

GOLETA WEST
SANITARY DISTRICT
June 30, 2014 and 2013
FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

GOLETA WEST SANITARY DISTRICT

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Balance Sheet.....	8 - 9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements.....	12 – 26
Supplemental Information	
Schedule of Operating Expenses	27



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Goleta West Sanitary District:**

Report on the Financial Statements

We have audited the accompanying financial statements of the Goleta West Sanitary District (the "District") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Goleta West Sanitary 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 as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 Goleta West Sanitary District, as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Goleta West Sanitary District's basic financial statements. The Supplemental Schedule of Operating Expenses on page 27 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Supplemental Schedule of Operating Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bartlett, Pingle & Wolf, LLP

Santa Barbara, California

November 7, 2014

GOLETA WEST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the years ended June 30, 2014 and 2013. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include four components:

- Balance Sheet
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The balance sheet includes all the District's assets and liabilities, with the difference between the two reported as net position. Net position is classified in to the following components:

- Net Investment in Capital Assets and Capacity Rights
- Restricted
- Unrestricted

The balance sheet provides information about assets, liabilities, and net position of the District at a specific point in time. It is the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net assets changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other changes.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Non-capital financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because the statement accounts only for transactions that result in cash receipts or cash disbursements.

**GOLETA WEST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Statements (Continued)

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

During the year ended June 30, 2014, the District's total net position increased by \$ 1,848,037 (3.5%). The District's operating revenues increased by \$247,720 (10.2%) and operating expenses increased by \$58,996 (1.3%). Non-operating income increased in the current year by \$237,973 (7.2%).

Revenue Sources and Uses

The District's financial statements classify revenues as operating or non-operating revenues. Operating revenues are comprised primarily of sewer service charges. The sewer service charge as of June 30, 2014 is \$181 per equivalent residential unit (ERU) for all customers. Additional surcharges are imposed for non-residential uses and vary based on the strength of the wastewater. Non-operating revenues are comprised primarily of property tax revenue, connection fees and investment income. The annual property tax revenues are predominately based on pre-Proposition 13 property tax allocation percentages.

District revenues are deposited into various operating and reserve funds which are the sources for District expenditures. Operating revenues are used to cover all wastewater operation and maintenance expenses. Non-operating revenues are used to cover all other operation and maintenance expenditures which are not wastewater related (including street sweeping) and capital improvement projects. The following table provides information regarding the uses of operating revenues.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Total operating revenues	\$ 2,676,338	\$ 2,428,618	\$ 2,420,121
Wastewater O&M expenses	4,327,330	4,147,672	3,798,217
Less: Depreciation and amortization	<u>(1,570,473)</u>	<u>(1,597,194)</u>	<u>(1,369,442)</u>
	2,756,857	2,550,478	2,428,775
Net wastewater operating loss	<u>\$ (80,519)</u>	<u>\$ (121,860)</u>	<u>\$ (8,654)</u>

**GOLETA WEST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Financial Statements

Net Position

The District's net position at June 30, 2014 totaled \$ 55,114,214 compared to \$ 53,266,177 at June 30, 2013. The increase in net position can be attributed to an operating loss of \$2,059,910, offset by non-operating income of \$ 3,551,299 .

The following is a summary of the District's balance sheet as of June 30, 2014 compared to June 30, 2013 and 2012:

	June 30,	June 30,	Change		June 30,	Change	
	2014	2013	\$	%	2012	\$	%
<u>Assets:</u>							
Current assets	\$ 2,822,370	\$ 1,926,683	\$ 895,687	46.5%	\$ 1,266,891	\$ 659,792	52.1%
Noncurrent assets:							
Unrestricted assets	510,210	1,430,123	(919,913)	-64.3%	2,300,978	(870,855)	-37.8%
Restricted assets	11,054,910	8,518,041	2,536,869	29.8%	10,859,228	(2,341,187)	-21.6%
Dedicated assets	4,817,406	5,359,066	(541,660)	-10.1%	4,843,109	515,957	10.7%
Capital assets, net	17,789,550	16,106,145	1,683,405	10.5%	16,383,871	(277,726)	-1.7%
Capacity rights, net	20,495,685	20,651,001	(155,316)	-0.8%	18,420,737	2,230,264	12.1%
Total Assets	\$ 57,490,131	\$ 53,991,059	\$ 3,499,072	6.5%	\$ 54,074,814	\$ (83,755)	-0.2%
<u>Liabilities:</u>							
Current liabilities	\$ 2,375,917	\$ 654,882	\$ 1,721,035	262.8%	\$ 1,533,277	\$ (878,395)	-57.3%
Long term liabilities	-	70,000	(70,000)	-100.0%	340,000	(270,000)	-79.4%
Total Liabilities	\$ 2,375,917	\$ 724,882	\$ 1,651,035	227.8%	\$ 1,873,277	\$ (1,148,395)	-61.3%
<u>Net Position:</u>							
Invested in capital assets and capacity rights	\$ 38,285,235	\$ 36,757,146	\$ 1,528,089	4.2%	\$ 34,804,608	\$ 1,952,538	5.6%
Restricted	11,054,910	8,518,041	2,536,869	29.8%	10,859,228	(2,341,187)	-21.6%
Unrestricted, dedicated	4,817,406	5,359,066	(541,660)	-10.1%	4,843,109	515,957	10.7%
Unrestricted	956,663	2,631,924	(1,675,261)	-63.7%	1,694,592	937,332	55.3%
Total Net Position	\$ 55,114,214	\$ 53,266,177	\$ 1,848,037	3.5%	\$ 52,201,537	\$ 1,064,640	2.0%

