Fund Balance	68,129	188,510	213,752	331,481	518,771	633,080
Revenues						
Fixed - Residential	146,067	154,100	171,100	189,900	189,900	189,900
Fixed - Commercial	102,117	107,700	119,500	132,600	132,600	132,600
Volume - Residential	53,877	56,600	58,300	60,000	60,000	60,000
Volume - Commercial	61,509	64,600	66,500	68,500	68,500	68,500
Bulk Water Charges	10,756	1,400	1,400	1,400	1,400	1,400
Late Charges	3,341	3,341	3,341	3,341	3,341	3,341
Connection Fees	0	0	0	0	0	0
Interest	899	1,890	2,140	3,310	5,190	6,330
Misc. Revenue	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total Water All Revenues	378,665	389,731	422,381	459,151	461,031	462,171
Expenses						
<u>Administrative & General</u>						
Subtotal Administrative & General	115,248	119,712	124,272	129,032	133,972	139,292
<u>Water Distribution</u>						
Subtotal Water Distribution	39,145	40,690	42,300	43,980	45,740	47,570
<u>Water Treatment</u>						
Subtotal Water Treatment	66,616	69,620	72,760	76,060	79,500	83,090
Total All Expenses	221,009	230,022	239,332	249,072	259,212	269,952
<u>New Project O&M Expenses</u>						
Subtotal New Project O&M	0	0	11,800	12,150	12,510	12,890
Total O&M Expenses	221,009	230,022	251,132	261,222	271,722	282,842
Net Operating Revenue	157,657	159,709	171,249	197,929	189,309	179,329
Water Treatment Improvement Project						
GSD Cash Funded	15,997	113,189	32,241	0	0	0
CDPH Design Loan Contract # 2007P103	21,279	21,279	21,279	10,639		
CDPH Planning Loan Contract # SRF11P124 (converting to grant)						
<i>5.25M project possible 3.0M Grant, 2.25M Loan</i>					75,000	75,000
Subtotal Loans	37,276	134,468	53,520	10,639	75,000	75,000
Net Revenues	120,381	25,241	117,729	187,290	114,309	104,329
Ending Fund Balance	188,510	213,752	331,481	518,771	633,080	737,409
Debt Service Coverage (min 1.2)	7.41	7.51	8.05	18.60	2.52	2.39

Source:

Water sales - email from District 8.2.2011
Bulk water sale - verbal from District 7.28.2011
Actual expenses from District 11.8.2011

**Garberville Sanitary District
10-year Water Fund Cash Flow Summary (con't)**

Garberville Sanitary District					
Water Projected Cashflow/Budget	2016/17	2017/18	2018/19	2019/20	2020/21
Rate Increase:	Proposed	Proposed	Proposed	Proposed	Proposed
Fixed (meter charge)	0%	0%	0%	0%	0%
Volume (consumption charge)	0%	0%	0%	0%	0%
Typical Monthly Residential Water Bill	\$67.57	\$67.57	\$67.57	\$67.57	\$67.57
Beginning Fund Balance	737,409	831,178	913,757	984,526	1,042,825
Revenues					
Fixed - Residential	189,900	189,900	189,900	189,900	189,900
Fixed - Commercial	132,600	132,600	132,600	132,600	132,600
Volume - Residential	60,000	60,000	60,000	60,000	60,000
Volume - Commercial	68,500	68,500	68,500	68,500	68,500
Bulk Water Charges	1,400	1,400	1,400	1,400	1,400
Late Charges	3,341	3,341	3,341	3,341	3,341
Connection Fees	0	0	0	0	0
Interest	7,370	8,310	9,140	9,850	10,430
Misc. Revenue	100	100	100	100	100
Total Water All Revenues	463,211	464,151	464,981	465,691	466,271
Expenses					
<u>Administrative & General</u>					
Subtotal Administrative & General	144,812	150,602	156,632	162,902	169,472
<u>Water Distribution</u>					
Subtotal Water Distribution	49,480	51,470	53,540	55,710	57,960
<u>Water Treatment</u>					
Subtotal Water Treatment	86,870	90,820	94,950	99,270	103,790
Total All Expenses	281,162	292,892	305,122	317,882	331,222
<u>New Project O&M Expenses</u>					
Subtotal New Project O&M	13,280	13,680	14,090	14,510	14,950
Total O&M Expenses	294,442	306,572	319,212	332,392	346,172
Net Operating Revenue	168,769	157,579	145,769	133,299	120,099
Water Treatment Improvement Project					
GSD Cash Funded	0	0	0	0	0
CDPH Design Loan Contract # 2007P103					
CDPH Planning Loan Contract # SRF11P124 (converting to grant)					
5.25M project possible 3.0M Grant, 2.25M Loan	75,000	75,000	75,000	75,000	75,000
Subtotal Loans	75,000	75,000	75,000	75,000	75,000
Net Revenues	93,769	82,579	70,769	58,299	45,099
Ending Fund Balance	831,178	913,757	984,526	1,042,825	1,087,924
Debt Service Coverage (min 1.2)	2.25	2.10	1.94	1.78	1.60

Source:

Water sales - email from District 8.2.2011
Bulk water sale - verbal from District 7.28.2011
Actual expenses from District 11.8.2011

