

ERNIE WIPF
CHAIR

JULIE BAWCOM
VICE-CHAIR

THERESA MCNERLIN
DIRECTOR

DARWIN DICK
DIRECTOR

CANDACE HORSLEY
DIRECTOR

UKIAH VALLEY SANITATION DISTRICT SPECIAL MEETING
MONDAY December 19, 2022 AT 6:00PM

LOCATION:

DISTRICT'S MEETING ROOM - 151 LAWS AVE., UKIAH, CA 95482

AND

THE PUBLIC MAY ALSO VIEW VIA ZOOM

Call in number: 1-669-900-6833

Meeting ID: 868 2467 7187

Zoom Link: <https://us02web.zoom.us/j/86824677187>

*The Board welcomes participation in the Board meetings. If you are joining the meeting via Zoom and wish to make a comment on an item, press the "raise a hand" button. If you are joining the meeting by phone, press *9 to indicate a desire to make a comment. The chair will call you by name or phone number when it is your turn to comment. Speakers will be limited to 3 minutes. If you choose not to observe the meeting via Zoom and wish to make a comment on a specific agenda item, please submit your comment via email to the Board Secretary at aa@uvsd.org at least one hour before the meeting. All public comments submitted to the Board Secretary will be read verbatim for up to 3 minutes.*

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need disability-related modifications or accommodation to participate in this meeting, then please contact Chelsea Teague, Board Secretary at 707-462-4429. Requests must be made as early as possible, and at least one-full business day before the start of the meeting. The times indicated for agenda items are estimated and the Board reserves the right to address items either earlier or later than scheduled.

1. CALL TO ORDER

2. CONSENT CALENDAR

- Check Register for November 2022
- LAIF Statement for November 2022
- Budget to Actual for Fiscal Year 2021-2022

3. NEW BUSINESS

- A. DISCUSSION AND POSSIBLE ACTION RE: Fiscal Year 2021-2022 Audit

Recommended Action: Accept the Audit for Fiscal Year 2021-2022 as presented.

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- B. DISCUSSION AND POSSIBLE ACTION RE: Discussion of Whether to Fill Board Vacancy by Election or Appointment

Recommended Action: 1) Discuss whether to call an election or appoint to fill the Board vacancy; 2) If Board acts to fill the vacancy by appointment, provide guidance on the application for appointment.

4. ANNOUNCEMENTS/OTHER BUSINESS/MATTERS FROM STAFF

- a) General Manager Report of Ongoing District Activities
- b) ESSU Statistics Report
- c) Staff Report
- d) Report on JPA
- e) Directors' Reports
- f) Letters Received or Sent
- g) Announce Annual Meeting - January 11, 2023