Net position may serve as an indicator of a public governmental agency's financial status. In the case of the District, assets exceeded liabilities by \$ 55,114,214 as of June 30, 2014.

With a total of \$38,285,235, the largest portion of the District's total net position reflects its investment in capital assets and capacity rights related to the Goleta Sanitary District (GSD) treatment facility. The District uses these capital assets to provide service to its customers; consequently, these assets are not available for future spending.

Restricted net position represents assets which are required by external parties to be used for specific purposes, less any liabilities payable from those assets. The restricted net position of \$11,054,910 must be used for specified purposes, as described in more detail in Note 5.

**GOLETA WEST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position (Continued)

Unrestricted net position consists of assets and liabilities that do not meet the definition of net investment in capital assets, or restricted net position. The Board of Directors has dedicated certain portions of its unrestricted net position for specific uses, which are classified in the balance sheet as unrestricted, dedicated. Note 5 contains more detailed information regarding the nature of these dedications.

Changes in Net Position

The District reported a change in net position of \$ 1,848,037 for the year ended June 30, 2014, an increase of \$ 783,397 (73.6%) when compared to the year ended June 30, 2013. The following is a summary of the District's statement of revenues, expenses and changes in net position for the years ended June 30, 2014, 2013 and 2012.

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>	<u>Change</u>		<u>June 30,</u> <u>2012</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>		<u>\$</u>	<u>%</u>
Operating revenues	\$ 2,676,338	\$ 2,428,618	\$ 247,720	10.2%	\$ 2,420,121	\$ 8,497	0.4%
Operating expenses	4,736,300	4,677,304	58,996	1.3%	4,287,357	389,947	9.1%
Total Operating Loss	<u>(2,059,962)</u>	<u>(2,248,686)</u>	<u>188,724</u>	<u>-8.4%</u>	<u>(1,867,236)</u>	<u>(381,450)</u>	<u>20.4%</u>
Non-operating income	<u>3,551,299</u>	<u>3,313,326</u>	<u>237,973</u>	<u>7.2%</u>	<u>2,936,236</u>	<u>377,090</u>	<u>12.8%</u>
Change in net position before contributions	1,491,337	1,064,640	426,697	40.1%	1,069,000	(4,360)	-0.4%
Capital contributions	<u>356,700</u>	<u>-</u>	<u>356,700</u>	<u>100.0%</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Change in net position	1,848,037	1,064,640	783,397	73.6%	1,069,000	(4,360)	-0.4%
Net Position at Beginning of Year	<u>53,266,177</u>	<u>52,201,537</u>	<u>1,064,640</u>	<u>2.0%</u>	<u>51,132,537</u>	<u>1,069,000</u>	<u>2.1%</u>
Net Position at End of Year	<u>\$ 55,114,214</u>	<u>\$ 53,266,177</u>	<u>\$ 1,848,037</u>	<u>3.5%</u>	<u>\$ 52,201,537</u>	<u>\$ 1,064,640</u>	<u>2.0%</u>

Operating revenues increased between the fiscal years ended June 30, 2014 and June 30, 2013 primarily due to an increase in the annual sewer service charge.

Operating expenses remained comparable between the fiscal years ended June 30, 2014 and June 30, 2013. See the supplemental schedule of operating expenses on page 27 of the financial statements for more detailed information.