Garberville Sanitary District

10-year Water Fund Cash Flow Detail

Garberville Sanitary District											
Water Projected Cashflow/Budget											
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Rate Increase:	Approved 20%	Approved 10%	Approved 3%	Approved 3%	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed
Fixed (meter charge)	20%	11%	11%	11%	0%	0%	0%	0%	0%	0%	0%
Volume (consumption charge)	20%	10%	3%	3%	0%	0%	0%	0%	0%	0%	0%
Typical Monthly Residential Water Bill	\$50.10	\$55.55	\$61.10	\$67.57	\$67.57	\$67.57	\$67.57	\$67.57	\$67.57	\$67.57	\$67.57
Beginning Fund Balance	68,129	188,510	213,752	331,481	518,771	633,080	737,409	831,178	913,757	984,526	1,042,825
Revenues											
Fixed - Residential	146,067	154,100	171,100	189,900	189,900	189,900	189,900	189,900	189,900	189,900	189,900
Fixed - Commercial	102,117	107,700	119,500	132,600	132,600	132,600	132,600	132,600	132,600	132,600	132,600
Volume - Residential	53,877	56,600	58,300	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Volume - Commercial	61,509	64,600	66,500	68,500	68,500	68,500	68,500	68,500	68,500	68,500	68,500
Bulk Water Charges	10,756	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Late Charges	3,341	3,341	3,341	3,341	3,341	3,341	3,341	3,341	3,341	3,341	3,341
Connection Fees	0	0	0	0	0	0	0	0	0	0	0
Interest	899	1,890	2,140	3,310	5,190	6,330	7,370	8,310	9,140	9,850	10,430
Misc. Revenue	100	100	100	100	100	100	100	100	100	100	100
Total Water All Revenues	378,665	389,731	422,381	459,151	461,031	462,171	463,211	464,151	464,981	465,691	466,271
Expenses											
Administrative & General											
Insurance	16,807	17,310	17,830	18,360	18,910	19,480	20,060	20,660	21,280	21,920	22,580
Advertising	103	110	110	110	110	110	110	110	110	110	110
Bad Debts	231	240	250	260	270	280	290	300	310	320	330
Bank Charges	175	180	190	200	210	220	230	240	250	260	270
Directors Fees	660	680	700	720	740	760	780	800	820	840	870
Dues & Memberships	1,391	1,430	1,470	1,510	1,560	1,610	1,660	1,710	1,760	1,810	1,860
Education & training	439	450	460	470	480	490	500	520	540	560	580
Education & training BOD	129	130	130	130	130	130	130	130	130	130	130
License & permits	3,110	3,200	3,300	3,400	3,500	3,610	3,720	3,830	3,940	4,060	4,180
Auto	1,563	1,610	1,660	1,710	1,760	1,810	1,860	1,920	1,980	2,040	2,100
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0
Office Expense	2,100	2,160	2,220	2,290	2,360	2,430	2,500	2,580	2,660	2,740	2,820
Outside Services	7,453	7,680	7,910	8,150	8,390	8,640	8,900	9,170	9,450	9,730	10,020
Payroll Taxes	6,852	7,060	7,270	7,490	7,710	7,940	8,180	8,430	8,680	8,940	9,210
Postage	903	930	960	990	1,020	1,050	1,080	1,110	1,140	1,170	1,210
Professional Fees	8,837	9,100	9,370	9,650	9,940	10,240	10,550	10,870	11,200	11,540	11,890
Property Taxes	12	12	12	12	12	12	12	12	12	12	12
Repairs & maintenance	133	250	260	270	280	290	300	310	320	330	340
Rents	5,400	5,400	5,400	5,400	5,400	5,560	5,730	5,900	6,080	6,260	6,450
Retirement	1,218	1,250	1,290	1,330	1,370	1,410	1,450	1,490	1,530	1,580	1,630
Supplies	1,247	1,280	1,320	1,360	1,400	1,440	1,480	1,520	1,570	1,620	1,670
Telephone	2,428	2,500	2,580	2,660	2,740	2,820	2,900	2,990	3,080	3,170	3,270
Travel & Meetings	500	520	540	560	580	600	620	640	660	680	700
Utilities	1,004	1,050	1,100	1,160	1,220	1,280	1,340	1,410	1,480	1,550	1,630
Wages	51,296	53,860	56,550	59,380	62,350	65,470	68,740	72,180	75,790	79,580	83,560
Vacation Accrual Adjustment	1,257	1,320	1,390	1,460	1,530	1,610	1,690	1,770	1,860	1,950	2,050
Subtotal Administrative & General	115,248	119,712	124,272	129,032	133,972	139,292	144,812	150,602	156,632	162,902	169,472
Water Distribution											
Pumping	0	0	0	0	0	0	0	0	0	0	0
Repairs & maintenance	20,150	20,750	21,370	22,010	22,670	23,350	24,050	24,770	25,510	26,280	27,070
Supplies	235	240	250	260	270	280	290	300	310	320	330
Utilities	6,734	7,070	7,420	7,790	8,180	8,590	9,020	9,470	9,940	10,440	10,960
Wages	12,026	12,630	13,260	13,920	14,620	15,350	16,120	16,930	17,780	18,670	19,600
Subtotal Water Distribution	39,145	40,690	42,300	43,980	45,740	47,570	49,480	51,470	53,540	55,710	57,960
Water Treatment											
Monitoring	1,115	1,150	1,180	1,220	1,260	1,300	1,340	1,380	1,420	1,460	1,500
Outside Services	0	0	0	0	0	0	0	0	0	0	0
Repairs & maintenance	2,166	2,230	2,300	2,370	2,440	2,510	2,590	2,670	2,750	2,830	2,910
Supplies	13,391	13,790	14,200	14,630	15,070	15,520	15,990	16,470	16,960	17,470	17,990
Utilities	34,605	36,340	38,160	40,070	42,070	44,170	46,380	48,700	51,140	53,700	56,390
Wages	15,339	16,110	16,920	17,770	18,660	19,590	20,570	21,600	22,680	23,810	25,000
Subtotal Water Treatment	66,616	69,620	72,760	76,060	79,500	83,090	86,870	90,820	94,950	99,270	103,790
Total All Expenses	221,009	230,022	239,332	249,072	259,212	269,952	281,162	292,892	305,122	317,882	331,222
New Project O&M Expenses											
Subtotal New Project O&M	0	0	11,800	12,150	12,510	12,890	13,280	13,680	14,090	14,510	14,950
Total O&M Expenses	221,009	230,022	251,132	261,222	271,722	282,842	294,442	306,572	319,212	332,392	346,172
Net Operating Revenue	157,657	159,709	171,249	197,929	189,309	179,329	168,769	157,579	145,769	133,299	120,099
Water Treatment Improvement Project											
GSD Cash Funded	15,997	113,189	32,241	0	0	0	0	0	0	0	0
CDPH Design Loan Contract # 2007P103	21,279	21,279	21,279	10,639							
CDPH Planning Loan Contract # SRF11P124 (converting to grant)											
5.25M project possible 3.0M Grant, 2.25M Loan					75,000	75,000	75,000	75,000	75,000	75,000	75,000
Subtotal Loans	37,276	134,468	53,520	10,639	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Net Revenues	120,381	25,241	117,729	187,290	114,309	104,329	93,769	82,579	70,769	58,299	45,099
Ending Fund Balance	188,510	213,752	331,481	518,771	633,080	737,409	831,178	913,757	984,526	1,042,825	1,087,924
Debt Service Coverage (min 1.2)	7.41	7.51	8.05	18.60	2.52	2.39	2.25	2.10	1.94	1.78	1.60

Source:
 Water sales - email from District 8.2.2011
 Bulk water sale - verbal from District 7.28.2011
 Actual expenses from District 11.8.2011

Water Enterprise Recommendations

Since the 2009 rate study, administrative & general, water treatment, and water transmission & distribution expenses have not increased as much as projected. Construction costs and additional operations and maintenance costs for the new water project have been better defined. Project costs have increased. Originally a State Revolving Fund loan for \$2 million was projected, now the loan amount is projected to be \$2.25 million. The SFR repayment period is projected to be 30 years. Originally operations and maintenance costs were projected to not increase when the new project was complete, now additional O&M costs for the new project are projected to be \$11,800 per year starting in fiscal year 2012/13.

With this new information, BWA recommends that the District continue to implement the Schedule of Monthly Water Rates that was approved at the Proposition 218 rate hearing in August 2009. Rate adjustments have not been implemented as scheduled therefore the District needs larger percentage increases to reach the approved dollar amounts.

Approved Monthly Water Rates				
Meter Size	7/2010	7/2011	7/2012	7/2013
5/8" & 3/4"	\$51.60	\$56.76	\$58.46	\$60.22
1"	103.2	113.52	116.93	120.43
1.5"	206.4	227.04	233.85	240.87
2"	309.6	340.56	350.78	361.30
Upper Zone Fixed Surcharge	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-500 cu ft (\$/hcf)	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 500 cu ft (\$/hcf)	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.48	\$0.53	\$0.54	\$0.56

Recommended Monthly Water Rates				
Meter Size	7/2010	7/2011	7/2012	7/2013
BWA's recommended percentage increase to reach final dollar amounts approved on Proposition 218 notice				
Fixed (meter charge)		11%	11%	11%
Volume (consumption charge)	Current Rates	10%	3%	3%
5/8" & 3/4"	\$43.80	\$48.62	\$53.97	\$60.22
1"	87.60	97.24	107.93	120.43
1.5"	175.20	194.47	215.86	240.87
2"	262.80	291.71	323.80	361.30
Upper Zone Fixed Surcharge	\$6.00	\$6.60	\$6.80	\$7.00
Tier 1 0-500 cu ft (\$/hcf)	\$0.60	\$0.66	\$0.68	\$0.70
Tier 2 Over 500 cu ft (\$/hcf)	\$3.30	\$3.63	\$3.74	\$3.85
Non-Single Family Residential/Commercial (\$/hcf)	\$2.28	\$2.51	\$2.59	\$2.67
Upper Zone Variable Surcharge (\$/hcf)	\$0.48	\$0.53	\$0.54	\$0.56

Wastewater Enterprise

The District has completed construction of a wastewater project that has resulted in a completely new wastewater treatment plant which satisfies state mandates and repeals the ‘Cease and Desist Order’. Funding for the wastewater projects came from an American Recovery and Reinvestment Act (ARRA) grant, State Revolving Fund (SRF) low interest loan, a conventional loan, and District reserves.