5. ADJOURNMENT

**Ukiah Valley Sanitation District
Check Detail
November 2022**

Type	Num	Date	Name	Account	Paid Amount	Original Amount
Bill Pmt -Check	2167	11/08/2022	City of Ukiah	1001 · UVSD Checking		-130,997.31
General Journal	CLA-JUN-05a	06/30/2022	City of Ukiah	2000 · Accounts Payable	-111,130.00	-111,130.00
General Journal	CLA-JUN-05b	06/30/2022	City of Ukiah	2000 · Accounts Payable	-6,316.00	-6,316.00
Bill	47252	10/04/2022		6300 · Operating Expense Allocation	-13,551.31	13,551.31
TOTAL					-130,997.31	-103,894.69
Bill Pmt -Check	2168	11/08/2022	Coursey Communications	1001 · UVSD Checking		-272.19
Bill	2466	11/08/2022		5207 · Reproduction (prints & copies)	-272.19	272.19
TOTAL					-272.19	272.19
Bill Pmt -Check	2169	11/18/2022	Best Best & Krieger LLP	1001 · UVSD Checking		-389.20
Bill	947236	09/30/2022		5601 · General Counsel	-389.20	389.20
TOTAL					-389.20	389.20
Bill Pmt -Check	2170	11/18/2022	Mark DeMeulenaere	1001 · UVSD Checking		-825.00
Bill	102022	10/31/2022		5305 · Financial & Managerial Support	-825.00	825.00
TOTAL					-825.00	825.00
Bill Pmt -Check	2171	11/18/2022	RespecTech, Inc.	1001 · UVSD Checking		-119.00
Bill	46408	10/31/2022		5209 · Information Technology-All	-119.00	119.00
TOTAL					-119.00	119.00
Bill Pmt -Check	2172	11/18/2022	Rick Sands	1001 · UVSD Checking		-488.75
Bill	10312022	10/31/2022		5401 · Engineer Services	-488.75	488.75
TOTAL					-488.75	488.75
Bill Pmt -Check	2173	11/18/2022	Tri-Cities	1001 · UVSD Checking		-96.25
Bill	221000577101	10/31/2022		5201 · Telephone & DSL	-96.25	96.25
TOTAL					-96.25	96.25
Bill Pmt -Check	2174	11/18/2022	Urban Futures, Inc.	1001 · UVSD Checking		-5,625.00
Bill	1022-001	10/31/2022		5101 · Management - UFI	-5,625.00	5,625.00
TOTAL					-5,625.00	5,625.00
Bill Pmt -Check	2175	11/18/2022	USPS	1001 · UVSD Checking		-3,000.00
Bill	11/18	11/18/2022		1501 · Prepaid Postage	-3,000.00	3,000.00
TOTAL					-3,000.00	3,000.00
Bill Pmt -Check	2176	11/18/2022	Willow Water District	1001 · UVSD Checking		-12,836.23
Bill	154	10/31/2022		5102 · MSA - Willow	-11,920.95	11,920.95
				5402 · Parcel Quest	-199.95	199.95
				5202 · Dues & Subscriptions	-161.39	161.39
Bill	538	11/01/2022		5203 · Office Rent	-463.00	463.00
				5204 · Office Utilities	-90.94	90.94
TOTAL					-12,836.23	12,836.23

Savings Bank of Mendocino County
Beginning Balance as of 11/01/2022 \$1,063,010.18
Ending Balance as of 11/30/2022 \$797,831.20

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
 P.O. Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001

December 16, 2022

[LAIF Home](#)
[PMIA Average](#)
[Monthly Yields](#)

UKIAH VALLEY SANITATION DISTRICT

GENERAL MANAGER
 151 LAWS AVENUE, SUITE B
 UKIAH, CA 95482

[Tran Type Definitions](#)

Account Number: 70-23-001

November 2022 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Web Confirm Number	Authorized Caller	Amount
11/14/2022	11/8/2022	RD	1717794	N/A	MARK DEMEULENAERE	1,400,000.00
11/14/2022	11/15/2022	RDA	1718027	N/A	MARK DEMEULENAERE	-1,400,000.00
11/29/2022	11/22/2022	RD	1718373	N/A	MARK DEMEULENAERE	1,400,000.00

Account Summary

Total Deposit:	1,400,000.00	Beginning Balance:	9,895,858.17
Total Withdrawal:	0.00	Ending Balance:	11,295,858.17

Ukiah Valley Sanitation District
 Actual Compared To Budget for Fiscal Year Ending June 30, 2022

	Approved Budget for Fiscal Year Ended June 30, 2022	Audited Actual Fiscal Year Ended June 30, 2022	Variance (Unfavorable)
Operating Revenues			
Charge for Services	\$ 5,380,968	\$ 5,345,798	\$ (35,170)
Connection Fees	186,896	575,052	\$ 388,156
Total Operating Revenue	<u>\$ 5,567,864</u>	<u>\$ 5,920,850</u>	<u>\$ 352,986</u>
Operating Expenses			
District Service and Supplies	\$ 461,312	\$ 351,242	\$ 110,070
Operating Expense Allocation-City of Ukiah	2,591,499	2,164,598	\$ 426,901
Legal Expenses	125,000	31,741	\$ 93,259
Depreciation and Amortization Expense	787,164	787,416	\$ (252)
Total Operating Expenses	<u>\$ 3,964,974</u>	<u>\$ 3,334,997</u>	<u>\$ 629,977</u>
Operating Income (Loss)	<u>\$ 1,602,890</u>	<u>\$ 2,585,853</u>	<u>\$ 982,963</u>
Nonoperation Revenue (Expenses)			
Taxes and Assessments	\$ 54,668	\$ 66,254	\$ 11,586
Interest Income	68,014	72,496	\$ 4,482
Intergovernmental	360	20,131	\$ 19,771
Interest Expense Bond	(563,074)	(553,891)	\$ 9,183
Total Nonoperation Revenue (Expenses)	<u>\$ (440,032)</u>	<u>\$ (395,010)</u>	<u>\$ 45,022</u>
Change in Net Position	<u>\$ 1,162,858</u>	<u>\$ 2,190,843</u>	<u>\$ 1,027,985</u>
Capital Budget	<u>\$ 1,721,786</u>	<u>\$ 130,997</u>	<u>\$ 1,590,789</u>