Non-operating revenues increased during the year by \$ 237,973 (7.2%) due to the following: Connection fee revenue increased by \$663,507 due to new building developments within the District's boundaries. Also, the District received \$356,700 of contributed capital for acceptance of The Bluffs development project, which began in 2005 and was completed during this fiscal year. These increases were offset by decreased taxes and assessments as the District received an allocation of funds from the dissolution of all California redevelopment agencies in the prior year. Additionally, in the prior year the District recognized a gain of \$213,578 due to a reduction in the estimated amount of the accrued underground storage tank environmental cleanup liability. A gain on the elimination of this liability was recognized in the current year, but only for \$12,956.

**GOLETA WEST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets

At June 30, 2014, the District had invested \$29,022,014 in capital assets. This amount represents an increase of \$2,292,172 (8.6%) from the prior year. The following is a summary of the capital assets at June 30, 2014, 2013, and 2012, respectively.

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>	<u>Change</u>		<u>June 30,</u> <u>2012</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>		<u>\$</u>	<u>%</u>
Structures and improvements	\$ 16,637	\$ 16,637	\$ -	0.0%	\$ 53,859	\$ (37,222)	-69.1%
Infrastructure	23,533,210	23,418,747	114,463	0.5%	23,638,573	(219,826)	-0.9%
Equipment	1,438,498	1,440,540	(2,042)	-0.1%	1,199,066	241,474	20.1%
Office equipment & furniture	434,806	426,852	7,954	1.9%	779,677	(352,825)	-45.3%
Construction in progress	3,598,863	1,427,066	2,171,797	152.2%	1,276,124	150,942	11.8%
Total Capital Assets	<u>\$ 29,022,014</u>	<u>\$ 26,729,842</u>	<u>\$ 2,292,172</u>	<u>8.6%</u>	<u>\$ 26,947,299</u>	<u>\$ (217,457)</u>	<u>-0.8%</u>

Additions to the construction in progress account consisted primarily of costs related to the Mesa Road Project (approximately \$2,000,000) and the new administrative facility (approximately \$220,000). See Note 4 for additional details regarding capital asset activity.

Economic Factors and Budget

The Board of Directors has approved the budget for the 2014/2015 fiscal year. The budgeted operating expenses total \$3,628,335, not including depreciation and amortization. The District has approved a capital budget for the upgrade and replacement of capital assets (including capacity rights) necessary for the collection and treatment of sewage in the amount of \$11,635,000.

GOLETA WEST SANITARY DISTRICT
BALANCE SHEET
June 30, 2014 and 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents (note 2)	\$ 2,735,535	\$ 1,819,302
Interest receivable	47,995	62,367
Other current assets	38,840	45,014
Total current assets	<u>2,822,370</u>	<u>1,926,683</u>
Restricted Assets:		
Investments, restricted (note 5)	<u>11,054,910</u>	<u>8,518,041</u>
Total restricted assets	<u>11,054,910</u>	<u>8,518,041</u>
Long-term Assets:		
Investments, unrestricted	-	919,913
Cash and investments, dedicated (note 5)	4,817,406	5,359,066
Prepaid other post employment benefits (note 8)	510,210	510,210
Capital assets, net of depreciation (note 4)	14,190,688	14,679,079
Construction in progress (note 4)	3,598,862	1,427,066
Capacity rights, net of amortization (note 3)	<u>20,495,685</u>	<u>20,651,001</u>
Total long-term assets	<u>43,612,851</u>	<u>43,546,335</u>
Total assets	<u><u>\$ 57,490,131</u></u>	<u><u>\$ 53,991,059</u></u>

See accompanying notes

**GOLETA WEST SANITARY DISTRICT
BALANCE SHEET
June 30, 2014 and 2013**

LIABILITIES AND NET POSITION

	2014	2013
Current Liabilities:		
Accounts payable	\$ 2,054,107	\$ 344,857
Customer deposits	1,000	1,000
Compensated absences	320,810	309,025
Total current liabilities	2,375,917	654,882
Long Term Liabilities:		
Environmental clean up obligation (note 9)	-	70,000
Total long term liabilities	-	70,000
Total liabilities	2,375,917	724,882
Net Position (notes 1 and 5):		
Net investment in capital assets and capacity rights	38,285,235	36,757,146
Restricted	11,054,910	8,518,041
Unrestricted, dedicated	4,817,406	5,359,066
Unrestricted, undedicated	956,663	2,631,924
Total net position	55,114,214	53,266,177
Total liabilities and net position	\$ 57,490,131	\$ 53,991,059