Wastewater Customers

The District currently provides wastewater service to approximately 350 customer connections; 233 residential, 114 non-single family residential/commercial. Flow from commercial customers is influenced by tourist traffic which takes place primarily in the summer and fall. GSD needs to size their facilities for peak flow.

Wastewater Rates

In September 2009 the District implemented a new wastewater rate structure for all customers. Wastewater bills now include two components: a base monthly charge based on customer type and a monthly consumption charge (per HCF) based on the amount of water consumed. For single family residential customers the consumption charge is based on winter water usage (the average of all water consumed in January, February, and March). For non-single family residential/commercial customers the consumption charge is based on 90 percent of the previous months water usage and weighted by the strength of the discharge.

Wastewater bills with the new rate structure and increase were sent to customers in October 2009. In July 2010 wastewater rates increased three percent in accordance with the Schedule of Monthly Wastewater Rates set forth in the Proposition 218 notice. In July 2011 wastewater rates were approved for another three percent increase. The District held off on this increase until the wastewater rate study update was completed to see if the increase was needed.

SCHEDULE OF MONTHLY SINGLE FAMILY RESIDENTIAL WASTEWATER RATES

Single Family Residential	Approved 50% Increase 9/2009	Approved 3% Increase 7/2010	Approved 3% Increase 7/2011	Approved 3% Increase 7/2012	Approved 3% Increase 7/2013
Base Monthly Charge	\$31.09	\$32.02	\$32.98	\$33.97	\$34.99
Consumption per hcf	2.58	2.66	2.74	2.82	2.90

SCHEDULE OF MONTHLY NON-SINGLE FAMILY
RESIDENTIAL/COMMERCIAL WASTEWATER RATES

Non-Single Family Residential/Commercial	Approved 50% Increase 9/2009	Approved 3% Increase 7/2010	Approved 3% Increase 7/2011	Approved 3% Increase 7/2012	Approved 3% Increase 7/2013
Base Monthly Charge	varies	varies	varies	varies	varies
Consumption Charge \$/hcf					
Low	\$1.89	\$1.95	\$2.01	\$2.07	\$2.13
Domestic	2.36	2.43	2.50	2.58	2.66
Medium	3.54	3.65	3.76	3.87	3.98
High	4.72	4.86	5.01	5.16	5.31

Cash Flow Projections

BWA developed ten-year financial projections to evaluate long-term finances and determine rate increases. Wastewater cash flow projections are shown on the next page. The financial projections are based on the best information currently available as well as a number of reasonable and slightly conservative assumptions including:

- The projections assume no growth.
- Interest income estimated at one percent of beginning fund reserves over the next ten years.
- Operating costs are based on the 2010/11 actuals provided by the District and escalate at the annual rate of five percent for wages and utilities and three percent for operations and maintenance.
- No major additional capital improvement projects are anticipated.
- Maintain fund reserves.
 - Recommended O&M reserves.
 - Recommended Capital reserves.

Garberville Sanitary District 10-year Wastewater Fund Cash Flow

Garberville Sanitary District												
Sewer Projected Cashflow/Budget												
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Approved 50%	Approved 3%	Approved 3%	Approved 3%	Approved 3%	Proposed 0%	Proposed 0%	Proposed 0%	Proposed 0%	Proposed 0%	Proposed 0%	Proposed 0%
Rate Increase:	50%	3%	3%	3%	3%	0%	0%	0%	0%	0%	0%	0%
Beginning Fund Balance	218,677	320,167	253,723	316,620	381,074	446,984	503,921	551,230	588,386	614,795	629,902	633,061
Revenues												
Sewer Charges	290,913	321,368	326,188	335,974	346,053	346,053	346,053	346,053	346,053	346,053	346,053	346,053
Late Charges	3,361	2,015	2,015	2,015	2,015	2,015	2,015	2,015	2,015	2,015	2,015	2,015
Connection Fees	0	0	0	0	0	0	0	0	0	0	0	0
Interest		2,577	2,540	3,170	3,810	4,470	5,040	5,510	5,880	6,150	6,300	6,330
Property Tax Revenue	20,490	21,929	22,100	22,280	22,460	22,640	22,820	23,000	23,180	23,370	23,560	23,750
Misc. Revenue	<u>725</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total all revenues	315,489	347,989	352,943	363,539	374,438	375,278	376,028	376,678	377,228	377,688	378,028	378,248
Expenses												
Administrative & General												
Insurance	11,000	16,915	17,420	17,940	18,480	19,030	19,600	20,190	20,800	21,420	22,060	22,720
Advertising	100	55	60	62	64	66	68	70	72	74	76	78
Bad Debts	120	82	84	87	89	92	95	98	100	103	107	110
Bank Charges	10	120	120	124	127	131	135	139	143	148	152	157
Directors Fees	640	660	680	700	720	740	760	780	800	820	840	870
Dues & Memberships	778	820	840	870	900	930	960	990	1,020	1,050	1,080	1,110
Education & training	255	439	450	460	470	480	490	500	520	540	560	580
Education & training BOD	40	150	155	159	164	169	174	179	184	190	196	202
License & permits	11,000	10,934	11,260	11,600	11,950	12,310	12,680	13,060	13,450	13,850	14,270	14,700
Auto	800	1,341	1,380	1,420	1,460	1,500	1,550	1,600	1,650	1,700	1,750	1,800
Miscellaneous	20	0	0	0	0	0	0	0	0	0	0	0
Office Expense	2,050	2,063	2,120	2,180	2,250	2,320	2,390	2,460	2,530	2,610	2,690	2,770
Outside Services	6,500	4,723	4,860	5,010	5,160	5,310	5,470	5,630	5,800	5,970	6,150	6,330
Payroll Taxes	6,300	7,247	7,460	7,680	7,910	8,150	8,390	8,640	8,900	9,170	9,450	9,730
Postage	1,010	901	930	960	990	1,020	1,050	1,080	1,110	1,140	1,170	1,210
Professional Fees	9,300	6,318	6,510	6,710	6,910	7,120	7,330	7,550	7,780	8,010	8,250	8,500
Repairs & maintenance		133	250	260	270	280	290	300	310	320	330	340
Rents	4,800	4,800	4,800	4,800	4,800	4,800	4,944	5,092	5,245	5,402	5,565	5,731
Retirement	904	1,408	1,450	1,490	1,530	1,580	1,630	1,680	1,730	1,780	1,830	1,880
Supplies	250	1,476	1,520	1,570	1,620	1,670	1,720	1,770	1,820	1,870	1,930	1,990
Telephone	2,800	2,429	2,500	2,580	2,660	2,740	2,820	2,900	2,990	3,080	3,170	3,270
Travel & Meetings	680	236	240	250	260	270	280	290	300	310	320	330
Utilities	700	1,005	1,060	1,110	1,170	1,230	1,290	1,350	1,420	1,490	1,560	1,640
Wages	50,000	61,050	64,100	67,310	70,680	74,210	77,920	81,820	85,910	90,210	94,720	99,460
Vacation Accrual Adjustment	<u>7,502</u>	<u>1,257</u>	<u>1,320</u>	<u>1,390</u>	<u>1,460</u>	<u>1,530</u>	<u>1,610</u>	<u>1,690</u>	<u>1,770</u>	<u>1,860</u>	<u>1,950</u>	<u>2,050</u>
Subtotal Administrative & General	117,559	126,562	131,569	136,721	142,094	147,677	153,645	159,858	166,355	173,117	180,175	187,558
Wastewater Collection												
Repairs & maintenance	13,200	33,920	26,924	27,730	28,560	29,420	30,300	31,210	32,150	33,110	34,100	35,120
Supplies	450	420	430	440	450	460	470	480	490	500	520	540
Utilities	4,200	4,270	4,480	4,700	4,940	5,190	5,450	5,720	6,010	6,310	6,630	6,960
Wages	<u>8,000</u>	<u>10,519</u>	<u>11,040</u>	<u>11,590</u>	<u>12,170</u>	<u>12,780</u>	<u>13,420</u>	<u>14,090</u>	<u>14,790</u>	<u>15,530</u>	<u>16,310</u>	<u>17,130</u>
Subtotal Wastewater Collection	25,850	49,129	42,874	44,460	46,120	47,850	49,640	51,500	53,440	55,450	57,560	59,750
Wastewater Treatment												
Monitoring	5,000	8,030	8,270	8,520	8,780	9,040	9,310	9,590	9,880	10,180	10,490	10,800
Outside Services	200	0	0	0	0	0	0	0	0	0	0	0
Repairs & maintenance	2,000	2,874	2,960	3,050	3,140	3,230	3,330	3,430	3,530	3,640	3,750	3,860
Supplies	18,400	11,608	11,960	12,320	12,690	13,070	13,460	13,860	14,280	14,710	15,150	15,600
Utilities	1,200	3,249	3,410	3,580	3,760	3,950	4,150	4,360	4,580	4,810	5,050	5,300
Wages	<u>17,700</u>	<u>27,310</u>	<u>28,680</u>	<u>30,110</u>	<u>31,620</u>	<u>33,200</u>	<u>34,860</u>	<u>36,600</u>	<u>38,430</u>	<u>40,350</u>	<u>42,370</u>	<u>44,490</u>
Subtotal Wastewater Treatment	44,500	53,071	55,280	57,580	59,990	62,490	65,110	67,840	70,700	73,690	76,810	80,050
Total all expenses	187,909	228,762	229,723	238,761	248,204	258,017	268,395	279,198	290,495	302,257	314,545	327,358
New Project O&M Expenses												
Subtotal New Project O&M	0	0	0	0	0	0	0	0	0	0	0	0
Total O&M expenses	187,909	228,762	229,723	238,761	248,204	258,017	268,395	279,198	290,495	302,257	314,545	327,358
Net Operating Revenues	127,580	119,227	123,221	124,778	126,234	117,261	107,633	97,481	86,733	75,431	63,483	50,890
Wastewater Improvement Project Loans **												
GSD Cash Funded	0	125,347	0	0	0	0	0	0	0	0	0	0
New Sewer System MFC Loan (includes interest)	0	34,234	34,234	34,234	34,234	34,234	34,234	34,234	34,234	34,234	34,234	0
Existing SRF Loan (includes interest)	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>	<u>26,090</u>
Subtotal of Loans	26,090	185,671	60,324	60,324	60,324	60,324	60,324	60,324	60,324	60,324	60,324	26,090
** \$2,290,415.00 was Grant Monies												
Net Revenues	101,490	(66,443)	62,897	64,454	65,910	56,937	47,309	37,157	26,409	15,107	3,159	24,800
Ending Fund Balance	320,167	253,723	316,620	381,074	446,984	503,921	551,230	588,386	614,795	629,902	633,061	657,862
Debt Service Coverage (min. 1.2)	4.89	1.98	2.04	2.07	2.09	1.94	1.78	1.62	1.44	1.25	1.05	1.95

