# GOLETA WEST
# SANITARY DISTRICT
# June 30, 2018 and 2017

FINANCIAL STATEMENTS

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

# GOLETA WEST SANITARY DISTRICT

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# 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, 2018 and 2017, 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.



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### *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, 2018 and 2017, 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.

### *Emphasis of a Matter*

As discussed in Note 14 to the basic financial statements, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during fiscal year ending June 30, 2018. The adoption of this standard required retrospective application resulting in a $430,802 increase in net position as of July 1, 2017. Our opinion is not modified with respect to this matter. Because all of the information required to restate the prior year was not available at the time the financial statements were available to be issued, prior year values are not presented in a comparable manner.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 9, the California Public Employees' Retirement System Schedule of Goleta West Sanitary District's Proportionate Share of the Net Pension Liability on page 37, the California Public Employees' Retirement System Schedule of Goleta West Sanitary District's Contributions on page 38, and the Other Postemployment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Asset and Related Ratios on page 39 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.

*Other 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 Schedule of Operating Expenses on page 40 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The 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 Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
November 20, 2018

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, 2018 and 2017. 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 five components:

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

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.

## 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, 2018, the District's total net position increased by $3,111,519 (4.9%). The District's operating revenues increased by $470,180 (11.9%) and operating expenses increased by $525,949 (9.9%). Non-operating income decreased in the current year by $49,818 (1.2%), and capital contributions decreased by $657,695 (100.0%). These increases and decreases are discussed in further detail below.

## 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 annual sewer service charge as of June 30, 2018 is $262 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.

| | June 30, 2018 | June 30, 2017 | June 30, 2016 |
|---|---|---|---|
| Total operating revenues | $ 4,415,611 | $ 3,945,431 | $ 3,623,635 |
| Wastewater O&M expenses | 5,289,759 | 4,843,336 | 4,732,958 |
| Less: Depreciation and amortization | (1,727,145) | (1,712,875) | (1,733,441) |
| | 3,562,614 | 3,130,461 | 2,999,517 |
| Net wastewater operating income (loss) | $ 852,997 | $ 814,970 | $ 624,118 |

## Financial Analysis of the Financial Statements

### *Net Position*

The District's net position at June 30, 2018 totaled $66,341,184 compared to $63,229,665 at June 30, 2017. The increase in net position can be attributed to an operating loss of $1,412,591, offset by non-operating income of $4,093,308 and a net position restatement for $430,802 related to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

The following is a summary of the District's balance sheet as of June 30, 2018 compared to June 30, 2017 and 2016:

| | June 30, 2018 | June 30, 2017 | Change $ | Change % | June 30, 2016 | Change $ | Change % |
|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | |
| Current assets | $ 4,740,323 | $ 4,342,407 | $ 397,916 | 9.2% | $ 2,328,613 | $ 2,013,794 | 86.5% |
| Noncurrent assets: | | | | | | | |
| Unrestricted assets | 2,269,490 | 1,622,751 | 646,739 | 39.9% | 3,158,321 | (1,535,570) | -48.6% |
| Restricted assets | 5,727,175 | 6,465,659 | (738,484) | -11.4% | 3,494,727 | 2,970,932 | 85.0% |
| Dedicated assets | 6,337,128 | 5,674,767 | 662,361 | 11.7% | 5,606,463 | 68,304 | 1.2% |
| Capital assets, net | 30,095,457 | 27,536,043 | 2,559,414 | 9.3% | 27,397,545 | 138,498 | 0.5% |
| Capacity rights, net | 18,714,422 | 19,092,485 | (378,063) | -2.0% | 19,355,406 | (262,921) | -1.4% |
| **Total Assets** | $ 67,883,995 | $ 64,734,112 | $ 3,149,883 | 4.9% | $ 61,341,075 | $ 3,393,037 | 5.5% |
| **Deferred Outflows of Resources** | | | | | | | |
| Deferred pensions | 373,098 | 175,874 | 197,224 | 112.1% | 64,290 | 111,584 | 173.6% |
| **Total Deferred Outflows of Resources** | $ 373,098 | $ 175,874 | $ 197,224 | 112.1% | $ 64,290 | $ 111,584 | 173.6% |
| **Liabilities:** | | | | | | | |
| Current liabilities | $ 637,500 | $ 637,570 | $ (70) | 0.0% | $ 784,972 | $ (147,402) | -18.8% |
| Long term liabilities | 1,074,248 | 876,080 | 198,168 | 22.6% | 578,492 | 297,588 | 51.4% |
| **Total Liabilities** | $ 1,711,748 | $ 1,513,650 | $ 198,098 | 13.1% | $ 1,363,464 | $ 150,186 | 11.0% |
| **Deferred Inflows of Resources** | | | | | | | |
| Deferred pensions | $ 204,161 | $ 166,671 | 37,490 | 22.5% | $ 256,235 | (89,564) | -35.0% |
| **Total Deferred Inflows of Resources** | $ 204,161 | $ 166,671 | $ 37,490 | 22.5% | $ 256,235 | $ (89,564) | -35.0% |
| **Net Position:** | | | | | | | |
| Invested in capital assets and capacity rights | $ 48,809,879 | $ 46,628,528 | $ 2,181,351 | 4.7% | $ 46,752,951 | $ (124,423) | -0.3% |
| Restricted | 5,727,175 | 6,465,659 | (738,484) | -11.4% | 3,494,727 | 2,970,932 | 85.0% |
| Unrestricted, dedicated | 6,337,128 | 5,674,767 | 662,361 | 11.7% | 5,606,463 | 68,304 | 1.2% |
| Unrestricted | 5,467,002 | 4,460,711 | 1,006,291 | 22.6% | 3,931,525 | 529,186 | 13.5% |
| **Total Net Position** | $ 66,341,184 | $ 63,229,665 | $ 3,111,519 | 4.9% | $ 59,785,666 | $ 3,443,999 | 5.8% |

Net position may serve as an indicator of a public governmental agency's financial status. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $66,341,184 as of June 30, 2018.

### *Net Position (Continued)*

With a total of $48,809,879 as of June 30, 2018, 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 $5,727,175 as of June 30, 2018, and $6,465,659 at June 30, 2017 must be used for specified purposes, as described in more detail in Note 6.

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 6 contains more detailed information regarding the nature of these dedications.