See accompanying notes

GOLETA WEST SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Service charges	\$ 2,547,125	\$ 2,313,290
Permits, annexation, plan check and inspection fees	65,218	52,292
Other operating revenue	<u>63,995</u>	<u>63,036</u>
Total operating revenues	<u>2,676,338</u>	<u>2,428,618</u>
Operating Expenses:		
Sewage collection	1,384,612	1,386,403
Sewage treatment	2,265,370	2,146,299
General and administrative	677,348	614,970
Other operating expenses	<u>408,970</u>	<u>529,632</u>
Total operating expenses	<u>4,736,300</u>	<u>4,677,304</u>
Operating loss	<u>(2,059,962)</u>	<u>(2,248,686)</u>
Nonoperating Revenue (Expense):		
Taxes and assessments	2,076,680	2,395,599
Loss on disposal of assets	(34,382)	(3,076)
Gain on reduction of loss contingency	12,956	213,578
Connection fees	1,281,330	617,823
Investment income	<u>214,715</u>	<u>89,402</u>
Total non-operating revenue (expense)	<u>3,551,299</u>	<u>3,313,326</u>
Change in net position before contributions	1,491,337	1,064,640
Capital contributions	356,700	-
Change in net position	1,848,037	1,064,640
Net position at beginning of year	<u>53,266,177</u>	<u>52,201,537</u>
Net position at end of year	<u>\$ 55,114,214</u>	<u>\$ 53,266,177</u>

See accompanying notes

GOLETA WEST SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 2,676,338	\$ 2,318,243
Cash payments to suppliers for goods and services	(2,212,615)	(2,124,353)
Cash payments to employees for services	(955,755)	(915,870)
Net cash used by operating activities	<u>(492,032)</u>	<u>(721,980)</u>
Cash Flows from Noncapital Financing Activities		
Cash received for taxes and assessments	<u>2,076,680</u>	<u>2,528,275</u>
Net cash provided by noncapital financing activities	<u>2,076,680</u>	<u>2,528,275</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(493,885)	(1,402,956)
Cost related to capacity rights	(609,651)	(3,014,151)
Proceeds from connection fees	<u>1,281,330</u>	<u>617,823</u>
Net cash provided (used) by capital and related financing activities	<u>177,794</u>	<u>(3,799,284)</u>
Cash Flows from Investing Activities:		
Purchase of investments and securities	(6,742,536)	(9,850,584)
Proceeds from sales of investments and securities	6,448,206	12,383,057
Investment income received	<u>209,564</u>	<u>271,242</u>
Net cash provided (used) by investing activities	<u>(84,766)</u>	<u>2,803,715</u>
Net increase in cash	1,677,676	810,726
Cash – beginning of year	<u>1,819,302</u>	<u>1,008,576</u>
Cash – end of year	<u>\$ 3,496,978</u>	<u>\$ 1,819,302</u>

See accompanying notes

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

Operations

The Goleta West Sanitary District (the District) is a special district in Santa Barbara County, California. It was formed to provide wastewater disposal and street cleaning services to those properties within its boundaries.

While the District does not operate its own wastewater treatment plant, Goleta West Sanitary District has capacity rights to 40.78% of the total capacity of the Goleta treatment plant under an agreement dated January 13, 1956.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the District is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. These financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the balance sheet.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles.

Budget

The District prepares an annual budget which estimates major sources of revenue, expenses and additions to or uses of reserves. The budget is filed with Santa Barbara County (the County). The Board of Directors has the power to amend the budget during the year.

Cash

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity of three months or less and not subject to early withdrawal penalties to be cash equivalents. Restricted cash is included.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value based on quoted market prices.

Capital Assets

Capital assets purchased by the District are recorded at cost. Donated assets are recorded at estimated fair market value as of the date of acquisition. The District depreciates its fixed assets by the straight-line method over periods of 3 to 75 years, depending on the estimated useful life of the asset.

Net Position

Net position represents the difference between assets and liabilities and is classified into three components as follows:

Net investment in capital assets and capacity rights – This component of net position consists of capital assets and capacity rights, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets and capacity rights excludes unspent debt proceeds. The District does not have any capital related debt.

Restricted – This component of net position consists of assets which are legally restricted by outside parties for use for a specific purpose.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” Dedicated net position represents unrestricted assets which are segregated by the Board of Directors for specific future uses.

When an expense is incurred for purposes for which both unrestricted and restricted resources are available for use, it is the District's policy to apply restricted assets first, then unrestricted resources.