Source:
2010/11 Sewer Actual vs. Budget - unaudited
Profit & Loss for BWA May 2011
Actual expenses from District 11.8.2011

Wastewater Enterprise Recommendations

Since the 2009 rate study, revenues and expenses are lower than projected, but borrowing was higher than projected. With this new information, BWA recommends that the District continue to implement the Schedule of Monthly Single Family Residential and Non-Single Family Residential/Commercial Wastewater Rates that was approved at the Proposition 218 rate hearing in August 2009. The cash flow projection indicates that a rate increase may be needed in Fiscal Year 2019/20.



Corporate Office:
3120 Freeboard Drive, Suite 201
West Sacramento, CA 95691
(916) 447-2854 • Fax (916) 447-2878

October 8, 2014

Susan Anderson
Mr. ~~Dennis Bourassa~~
Chairperson of the Board of Directors
Garberville Sanitary District
919 RedWood Drive
Garberville, CA. 95542

**Re: Alderpoint Road Tank Replacement Project
Garberville, Humboldt County, California
Loan No.: 6200-GSD-02
Commitment Letter ("Commitment")**

Dear Mr. Bourassa:

I am pleased to inform you that on September 26, 2014, the Rural Community Assistance Corporation ("Lender" or "RCAC") loan committee conditionally approved a loan ("Loan") to Garberville Sanitary District ("Borrower") under the following general terms and conditions:

1. **Borrower:** Garberville Sanitary District ("GSD" or "Borrower")
2. **Project Name:** Alderpoint Road Tank Replacement Project (the "Project")
3. **Loan Amount:** Five Hundred Thousand Dollars and No Cents (\$500,000.00)
4. **Loan Purpose:** Five (5) year loan to finance construction of a replacement storage tank
5. **Security:** Securitized Limited Obligation Note designating and pledging net water revenues as the source and collateral for repaying the Loan.
6. **Property:** Certain property located at ^{1081 Alderpoint Road} ~~919 Redwood Drive~~ Garberville, Humboldt County, CA, and all buildings, other improvements and fixtures, receivables and other personal (referred to "Property").
7. **Loan-to-Value:** Not Applicable
8. **Interest Rate:** When loan is closed before the expiration date of the original Commitment term of April 1, 2015, the interest rate is Five percent (5%) for the 60 month term of this Loan. If there is an extension to this Commitment, Lender has sole discretion to change the Interest Rate based on market conditions at the time of such extension request.

9. **Loan Term:** Sixty (60) months
10. **Loan Origination Fee:** Borrower shall pay Lender a nonrefundable loan origination fee (“Loan Fee”) equal to one percent (1%) of the loan amount or Five Thousand Dollars and No Cents (\$5,000.00). The Loan Fee is due and payable on the closing date (“Closing Date”).
11. **Commitment Term:** This Commitment will expire on April 1, 2015. Any extension of the commitment period is contingent on RCAC approval. Interest Rate shall be based on market conditions at the time of such extension request. In addition, Borrower to pay Lender a Commitment extension fee of \$250.00 for extension of up to six months. Borrower to pay fee at time of extension.
12. **Closing Date:** The Closing Date shall be mutually agreed upon between Borrower and Lender, and is defined as the date RCAC disburses funds.
13. **Interest Reserve:** Not Applicable
14. **Disbursement:** The loan balance will be retained by Lender in the loan account and shall be disbursed by Lender upon receipt of a draw request, evidence of expenses incurred and a current periodic report.
15. **Repayment:** For the initial twelve (12) month interest only period borrower will make monthly interest payments calculated on the basis of a 360-day year and actual days elapsed, which results in more interest than if a 365-day year were used. For the forty eight (48) month amortized payment period, Borrower shall make equal monthly payments of principal and interest in an amount sufficient to amortize the Loan over the Loan Term with interest calculated on the basis of a 360-day year and 30 day month. Any unamortized amounts would be due and payable at loan maturity. Borrower agrees that all regularly scheduled payments will be transmitted via electronic funds transfer (EFT) and a valid authorization will be in effect during the term of the loan. Repayment shall be funded by revenue from water sales.
16. **Underwriting & Affordability Criteria:** The Loan, the Project, the Property and Borrower shall meet and conform in all material respects to all projections and other information relating thereto which has been submitted by Borrower as of the date hereof, and shall conform to such other underwriting and affordability criteria required by Lender as of the Closing Date.
17. **Expenses:** Except as otherwise provided herein, Borrower and Lender shall each pay its own expenses in connection with the transactions contemplated hereby. Borrower, however, shall pay all legal fees in connection with the origination of the Loan, and all fees in connection with the transaction contemplated hereby.