### *Changes in Net Position*

The District reported a change in net position of $2,680,717 for the year ended June 30, 2018. Total change in net position was $3,443,999 and $1,575,095 for the fiscal years ended June 30, 2017 and 2016, respectively. The following is a summary of the District's statement of revenues, expenses and changes in net position for the years ended June 30, 2018, 2017 and 2016.

| | June 30, 2018 | June 30, 2017 | Change $ | Change % | June 30, 2016 | Change $ | Change % |
|---|---|---|---|---|---|---|---|
| Operating revenues | $ 4,415,611 | $ 3,945,431 | $ 470,180 | 11.9% | $ 3,623,635 | $ 321,796 | 8.9% |
| Operating expenses | 5,828,202 | 5,302,253 | 525,949 | 9.9% | 5,216,405 | 85,848 | 1.6% |
| Total Operating Loss | (1,412,591) | (1,356,822) | (55,769) | 4.1% | (1,592,770) | 235,948 | -14.8% |
| Non-operating income | 4,093,308 | 4,143,126 | (49,818) | -1.2% | 2,947,565 | 1,195,561 | 40.6% |
| Change in net position before contributions | 2,680,717 | 2,786,304 | (105,587) | -3.8% | 1,354,795 | 1,431,509 | 105.7% |
| Capital contributions | - | 657,695 | (657,695) | -100.0% | 220,300 | 437,395 | 198.5% |
| Change in net position | 2,680,717 | 3,443,999 | (763,282) | -22.2% | 1,575,095 | 1,868,904 | 118.7% |
| Net Position at Beginning of Year, as Originally Presented | 63,229,665 | 59,785,666 | 3,443,999 | 5.8% | 58,210,571 | 1,575,095 | 2.7% |
| Prior Period Adjustment | 430,802 | - | 430,802 | 100.0% | - | - | 0.0% |
| Net Position at Beginning of Year, as Restated | 63,660,467 | 59,785,666 | 3,874,801 | 6.5% | 58,210,571 | 1,575,095 | 2.7% |
| Net Position at End of Year, | $ 66,341,184 | $ 63,229,665 | $ 3,111,519 | 4.9% | $ 59,785,666 | $ 3,443,999 | 5.8% |

Operating revenues increased by $470,180 between the fiscal years ended June 30, 2018 and June 30, 2017. This increase was primarily driven by new connections as a result of significant new developments established in the District's service area.

### *Changes in Net Position (Continued)*

Operating expenses increased by $525,949 between the fiscal years ended June 30, 2018 and June 30, 2017. See the supplemental schedule of operating expenses on page 40 of the financial statements for more detailed information. The primary driver of this increase was related to sewage treatment and disposal expenses (contract services), which increased by approximately $315,000 from the prior fiscal year.

The decrease in non-operating revenues during the year of $49,818 (-1.2%) was the result of a combination of offsetting factors. Connection fees decreased by $1,174,116 in the current year. Connection fees were high in the prior year due to multiple large development projects being completed in 16/17. Offsetting this decrease were increases in property tax assessments of $289,523, as well as a refund received from the State of California's Underground Storage Tank Cleanup Fund related to past remediation expenses incurred by the District which resulted in net revenues of $737,907. The total gross refund received was $989,715, which is presented net of consultants' fees of $251,818.

Contributed capital represents infrastructure dedicated to the District by developers. The District did not receive any contributed capital during the year ended June 30, 2018, but received $657,695 of contributed capital during the year ended June 30, 2017.

### *Capital Assets*

At June 30, 2018, the District had invested $43,949,035 in gross capital assets. This amount represents an increase of $3,483,287 (8.6%) from the prior year. The following is a summary of the capital assets at June 30, 2018, 2017, and 2016, respectively.

| | June 30, 2018 | June 30, 2017 | Change $ | Change % | June 30, 2016 | Change $ | Change % |
|---|---|---|---|---|---|---|---|
| Infrastructure | $ 40,260,651 | $ 37,188,443 | $ 3,072,208 | 8.3% | $ 37,123,275 | $ 65,168 | 0.2% |
| General operating equipment | 1,971,925 | 1,637,088 | 334,837 | 20.5% | 1,655,534 | (18,446) | -1.1% |
| Office equipment & furniture | 85,818 | 133,593 | (47,775) | -35.8% | 107,142 | 26,451 | 24.7% |
| Construction in progress | 1,630,641 | 1,506,624 | 124,017 | 8.2% | 1,069,756 | 436,868 | 40.8% |
| Total Capital Assets | $ 43,949,035 | $ 40,465,748 | $ 3,483,287 | 8.6% | $ 39,955,707 | $ 510,041 | 1.3% |

In fiscal year 2017/2018, the District continued to incur costs related to the Pump Station Upgrade, Administrative Building, Phelps Road, Phase VI Pipeline, and 6-inch Sewer Main Replacement projects. The Phase VI Pipeline, and 6-inch Sewer Main Replacement projects were completed during 2017/2018 and transferred to infrastructure in the total amount of $3,021,419. See Note 5 for additions, disposals, and transfers by asset classification.

### *Pension Plan and Section 115 Trust*

The District provides retirement benefits through the California Public Employees Retirement System (CalPERS) as described in Note 7. The District's net pension liability recognized on the balance sheet at June 30, 2018 was $1,074,248 as compared to $876,080 at June 30, 2017. During the 2017/2018 fiscal year the District entered into a Section 115 trust (pension stabilization fund) with Pension Agency Retirement Services (PARS) to address the District's pension obligations by accumulating assets to reduce the net pension liability.

***Pension Plan and Section 115 Trust (Continued)***

Under generally accepted accounting principles the balance in the pension stabilization fund is not allowed to be recorded as a direct offset to the net pension liability on the balance sheet, as the assets are not considered to be pension plan assets under GASB 68 until they are deposited into the CalPERS pension plan. The assets are instead classified as restricted assets on the balance sheet. The relationship of net pension liability to pension stabilization funds at June 30, 2018 is as follows:

| | 2018 |
|---|---|
| Net pension liability | $ 1,074,248 |
| Pension stabilization fund | (1,047,815) |
| Liability in excess of trust fund | $ 26,433 |

## Economic Factors and Budget

The Board of Directors has approved the budget for the 2018/2019 fiscal year. The budgeted operating expenses total $4,458,737, 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 $8,957,300.