Revenue Recognition – Property Taxes and Services Charges

Property taxes and user sewer service charges are collected on the tax rolls of the County of Santa Barbara. The District receives an allocation of general property taxes. Sewer service charges are based upon the total number of equivalent residential units (ERU's) connected to the sewers of the District. Commercial properties are charged based upon loading factors and water consumption. Single family dwellings are charged one ERU unless there is a separate living quarter with a separate kitchen, in which case the charge is two ERU's. Multi-unit dwellings are charged one ERU per living quarter. The property taxes and service charges are recognized when they have been collected by the County and are available for distribution to the District.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Connection Fees

Connection fees are one-time capacity charges imposed at the time a structure is connected to the District's system, or an existing connection is expanded or increased. These funds are restricted and may be used to finance the expansion or upgrade of existing facilities that will benefit new customers including collection system improvements and treatment system upgrades.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Significant estimates used in preparing these financial statements include useful lives of capitalized assets and the liability for other postemployment benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

Other Post Employment Benefits

The District accounts for its other post employment benefits (OPEB) in accordance with Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

This Statement requires that the District account for, and report, the annual cost of other postemployment benefits and the outstanding obligations and commitments related to OPEB in the same manner as it currently does for pensions. The Statement does not require that the District fund their OPEB plans, only that it accounts for them and reports them. OPEB generally consists of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including their beneficiaries in some cases. The District's OPEB plan is administered by the California Employers' Retiree Benefit Trust (CERBT) Program and consists of a postretirement medical program for retired members and their eligible dependents. See Note 8 for further details.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2014, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

Statement No. 66 *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. This Statement removes the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. The adoption of this statement did not have a material impact on the District's financial statements.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Pronouncements (Continued)

Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The adoption of this statement did not have a material impact on the District's financial statements.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, GASB 70 provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive nonexchange financial guarantees on their obligations. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013. The adoption of this statement did not have a material impact on the District's financial statements.

The GASB Statements listed below will be implemented in future financial statements and will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The District is currently evaluating the revised Statement and has not yet determined the impact on its financial statements.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Pronouncements (Continued)

Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 is intended to improve accounting and financial reporting for U.S. state and local government combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions of this Statement are effective for financial statements for fiscal years beginning after December 15, 2013. The adoption of this statement is not expected to have a material impact on the District's financial statements.

Note 2 - Cash and Investments

Cash and investments are classified in the accompanying financial statements at fair value, respectively at June 30, 2014 and 2013 as follows:

	2014	2013
Petty cash	\$ 210	\$ 210
Deposits with financial institutions	1,447,094	1,786,024
Cash held in investment account	2,049,674	33,068
Total cash and equivalents	3,496,978	1,819,302
Investments, non-cash equivalents	15,110,873	14,797,020
Total cash and investments	\$ 18,607,851	\$ 16,616,322

Custodial Credit Risk

Deposits are exposed to custodial credit risks if they are uninsured and uncollateralized. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District 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. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District and are held by either the counter-party or the counter-party's trust department or agent but not in the District's name.

All cash and investments are entirely insured or collateralized. The California Government Code requires California banks and savings and loans associations to secure the District's deposits by pledging government securities, which equal at least 110% of the District's deposits. California law also permits financial institutions to secure District's deposits by the pledging of first trust deed mortgage notes in excess of 150% of the District's deposits. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

All of the District's investments are held in the name of the District with the District's custodial bank or by the District's counterparty's trust department.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 - Cash and Investments (Continued)

Investments Authorized by the District's Investment Policy

The District's investment policy is to invest funds in a manner which will provide maximum security while meeting the daily cash flow demands of the District, earning the highest investment return and conforming to all statutes governing the investment of District funds. The following table identifies the investment types that are authorized by the District's investment policy as of June 30, 2014.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment One Issuer</u>
U.S. and State of California Treasury Obligations	5 years	None	None
State of California Agency Obligations, including pooled investment accounts by State or Local Agencies	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	270 days	40%	30%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	5 years	None	5%
Corporate and Depository Institution Debt Securities	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	5%
Mortgage Securities	5 Years	30%	5%

Subsequent to June 30, 2014 the District made minor revisions to this policy.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2014, the District had the following investments:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>6 Months or Less</u>	<u>7-12 Months</u>	<u>13-36 Months</u>	<u>More than 36 Months</u>
US Treasury Note	\$ 4,490,581	\$ -	\$ 151,899	\$ 4,338,682	\$ -
Federal agency bonds	4,162,807	-	-	3,179,724	983,083
Corporate bonds	4,145,697	-	-	2,708,659	1,437,038
Municipal bonds	635,182	-	-	327,202	307,980
Certificates of deposit	1,676,606	275,154	1,051,085	350,367	-
Total	\$15,110,873	\$ 275,154	\$ 1,202,984	\$10,904,634	\$ 2,728,101

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 - Cash and Investments (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuation

The District did not have any investments considered to be highly sensitive to interest rate fluctuations at June 30, 2014.

