

**UKIAH VALLEY SANITATION DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ukiah Valley Sanitation District  
Ukiah, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ukiah Valley Sanitation District (the "District"), as of and for the year ended June 30, 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 error or fraud.

### ***Auditor's 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 and the State Controller's Minimum Audit Requirements for California Special Districts. 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 opinion.

## ***Opinion***

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, 2017, and the changes in financial position 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 California State Controller's Office and state regulations governing special districts.

## ***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 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.

*Van Lant + Fankhanel, LLP*

September 24, 2019

**UKIAH VALLEY SANITATION DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

**ASSETS**

Current Assets:

Cash and Investments	\$ 7,312,274
Accounts Receivable	<u>702,067</u>
Total Current Assets	8,014,341

Noncurrent Assets:

Capital Assets:

Depreciable, Net	<u>12,858,918</u>
Total Noncurrent Assets	<u>12,858,918</u>
Total Assets	20,873,259

**LIABILITIES**

Current Liabilities:

Accounts Payable	194,528
Salaries and Benefits Payable	896
Accrued Interest	116,356
Debt Payable to City of Ukiah - Due in One Year	<u>351,055</u>
Total Current Liabilities	662,835

Long-Term Liabilities:

Debt Payable to City of Ukiah - Due in More Than One Year	<u>9,879,943</u>
Total Long-Term Liabilities	<u>9,879,943</u>
Total Liabilities	10,542,778

**NET POSITION**

Net Investment in Capital Assets	2,627,920
Unrestricted	<u>7,702,561</u>
Total Net Position	<u><u>\$ 10,330,481</u></u>

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2017**

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 5,443,828
Connection Fees	131,221
Total Operating Revenues	<u>5,575,049</u>
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	87,825
Services and Supplies	172,413
Operating Expense Allocation - City of Ukiah	4,109,145
Legal Expense	1,497,036
Depreciation and Amortization	333,529
Total Operating Expenses	<u>6,199,948</u>
<b>OPERATING INCOME</b>	(624,899)
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Taxes and Assessments	53,122
Interest Income	45,894
Intergovernmental Revenues	3,300
Other revenue	114,157
Other expense	(100)
Interest Expense	<u>(475,554)</u>
Total Nonoperating Revenue (Expenses)	<u>(259,181)</u>
<b>CHANGE IN NET POSITION</b>	(884,080)
Net Position - Beginning of Year	<u>11,214,561</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 10,330,481</u></u>

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 5,536,988
Payments to Suppliers	(5,784,841)
Payments to Employees	<u>(92,269)</u>
Net Cash Used by Operating Activities	<u>(340,122)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Other Payments	(100)
Grants and Other Receipts	<u>170,579</u>
Net Cash Provided by Noncapital Financing Activities	<u>170,479</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING  
ACTIVITIES**

Principal Paid on Capital Debt	(337,618)
Interest Paid on Capital Debt	<u>(478,971)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(816,589)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	<u>45,894</u>
Net Cash Provided by Investing Activities	<u>45,894</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(940,338)

Cash and Cash Equivalents - Beginning of Year

8,252,612

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 7,312,274

*See accompanying Notes to Financial Statements.*



**UKIAH VALLEY SANITATION DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

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

Operating Income (Loss)	\$ (624,899)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	333,529
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	(38,061)
Increase (Decrease) in:	
Accounts Payable	(6,247)
Accrued Salaries and Benefits	(4,444)
Net Cash Provided (Used) by Operating Activities	<u>\$ (340,122)</u>

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017**

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.

**E. Receivables**

The District's accounts receivable are reported at their estimated realizable value and consist primarily of sewer service charges to District customers. The allowance for doubtful accounts was \$0 as of June 30, 2017.

**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, 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.

**UKIAH VALLEY SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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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.

**NOTE 2 CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

The District’s cash and investments are held within the pooled investment portfolios of the City and County of Mendocino (County). The City and County allocate interest to the various funds based on the average monthly cash balances.

**UKIAH VALLEY SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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At June 30, 2017, the District's cash and investments consisted of the following:

Cash and Investments:	
City of Ukiah	\$ 5,070,058
County of Mendocino	2,154,399
District Deposits	<u>87,817</u>
Total Cash and Investments	<u>\$ 7,312,274</u>

**B. Cash**

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.

