

UKIAH VALLEY SANITATION DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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**UKIAH VALLEY SANITATION DISTRICT
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YEAR ENDED JUNE 30, 2020**

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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, 2020, 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 respective financial position of the Ukiah Valley Sanitation District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cashflows thereof 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

Loma Linda, CA
January 11, 2020

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS

Current Assets:

Cash and Investments	\$ 5,952,141
Accounts Receivable	1,078,328
Interest Receivable	67,500
Restricted Cash	510,661
Due from City of Ukiah	1,000,000
Total Current Assets	8,608,630

Noncurrent Assets:

Due from City of Ukiah	2,000,000
Capital Assets:	
Depreciable, Net	29,770,754
Total Noncurrent Assets	31,770,754
Total Assets	40,379,384

LIABILITIES

Current Liabilities:

Accounts Payable	60,487
Accrued Interest	209,551
Bonds Payable - Due in One Year	1,380,000
Total Current Liabilities	1,650,038

Long-Term Liabilities:

Bonds Payable - Due in More Than One Year	23,625,000
Total Long-Term Liabilities	23,625,000
Total Liabilities	25,275,038

NET POSITION

Net Investment in Capital Assets	4,765,754
Unrestricted	10,338,592
Total Net Position	\$ 15,104,346

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2020**

OPERATING REVENUES	
Charges for Services	\$ 5,595,914
Connection Fees	1,521,579
Total Operating Revenues	<u>7,117,493</u>
 OPERATING EXPENSES	
Salaries and Benefits	35,714
Services and Supplies	379,903
Operating Expense Allocation - City of Ukiah	4,225,298
Legal Expense	290,240
Depreciation and Amortization	488,018
Total Operating Expenses	<u>5,419,173</u>
 OPERATING INCOME	 <u>1,698,320</u>
 NONOPERATING REVENUE (EXPENSES)	
Taxes and Assessments	59,373
Interest Income	210,256
Intergovernmental Revenues	360
Bond Issuance Expense	(291,898)
Interest Expense	(500,407)
Total Nonoperating Revenue (Expenses)	<u>(522,316)</u>
 CHANGE IN NET POSITION	 1,176,004
Net Position - Beginning of Year	<u>13,928,342</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 15,104,346</u></u>

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 6,870,908
Payments to Suppliers	(4,946,197)
Payments to Employees	(35,714)
Net Cash Provided by Operating Activities	1,888,997

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tax & Assessment Receipts	59,733
Settlement Receipts	1,000,000
Net Cash Provided by Noncapital Financing Activities	1,059,733

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(17,785,867)
Proceeds from Bonds Payable	24,713,102
Principal Paid on Capital Debt	(9,513,770)
Interest Paid on Capital Debt	(436,282)
Net Cash Used by Capital and Related Financing Activities	(3,022,817)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	210,256
Net Cash Provided by Investing Activities	210,256

NET INCREASE IN CASH AND CASH EQUIVALENTS

136,169

Cash and Cash Equivalents - Beginning of Year

6,326,633

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 6,462,802

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

Cash and Investments	\$ 5,952,141
Restricted Cash	510,661
	5,441,480

TOTAL CASH AND CASH EQUIVALENTS

\$ 6,462,802

**UKIAH VALLEY SANITATION DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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

Operating Income (Loss)	\$ 1,698,320
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	488,018
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	(246,585)
Increase (Decrease) in:	
Accounts Payable	(50,756)
Accrued Salaries and Benefits	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,888,997</u>
Noncash Investing, Capital and Financing Activities:	
Acquisition of capital assets in accounts payable	<u>\$ 17,397</u>

See accompanying Notes to Financial Statements.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 Wastewater 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, 2020**

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, 2020.

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 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.