Concentration of Credit Risk

The investment policy of the District limits the investment in securities of any non-governmental issuer to 5% of the District's portfolio.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

	Carrying Amount	Minimum Rating	Rating as of Fiscal Year End			
			AAA	AA	A	Not Rated
US Treasury Note	\$ 4,490,581 *	N/A	\$ -	\$ 4,490,581	\$ -	\$ -
Federal agency bonds	4,162,807	N/A	-	4,162,807	-	-
Corporate bonds	4,145,697	A	98,680	2,306,314	1,740,703	-
Municipal bonds	635,182	N/A	201,428	125,774	307,980	-
Certificates of deposit	1,676,606	A	-	350,063	1,326,543	-
Total	<u>\$ 15,110,873</u>		<u>\$ 300,108</u>	<u>\$ 11,435,539</u>	<u>\$ 3,375,226</u>	<u>\$ -</u>

* Exempt from Disclosure

Note 3 - Capacity Rights

The District has capacity rights to 40.78% of the total capacity of the Goleta treatment plant operated by Goleta Sanitary District. As part of the agreement on capacity rights, Goleta West Sanitary District pays for 40.78% of any capital improvements to the treatment plant, 35% of any outfall improvements and a share of the operating expenses based on flow actually utilized. Amounts paid to Goleta Sanitary District for capital improvements are considered to be intangible assets and are amortized over a five to forty year time period based on the estimated useful life of the capital improvement.

The following is a summary of changes in intangible assets for the year ended June 30, 2014:

	Balance			Transfers	Balance
	June 30, 2013	Additions	Disposals		June 30, 2014
Capacity rights	\$ 28,055,686	\$ 609,652	\$ (564,675)	\$ -	\$ 28,100,663
Accumulated amortization	(7,404,685)	(764,968)	564,675	-	(7,604,978)
Net capacity rights	<u>\$ 20,651,001</u>	<u>\$ (155,316)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,495,685</u>

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 3 - Capacity Rights (Continued)

The following is a summary of changes in capacity rights for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Disposals	Transfers	Balance June 30, 2013
Capacity rights	\$ 25,154,740	\$ 3,014,151	\$ (113,205)	\$ -	\$ 28,055,686
Accumulated amortization	(6,734,003)	(783,887)	113,205	-	(7,404,685)
Net capacity rights	<u>\$ 18,420,737</u>	<u>\$ 2,230,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,651,001</u>

Note 4 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Disposals	Transfers	Balance June 30, 2014
Structures and improvements	\$ 16,637	\$ -	\$ -	\$ -	\$ 16,637
Infrastructure	23,418,747	356,700	(254,499)	12,262	23,533,210
Equipment	1,440,540	-	(2,042)	-	1,438,498
Office equipment and furniture	426,852	7,954	-	-	434,806
Construction in progress	1,427,066	2,184,059	-	(12,262)	3,598,863
Capital assets	26,729,842	2,548,713	(256,541)	-	29,022,014
Accumulated depreciation	(10,623,697)	(830,926)	222,159	-	(11,232,464)
Net capital assets	<u>\$ 16,106,145</u>	<u>\$ 1,717,787</u>	<u>\$ (34,382)</u>	<u>\$ -</u>	<u>\$ 17,789,550</u>

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Disposals	Transfers	Balance June 30, 2013
Structures and improvements	\$ 53,859	\$ -	\$ (37,222)	\$ -	\$ 16,637
Infrastructure	23,638,573	-	(245,618)	25,792	23,418,747
Equipment	1,199,067	266,432	(24,959)	-	1,440,540
Office equipment and furniture	779,676	5,687	(454,670)	96,159	426,852
Construction in progress	1,276,124	272,893	-	(121,951)	1,427,066
Capital assets	26,947,299	545,012	(762,469)	-	26,729,842
Accumulated depreciation	(10,563,428)	(819,662)	759,393	-	(10,623,697)
Net capital assets	<u>\$ 16,383,871</u>	<u>\$ (274,650)</u>	<u>\$ (3,076)</u>	<u>\$ -</u>	<u>\$ 16,106,145</u>

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 - Net Position

	2014	2013
Net investment in capital assets and capacity rights	\$ 38,285,235	\$ 36,757,146
Restricted:		
Capacity fees for collection system/plant reserve (Fund 4932)	4,400,198	3,240,920
Capital and treatment plant upgrade reserve (Fund 4935)	6,654,712	5,277,121
Total restricted net position	11,054,910	8,518,041
Dedicated by Board of Directors:		
Property tax reserve (Fund 4910)	2,298,144	3,372,584
Equipment/vehicle replacement reserve (Fund 4960)	253,355	180,314
Building replacement reserve (Fund 4965)	2,265,907	1,806,168
Total dedicated net position	4,817,406	5,359,066
Unrestricted, undedicated	956,663	2,631,924
Total net position	\$ 55,114,214	\$ 53,266,177