18. **Condition of Property:** Construction of all buildings and other structures comprising the Property and the Project shall comply with all necessary licenses, approvals, and permits necessary in connection with the construction, occupancy, use and operation of the Property and the Project. The Property and the Project and its use shall comply with all applicable zoning, building, housing, environmental and all other applicable laws, rules, regulations, ordinances, guidelines and requirements.
19. **Loan Documentation and Information:** All terms and conditions set forth in this commitment letter to Borrower shall have been satisfied and fulfilled. All documentation pertaining to the Loan, including, without limitation, the loan agreement, promissory note, and all other documents pertaining to the loan (the "Loan Documents"), shall be in form and substance acceptable to Lender. Borrower agrees to promptly provide to Lender all documentation.
20. **Other Financing:** All other financing contemplated or projected with respect to the Property and the Project shall be, or have been, approved in form and substance by Lender.
21. **Other Financing Retired:** Not applicable
22. **Notice to Lenders: No Conflicts with Other Obligations.** Borrower shall provide any required prior written notice to all lenders with respect to the Property and the Project regarding the origination of the Loan and pledge of the Property in connection therewith. Such borrowing and pledge shall not constitute a breach of or default under any other agreement or document to which the Borrower is a party and by which it is bound.
23. **Preclosing Conditions:** RCAC must receive and approve these conditions prior to preparing closing documents:
 - a. Current audited financial statements, if applicable
 - b. Such other documentation as Lender may require
24. **Closing Conditions:** RCAC must receive at loan closing:
 - a. Securitized Limited Obligation Note
 - b. Certificate of liability insurance in the minimum amount of \$1,000,000.00, naming RCAC as an additional insured
 - c. Certificate of builders risk/course of construction insurance in the minimum amount of contract amount, naming RCAC as loss Mortgagee
 - d. Evidence of fidelity bond or employee dishonesty/theft insurance

- e. Borrower to sign Loan Closing Certification
 - f. Such other documentation as Lender may require
25. **Post Closing Conditions:** Borrower agrees to provide RCAC after closing date:
- a. Annual CPA audited financial statements, prepared in accordance with Generally Accepted Accounting Principles, are due no later than one hundred twenty (120) days after Borrower's fiscal year-end of June 30th of each year. The report for FYE 2014 is due no later than November 1st, 2014.
 - b. Quarterly reports for initial 12 months and annual reports thereafter.
 - c. Prior to disbursement of funds: Need compliance with construction loan disbursement procedures for bonded contracts.
 - d. Such other documentation as Lender may require
26. **Termination:** Lender, at its option, may cancel this Commitment and terminate its obligations hereunder upon the occurrence of any of the following events:
- a. Failure by Borrower to execute and deliver to Lender a duplicate original of this Commitment **within thirty (30) days** of the date of this Commitment;
 - b. Failure of Borrower and Lender to enter into the agreement and consummate the transactions contemplated hereby on or prior to April 1, 2015;
 - c. Borrower's failure or inability to comply with any of the terms or conditions set forth herein;
 - d. Any material adverse change in the borrower's financial condition or any material adverse change in the condition, financial or otherwise, of the Project or the Property;
 - e. The filing by or against Borrower of any petition in bankruptcy or insolvency or for reorganization or the appointment of a receiver or trustee or the making by Borrower of an assignment for the benefit of creditors or the filing of a petition in bankruptcy or any similar event; provided, however, that Borrower shall have the opportunity to have dismissed any cause of action against it for involuntary bankruptcy within thirty (30) days from the date such action is commenced, provided, further, that nothing contained in this paragraph shall act to change or extend the expiration date;
 - f. The disclosure of any information which Borrower should reasonably have disclosed to Lender before the date of this letter which would have a material adverse effect on the ability of Lender to perform its obligations under this Commitment or of the Loan to comply with the terms hereof; or

- g. The failure of Borrower to disclose or provide to Lender any material information relating to the Loan, the Project, the Property, Borrower or the transactions contemplated hereby, or the misrepresentation of any fact or circumstance relating to the Loan, the Project, the Property, Borrower or the transactions contemplated hereby.
27. **Nonassignability of Commitment; No Third Party Beneficiaries:** This Commitment shall not be assigned by Borrower or by operation of law or otherwise without prior written consent of Lender. This Commitment is solely between Lender and Borrower and no other person or entity shall be a direct or indirect beneficiary hereof or hereunder.
28. **Indemnity:** Borrower shall indemnify Lender and its trustees, directors, officers, employees, agents, servants, representatives and affiliates and defend and hold each of them harmless from and against any and all of them directly or indirectly arising out of or resulting from (i) Borrower's failure to observe its covenants or perform its services, duties or obligations under this Commitment, (ii) any misrepresentation of any fact or circumstance relating to the Loan, the Project, the Property, Borrower or the transactions contemplated hereby, or (iii) any act of negligence or willful misconduct by Borrower, including any wrongful or negligent omission or failure to act on the part of the Lender, in connection with this Commitment.
29. **Governing Law:** This Commitment shall be governed by and construed in accordance with the laws of the State of California.
30. **Entire Agreement:** This Commitment supersedes all prior agreements, commitments, negotiations or understanding between Borrower and Lender, written or oral, with respect to the transactions contemplated herein, and cannot be amended or modified except by a written agreement between Borrower and Lender.

By this letter and by Borrower's acceptance hereof, Borrower and Lender agree to make the Loan on these terms and conditions, which in the aggregate shall constitute a mutually binding commitment between Lender and Borrower. If the terms and conditions set forth herein are satisfactory to Borrower, please indicate Borrower's agreement of the same by duly executing the enclosed duplicated original of this letter and return to the Lender.

Sincerely,

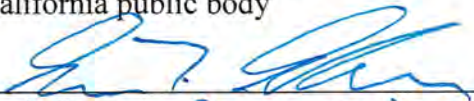
Rural Community Assistance Corporation,
a California nonprofit public benefit corporation



Michael D. Carroll
Lending and Housing Director

**Agreed to and Accepted as
of the Date Written above by:**

Garberville Sanitary District,
a California public body



~~Dennis Bourassa~~ Soran Anderson
Chairperson of the Board of Directors



Equipment Lease Agreement

Wells Fargo Financial Leasing, Inc. | 800 Walnut, 4th floor | Des Moines, Iowa 50309 | Phone: 800-247-5083

Customer Information: Customer's Full Legal Name ("You" and "Your"): Garberville Sanitary District		Supplier Information: Supplier Name ("Supplier"): Copiers Plus	
Address: 919 Redwood Dr. City/State/Zip Code: Garberville, CA 95542		Address: 20 Fifth Street City/State/Zip Code: Eureka, CA 95501	
Telephone Number: 707-923-9566	Federal Tax ID#:	County: Humboldt	

Equipment Information: <input type="checkbox"/> See Attached Equipment Schedule		Equipment Location (if different than address shown above):	
Quantity	Equipment Make, Model & Serial Number	Quantity	Equipment Make, Model & Serial Number
1	Toshiba 287 cs MFP, s/n: TEIC12246;MY-1045;MJ-1038		#TEIC12246
1	Fax		

Term And Payment Information: Initial Term: 60 months		Payment*: \$84	(*plus applicable taxes)
Payment Period is "Monthly" unless otherwise noted here:		Security Deposit: \$0	Documentation/Processing Fee: \$75.00
Advance Payment: \$0	applied to:	<input type="checkbox"/> 1st Payment	<input type="checkbox"/> Last Payment
Purchase Option (shall be Fair Market Value unless another option is checked):		<input checked="" type="checkbox"/> Fair Market Value	<input type="checkbox"/> \$1.00 <input type="checkbox"/> Other: _____

You acknowledge and agree that this agreement (as amended from time to time, the "Lease") represents the complete and exclusive agreement between You and Us regarding the subject matter herein and supersedes any other oral or written agreements between You and Us regarding such matters. This Lease can be changed only by a written agreement between You and Us. Other agreements not stated herein (including, without limitation, those contained in any purchase order or service agreement between You and the Supplier) are not part of this Lease. To help the government fight the funding of terrorism and money laundering activities, U.S. Federal law requires financial institutions to obtain, verify and record information that identifies each person (individuals or businesses) who opens an account. What this means for You: When You open an account or add any additional service, We will ask You for Your name, address, federal employer identification number and other information that will allow Us to identify You. We may also ask to see other identifying documents.