**GOLETA WEST SANITARY DISTRICT**
**BALANCE SHEET**
**June 30, 2018 and 2017**

| **ASSETS** | **2018** | **2017** |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents (note 2) | $ 4,470,932 | $ 4,066,474 |
| Interest receivable | 44,638 | 23,119 |
| Connection fees receivable, current portion (note 3) | 178,570 | 178,570 |
| Other current assets | 46,183 | 74,244 |
| Total current assets | 4,740,323 | 4,342,407 |
| Restricted Assets: | | |
| Investments, restricted (note 6) | 5,727,175 | 6,465,659 |
| Total restricted assets | 5,727,175 | 6,465,659 |
| Long-term Assets: | | |
| Cash and cash equivalents, dedicated (note 6) | - | 515,255 |
| Investments, dedicated (note 6) | 6,337,128 | 5,159,512 |
| Investments, unrestricted, undedicated (note 2) | 369,477 | - |
| Connection fees receivable, net of current portion (note 3) | 967,347 | 1,112,541 |
| Net OPEB asset (note 9) | 932,666 | 510,210 |
| Capital assets, net of depreciation (note 5) | 28,464,816 | 26,029,419 |
| Construction in progress (note 5) | 1,630,641 | 1,506,624 |
| Capacity rights, net of amortization (note 4) | 18,714,422 | 19,092,485 |
| Total long-term assets | 57,416,497 | 53,926,046 |
| Total assets | 67,883,995 | 64,734,112 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred outflows related to pensions (note 7) | 373,098 | 175,874 |
| Total deferred outflows of resources | 373,098 | 175,874 |
| Total assets and deferred outflows of resources | $ 68,257,093 | $ 64,909,986 |

*See accompanying notes*

**GOLETA WEST SANITARY DISTRICT**
**BALANCE SHEET**
**June 30, 2018 and 2017**

| **LIABILITIES** | **2018** | **2017** |
|---|---|---|
| Current Liabilities: | | |
| Accounts payable | $ 395,983 | $ 365,785 |
| Customer deposits | 1,000 | 1,000 |
| Compensated absences | 240,517 | 270,785 |
| Total current liabilities | 637,500 | 637,570 |
| Long Term Liabilities: | | |
| Net pension liability (note 7) | 1,074,248 | 876,080 |
| Total long term liabilities | 1,074,248 | 876,080 |
| Total liabilities | 1,711,748 | 1,513,650 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflows related to pensions (note 7) | 204,161 | 166,671 |
| Total deferred inflows of resources | 204,161 | 166,671 |
| **NET POSITION** | | |
| Net Position (notes 1 and 6): | | |
| Net investment in capital assets and capacity rights | 48,809,879 | 46,628,528 |
| Restricted | 5,727,175 | 6,465,659 |
| Unrestricted, dedicated | 6,337,128 | 5,674,767 |
| Unrestricted, undedicated | 5,467,002 | 4,460,711 |
| Total net position | 66,341,184 | 63,229,665 |
| Total liabilities, deferred inflows of resources, and net position | $ 68,257,093 | $ 64,909,986 |

*See accompanying notes*

## GOLETA WEST SANITARY DISTRICT
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
**For the years ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| Operating Revenues: | | |
| Service charges | $ 4,192,726 | $ 3,708,829 |
| Permits, annexation, plan check and inspection fees | 59,716 | 79,738 |
| Other operating revenue | 163,169 | 156,864 |
| Total operating revenues | 4,415,611 | 3,945,431 |
| Operating Expenses: | | |
| Sewage collection | 1,748,744 | 1,665,978 |
| Sewage treatment | 2,778,610 | 2,437,708 |
| General and administrative | 762,405 | 739,650 |
| Other operating expenses | 538,443 | 458,917 |
| Total operating expenses | 5,828,202 | 5,302,253 |
| Operating loss | (1,412,591) | (1,356,822) |
| Nonoperating Revenue (Expense): | | |
| Taxes and assessments | 2,863,278 | 2,573,755 |
| Gain (loss) on disposal of assets | 9,343 | (5,091) |
| Connection fees | 347,246 | 1,521,362 |
| Investment income | 135,534 | 53,100 |
| UST remediation refund, net | 737,907 | - |
| Total non-operating revenue | 4,093,308 | 4,143,126 |
| Change in net position before contributions | 2,680,717 | 2,786,304 |
| Capital contributions | - | 657,695 |
| Change in net position | 2,680,717 | 3,443,999 |
| Net position at beginning of year, as originally presented | 63,229,665 | 59,785,666 |
| Prior period adjustment (note 14) | 430,802 | - |
| Net position at beginning of year, as restated | 63,660,467 | - |
| Net position at end of year | $ 66,341,184 | $ 63,229,665 |

*See accompanying notes*

**GOLETA WEST SANITARY DISTRICT**
**STATEMENT OF CASH FLOWS**
**For the years ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Cash received from customers | $ 4,415,611 | $ 3,789,306 |
| Cash payments to suppliers for goods and services | (2,939,149) | (2,305,227) |
| Cash payments to employees for services | (1,044,913) | (1,119,914) |
| Net cash provided by operating activities | 431,549 | 364,165 |
| Cash Flows from Noncapital Financing Activities: | | |
| Reimbursement received from UST Cleanup Fund | 737,907 | - |
| Cash received for taxes and assessments | 2,863,278 | 2,573,755 |
| Net cash provided by noncapital financing activities | 3,601,185 | 2,573,755 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Purchase of capital assets | (3,602,103) | (570,151) |
| Proceeds from disposal of capital assets | 12,895 | - |
| Cost related to capacity rights | (352,169) | (460,050) |
| Proceeds from connection fees | 492,440 | 1,662,327 |
| Net cash provided (used) by capital and related financing activities | (3,448,937) | 632,126 |
| Cash Flows from Investing Activities: | | |
| Purchase of investments and securities | (12,208,919) | (8,688,121) |
| Proceeds from sales of investments and securities | 11,346,764 | 7,489,670 |
| Investment income received | 167,561 | 125,071 |
| Net cash used by investing activities | (694,594) | (1,073,380) |
| Net increase (decrease) in cash | (110,797) | 2,496,666 |
| Cash – beginning of year | 4,581,729 | 2,085,063 |
| Cash – end of year | $ 4,470,932 | $ 4,581,729 |

*See accompanying notes*

## 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 accounting principles generally accepted in the United States of America (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 except for amounts held within the District’s Section 115 trust which are classified as investments.

**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.

**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.

The District has one long-term connection fee payment arrangement which is recorded at the net present value of future cash flows, calculated at the effective interest rate at the time of the contract execution. The difference between the nominal value and the present value of this receivable is amortized over the contract period using the effective interest rate method. The amortization is recognized as interest income.

Unearned Revenue

Unearned revenue represents payments received for services to be provided in a future fiscal year.

