

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

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**UKIAH VALLEY SANITATION DISTRICT
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YEAR ENDED JUNE 30, 2022**

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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>\$ 3,399,435</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><u>\$ 11,752,649</u></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	<u>\$ 28,991,201</u>	<u>\$ (656,419)</u>	<u>\$ -</u>	<u>\$ 28,334,782</u>

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>