1. LEASE OF EQUIPMENT. You agree to lease from Us the personal property listed above (together with all existing and future accessories, attachments, replacements and embedded software, the "Equipment") upon the terms stated herein. This Lease is binding on You as of the date You sign it. You agree that after You sign, We may insert or correct any information missing on this Lease, including Your proper legal name, serial numbers and any other information describing the Equipment, and change the Payment by up to 15% due to a change in the Equipment or its cost or a tax or payment adjustment.

2. TERM; AUTOMATIC RENEWAL. The term of this Lease will begin on the date that it is accepted by Us or any later date that We designate (the "Commencement Date") and will continue for the number of months shown above (the "Initial Term"). As used herein, "Term" means the term presently in effect at any time, whether it is the Initial Term or a Renewal Term (defined below). **Unless You have a \$1.00 Purchase Option, You shall notify Us in writing at least 30 days before the end of the Term (the "Notice Period") that You intend to purchase or return the Equipment at the end of such Term or: (a) this Lease will automatically renew for an additional one-month period (a "Renewal Term"), and (b) all terms of this Lease will continue to apply.** If You do notify Us in writing within the Notice Period that You intend to purchase or return the Equipment at the end of the Term, then You shall (i) purchase the Equipment by paying the purchase option amount (and all other amounts due hereunder) within 10 days after the end of the Term, or (ii) return the Equipment pursuant to Section 12. For any "Fair Market Value" Purchase Option, the fair market value shall be determined by Us in Our sole but commercially reasonable judgment. **This Lease is non-cancelable for the full Term.**

3. UNCONDITIONAL OBLIGATION. You agree that: (i) We are a separate and independent company from the Supplier, manufacturer and any other vendor (collectively, "Vendors"), and the Vendors are NOT Our agents; (ii) No representation or warranty by any Vendor is binding on Us, and no Vendor has authority to waive or alter any term of this Lease; (iii) You, not We, selected the Equipment and the Vendors based on Your own judgment; (iv) Your obligations hereunder are absolute and unconditional and are not subject to cancellation, reduction or setoff for any reason whatsoever; (v) If You are a party to any maintenance, supplies or other contract with any Vendor, We are NOT a party thereto, such contract is NOT part of this Lease (even though We may, as a convenience to You and a Vendor, bill and collect monies owed by You to such Vendor), and no breach by any Vendor will excuse You from performing Your obligations to Us hereunder; and (vi) If the Equipment is unsatisfactory or if any Vendor fails to provide any service or fulfill any other obligation to You, You shall not make any claim against Us and shall continue to fully perform under this Lease.

4. PAYMENTS. You agree to pay Us an interim rent charge as reasonably calculated by Us for the period from the date the Equipment is delivered to You until the Commencement Date. The payment for this interim period will be based on the Payment prorated on a 30-day calendar month and will be added to Your first invoice. Each Payment Period, You agree to pay Us, by the due date set forth on Our invoice to You (i) the Payment, and (ii) applicable taxes and other charges provided for herein. Restrictive endorsements on checks will not be binding on Us. All payments received will be applied to past due amounts and to the current amount due in such order as We determine. Any security deposit that You pay is non-interest bearing, may be commingled with Our funds, may be applied by Us at any time to cure any default by You, and the unused portion will be returned to You after You have satisfied all of Your obligations hereunder. If We do not receive a payment in full on or before its due date, You shall pay a fee equal to the greater of 10% of the amount that is late or \$29.00 (or the maximum amount permitted by applicable law if less). You shall pay Us a returned check or non-sufficient funds charge of \$20.00 for any returned or dishonored check or draft.

5. INDEMNIFICATION. You shall indemnify and hold Us harmless from and against, any and all claims, actions, damages, liabilities, losses and costs (including but not limited to reasonable attorneys' fees) made against Us, or suffered or incurred by Us, arising directly or indirectly out of, or otherwise relating to, the delivery, installation, possession, ownership, use, loss of use, defect in or malfunction of the Equipment. This obligation shall survive the termination of this Lease. We shall not be liable to You for any damages of any kind, including any liability for consequential damages, arising out of the use of or the inability to use the Equipment.

6. NO WARRANTIES. WE ARE LEASING THE EQUIPMENT TO YOU "AS IS". WE HAVE NOT MADE AND HEREBY DISCLAIM ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, ARISING BY APPLICABLE LAW OR OTHERWISE, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. The parties hereto agree that this Lease is, or shall be treated as, a "finance lease" under Article 2A of the Uniform Commercial Code (the "UCC"). You hereby waive any and all rights and remedies conferred upon You by Article 2A of the UCC. If this Lease is deemed to be a secured transaction, You hereby grant to Us a security interest in the Equipment and all proceeds thereof. You authorize Us to record UCC financing statements to protect Our interests in the Equipment. You may be entitled under Article 2A of the UCC to the promises and warranties (if any) provided to Us by the Supplier(s) in connection with or as part of the contract (if any) by which We acquire the Equipment, which warranty rights We assign to You for the Term (provided You are not in default). You acknowledge that You are aware of the name of the Supplier of each item of Equipment and You may contact the Supplier(s) for an accurate and complete statement of those promises and warranties (if any), including any disclaimers and limitations of them or of remedies.

7. DELIVERY; LOCATION; OWNERSHIP; USE AND MAINTENANCE. We are not responsible for delivery or installation of the Equipment. You are responsible for Equipment maintenance. You will not remove the Equipment from the Equipment Location unless You first get Our permission. You shall give Us reasonable access to the Equipment Location so that We may inspect the Equipment, and You agree to pay Our costs in connection therewith. We will own and have title to the Equipment (excluding

BY SIGNING BELOW, CUSTOMER ACKNOWLEDGES RECEIPT OF PAGE 2 OF THIS AGREEMENT AND AGREES TO THE TERMS ON BOTH PAGES 1 & 2

Customer: (identified above) Garberville Sanitary District		Wells Fargo Financial Leasing, Inc. ("We," "Us," "Our" and "Lessor")	
By:	Date: 01/09/15	By: _____	Date: ____/____/____
Print name: Ralph Emerson	Title: General Manager	Print name: _____	Title: _____
Agreement Number: 851415			

any software) during the Lease. If the Equipment includes any software: (i) We don't own the software, (ii) You are responsible for entering into any necessary software license agreements with the owners or licensors of such software, (iii) You shall comply with the terms of all such agreements, if any, and (iv) any default by You under any such agreements shall also constitute a default by You under this Lease. You agree that the Equipment is and shall remain personal property and without Our prior written consent, You shall not permit it to become (i) attached to real property or (ii) subject to liens or encumbrances of any kind. You represent that the Equipment will be used solely for commercial purposes and not for personal, family or household purposes. You shall use the Equipment in accordance with all laws, operation manuals, service contracts (if any) and insurance requirements, and shall not make any permanent alterations to it. At Your own cost, You shall keep the Equipment in good working order and warrantable condition, ordinary wear and tear excepted ("Good Condition").