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
December 19, 2022

To: Board of Directors
From: Wing-See Fox
Meeting Date: December 19, 2022

Item #3A: Fiscal Year 2021-2022 Audit

Background:

The Board of Directors adopted Policy Number 7010 entitled Accounting and Financial Reporting which directs the District to have an annual audit of its finances prepared by a qualified independent certified public accountant. The District requires the external auditor to use GAAP in preparing its annual financial statements. Further, the District strives to issue these annual financial statements within 180 days after the District's Fiscal Year end but may issue them later due to extenuating circumstances. These annual financial statements are also required by BBVA, the lender to the District for the 2020 Refinancing, and must be provided to BBVA within 240 days after the District's Fiscal Year end. A copy will also be sent to the County.

Discussion:

The agenda packet includes the District's Audited Financial Statements for Fiscal Year 2021-2022. The Audit was prepared by a qualified independent certified public accountant, Van Lant & Fankhanel, LLP, who gave an unmodified opinion to the District's Fiscal Year 2021-2022 Audit. The Audit Report was submitted to the District on December 16, 2022; and if it is accepted by the Board, the Audit Report will be submitted to BBVA in a timely manner in accordance with the related Bond Indenture.

Recommendation:

Staff recommends that the Board accept the Audit for Fiscal Year 2021-2022 as presented.

Attachment:

1. Audit for Fiscal Year 2021-2022

Respectfully submitted,



WING-SEE FOX
Interim District Manager

UKIAH VALLEY SANITATION DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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**UKIAH VALLEY SANITATION DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

Independent Auditor's Report	1
Basic Financial Statements	
Fund Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Basic Financial Statements	6



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ukiah Valley Sanitation District
Ukiah, California

Opinions

We have audited the accompanying financial statements of the Ukiah Valley Sanitation District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ukiah Valley Sanitation District, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

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

Van Lant & Fankhanel, LLP

29970 Technology Drive, Suite 105 A
Murrieta, CA 92563
909.856.6879

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented in the basic financial statements. Such missing information, although not a required 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, and historical context. Our opinions on the basic financial statements are not affected by this missing information.

Van Lant + Fankhaed, LLP

Murrieta, CA
December 16, 2022

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS

Current Assets:

Cash and Investments	\$ 11,250,666
Accounts Receivable	965,597
Interest Receivable	40,491
Restricted Cash	501,983
Due from City of Ukiah	1,000,000
Prepaid Expenses	7,298
Total Current Assets	13,766,035

Noncurrent Assets:

Capital Assets:

Depreciable, Net	28,334,782
Total Noncurrent Assets	28,334,782
Total Assets	42,100,817

LIABILITIES

Current Liabilities:

Accounts Payable	145,441
Accrued Interest	179,040
Customer Deposits Payable	35,800
Bonds Payable - Due in One Year	1,466,000
Total Current Liabilities	1,826,281

Long-Term Liabilities:

Bonds Payable - Due in More Than One Year	20,729,000
Total Long-Term Liabilities	20,729,000
Total Liabilities	22,555,281

NET POSITION

Net Investment in Capital Assets	6,139,782
Restricted Net Position for Debt Reserve Balances	501,983
Unrestricted	12,903,771
Total Net Position	\$ 19,545,536