**C. Investments**

The District maintains cash deposits with the County and City and participates in the external investment pools of the County and the City. The County and the City are restricted by the State code in the type of investments they can make. Furthermore, the County treasurer and the City Treasurer have written investment policies, approved by the Board of Supervisors and the City Council, respectively, which are more restricted than the State code as to the term of maturity and type of investment.

The County and the City's investment policy authorizes the County and the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2017, the District's cash and investments with the County treasurer and the City treasurer were stated at fair value. However, the value of the pool shares in the County and the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's portion in the pool.

For information regarding investments held by the County refer to the County of Mendocino financial statements which may be obtained by contacting the County Auditor-Controller at 501 Low Gap Rd. #1080 Ukiah, CA 95482.

For information regarding investments held by the City refer to the City of Ukiah financial statements which may be obtained by contacting the City Finance Director at 300 Seminary Ave, Ukiah, CA 95482.

**UKIAH VALLEY SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Retirements and Adjustments	Balance June 30, 2017
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, Not Being Depreciated	-	-	-	-
Capital Assets, Being Depreciated:				
Land Improvements	108,986	-	-	108,986
Trunk Lines	3,930,469	-	-	3,930,469
Lateral Lines	41,309	-	-	41,309
Buildings	124,303	-	-	124,303
Machinery & Equipment	226,615	-	-	226,615
Intangible Assets	12,607,761	-	-	12,607,761
Total Capital Assets, Being Depreciated	17,039,443	-	-	17,039,443
Less Accumulated Depreciation for:				
Land Improvements	(108,986)	-	-	(108,986)
Trunk Lines	(1,843,223)	(80,990)	-	(1,924,213)
Lateral Lines	(41,309)	-	-	(41,309)
Buildings	(124,303)	-	-	(124,303)
Machinery & Equipment	(216,244)	(384)	-	(216,628)
Intangible Assets	(1,512,931)	(252,155)	-	(1,765,086)
Total Accumulated Depreciation	(3,846,996)	(333,529)	-	(4,180,525)
Total Capital Assets, Being Depreciated, Net	13,192,447	(333,529)	-	12,858,918
Total Capital Assets, Net	\$ 13,192,447	\$ (333,529)	\$ -	\$ 12,858,918

**NOTE 4 LONG-TERM LIABILITIES**

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

Types of Indebtedness	Balance July 1, 2016	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2017	Amounts Due Within One Year
Debt Payable	\$ 10,568,616	\$ -	\$ (337,618)	\$ 10,230,998	\$ 351,055

**UKIAH VALLEY SANITATION DISTRICT  
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Individual issues of debt payable outstanding at June 30, 2017 are as follows:

	Amount
<b>Debt Payable</b>	
The District entered into a financing agreement with the City of Ukiah on March 2, 2006 related to the City's Bond Installment Sale Agreement for the dual purpose of performing an Upgrade/Rehabilitation Project and an increased Capacity Project for the City's Waste Water Treatment Plan. Under the financing agreement the District is required to pay for 65% of the portion of the bonds related to the Capacity Project. The Capacity Project was 25.8414% of the bonds in the amount of \$12,607,761, payable in annual principal installments of \$67,188 to \$787,775 with interest rates of 4.00% - 4.75% and maturity on March 1, 2036.	10,230,998
Total Debt Payable	\$ 10,230,998

Following is a schedule of debt payment requirements to maturity for long-term debt that have indefinite maturities.

<u>Year Ending June 30,</u>	Debt Payable		
	Principal	Interest	Total
2018	\$ 351,055	\$ 465,426	\$ 816,481
2019	366,173	451,383	817,556
2020	382,970	436,279	819,249
2021	398,087	420,003	818,090
2022	416,563	403,084	819,647
2023-2027	2,383,482	1,723,264	4,106,746
2028-2032	2,989,850	1,126,579	4,116,429
2033-2036	2,942,818	357,598	3,300,416
Total	\$ 10,230,998	\$ 5,383,616	\$ 15,614,614

**NOTE 5 COMMITMENTS AND CONTINGENCIES**

Pending Litigation and Claims

The District is involved in various claims and litigation arising in the ordinary course of business. District management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the District's financial position or results of operations.