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, the net pension liability, and the total liability for other postemployment benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|---|---|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2017 |
| Measurement Period | July 1, 2016 to June 30, 2017 |

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

Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Measurement Period | July 1, 2016 to June 30, 2017 |

Future Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

| | | |
|---|---|---|
| Statement No. 83 | *"Certain Asset Retirement Obligations"* | The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19) |
| Statement No. 84 | *"Fiduciary Activities"* | The requirements of this statement are effective for periods beginning after December 15, 2018. (FY 19/20) |
| Statement No. 87 | *"Leases"* | The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21) |
| Statement No. 88 | *"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements"* | The requirements of this statement are effective for periods beginning after June 15, 2018. (FY 18/19) |
| Statement No. 89 | *"Accounting for Interest Cost Incurred Before the End of a Construction Period"* | The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21) |

## Note 2 – Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows at June 30, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents: | | |
| Unrestricted, undedicated | $ 4,470,932 | $ 4,066,474 |
| Unrestricted, dedicated | - | 515,255 |
| Total cash and cash equivalents | 4,470,932 | 4,581,729 |
| Investments: | | |
| Restricted | 5,727,175 | 6,465,659 |
| Unrestricted, undedicated | 369,477 | - |
| Unrestricted, dedicated | 6,337,128 | 5,159,512 |
| Total investments | 12,433,780 | 11,625,171 |
| Total cash and investments | $ 16,904,712 | $ 16,206,900 |

Cash and investments are comprised of the following at June 30, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Petty cash | $ 210 | $ 210 |
| Deposits with financial institutions | 3,295,015 | 4,214,010 |
| Cash held in general investment account | 1,175,707 | 367,509 |
| Total cash and cash equivalents | 4,470,932 | 4,581,729 |
| General investment account | 11,385,965 | 11,625,171 |
| Section 115 trust - pension stabilization fund | 1,047,815 | - |
| Total investments (non-cash equivalents) | 12,433,780 | 11,625,171 |
| Total cash and investments | $ 16,904,712 | $ 16,206,900 |

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.

**Note 2 – Cash and Investments (Continued)**

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.

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 general investment policy as of June 30, 2018.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| 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 | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| 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% |

Investments Authorized by the District's Section 115 Trust Agreement

Investments of the Section 115 Trust are governed by the provisions of the trust agreement, rather than the general provisions of the California Government Code or the District's investment policy.

**Note 2 – Cash and Investments (Continued)**

The table below identified investments authorized by the trust's Investment Guidelines Documents:

| Authorized Investment Type | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|
| Domestic Equities | 20% | 5% |
| International Equities | 7% | 5% |
| Real Estate Investment Trusts | 5% | 5% |
| U.S. Agency and GSE Obligations | 95% | None |
| Mortgage Backed Securities | 95% | 5% |
| Commercial Mortgage Backed Securities | 95% | 5% |
| Asset Backed Securities | 95% | 5% |
| Collateralized Mortage Obligations | 95% | 5% |
| Corporate Debt Securities | 95% | 5% |
| Municipal Bonds | 95% | 5% |
| Eligible instruments pursuant to SEC Rule 144(a) | 95% | 5% |

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At June 30, 2018 the District had the following recurring fair value measurements:

| Investment Type | Total Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| US Treasury Note | $ 4,406,554 | $ 4,406,554 | $ - | $ - |
| Federal agency bonds | 2,280,273 | - | 2,280,273 | - |
| Corporate bonds | 2,049,758 | - | 2,049,758 | - |
| Certificates of deposit | 1,435,170 | - | 1,435,170 | - |
| Commercial paper | 1,018,186 | - | 1,018,186 | - |
| Supra-national agency bond | 196,024 | - | 196,024 | - |
| Section 115 trust: | | | | |
| Cash / cash equivalents | 501,808 | 501,808 | - | - |
| Mutual funds - equity | 88,160 | 88,160 | - | - |
| Mutual funds - fixed income | 457,847 | 457,847 | - | - |
| Total | $ 12,433,780 | $ 5,454,369 | $ 6,979,411 | $ - |

**Note 2 – Cash and Investments (Continued)**

At June 30, 2017 the District had the following recurring fair value measurements:

| Investment Type | Total Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| US Treasury Note | $ 3,205,749 | $ 3,205,749 | $ - | $ - |
| Federal agency bonds | 3,814,902 | - | 3,814,902 | - |
| Corporate bonds | 1,546,163 | - | 1,546,163 | - |
| Certificates of deposit | 1,170,000 | - | 1,170,000 | - |
| Commercial paper | 1,888,357 | - | 1,888,357 | - |
| Total | $ 11,625,171 | $ 3,205,749 | $ 8,419,422 | $ - |

US Treasury notes are valued using prices quoted in active markets for those securities. Federal agency bonds, corporate bonds, and certificates of deposit are valued using various market and industry inputs. Commercial paper is valued using matrix pricing.

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, 2018, the District had the following investments:

| | | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|---|
| Investment Type | Carrying Amount | 6 Months or Less | 7-12 Months | 13-36 Months | More than 36 Months |
| US Treasury Note | $ 4,406,554 | $ 931,623 | $ 1,128,596 | $ 2,346,335 | $ - |
| Federal agency bonds | 2,280,273 | 499,340 | 1,488,687 | 292,246 | - |
| Corporate bonds | 2,049,758 | - | 432,080 | 1,617,678 | - |
| Certificates of deposit | 1,435,170 | 250,077 | - | 1,185,093 | - |
| Commercial paper | 1,018,186 | 796,140 | 222,046 | - | - |
| Supra-national agency bond | 196,024 | - | - | 196,024 | - |
| Section 115 trust: | | | | | |
| Cash / cash equivalents | 501,808 | 501,808 | - | - | - |
| Mutual funds - equity | 88,160 | 88,160 | - | - | - |
| Mutual funds - fixed income | 457,847 | 457,847 | - | - | - |
| Total | $ 12,433,780 | $ 3,524,995 | $ 3,271,409 | $ 5,637,376 | $ - |

**Note 2 – Cash and Investments (Continued)**

As of June 30, 2017, the District had the following investments:

| | | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|---|
| Investment Type | Carrying Amount | 6 Months or Less | 7-12 Months | 13-36 Months | More than 36 Months |
| US Treasury Note | $ 3,205,749 | $ 969,129 | $ - | $ 2,236,620 | $ - |
| Federal agency bonds | 3,814,902 | 224,840 | 1,145,687 | 2,444,375 | - |
| Corporate bonds | 1,546,163 | 174,898 | 764,443 | 606,822 | - |
| Certificates of deposit | 1,170,000 | 670,177 | 249,970 | 249,853 | - |
| Commercial paper | 1,888,357 | 1,640,685 | 247,672 | - | - |
| Total | $ 11,625,171 | $ 3,679,729 | $ 2,407,772 | $ 5,537,670 | $ - |

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, 2018.