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2022**

OPERATING REVENUES	
Charges for Services	\$ 5,345,798
Connection Fees	<u>575,052</u>
Total Operating Revenues	<u>5,920,850</u>
 OPERATING EXPENSES	
Services and Supplies	382,983
Operating Expense Allocation - City of Ukiah	2,164,598
Depreciation and Amortization	<u>787,416</u>
Total Operating Expenses	<u>3,334,997</u>
 OPERATING INCOME	 <u>2,585,853</u>
 NONOPERATING REVENUE (EXPENSES)	
Taxes and Assessments	66,254
Interest Income	72,496
Other Revenue	20,131
Interest and Bond Expense	<u>(553,891)</u>
Total Nonoperating Revenue (Expenses)	<u>(395,010)</u>
 CHANGE IN NET POSITION	 2,190,843
 NET POSITION - BEGINNING OF YEAR	 <u>17,354,693</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 19,545,536</u></u>

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 5,848,763
Payments to Suppliers	<u>(2,449,328)</u>
Net Cash Provided by Operating Activities	<u>3,399,435</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tax & Assessment Receipts	86,385
Settlement Receipts	<u>1,037,500</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,123,885</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(130,997)
Principal Payments on Bonds Payable	(1,430,000)
Interest and Fees Paid on Bonds Payable	<u>(565,426)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,126,423)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>34,996</u>
Net Cash Provided by Investing Activities	<u>34,996</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

2,431,893

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

9,320,756

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 11,752,649

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION

Cash and Investments	\$ 11,250,666
Restricted Cash	<u>501,983</u>

TOTAL CASH AND CASH EQUIVALENTS

\$ 11,752,649

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 2,585,853
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	787,416
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	(87,987)
Prepaid Expenses	(4,088)
Increase (Decrease) in:	
Accounts Payable	102,341
Deposits from Customers	15,900
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 3,399,435</u></u>

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Ukiah Valley Sanitation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a public agency formed on July 6, 1954, by Resolution No. 1294 of the Mendocino County Board of Supervisors. The District was formed to provide sewer facilities and services in the Ukiah Valley and is governed by an independent five member board of directors.

Reporting for a component unit can be blended or discretely presented. Blended component units, although legally separate entities, are in substance, part of the District's operations. Blended component units are an extension of the District, so data from these units is combined with data of the District. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the District.

There are no component units of the District which meet the criteria of either the blended or discrete presentation.

B. Basis of Presentation

The fund financial statements provide information about the District's funds. The District's financial statements have been prepared on the basis of the governmental proprietary fund concept adopted by the GASB. The governmental proprietary fund concept provides that financial activities be presented as a single proprietary fund which includes enterprise funds. The District maintains a single Waste Water Fund.

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include revenues from grants, entitlements, and donations. Under the accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

operations. The principal operating revenue of proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

Cash and investments are used in preparing the statement of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year. Investments are stated at fair value.

The District's investments are in accordance with the California Government Code. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. Cash and investments held and invested by fiscal agents on behalf of the District are pledged for payment or security of certain long-term debt issuances. Fiscal agents are mandated by bond indentures as to the types of investments in which such funds can be invested.

E. Receivables

The District's accounts receivable are reported at their estimated realizable value and consist primarily of sewer service charges to District customers. There was no allowance for doubtful accounts as of June 30, 2022.

F. Capital Assets

Capital assets, including collection lines and nonstructural improvements are defined by the District as assets with a cost of more than \$5,000 for and an estimated useful life of more than two years. Capital assets are recorded at acquisition or estimated historical cost if actual historical cost is unavailable. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value, which is the amount that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life which range from 5 to 65 years.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

G. Taxes and Assessments

The State of California (State) Constitution Article XIII-A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless voters have approved an additional amount for general obligation debt. Assessed value is calculated at 100% of market value as defined by Article XIII-A,

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts and other districts, such as the Ukiah Valley Sanitation District.

The District receives a portion of Mendocino County property taxes. The taxes are levied as of July 1, and installments are collected in December and April. The District also receives unsecured, SB813, supplemental, prior years and HOPTR taxes which are allocated at various times throughout each year. Mendocino County collects and administers the taxes. The District records these amounts as non-operating revenues at the time of the levy.