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

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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
JUNE 30, 2020**

At June 30, 2020, the District's cash and investments consisted of the following:

Cash and Investments:	
City of Ukiah	\$ 2,024,058
County of Mendocino	3,671,326
District Deposits	256,757
Restricted Cash	510,661
Total Cash and Investments	<u>\$ 6,462,802</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, 2020, 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.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

D. 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, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements and Adjustments	Balance June 30, 2020
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	4,211,514	199,519	-	4,411,033
Lateral Lines	41,309	-	-	41,309
Buildings	124,303	-	-	124,303
Machinery & Equipment	226,615	8,238	-	234,853
Software	-	6,430	-	6,430
Intangible Assets	12,607,761	17,571,680	-	30,179,441
Total Capital Assets, Being Depreciated	17,320,488	17,785,867	-	35,106,355
Less Accumulated Depreciation for:				
Land Improvements	(108,986)	-	-	(108,986)
Trunk Lines	(2,086,193)	(88,773)	-	(2,174,966)
Lateral Lines	(41,309)	-	-	(41,309)
Buildings	(124,303)	-	-	(124,303)
Machinery & Equipment	(217,396)	(659)	-	(218,055)
Software	-	-	-	-
Intangible Assets	(2,269,396)	(398,586)	-	(2,667,982)
Total Accumulated Depreciation	(4,847,583)	(488,018)	-	(5,335,601)
Total Capital Assets, Being Depreciated, Net	12,472,905	17,297,849	-	29,770,754
Total Capital Assets, Net	<u>\$ 12,472,905</u>	<u>\$ 17,297,849</u>	<u>\$ -</u>	<u>\$ 29,770,754</u>

In conjunction with the issuance of the Ukiah Valley Sanitation District Wastewater Revenue Refunding Bonds, Series 2020 (District's 2020 Bonds), as described in Note 4 of the financial statements, the District recorded an intangible asset in the amount of \$17,571,680 for its right to use portion of the City of Ukiah's wastewater treatment plant upgrade/rehabilitation project.

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2019	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2020	Amounts Due Within One Year
Debt Payable	\$ 9,513,770	\$ -	\$ (9,513,770)	\$ -	\$ -
Bonds Payable	-	25,005,000	-	25,005,000	1,380,000
Total Long-Term Liabilities	<u>\$ 9,513,770</u>	<u>\$ 25,005,000</u>	<u>\$ (9,513,770)</u>	<u>\$ 25,005,000</u>	<u>\$ 1,380,000</u>

Debt Payable – City of Ukiah

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 Plant. Under the financing agreement the District was 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. The debt payable to the City of Ukiah was paid off with proceeds from the issuance of the bonds described below.

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 fully prepay the District’s allocable share of the 2006 Bonds. The District’s 2020 Bonds carry an interest rate of 2.42%, with 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:

Year Ending June 30,	Bonds Payable		
	Principal	Interest	Total
2021	\$ 1,380,000	\$ 608,550	\$ 1,988,550
2022	1,430,000	563,074	1,993,074
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
2026-2030	8,297,000	1,697,618	9,994,618
2031-2035	9,387,000	635,807	10,022,807
Total	<u>\$ 25,005,000</u>	<u>\$ 4,981,770</u>	<u>\$ 29,986,770</u>

**UKIAH VALLEY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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 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 of the 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, 2020</u>	<u>Total Joint Costs</u>	<u>Allocation Percentage</u>	<u>District's Share of Costs</u>
Salaries and Benefits	\$ 2,134,102	47.00%	\$ 1,003,027
Indirect Cost Allocation	848,287	47.00%	398,695
Repairs and Maintenance	650,913	47.00%	305,929
Infrastructure	392,174	47.00%	184,322
Contract Services	445,841	47.00%	209,545
Other Operating	254,842	47.00%	119,776
Water Treatment	266,433	47.00%	125,224
Utilities	326,834	47.00%	153,612
Supplies	151,826	47.00%	71,358
Debt Service Principal	1,690,816	47.00%	794,684
Debt Service Interest	1,827,927	47.00%	859,126
Total	<u>\$ 8,989,995</u>		<u>\$ 4,225,298</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, 2020**

COVID-19

The COVID-19 Pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact the ability of District customers to pay their bills. Management believes the District is taking appropriate action to mitigate the negative impact, however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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.

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. Interest accrues on the outstanding balance beginning October 3, 2019, at a rate of 3% per year. As of June 30, 2020, interest receivable was \$67,500. The following is a schedule of remaining payments required by the City to the District in accordance with the Settlement Agreement.

<u>Year Ending June 30.</u>	<u>Principal</u>
2021	\$ 1,000,000
2022	1,000,000
2023	1,000,000
Total	<u>\$ 3,000,000</u>