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 June 30, 2018 AAA / A-1 | AA | A | Not Rated |
|---|---|---|---|---|---|---|
| US Treasury Note | $ 4,406,554 * | N/A | $ - | $ 4,406,554 | $ - | $ - |
| Federal agency bonds | 2,280,273 | N/A | - | 2,280,273 | - | - |
| Corporate bonds | 2,049,758 | A | 49,178 | 487,469 | 1,513,111 | - |
| Certificates of deposit | 1,435,170 | A | - | 459,037 | 976,133 | - |
| Commercial paper | 1,018,186 | A-1 | 1,018,186 | - | - | |
| Supra-national agency bond | 196,024 | | 196,024 | - | - | - |
| Section 115 trust: | | | | | | |
| Cash / cash equivalents | 501,808 | N/A | - | - | - | 501,808 |
| Mutual funds - equity | 88,160 | N/A | - | - | - | 88,160 |
| Mutual funds - fixed income | 457,847 | N/A | - | - | - | 457,847 |
| Total | $ 12,433,780 | | $ 1,263,388 | $ 7,633,333 | $ 2,489,244 | $ 1,047,815 |

* Exempt from Disclosure

## Note 2 – Cash and Investments (Continued)

| | Carrying Amount | | Minimum Rating | Rating as of June 30, 2017 AAA / A-1 | AA | A | Not Rated |
|---|---|---|---|---|---|---|---|
| US Treasury Note | $ 3,205,749 | * | N/A | $ - | $ 3,205,749 | $ - | $ - |
| Federal agency bonds | 3,814,902 | | N/A | - | 3,814,902 | - | - |
| Corporate bonds | 1,546,163 | | A | 99,703 | 469,047 | 977,413 | - |
| Certificates of deposit | 1,170,000 | | A | 920,147 | - | 249,853 | - |
| Commercial paper | 1,888,357 | | A-1 | 1,888,357 | - | - | - |
| Total | $ 11,625,171 | | | $ 2,908,207 | $ 7,489,698 | $ 1,227,266 | $ - |

* Exempt from Disclosure

## Note 3 – Connection Fees Receivable

The District entered into an arrangement with the University of California, Santa Barbara, to allow payment of a connection fee in ten annual installments of $178,570, payable each July 1 beginning on July 1, 2015. The connection fee receivable is recorded on the balance sheet at the net present value of the future cash flows, calculated at the effective interest rate at the time of the contract execution (3%.)

The following table presents the nominal and present values as of June 30:

| | 2018 | 2017 |
|---|---|---|
| Connection fees receivable | $ 1,249,989 | $ 1,428,559 |
| Discount | (104,072) | (137,448) |
| Net present value | $ 1,145,917 | $ 1,291,111 |

## Note 4 – 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 capacity rights for the year ended June 30, 2018:

**Note 4 – Capacity Rights (Continued)**

The following is a summary of changes in capacity rights for the year ended June 30, 2017:

| | Balance June 30, 2016 | Additions | Disposals | Transfers | Balance June 30, 2017 |
|---|---|---|---|---|---|
| Capacity rights | $ 28,195,924 | $ 460,050 | $ (26,188) | $ - | $ 28,629,786 |
| Accumulated amortization | (8,840,518) | (722,971) | 26,188 | - | (9,537,301) |
| Net capacity rights | $ 19,355,406 | $ (262,921) | $ - | $ - | $ 19,092,485 |

**Note 5 – Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2018:

| | Balance June 30, 2017 | Additions | Disposals | Transfers | Balance June 30, 2018 |
|---|---|---|---|---|---|
| Infrastructure | $ 37,188,443 | $ 50,789 | $ - | $ 3,021,419 | $ 40,260,651 |
| General operating equipment | 1,637,088 | 382,445 | (47,608) | - | 1,971,925 |
| Office equipment and furniture | 133,593 | 6,613 | (54,388) | - | 85,818 |
| Construction in progress | 1,506,624 | 3,145,436 | - | (3,021,419) | 1,630,641 |
| Capital assets | 40,465,748 | 3,585,283 | (101,996) | - | 43,949,035 |
| Accumulated depreciation | (12,929,705) | (1,022,316) | 98,443 | - | (13,853,578) |
| Net capital assets | $ 27,536,043 | $ 2,562,967 | $ (3,553) | $ - | $ 30,095,457 |

The following is a summary of changes in capital assets for the year ended June 30, 2017:

| | Balance June 30, 2016 | Additions | Disposals | Transfers | Balance June 30, 2017 |
|---|---|---|---|---|---|
| Infrastructure | $ 37,123,275 | $ 689,737 | $ (624,569) | $ - | $ 37,188,443 |
| General operating equipment | 1,655,534 | 4,644 | (23,090) | - | 1,637,088 |
| Office equipment and furniture | 107,142 | 27,648 | (1,197) | - | 133,593 |
| Construction in progress | 1,069,756 | 436,868 | - | - | 1,506,624 |
| Capital assets | 39,955,707 | 1,158,897 | (648,856) | - | 40,465,748 |
| Accumulated depreciation | (12,558,162) | (1,015,307) | 643,764 | - | (12,929,705) |
| Net capital assets | $ 27,397,545 | $ 143,590 | $ (5,092) | $ - | $ 27,536,043 |

## Note 6 – Net Position

Net position consists of the following at June, 30 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Net investment in capital assets and capacity rights | $ 48,809,879 | $ 46,628,528 |
| Restricted: | | |
| Capacity fees for collection system/plant reserve (Fund 4932) | 790,844 | 2,382,243 |
| Capital and treatment plant upgrade reserve (Fund 4935) | 3,888,516 | 4,083,416 |
| Section 115 trust - pension stabilization fund | 1,047,815 | - |
| Total restricted net position | 5,727,175 | 6,465,659 |
| Dedicated by Board of Directors: | | |
| Property tax reserve (Fund 4910) | 2,168,239 | 1,646,418 |
| Equipment/vehicle replacement reserve (Fund 4960) | 212,797 | 392,930 |
| Building replacement reserve (Fund 4965) | 3,956,092 | 3,635,419 |
| Total dedicated net position | 6,337,128 | 5,674,767 |
| Unrestricted, undedicated | 5,467,002 | 4,460,711 |
| Total net position | $ 66,341,184 | $ 63,229,665 |

## Note 7 – Pension Plan

***Plan Description*** – All qualified employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) participate in the PEPRA Miscellaneous Plan.