Note 6 - Pension Plan

Goleta West Sanitary District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the state statute. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

As of June 30, 2014, participants are required to contribute 7% of their annual covered salary. The employees contribute 3.5% of their salary for the first five years. The District makes the remaining contributions required of District employees on their behalf and for their account. In addition, the District is required to contribute at an actuarially determined rate; the current rate was 7.317% for the year ended June 30, 2014, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 - Pension Plan (Continued)

Annual Pension Cost

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Method	15 year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Ending 06/30/12	\$ 32,673	100%	-
06/30/13	37,043	100%	-
06/30/14	52,329	100%	-

Required Supplementary Information

The following schedule for funding progress represents the recent history of the risk pool's actuarial value of assets accrued liability, their relationship, and the relationship of the unfunded liability.

**GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note 6 - Pension Plan (Continued)

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability (A) - (B)	Funded Ratio (B)/(A)	Annual Covered Payroll	UL as a % of Payroll (C)/(E)
06/30/10	\$ 3,309,064,934	\$2,946,408,106	\$362,656,828	89.0%	748,401,352	48.5%
06/30/11	3,619,835,876	3,203,214,899	416,620,977	88.5%	759,263,518	54.9%
06/30/12	4,175,139,166	3,686,598,343	488,540,823	88.3%	757,045,663	64.5%

Note 7 - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

As a result of legislative changes, all amounts of compensation deferred, all property and the rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property rights of the District subject only to the claims of the District's general creditors.

As of June 30, 2014, four employees were participating in the plan.

Note 8 - Post-employment Health Care Benefits

Plan Description

The District provides retiree medical and prescription drug coverage to current and future eligible retirees and their dependents. Under the Plan, retired employees who attain age 50 with at least five years of service are eligible to receive benefits. The District pays a monthly premium for the health insurance benefits up to a maximum amount equal to the Blue Shield HMO Family Rate for the "Other Southern California" region. The spouse of an eligible retiree is also eligible to receive benefits from this plan, and benefits continue for the lifetime of the spouse.

The Plan is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (PERS), which acts as a common investment and administrative agent for participating public employers within the State of California.

Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8 - Post-employment Health Care Benefits (Continued)

Funding Policy

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's annual other post employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability was funded in full based on the July 1, 2007 valuation performed by an independent actuarial valuation firm.

Annual OPEB Cost

For the fiscal year ending June 30, 2014, the District's annual OPEB cost (expense) of \$0 for the Plan was equal to the ARC. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and the two preceding years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Asset
06/30/12	\$ -	100%	\$ 510,210
06/30/13	-	100%	510,210
06/30/14	-	100%	510,210

Funded Status and Funding Progress

The schedule of funding progress presented below presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation Date	(A) Actuarial Accrued Liability	(B) Actuarial Value of Assets	(C) Under/ (Over)funded (A) - (B)	(D) Funded Ratio (B)/(A)
07/01/09	\$ 750,326	\$ 1,208,994	(458,668)	161.1%
06/30/11	944,722	1,338,568	(393,846)	141.7%
06/30/13	834,564	1,525,320	(690,756)	182.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8 - Post-employment Health Care Benefits (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods as of the most recent valuation date:

Valuation Date	06/30/13
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Open 30 Years as of the Valuation Date
Asset Valuation Method	5 year Smoothed Market
Actuarial Assumptions	
Discount	7.25%
Inflation	2.75%
Payroll Growth	2.75%
Medical Trend	4% per year

Effective July 1, 2001 the District adopted Financial Accounting Standards Board Statement No 106 (FASB 106) to account for its share of the costs of those benefits. Under that Statement, the District's share of the estimated costs that will be paid after retirement was being accrued by charges to expense over the employees' active service periods to the dates they were fully eligible for benefits. As of July 1, 2005 the District suspended accruing for postretirement health care benefits under FASB 106, pending the implementation of GASB 45. The liability accrued under FASB 106 was \$637,000 at that time. Upon implementation of GASB 45 in the 08/09 fiscal year, this liability was eliminated, as the District fully funded the Plan. The Prepaid Other Post Employment Benefits account was also reduced by this amount to account for the estimated OPEB expenses that were attributable to prior years.