Financing Obligation

On March 1, 2006, the City entered into a revenue bond to finance the upgrade and expansion of the wastewater treatment plant. The original amount of the obligation was \$75,060,000 and is secured with a pledge of net revenues from the City's wastewater system. The obligation principal is payable in annual installments beginning March 1, 2009

**UKIAH VALLEY SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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ranging from \$400,000 to \$4,690,000 through March 1, 2036. Interest payments commenced September 1, 2006 and are payable semiannually on September 1<sup>st</sup> and March 1<sup>st</sup>. At June 30, 2014, the installment obligation liability outstanding excluding the unamortized premium of \$64,919 was as follows:

Purpose	Interest Rates	Amount
Wastewater Treatment Plant Upgrade & Expansion	4.00% - 4.75%	\$ 75,060,000

Subsequent to year end the District entered into an operating agreement with the City on October 3, 2018 (the Operating Agreement) that defined the allocation of the bond obligation between an Upgrade/Rehabilitation Project and a Capacity Project as follows:

Purpose	Allocation	Amount
Upgrade/Rehabilitation Project	74.1586%	\$ 55,663,445
Capacity Project	25.8414%	19,396,555
		<u>\$ 75,060,000</u>

The Operating Agreement also clarified the second amendment to the Participation Agreement to indicate that the District and City shall own 65% and 35%, respectively, the additional capacity produced by the Capacity Project. As such the District has capitalized the additional capacity as an intangible asset and recognized a debt payable to the city in the amount of 65% of the Capacity Project Debt in the amount of \$12,607,761, see Note 4. Additionally, under the Participation Agreement the District is obligated to pay its share of the Upgrade/Rehabilitation Project obligation which will be calculated based on the ratio of the City to District equivalent sewer service units on record as of March 31 of each year; thus, the District's share of the debt amount cannot be calculated as of June 30, 2017. The future maturity of the Upgrade/Rehabilitation Project portion of the installment obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,549,915	\$ 2,054,861
2019	1,616,657	1,992,864
2020	1,690,816	1,926,177
2021	1,757,559	1,854,317
2022	1,839,133	1,779,621
2023-2027	10,523,105	7,608,237
2028-2032	13,200,231	4,973,864
2033-2036	12,992,587	1,578,800
Total	<u>\$ 45,170,003</u>	<u>\$ 23,768,741</u>



**UKIAH VALLEY SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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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 annual at the beginning of each fiscal year of operation based upon the ratio of City to District equivalent sewer service units on record as of March 31 of each year.

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 sewer trunk and collection lines in the sewer system.

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

<u>Year ended June 30, 2017</u>	<u>Total Joint Costs</u>	<u>Allocation Percentage</u>	<u>District's Share of Costs</u>
Salaries and Benefits	\$ 1,312,216	47.50%	\$ 623,303
Repairs and Maintenance	656,398	47.50%	311,789
Internal Services	599,617	47.50%	284,818
Infrastructure	598,588	47.50%	284,329
Utilities	408,427	47.50%	194,003
Contracted Services	306,110	47.50%	145,402
Central Services	264,520	47.50%	125,647
Sewer Capital	263,465	47.50%	125,146
Water Treatments	202,430	47.50%	96,154
Supplies	131,833	47.50%	62,621
Other Operating	161,366	47.50%	76,649
Debt Service Principal	1,548,800	47.50%	735,680
Debt Service Interest	2,197,062	47.50%	1,043,604
Total	<u>\$ 8,650,832</u>		<u>\$ 4,109,145</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.

**UKIAH VALLEY SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued. The following subsequent events were identified:

On October 3, 2018, the District and the City entered into an Operating Agreement that represented the entire agreement of the parties, except to the extent that its provisions did not effectively amend or replace the Participation Agreement and Financing Agreement. See additional disclosure in Note 5.

On October 1, 2018 the District and the City entered into a Settlement Agreement and Release 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 installment of \$1,000,000.00, commencing October 30, 2019.