8. LOSS; DAMAGE; INSURANCE. You shall, at all times during this Lease, (i) bear the risk of loss and damage to the Equipment and shall continue performing all Your obligations to Us even if it becomes damaged or suffers a loss, (ii) keep the Equipment insured against all risks of damage and loss ("Property Insurance") in an amount equal to its replacement cost, with Us named as sole "loss payee" (with a lender's loss payable endorsement if required by Lessor or an Assignee), and (iii) carry public liability insurance covering bodily injury and property damage ("Liability Insurance") in an amount acceptable to Us, with Us named as an additional insured thereunder. You have the choice of satisfying these insurance requirements by providing Us with satisfactory evidence of Property and Liability Insurance ("Insurance Proof"), within 30 days of the Commencement Date. Such Insurance Proof must provide for at least 30 days prior written notice to Us before it may be canceled or terminated and must contain other terms, satisfactory to Us. If you do not provide Us with Insurance Proof within 30 days of the Commencement Date, or if such insurance terminates for any reason, then (a) You agree that We have the right, but not the obligation, to obtain such Property Insurance and/or Liability Insurance in such forms and amounts from an insurer of Our choosing in order to protect Our interests ("Other Insurance"), and (b) You agree that We may charge you a periodic charge for such Other Insurance. This periodic charge will include reimbursement for premiums advanced by Us to purchase Other Insurance, billing and tracking fees, charges for Our processing and related fees associated with the Other Insurance, and a finance charge of up to 18% per annum (or the maximum rate allowed by law if less) on any advances We make for premiums (collectively, the "Insurance Charge"). We and/or one or more of our affiliates and/or agents may receive a portion of the Insurance Charge, which may include a profit. We are not obligated to obtain, and may cancel, Other Insurance at any time without notice to You. Any Other Insurance need not name You as an insured or protect Your interests. The Insurance Charge may be higher than if You obtained Property and Liability Insurance on Your own.

9. ASSIGNMENT. You shall not sell, transfer, assign or otherwise encumber (collectively, "Transfer") this Lease, or Transfer or sublease any Equipment, in whole or in part, without Our prior written consent. We may, without notice to You, Transfer Our interests in the Equipment and/or this Lease, in whole or in part, to a third party (an "Assignee"), in which case the Assignee will, to the extent of such Transfer, have all of Our rights and benefits but will not have to perform Our obligations (if any). Any Transfer by Us will not relieve Us of Our obligations hereunder. You agree not to assert against the Assignee any claim, defense or offset You may have against Us.

10. TAXES AND OTHER FEES. You are responsible for all taxes (including, without limitation, sales, use and personal property taxes, excluding only taxes based on Our income), assessments, license and registration fees and other governmental charges relating to this Lease or the Equipment (collectively "Governmental Charges"). Sales or use taxes due upfront will be payable over the Initial Term, with a finance charge. You authorize Us to pay any Governmental Charges as they become due, and You agree to reimburse Us promptly upon demand for the full amount. You agree to pay Us a fee for Our administration of taxes related to the Equipment. You also agree to pay Us upon demand (i) for all costs of filing, amending and releasing UCC financing statements, and (ii) a documentation/processing fee in the amount set forth on Page 1 (or as otherwise agreed to). You also agree to pay Us a fee for additional services We may provide to You at Your request during this Lease. If You so request, and We permit the early termination of this Lease, You acknowledge that there may be a cost or charge to You for such privilege. In connection with the expiration or earlier termination of this Lease, You agree to pay Us any Governmental Charges accrued or assessed but not yet due and payable, or Our estimate of such amounts. You agree that the fees and other amounts payable under this Lease may include a profit to Us and/or the Supplier.

11. DEFAULT; REMEDIES. You will be in default hereunder if: (1) You fail to pay any amount due hereunder within 15 days of the due date; (2) You breach or attempt to breach any other term, representation or covenant herein or in any other agreement now existing or hereafter entered into with Us or any Assignee; (3) an event of default occurs under any obligation You may now or hereafter owe to any affiliate of Us or any Assignee; and/or (4) You and/or any guarantors or sureties of Your obligations hereunder (i) die, (ii) go out of business, (iii) commence dissolution proceedings, (iv) merge or consolidate into another entity, (v) sell all or substantially all of Your or their assets, or there is a change of control with respect to Your or their ownership, (vi) become insolvent, admit Your or their inability to pay Your or their debts, (vii) make an assignment for the benefit of Your or their creditors (or enter into a similar arrangement), (viii) file, or there is filed against You or them, a bankruptcy, reorganization or similar proceeding or a proceeding for the appointment of a receiver, trustee or liquidator, or (ix) suffer a material adverse change in Your or their financial condition. If You default, We may do any or all of the following: (A) cancel this Lease, (B) require You to promptly return the Equipment pursuant to Section 12, (C) take possession of and/or render the Equipment (including any software) unusable (and for such purposes You hereby authorize Us and Our designees to enter Your premises, with or without prior notice or other process of law), and sell, lease or otherwise dispose of the Equipment on such terms and in such manner as We may in Our sole discretion determine, (D) require You to pay to Us, on demand, liquidated damages in an amount equal to the sum of (i) all Payments and other amounts then due and past due, (ii) all remaining Payments for the remainder of the Term discounted at a rate of 6% per annum, (iii) the residual value of the Equipment estimated by Us at the inception of this Lease (as shown in Our books and records), discounted at a rate of 6% per annum, (iv) interest on the amounts specified in clauses "i", "ii" and "iii" above from the date of demand to the date paid at the rate of 1.5% per month (or the maximum amount permitted by law if less), and (v) all other amounts that may thereafter become due hereunder to the extent that We will be obligated to collect and pay such amounts to a third party (such amounts specified in sub-clauses "i" through "v" referred to below as the "Balance Due"), and/or (E) exercise any other remedy available to Us under law. You also agree to reimburse Us on demand for all reasonable expenses of enforcement (including, without limitation, reasonable attorneys' fees and other legal costs) and reasonable expenses of repossessing, holding, preparing for disposition, and disposition ("Remarketing") of the Equipment, plus interest at the rate in sub-clause (iv) on the foregoing amounts from the date of demand to the date paid. In the event We are successful in Remarketing the Equipment, We shall give You a credit against the Balance Due in an amount equal to the present value of the proceeds received and to be received from Remarketing minus the above-mentioned costs (the "Net Proceeds"). If the Net Proceeds are less than the Balance Due, You shall be liable for such deficiency. Any delay or failure to enforce Our rights hereunder shall not constitute a waiver thereof. The remedies set forth herein are cumulative and may be exercised concurrently or separately.

12. RETURN OF EQUIPMENT. If You are required to return the Equipment under this Lease, You shall, at Your expense, send the Equipment to any location(s) that We may designate and pay Us a handling fee of \$250.00. The Equipment must be properly packed for shipment, freight prepaid and fully insured, and must be received in Good Condition (defined in Section 7). All terms of this Lease, including Your obligation to make Payments and pay all other amounts due hereunder shall continue to apply until the Equipment is received by Us in accordance with the terms of this Lease. You are solely responsible for removing all data from any digital storage device, hard drive or other electronic medium prior to returning the Equipment or otherwise removing or allowing the removal of the Equipment from Your premises for any reason (and You are solely responsible for selecting an appropriate removal standard that meets Your business needs and complies with applicable laws). We shall not be liable for any losses, directly or indirectly arising out of, or by reason of the presence and/or use of any information, images or content retained by or resident in any Equipment returned to Us or repossessed by Us.