***Benefits Provided*** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, as discussed above. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily reduced benefits. An optional benefit regarding sick leave was adopted. Any unused sick leave accumulates at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit, as well as the 1959 Survivor Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees' Retirement Law.

**Note 7 – Pension Plan (Continued)**

The Plan's provisions and benefits in effect at June 30, 2018 and 2017, are summarized as follows:

| | Miscellaneous Plan | |
|---|---|---|
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - Minimum | 52 - Minimum |
| Monthly benefits, as a % of eligible compensation | 1.4% to 2.4% | 1.0% to 2.5% |
| Required employee contribution rates | | |
| 2018 | 7.00% | 6.50% |
| 2017 | 7.00% | 6.50% |
| Required employer contribution rates | | |
| 2018 | 9.60% | 6.91% |
| 2017 | 9.56% | 6.93% |

***Contributions*** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above, and as a dollar amount for contributions toward the unfunded liability. The District's required contribution for the unfunded liability was $21,140 and $10,986 for the fiscal years ended June 30, 2018 and 2017, respectively.

Classic Plan participants are required to contribute 7% of their annual covered salary and PEPRA participants are required to contribute 6.5%. Participants in the classic Plan contribute 3.5% of their salary for the first five years. The District makes the remaining contributions required of classic Plan members on their behalf and for their account. These contributions made on behalf of employees are included in operating expenses on the statement of revenues, expenses, and changes in net position, but are not included in pension expense as disclosed below. The District does not pay any portion of the required participant contributions on behalf of PEPRA members.

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2018, the District reported a liability of $1,074,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

**Note 7 – Pension Plan (Continued)**

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate shares of the net pension liability for all Plans with an actuarial valuation dates of June 30, 2016 and 2015 (measurement dates June 30, 2017 and 2016) were as follows:

| Measurement Date June 30, 2017 | Miscellaneous |
|---|---|
| Proportion – June 30, 2016 | 0.02522% |
| Proportion – June 30, 2017 | 0.02725% |
| Change – Increase (Decrease) | 0.00203% |

| Measurement Date June 30, 2016 | Miscellaneous |
|---|---|
| Proportion – June 30, 2015 | 0.02109% |
| Proportion – June 30, 2016 | 0.02522% |
| Change – Increase (Decrease) | 0.00413% |

For the years ended June 30, 2017 and 2016, the District recognized pension expense of $115,362 and $163,394 respectively. The District's contributions to the Plan for the years ended June 30, 2018 and 2017 were $76,930 and $66,953, respectively.

At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | June 30, 2018 | | June 30, 2017 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | $ 76,930 | $ - | $ 66,953 | $ - |
| Differences between expected and actual experience | 1,753 | (25,119) | 1,679 | - |
| Changes in assumptions | 217,544 | (16,588) | - | (20,605) |
| Changes in employer's proportion | 27,672 | (41,707) | - | (36,976) |
| Difference between employer's contributions and employer's proportionate share of contributions | - | (120,747) | - | (109,090) |
| Net differences between projected and actual earnings on plan investments | 49,199 | - | 107,242 | - |
| Total | $ 373,098 | $ (204,161) | $ 175,874 | $ (166,671) |

Employer contributions of $76,930 reported at June 30, 2018 as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

**Note 7 – Pension Plan (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ended June 30 | | |
|---|---|---|
| 2019 | $ | (32,716) |
| 2020 | | 97,821 |
| 2021 | | 56,113 |
| 2022 | | (29,211) |
| 2023 | | - |
| Thereafter | | - |
| | $ | 92,007 |

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.

***Actuarial Assumptions*** – The total pension liabilities in the June 30, 2015 and 2014 actuarial valuations (June 30, 2016 and 2015 measurement dates) were determined using the following actuarial assumptions:

| | Miscellaneouus Plan |
|---|---|
| Actual Cost Method | Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68 |
| Actuarial Assumptions: | |
| Discount Rate | |
| Measurement Date - 2017 | 7.15% |
| Measurement Date - 2016 | 7.65% |
| Inflation | 2.75% |
| Salary Increases | Varies by entry age and service (1) |
| Investment Rate of Return (2) | |
| Measurement Date - 2017 | 7.15% |
| Measurement Date - 2016 | 7.65% |
| Mortality | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

**Note 7 – Pension Plan (Continued)**

All other actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

***Change of Assumption*** – The accounting discount rate was reduced from 7.65% to 7.15% during the measurement period ended June 30, 2017. Deferred inflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods.

***Discount Rate*** – The discount rates used to measure the total pension liability were 7.15% and 7.65% for the measurement periods ending June 30, 2017 and 2016, respectively. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the CalPERS Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investment. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

## Note 7 – Pension Plan (Continued)

| Asset Class | Measurement Date June 30, 2017 Assumed Allocation | Real Return Years 1 -10(a) | Real Return Years 11+(b) | Measurement Date June 30, 2016 Assumed Allocation | Real Return Years 1 -10(a) | Real Return Years 11+(b) |
|---|---|---|---|---|---|---|
| Global Equity | 47.00% | 4.90% | 5.38% | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.80% | 2.27% | 20.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.60% | 1.39% | 6.00% | 0.45% | 3.36% |
| Private Equity | 12.00% | 6.60% | 6.63% | 10.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 2.80% | 5.21% | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.00% | 3.90% | 5.36% | 2.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.40% | -0.90% | 1.00% | -0.55% | -1.05% |

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents The District's proportionate share of the net pension liability calculated using the discount rate of 7.15% at measurement date June 30, 2017 and 7.65% at measurement date June 30, 2016 as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| Measurement Date June 30, 2017 Miscellaneous (Pool Amount) | | Measurement Date June 30, 2016 Miscellaneous (Pool Amount) | |
|---|---|---|---|
| 1% Decrease | 6.15% | 1% Decrease | 6.65% |
| Net Pension Liability | $ 1,791,333 | Net Pension Liability | $ 1,508,751 |
| Current Discount Rate | 7.15% | Current Discount Rate | 7.65% |
| Net Pension Liability | $ 1,074,248 | Net Pension Liability | $ 876,080 |
| 1% Increase | 8.15% | 1% Increase | 8.65% |
| Net Pension Liability | $ 480,345 | Net Pension Liability | $ 353,208 |

***Pension Plan Fiduciary Net Position*** – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

## Note 8 – 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.

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.

As of June 30, 2018, four employees were participating in the plan.

## Note 9 – 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 (OPEB Plan). Under the OPEB 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.

### Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

| | |
|---|---|
| Participating active employees | 7 |
| Inactive employees or beneficiaries currently receiving benefits | 6 |
| Total | 13 |

### Funding Policy

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The OPEB Plan was prefunded during the fiscal year ended June 30, 2009 based on the July 1, 2007 valuation performed by an independent actuarial valuation firm. No subsequent contributions have been made to the OPEB Plan.

### Net OPEB Asset

The District's net OPEB asset was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

| | OPEB Plan |
|---|---|
| Actual Cost Method | Entry-Age Actuarial Cost Method in accordance with the requirements of GASB Statement No. 75 |
| Actuarial Assumptions: | |
| Discount Rate | 6.00% |
| Inflation | 2.75% |
| Salary Increases (1) | 2.75% |
| Investment Rate of Return | 6.00% |
| Mortality | 2014 CalPERS Active Mortality for Miscellaneous Employees; 2014 CalPERS Retiree Mortality for Miscellaneous Employees |
| Pre-Retirement Turnover | 2009 CalPERS Turnover for Miscellaneous Employees |
| Healthcare Trend Rate | 4% per year |

(1) Benefits are not dependent upon salary

**Note 9 – Post-Employment Health Care Benefits (Continued)**

The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

| | Measurement Date June 30, 2017 | |
|---|---|---|
| Asset Class | Assumed Allocation | Assumed Gross Return |
| US Large Cap | 24.00% | 7.80% |
| Long-term Corporate Bonds | 34.00% | 5.30% |
| Long-term Government Bonds | 8.00% | 4.50% |
| US Small Cap | 8.00% | 7.80% |
| Treasury Inflation Protected Securities (TIPS) | 15.00% | 7.80% |
| US Real Estate | 8.00% | 7.80% |
| All Commodities | 3.00% | 7.80% |
| | 100.00% | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Note 9 – Post-Employment Health Care Benefits (Continued)**

Changes in the Net OPEB Asset

The changes in the net OPEB asset for the OPEB Plan are as follows:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability/(Asset) (a) - (b) |
|---|---|---|---|
| Balance at June 30, 2017 *(Measurement Date June 30, 2016)* | $ 1,065,412 | $ 2,006,424 | $ (941,012) |
| Changes Recognized for the Measurement Period: | | | |
| Service cost | 27,373 | - | 27,373 |
| Interest on Total OPEB Liability | 63,337 | - | 63,337 |
| Contributions - Employer | - | - | - |
| Net investment income | - | 84,095 | (84,095) |
| Administrative expense | - | (1,731) | 1,731 |
| Benefit Payments & Refunds | (46,205) | (46,205) | - |
| Net Changes | 44,505 | 36,159 | 8,346 |
| Balance at June 30, 2018 *(Measurement Date June 30, 2017)* | $ 1,109,917 | $ 2,042,583 | $ (932,666) |

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017.

| Net OPEB Asset | | |
|---|---|---|
| 1% Decrease (5.0%) | Current Discount Rate (6.0%) | 1% Increase (7.0%) |
| $ 799,777 | $ 932,666 | $ 1,044,294 |

The following presents the net OPEB asset of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017.

| Net OPEB Asset | | |
|---|---|---|
| Trend 1% Lower | Valuation Trend | Trend 1% Higher |
| $ 1,045,675 | $ 932,666 | $ 801,587 |

## Note 9 – Post-Employment Health Care Benefits (Continued)

OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available financial report that may be obtained from their website at www.calpers.ca.gov.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $8,346. At June 30, 2018, the District did not have deferred outflows of resources related to OPEB.

## Note 10 –Section 115 Trust

During the fiscal year ended June 30, 2018, the District entered into a Section 115 trust agreement with Pension Agency Retirement Services (PARS), trust administrator. U.S. Bank National Association serves as Trustee. The Section 115 Trust was established as a means to set aside monies to fund the District's pension and OPEB obligations. Contributions to the Section 115 Trust are irrevocable, the assets are dedicated to providing benefits to plan members, and the assets are protected from creditors of the District.

The Section 115 Trust has two separate components:

- Pension Stabilization Fund – These funds are restricted for use in funding the District's CalPERS pension plan described in Note 7. The trust was created to address the District's pension obligations by accumulating assets to reduce the net pension liability. In accordance with generally accepted accounting principles, the assets in the Pension Stabilization Fund are not considered to have present service capacity as plan assets and are therefore considered restricted assets of the District rather than pension plan assets. Accordingly, the Pension Stabilization Fund's assets are recorded as restricted assets on the District's balance sheet rather than as assets of the pension plan during the measurement of the net pension liability. Assets held in the Pension Stabilization Fund will be considered pension plan assets at the time they are transferred out of the trust in to the pension plan. In June 2018 the District made an initial deposit of $1,046,762 into the Pension Stabilization Fund and the balance at June 30, 2018 was $1,047,815.

**Note 10 –Section 115 Trust (Continued)**

- OPEB Fund – These funds are restricted for use in funding the District's Other Postemployment Benefit Plan described in Note 9. Beginning in the fiscal year ended June 30, 2009, the OPEB Plan was 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. In November 2017 the District moved the OPEB funds from the CERBT to the Section 115 trust administered by PARS. The OPEB Fund is considered to be plan assets, as OPEB benefits are paid directly from the OPEB Fund. In accordance with generally accepted accounting principles the amounts held in the CERBT at measurement date June 30, 2017 are considered to be the fiduciary net position of the OPEB plan, and amounts held in the PARS Fund will be considered to be the fiduciary net position of the OPEB plan for measurement date June 30, 2018. The balance in the PARS OPEB Fund at June 30, 2018 was $2,097,481.

**Note 11 –Supplemental Schedule Statement of Cash Flows**

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

| | 2018 | 2017 |
|---|---|---|
| Operating loss | $ (1,412,591) | $ (1,356,822) |
| Adjustments to reconcile the operating loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,752,548 | 1,738,278 |
| Changes in operating assets and liabilities: | | |
| Other current assets | 28,061 | (35,279) |
| Net OPEB asset | 8,346 | - |
| Deferred outflows of resources | (197,224) | (111,584) |
| Accounts payable | 47,019 | 146,877 |
| Unearned revenue | - | (156,125) |
| Compensated absences | (30,268) | (69,204) |
| Net pension liability | 198,168 | 297,588 |
| Deferred inflows of resources | 37,490 | (89,564) |
| Net cash provided by operating activities | $ 431,549 | $ 364,165 |

**Note 12 –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 | (1st installment) |
| | March 1 | (2nd installment) |
| Delinquent Date | December 11 | (1st installment) |
| | April 11 | (2nd installment) |

**Note 12 – Property Tax Calendar (Continued)**

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.