H. Net Position

The proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

I. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS

At June 30, 2022, the District's cash and investments consisted of the following:

Cash and Investments:	
Cash on Hand	\$ 650
District Deposits	907,053
LAIF	10,342,963
Restricted Cash	501,983
Total Cash and Investments	<u>\$ 11,752,649</u>

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the District's cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits.

At June 30, 2022, the carrying value of the District's deposits was \$907,053 and the bank balance was \$696,522. The difference between the carrying amount and the bank balance is a result of transactions in transit. Of the bank balance, \$250,000 was covered by Federal Depository Insurance Corporation (FOIC) and the remainder was covered by the multiple financial institution collateral pool that insures public deposits.

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2022, the District had no investments in any one issuer (other than external pools) that represent 5% or more of total District investments.

Local Agency Investment Fund

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. LIAB consists of five members as designated by State Statute. The credit quality of LAIF is unrated.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

At June 30, 2022, the District's investment position in LAIF was \$10,342,963, which approximates fair value and is the same value of pool shares. The total amount invested by all public agencies in LAIF on that day was \$234.47 billion. Of that amount, 100% was invested in nonderivative financial products. Fair value is based on information provided by the State for the Local Agency Investment Fund.

Restricted Cash

Restricted cash represents bond debt service reserves held by the bond trustee related to the Ukiah Valley Sanitation District Wastewater Revenue Refunding Bonds, Series 2020.

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Retirements and Adjustments	Balance June 30, 2022
Capital Assets, Being Depreciated:				
Land Improvements	\$ 108,986	\$ -	\$ -	\$ 108,986
Trunk Lines	4,411,033	-	-	4,411,033
Lateral Lines	41,309	-	-	41,309
Buildings	124,303	-	-	124,303
Machinery & Equipment	234,853	-	-	234,853
Software	6,430	-	-	6,430
Intangible Assets	30,187,050	130,997	-	30,318,047
Total Capital Assets, Being Depreciated	35,113,964	130,997	-	35,244,961
Less Accumulated Depreciation for:				
Land Improvements	(108,986)	-	-	(108,986)
Trunk Lines	(2,268,006)	(93,040)	-	(2,361,046)
Lateral Lines	(41,309)	-	-	(41,309)
Buildings	(124,303)	-	-	(124,303)
Machinery & Equipment	(220,087)	(2,032)	-	(222,119)
Software	(643)	(643)	-	(1,286)
Intangible Assets	(3,359,429)	(691,701)	-	(4,051,130)
Total Accumulated Depreciation	(6,122,763)	(787,416)	-	(6,910,179)
Total Capital Assets, Being Depreciated, Net	28,991,201	(656,419)	-	28,334,782
Total Capital Assets, Net	\$ 28,991,201	\$ (656,419)	\$ -	\$ 28,334,782

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30:

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Types of Indebtedness	Balance July 1, 2021	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2022	Amounts Due Within One Year
Bonds Payable	\$ 23,625,000	\$ -	\$ (1,430,000)	\$ 22,195,000	\$ 1,466,000

Bonds Payable

On February 24, 2020 the District entered into an agreement with the City of Ukiah (City) to facilitate refunding the City's 2006 Water and Wastewater Revenue Bonds, Series A (2006 Bonds) issued in the original principal amount of \$75,060,000. As a result of this agreement the District issued its Ukiah Valley Sanitation District Wastewater Revenue Refunding Bonds, Series 2020 (District's 2020 Bonds) in the amount of \$25,005,000. The proceeds of the District's 2020 Bonds combined with a \$2.5 million cash contribution from the District was used to pay off the District's debt payable to the City and fully prepay the District's allocable share of the 2006 Bonds. The District's 2020 Bonds carry an interest rate of 2.42%. Semiannual payments beginning on September 1, 2020, with principal payments ranging from \$689,000 to \$986,000, maturing on March 1, 2035. The District is required to have Adjusted Net Revenues for the specified period, as defined in the Indenture Agreement, equal to at least 120% of the debt service.