13. APPLICABLE LAW; VENUE; JURISDICTION; SEVERABILITY. This Lease shall be deemed fully executed and performed in the state of Iowa and shall be governed and construed in accordance with the laws of the state of Iowa. If Lessor or its Assignee shall bring any judicial proceeding in relation to any matter arising under this Lease, You hereby irrevocably agree that any such matter may be adjudged or determined in any court or courts in the state of Iowa or the state of Lessor's or its Assignee's principal place of business, or in any other court or courts having jurisdiction over You or Your assets, all at the sole election of Lessor or its Assignee. You hereby irrevocably submit generally and unconditionally to the jurisdiction of any such court so elected by Lessor or its Assignee in relation to such matters and irrevocably waive any defense of an inconvenient forum to the maintenance of any such action or proceeding. **YOU AND WE HEREBY WAIVE YOUR AND OUR RESPECTIVE RIGHTS TO A TRIAL BY JURY IN ANY LEGAL ACTION.** If any amount charged or collected under this Lease is greater than the amount allowed by law (an "Excess Amount"), then (i) any Excess Amount charged but not yet paid will be waived by Us and (ii) any Excess Amount collected will be refunded to You or applied to any other amount then due hereunder. Each provision hereof shall be interpreted to the maximum extent possible to be enforceable under applicable law. If any provision is construed to be unenforceable, such provision shall be ineffective only to the extent of such unenforceability without invalidating the remainder hereof.

14. DOLLAR PURCHASE. This Section only applies if You have a \$1.00 Purchase Option. At the end of the Initial Term, You shall purchase the Equipment "AS IS, WHERE IS" for one dollar (\$1.00); provided, however, We shall not be required to transfer Our interest in the Equipment to You until You have paid to Us all amounts then owing hereunder, if any. You agree that prior to entering into this Lease, You could have purchased the Equipment from the Supplier for a specific cash amount, but instead You hereby choose and agree to pay a higher amount (the "Time Price") to Us in installments over the Initial Term. The Time Price equals the Payment amount shown above multiplied by the total number of Payments to be paid over the Initial Term, plus \$1.00. You agree that the Time Price represents only a higher purchase price and does not include an interest component or finance charge. However, if the Time Price should be determined or adjudicated to include an interest component or finance charge, then you agree that (i) each Payment shall be deemed to include an amount of pre-computed interest, (ii) the total pre-computed interest scheduled to be paid over the Initial Term is to be calculated by subtracting the amount We pay the Supplier ("Our Investment") from the Time Price, (iii) the annual interest rate deemed applicable to this transaction is the rate that will amortize Our Investment down to \$1.00 by applying all periodic Payments as payments (and this rate calculation method assumes that each periodic Payment is received by Us on the due date), and (iv) none of the other fees or costs We may charge You pursuant to this Lease (including but not limited to UCC filing fees, late fees, documentation or processing fees) shall be considered interest or a finance charge.

15. MISCELLANEOUS. You shall furnish Us or an Assignee with current financial statements upon request by Us or an Assignee. You authorize Us or an Assignee to (a) obtain credit reports or make credit inquiries in connection with this Lease, and (b) provide Your credit application, information regarding Your Lease account to credit reporting agencies, potential Assignees, Vendors and parties having an economic interest in this Lease and/or the Equipment. This Lease may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute the same document; provided, however, only the counterpart which is marked "Original" and is in Our possession shall constitute chattel paper under the UCC. You acknowledge that You have received a copy of this Lease and agree that a facsimile or other copy containing Your faxed, copied or electronically transmitted signature may be treated as an original and will be admissible as evidence of this Lease. You waive notice of receipt of a copy of this Lease with Our original signature. You hereby represent to Us that this Lease is legally binding and enforceable against You in accordance with its terms.



Non-Appropriation Addendum

Wells Fargo Financial Leasing, Inc. | 800 Walnut, 4th floor | Des Moines, Iowa 50309 | Phone: 800-247-5083

Title of lease, rental or other agreement: 851415 (the "Agreement")

Lessee/Renter/Customer: Garberville Sanitary District ("Customer")

This Addendum (this "Addendum") is entered into by and between Customer and Wells Fargo Financial Leasing, Inc. ("Company"). This Addendum shall be effective as of the effective date of the Agreement.

- INCORPORATION AND EFFECT.** This Addendum is hereby made a part of, and incorporated into, the Agreement as though fully set forth therein. As modified or supplemented by the terms set forth herein, the provisions of the Agreement shall remain in full force and effect, provided that, in the event of a conflict between any provision of this Addendum and any provision of the Agreement, the provision of this Addendum shall control.
- GOVERNMENTAL PROVISIONS.** Customer hereby represents, warrants and covenants to Company that: (a) Customer intends, subject only to the provisions of this Addendum, to remit to Company all sums due and to become due under the Agreement for the full term; (b) Customer's governing body has appropriated sufficient funds to pay all payments and other amounts due during Customer's current fiscal period; (c) Customer reasonably believes that legally available funds in an amount sufficient to make all payments for the full term of the Agreement can be obtained; and (d) Customer intends to do all things lawfully within its power to obtain and maintain funds from which payments due under the Agreement may be made, including making provision for such payments to the extent necessary in each budget or appropriation request submitted and adopted in accordance with applicable law. If Customer's governing body fails to appropriate sufficient funds to pay all payments and other amounts due and to become due under the Agreement in Customer's next fiscal period ("Non-Appropriation"), then (i) Customer shall promptly notify Company of such Non-Appropriation, (ii) the Agreement will terminate as of the last day of the fiscal period for which appropriations were received, and (iii) Customer shall return the Equipment to Company pursuant to the terms of the Agreement. Customer's obligations under the Agreement shall constitute a current expense and shall not in any way be construed to be a debt in contravention of any applicable constitutional or statutory limitations or requirements concerning Customer's creation of indebtedness, nor shall anything contained herein constitute a pledge of Customer's general tax revenues, funds or monies. Customer further represents, warrants and covenants to Company that: (a) Customer has the power and authority under applicable law to enter into the Agreement and this Addendum and the transactions contemplated hereby and thereby and to perform all of its obligations hereunder and thereunder, (b) Customer has duly authorized the execution and delivery of the Agreement and this Addendum by appropriate official action of its governing body and has obtained such other authorizations, consents and/or approvals as are necessary to consummate the Agreement and this Addendum, (c) all legal and other requirements have been met, and procedures have occurred, to render the Agreement and this Addendum enforceable against Customer in accordance with their respective terms, and (d) Customer has complied with all public bidding requirements applicable to the Agreement and this Addendum and the transactions contemplated hereby and thereby.
- INDEMNIFICATION.** To the extent Customer is or may be obligated to indemnify, defend or hold Company harmless under the terms of the Agreement, any such indemnification obligation shall arise only to the extent permitted by applicable law and shall be limited solely to sums lawfully appropriated for such purpose in accordance with Section 2 above.
- REMEDIES.** To the extent Company's remedies for a Customer default under the Agreement include any right to accelerate amounts to become due under the Agreement, such acceleration shall be limited to amounts to become due during Customer's then current fiscal period.
- GOVERNING LAW.** Notwithstanding anything in the Agreement to the contrary, the Agreement and this Addendum shall be governed by, construed and enforced in accordance with the laws of the state in which Customer is located.
- MISCELLANEOUS.** This Addendum, together with the provisions of the Agreement not expressly inconsistent herewith, constitutes the entire agreement between the parties with respect to the matters addressed herein, and shall supersede all prior oral or written negotiations, understandings and commitments regarding such matters. This Addendum may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to constitute one and the same agreement. Customer acknowledges having received a copy of this Addendum and agrees that a facsimile or other copy containing Customer's faxed, copied or electronically transmitted signature may be treated as an original and will be admissible as evidence of this Addendum.

Customer (identified above): Garberville Sanitary District	Wells Fargo Financial Leasing, Inc.
By: <u>Ralph Emerson</u> Date: <u>01/09/15</u>	By: _____ Date: ____ / ____ / ____
Print name: <u>Ralph Emerson</u> Title: <u>General Manager</u>	Print name: _____ Title: _____
	Agreement Number:
	Master Agreement Number (if applicable):