**Note 13 – 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 14 – Prior Period Adjustment**

A prior period adjustment was made to beginning net position to reflect the prior period costs related to the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The restatement of beginning net position is summarized as follows:

| | |
|---|---|
| Net position at July 1, 2017, as originally stated | $ 63,229,665 |
| Net OPEB asset adjustment | 430,802 |
| Net position at July 1, 2017, as restated | $ 63,660,467 |

Because all of the information required to restate prior year was not available at the time the financial statements were available to be issued, prior year values are not presented in a comparable manner.

**Note 15 – Subsequent Events**

Subsequent events have been evaluated through November 20, 2018 the date the financial statements were available to be issued.

# REQUIRED SUPPLEMENTARY INFORMATION

**GOLETA WEST SANITARY DISTRICT MISCELLANEOUS PLAN**
**A COST-SHARING MULTIIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**
**AS OF JUNE 30, 2018**
**LAST 10 YEARS***

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**
**SCHEDULE OF GOLETA WEST SANITARY DISTRICT'S**
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Proportion of the net pension liability | 0.01083% | 0.01012% | 0.00843% | 0.00869% |
| Proportionate share of the net pension liability | $ 1,074,248 | $ 876,080 | $ 578,492 | $ 540,635 |
| Covered payroll | $ 563,911 | $ 584,074 | $ 574,347 | $ 570,418 |
| Proportionate Share of the net pension liability as percentage of covered payroll | 190.50% | 149.99% | 100.72% | 94.78% |
| Plan fiduciary net position as a percentage of the total pension liability | 79.39% | 81.36% | 87.04% | 87.64% |
| Measurment date | 06/30/17 | 06/30/16 | 06/30/15 | 06/30/14 |
| Valuation date | 06/30/16 | 06/30/15 | 06/30/14 | 06/30/13 |

**Notes to Schedule:**

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 measurement date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**GOLETA WEST SANITARY DISTRICT MISCELLANEOUS PLAN**
**A COST-SHARING MULTIIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN**
**AS OF JUNE 30, 2018**
**LAST 10 YEARS***

## CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
## SCHEDULE OF GOLETA WEST SANITARY DISTRICT'S CONTRIBUTIONS

| | 2018 | 2017 | 2016 | 2016 |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 76,930 | $ 66,953 | $ 60,932 | $ 52,389 |
| Contributions in relation to the actuarially determined contributions | $ 76,930 | $ 66,953 | $ 60,932 | $ 52,389 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 582,912 | $ 563,911 | $ 584,074 | $ 574,347 |
| Contributions as a percentage of covered payroll | 13.20% | 11.87% | 10.43% | 9.12% |

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2017-2018 were derived from the June 30, 2015 funding valuation report.

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**GOLETA WEST SANITARY DISTRICT**
**OTHER POSTEMPLOYMENT BENEFITS PLAN**
**SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS**
**FOR THE YEAR ENDED JUNE 30, 2018**
**LAST 10 YEARS***

| | 2018 |
|---|---|
| Total OPEB liability: | |
| Service cost | $ 27,373 |
| Interest on the total OPEB liability | 63,337 |
| Benefit payments | (46,205) |
| Net change in total OPEB liability | 44,505 |
| Total OPEB liablity - beginning | 1,065,412 |
| Total OPEB liability - ending (a) | $ 1,109,917 |
| | |
| Fiduciary Net Position | |
| Net investment income | $ 84,095 |
| Administrative expense | (1,731) |
| Benefit payments | (46,205) |
| Net change in fiduciary net position | 36,159 |
| Total fiduciary net position- beginning | 2,006,424 |
| Total fiduciary net position - ending (b) | $ 2,042,583 |
| | |
| Net OPEB asset - ending (a) - (b) | $ (932,666) |
| | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 184.03% |
| | |
| Covered - employee payroll | $ 672,205 |
| | |
| Net OPEB asset as a percentage of covered-employee payroll | -138.75% |
| | |
| Measurment date | 06/30/17 |
| Valuation date | 06/30/17 |

Notes to Schedule:

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

# OTHER SUPPLEMENTARY INFORMATION

**GOLETA WEST SANITARY DISTRICT**
**SCHEDULE OF OPERATING EXPENSES**
**For the Year Ended June 30, 2018 with Comparative Totals for the Year Ended June 30, 2017**

| | Sewage Collection | Sewage Treatment | Other Operating Expenses | Administration and General | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Salaries and wages | $ 352,481 | $ - | $ 114,448 | $ 256,096 | $ 723,025 | $ 738,852 |
| Employee benefits | 149,791 | - | 31,458 | 185,212 | 366,461 | 373,019 |
| Contract services | 64,508 | 1,927,557 | 97,597 | 63,743 | 2,153,405 | 1,824,266 |
| Professional and other services | - | - | 65,665 | 174,295 | 239,960 | 201,364 |
| Utilities | 62,160 | - | 30,461 | 4,417 | 97,038 | 92,582 |
| Printing and publications | - | - | - | 3,459 | 3,459 | 550 |
| Insurance | 47,209 | - | 7,306 | 24,892 | 79,407 | 39,354 |
| Office expense | - | - | - | 3,075 | 3,075 | 2,278 |
| Operating supplies | 1,343 | - | - | - | 1,343 | 719 |
| Gas, oil and fuel | 9,067 | - | 9,455 | 1,468 | 19,990 | 14,364 |
| Repairs and maintenance | 67,416 | - | 25,380 | 269 | 93,065 | 97,187 |
| Training | 8,746 | - | 333 | 7,686 | 16,765 | 12,867 |
| Travel and meetings | 1,694 | - | - | 3,940 | 5,634 | 3,913 |
| Rents and leases | - | - | - | - | - | 322 |
| Memberships | 977 | - | 524 | 16,926 | 18,427 | 18,077 |
| Permits and licenses | 3,685 | - | - | 4,848 | 8,533 | 5,698 |
| Administration fees | - | 115,654 | 28,553 | - | 144,207 | 126,839 |
| Miscellaneous | - | - | 101,860 | - | 101,860 | 11,724 |
| Amortization | - | 730,232 | - | - | 730,232 | 722,971 |
| Depreciation | 979,667 | 5,167 | 25,403 | 12,079 | 1,022,316 | 1,015,307 |
| Totals, June 30, 2018 | $ 1,748,744 | $ 2,778,610 | $ 538,443 | $ 762,405 | $ 5,828,202 | |
| Totals, June 30, 2017 | $ 1,665,978 | $ 2,437,708 | $ 458,917 | $ 739,650 | | $ 5,302,253 |