Following is a schedule of bond payment requirements to maturity:

<u>Year Ending June 30,</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,466,000	\$ 528,250	\$ 1,994,250
2024	1,504,000	492,543	1,996,543
2025	1,541,000	455,928	1,996,928
2026	1,580,000	418,406	1,998,406
2027	1,621,000	379,904	2,000,904
2028-2032	8,715,000	1,288,505	10,003,505
2033-2035	5,768,000	246,610	6,014,610
Total	<u>\$ 22,195,000</u>	<u>\$ 3,810,146</u>	<u>\$ 26,005,146</u>

NOTE 5 COMMITMENTS AND CONTINGENCIES

Participation Agreement

The District has a participation agreement with the City for joint operation of the sewer system that provides sewer facility and services to residents within the City and the areas suburban to the City. Under an amendment to this participation agreement on July 19, 1995, the annual costs for sewage treatment including maintenance, operation, expansion, upgrade, administration, insurance and financial services of the entire sewer system (treatment plant, trunk sewer, and collection system) shall be proportioned between the City and the District each year based on the ratio of the City to District sewer service units for each year of operation. The cost apportionment between the City and the District shall be adjusted annually at the beginning of each fiscal year of operation based upon the ratio of City to District equivalent sewer service units recorded between January 1 and March 31 of the preceding fiscal year.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Under the terms of the agreement, the City retains title, management and control of the sewer treatment plant including any additions or changes made to it. The City is responsible for maintaining and furnishing personnel for the operation of the sewer treatment plant and also provides inspection services and maintenance of sewer trunk and collection lines in the sewer system.

The following schedule presents the amount of joint costs allocated to the District:

Year ended June 30, 2022	Total Joint Costs	Allocation Percentage	District's Share of Costs
Salaries and Benefits	\$ 2,210,192	49.48%	\$ 1,093,603
Indirect Cost Allocation	543,964	49.48%	269,153
Contract Services	258,423	49.48%	127,868
Utilities	329,250	49.48%	162,913
Repairs and Maintenance	371,541	49.48%	183,838
Other Operating	215,735	49.48%	106,746
Supplies	163,546	49.48%	80,923
Water Treatment	<u>282,042</u>	49.48%	<u>139,554</u>
Subtotal Operating Expense	4,374,693		2,164,598
 Capital Outlay	 <u>251,983</u>	 49.48%	 <u>124,681</u>
Total	<u>\$ 4,626,676</u>		<u>\$ 2,289,279</u>

The District's share of costs is included in operating expense allocation – City of Ukiah on the statement of revenues, expenses, and changes in fund net position.

NOTE 6 RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to insure for the risk of loss, the District purchased insurance through commercial insurance carriers. The District's insurance coverage included general liability insurance with liability limit of \$1,000,000 and property liability limit of \$25,000,000.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DUE FROM CITY OF UKIAH

On October 1, 2018 the District and the City entered into a Settlement Agreement where the City agreed to transfer funds and pay to the District the monetary sum of \$7,500,000 with each party agreeing to release, with certain exceptions, claims associated with the then-pending lawsuit between them. Of the \$7,500,000: (1) the City was required to transfer and deposit \$2,515,689.80, representing the District's share (through August 31, 2018) of unspent bond proceeds held by City, to a fiscal agent for the exclusive purpose of prepaying the District's share of the principal amount due on the revenue bonds described in Note 5 and with additional requirement that the District receive application of the entire \$2,515,689.80 (regardless of future events) against the total principal amount of the revenue bonds for which the District is ultimately obligated to pay; (2) the City was required to pay directly to the District \$984,310.20 on or before October 30, 2018; and (3) the City was required to pay directly to the District an additional \$4,000,000 in equal annual installments of \$1,000,000, commencing October 30, 2019. The following is a schedule of payments required by the City to the District in accordance with the Settlement Agreement.

<u>Year Ending June 30,</u>	<u>Principal</u>
2023	<u>\$ 1,000,000</u>

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
December 19, 2022

To: Board of Directors
From: Wing-See Fox
Meeting Date: December 19, 2022

Item #3B: Discussion of Whether to Fill Board Vacancy by Election or Appointment

Background:

There were three Board positions up for election on November 8, 2022. Chair Wipf and Director Horsley filed papers to run for reelection, and Vice-Chair Bawcom did not run for reelection. No other District resident filed papers to run for the third seat. Since only two people filed to run for the three available Board positions, under Elections Code section 10515, those two are automatically appointed to the positions by the County. This resulted in the County Board of Supervisors appointing Chair Wipf and Director Horsley to another four-year term on October 4, 2022, and the November 8, 2022 District election was cancelled. The remaining third District Board seat for a four-year term is now vacant and needs to be filled by the Board by appointment or election.