Note 9 - Environmental Cleanup Costs

During the 06/07 fiscal year the District discovered that its underground fuel storage tanks had leaked petroleum distillates thereby contaminating the ground surrounding the tanks, and possibly contaminating certain underground water supplies. During the fiscal year ended June 30, 2014 the District completed the remediation program and site closure process. A gain was recognized in the amount of \$12,956 on the Statement of Revenues, Expenses, and Changes in Net Position due to a decrease from the prior year in estimated total costs to complete the remediation. Total costs incurred related to this project were approximately \$1,200,000.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 10 - Supplemental Schedule Statement of Cash Flows

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

	2014	2013
Operating loss	\$ (2,059,962)	\$ (2,248,686)
Adjustments to reconcile the operating loss to net cash used by operating activities:		
Depreciation and amortization	1,595,893	1,603,549
Changes in operating assets and liabilities		
Other current assets	6,174	30
Accounts payable	11,122	79,133
Customer deposits	-	(110,375)
Compensated absences	11,785	10,791
Environmental clean up obligation	(57,044)	(56,422)
Net cash used by operating activities	\$ (492,032)	\$ (721,980)

Cash and cash equivalents are reported in the balance sheet as follows:

	2014	2013
Cash and cash equivalents	\$ 2,735,535	\$ 1,819,302
Cash equivalents included in cash and investments, dedicated	761,443	-
Total cash and cash equivalents	\$ 3,496,978	\$ 1,819,302

Note 11 - Property Tax Calendar

Taxes, including homeowners' property tax relief, are remitted from the County Tax Collector. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	(1 st installment)
	March 1	(2 nd installment)
Delinquent Date	December 11	(1 st installment)
	April 11	(2 nd installment)

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value under the provisions of Proposition 13, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the District based on complex formulas prescribed by the state statutes.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12 - Conditional Annexation Fees

The District annexed 208 acres of the Dos Pueblos Partners Golf Course in 1993. Annexation fees were paid on 10 acres. The balance of the annexation fees on 198 acres was \$396,000 in 1993 and would currently be approximately \$695,000. These fees were negotiated with the following conditions:

- the golf course remains public
- no construction of additional residences nor condominiums

Note 13 - Commitments

Mesa Road Trunk Sewer Project

In May 2014 the District entered into a contract for the replacement and relocation of a main sewer line along Mesa Road in Goleta, California. The estimated total cost related to this contract is approximately \$9.4 million, of which approximately \$1.7 million had been incurred as of June 30, 2014. This project is expected to be completed during the 2014/2015 fiscal year.

Note 14 - Subsequent Events

Subsequent events have been evaluated through November 7, 2014, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

GOLETA WEST SANITARY DISTRICT

Schedule of Operating Expenses

For the Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	<u>Sewage Collection</u>	<u>Sewage Treatment</u>	<u>Other Operating Expenses</u>	<u>Administration and General</u>	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 277,941	\$ -	\$ 108,615	\$ 304,193	\$ 690,749	\$ 681,492
Employee benefits	103,995	-	28,113	150,857	282,965	245,199
Contract services	18,987	1,424,008	109,197	35,006	1,587,198	1,446,936
Professional and other services	-	-	64,950	94,175	159,125	280,045
Utilities	69,271	-	26,402	3,160	98,833	84,931
Printing and publications	-	-	-	4,288	4,288	886
Insurance	37,516	-	5,005	8,254	50,775	46,872
Office expense	-	-	-	2,678	2,678	3,003
Operating supplies	961	-	-	-	961	1,175
Gas, oil and fuel	10,934	-	10,172	2,639	23,745	22,865
Repairs and maintenance	73,856	-	19,985	1,358	95,199	106,190
Training	5,690	-	579	8,727	14,996	14,137
Travel and meetings	-	-	57	2,630	2,687	3,254
Rents and leases	-	-	-	78	78	300
Memberships	593	-	800	14,684	16,077	15,427
Permits and licenses	6,421	-	-	220	6,641	5,665
Administration fees	-	75,770	-	17,967	93,737	93,611
Miscellaneous	-	-	9,675	-	9,675	21,767
Amortization	-	764,967	-	-	764,967	783,887
Depreciation	778,447	625	25,420	26,434	830,926	819,662
Totals, June 30, 2014	<u>\$ 1,384,612</u>	<u>\$ 2,265,370</u>	<u>\$ 408,970</u>	<u>\$ 677,348</u>	<u>\$ 4,736,300</u>	
Totals, June 30, 2013	<u>\$ 1,386,403</u>	<u>\$ 2,146,299</u>	<u>\$ 529,632</u>	<u>\$ 614,970</u>		<u>\$ 4,677,304</u>