Discussion:

The County did not appoint anyone to fill the third available District Board seat by its deadline to do so (and no one had expressed interest to the County Board of Supervisors in filling the seat). The County has taken the position for the third District Board seat is officially “vacant” as of December 2, 2022, and Government Code section 1780 applies. This means the remaining members of the current District Board can choose to fill the vacant seat by election or appointment within 60 days of the vacancy, or by January 31, 2023.

If the Board decides to call an election in March 2023 to fill the seat, the County estimates that it would cost the District at least \$7,500-\$10,000 to conduct the election.

If the District Board decides to appoint someone to fill that vacancy, that person would serve until a replacement is elected at the November 2024 general election. If the District Board decides to appoint, District staff requests the Board’s guidance on whether there are any changes to the attached draft application for appointment and notice of the director vacancy and call for applications. The Board could then interview candidates who submit an application and appoint the Board member at the January 11, 2023 regular Board meeting (or schedule a Special Meeting if the Board desires to push the deadlines back).

Fiscal Impact:

If the Board decides to call an election in March 2023 to fill the seat, the County estimates that it would cost the District at least \$7,500-\$10,000 to conduct the election.

Recommendation:

1. Discuss whether to call an election or appoint to fill the Board vacancy.

2. If Board acts to fill the vacancy by appointment, provide guidance on the application for appointment.

Attachments:

1. Letter from County dated September 20, 2022
2. Draft Application for Appointment
3. Draft Notice of Director Vacancy and Call for Applications

Respectfully submitted,



WING-SEE FOX
Interim District Manager

KATRINA BARTOLOMIE
ASSESSOR
COUNTY CLERK-RECORDER
REGISTRAR OF VOTERS
COMMISSIONER OF
CIVIL MARRIAGES

COUNTY OF MENDOCINO

OFFICE OF ASSESSOR-COUNTY CLERK-RECORDER
501 LOW GAP ROAD, RM. 1020
UKIAH, CALIFORNIA 95482
E-MAIL: acr@co.mendocino.ca.us

TONYA MOUNTS
ASSISTANT ASSESSOR
(707) 234-6800
ASSESSOR FAX: (707) 463-6597

AMANDA WOLTER
ASSISTANT REGISTRAR OF VOTERS
ASSISTANT CLERK RECORDER
(707) 234-8819

Business Property (707) 234-6815
County Clerk: (707) 234-6822
Recorder: (707) 234-6823
CLERK-RECORDER FAX: (707) 463-4257

RECEIVED
SEP 27 2022
BY: *CT*

September 20, 2022

Dear District Secretary / Manager:

RE: November 8, 2022 Statewide General Election

The enclosed is a copy of your district's certificate to the Board of Supervisors requesting appointment in lieu of election for those candidates who completed their declaration of candidacy paperwork. The item is scheduled to be on the Mendocino County Board of Supervisors (BOS) agenda as a Consent Item on October 4, 2022.

Because the number of candidates who filed their declaration of candidacy paperwork did not exceed the number of offices to be filled, your district will not go to election, but the BOS will appoint those who completed their declaration of candidacy paperwork in lieu of election.

For positions where no one filed declaration of candidacy paperwork, the BOS is authorized to appoint any interested electors residing within the boundaries of your district. Those interested in serving on your board should write a letter of interest addressed to the Mendocino County Board of Supervisors, 501 Low Gap Rd., Rm 1010, Ukiah, CA 95482, requesting appointment to your board. Appointments should be made by Election Day, so please encourage individuals to write to the BOS as quickly as possible.

Certificates of Appointment & Oath will be sent out to your candidates by the Clerk of the Board after the meeting date mentioned above. The Oaths will be mailed to the addresses listed on the certificate. Instructions will accompany the oaths.

If you have any questions you can call us at 707 234-6819.

Sincerely,



Katrina Bartolomie
Assessor, County Clerk, Recorder

enclosure

**CERTIFICATE
(SECTION 10515 ELECTION CODE)**

**TO THE HONORABLE BOARD OF SUPERVISORS
COUNTY OF MENDOCINO**

I, **KATRINA BARTOLOMIE, ASSESSOR-COUNTY CLERK-RECORDER**, do hereby certify that at 5:00 p.m. on **AUGUST 17, 2022** the number of nominees did not exceed the number of offices to be filled and that no petition requesting a special election in the **UKIAH VALLEY SANITATION DISTRICT** was filed with the County Clerk.

NOW THEREFORE, pursuant to Election Code 10515 (a), the following persons have filed their declaration of candidacy papers and are required to be appointed prior to **NOVEMBER 8, 2022** to the terms as shown:

Term to begin December 2, 2022 at noon and end the first Friday in December of 2026.

Candace Horsely	1261 Ridgeview Dr., Ukiah 95482	391-7574
Ernie Wipf	PO Box 234 Ukiah 95482	272-8741

The Board of Supervisors can make additional appointments in lieu of election for electors residing within the boundaries of the above districts to fill positions to the terms beginning and ending as follows:

- 1 elector residing within the boundaries of the above district to serve the term beginning December 2, 2022 and end the first Friday in December 2026.

WITNESS MY HAND AND OFFICIAL SEAL THIS 20th DAY OF September, 2022.

(SEAL)



KATRINA BARTOLOMIE, County Clerk
in and for the County of Mendocino
State of California

cc: District Secretary



APPLICATION FOR APPOINTMENT TO THE BOARD OF DIRECTORS OF THE UKIAH VALLEY SANITATION DISTRICT

Applicants for appointment to the Board of Directors must reside within the boundaries of the Ukiah Valley Sanitation District and be a registered voter. Prior to taking the Oath of Office and being seated on the Board, residency of the appointed member will be verified. Appointment will be voided if appointed member is not a resident of the District.

Name of Applicant: _____
 First Name Middle Initial Last Name

Resident Address of Applicant: _____
 Provide address of physical location if different than mailing address

Why do you want to become a Board Member?

Continue on separate page if necessary

What do you see as the critical issues facing the District?

Continue on separate page if necessary

Can you commit to attend regularly scheduled Board meetings on the second Wednesday of the month beginning at 6:00 pm and lasting about two to three hours?

YES OR NO (Circle)

APPLICATION FOR BOARD MEMBER APPOINTMENT CONTINUED

Have you previously served or are you serving on another Public Agency Board, and, if so, please name the Board:

What attributes or skills will you bring to the Board?

What do you envision the role of a Board member to be?

Any additional information about yourself you wish add?

Please submit to the District Office at 151 Laws Avenue, Ukiah CA, 95482 or email to aa@uvsd.org before 12pm on January 4, 2023.

FROM THE BOARD OF DIRECTORS
OF THE UKIAH VALLEY SANITATION DISTRICT

NOTICE OF BOARD MEMBER VACANCY AND CALL FOR APPLICATIONS

Notice is hereby provided that there is a vacancy on the Board of Directors of the Ukiah Valley Sanitation District (the “Board”). The Board has decided to fill the vacancy by appointment.

The Board is calling for applications from those interested individuals who reside within the District and who are registered voters. Residency within the District is a requirement for Board members. Applications for the vacated Board membership must be submitted to the District Office and received **before 12:00 noon on January 4, 2023**. The District Office is located at 151 Laws Avenue, Ukiah CA, 95482. Applications are available at the District Office and on the District’s website at uvsd.org. The applications may be hand-delivered, mailed or e-mailed as an attachment to the District’s e-mail address at aa@uvsd.org. For questions regarding Board membership or the application, please call (707) 462-4429 or email aa@uvsd.org. The District office is open Monday to Friday, 8 a.m. to 4 p.m.

The Board will select applicants to interview and it is expected that the Board will conduct interviews of selected applicants and appoint the successful interviewee to the Board at its regularly scheduled meeting of January 11, 2023, 6 p.m. Regular Board meetings are conducted at the Board Meeting room located at 151 Laws Avenue, Ukiah CA, 95482.

The appointed individual will hold office until noon on the first Friday of December 2024.