GOLETA WEST

SANITARY DISTRICT

June 30, 2015 and 2014

FINANCIAL STATEMENTS

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

GOLETA WEST SANITARY DISTRICT

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

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, 2015 and 2014, 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, 2015 and 2014, 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 1 and Note 13 to the basic financial statements, the District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during fiscal year 2015. The adoption of this standard required retrospective application resulting in a $789,123 reduction of net position as of July 1, 2014. 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 32 and the California Public Employees' Retirement System Schedule of Goleta West Sanitary District's Contributions on page 33 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 34 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 13, 2015

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, 2015 and 2014. 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.

<u>Financial Statements</u> (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, 2015, the District's total net position increased by $ 3,096,357 (5.6%). The District's operating revenues increased by $234,588 (8.8%) and operating expenses increased by $181,608 (3.8%). Non-operating income increased in the current year by $2,276,304 (64.1%). These increases are discussed in further detail below.

During the fiscal year ended June 30, 2015 the District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that both related to pension activity:

- Statement No. 68 (GASB 68,) *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27, and*
- Statement No. 71 (GASB 71,) *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

GASB 68 established standards of accounting and financial reporting, but not funding or budgetary standards for the District's defined benefit pension plan. The significant impact to the District of implementing GASB 68 is the required reporting of the unfunded net pension liability on the District's balance sheet. There are also new note disclosure requirements and supplementary schedules required. The measurement date for the net pension liability is as of June 30, 2014. This date reflects a one-year lag and was used so that these financial statements could be issued in an expedient manner. Activity, such as contributions occurring during fiscal year 2014-2015 is reported as deferred outflows of resources in accordance with GASB 71. Note 7 contains detailed information regarding these balances.

In order to implement GASB 68, a prior period adjustment was made to the District's July 1, 2014 net position. This prior period adjustment decreased the District's net position by $789,123 and reflects the reporting of net pension liabilities of $841,452, and deferred outflows of resources of $52,329. See Note 13 for further details.

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, 2015 is $199 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, 2015	June 30, 2014	June 30, 2013
Total operating revenues	$ 2,910,926	$ 2,676,338	$ 2,428,618
Wastewater O&M expenses	4,465,973	4,327,330	4,147,672
Less: Depreciation and amortization	(1,488,064)	(1,570,473)	(1,597,194)
	2,977,909	2,756,857	2,550,478
Net wastewater operating loss	$ (66,983)	$ (80,519)	$ (121,860)

Financial Analysis of the Financial Statements

Net Position

The District's net position at June 30, 2015 totaled $ 58,210,571 compared to $ 55,114,214 at June 30, 2014. The increase in net position can be attributed to an operating loss of $2,006,983, offset by non-operating income of $5,827,603, as well as a prior period adjustment which decreased net position by $789,123 for the implementation of GASB 68.

Net Position (Continued)

The following is a summary of the District's balance sheet as of June 30, 2015 compared to June 30, 2014 and 2013:

	June 30, 2015	June 30, 2014	Change $	Change %	June 30, 2013	Change $	Change %
Assets:							
Current assets	$ 3,220,611	$ 2,822,370	$ 398,241	14.1%	$ 1,926,683	$ 895,687	46.5%
Noncurrent assets:							
Unrestricted assets	1,900,575	510,210	1,390,365	272.5%	1,430,123	(919,913)	-64.3%
Restricted assets	2,667,937	11,054,910	(8,386,973)	-75.9%	8,518,041	2,536,869	29.8%
Dedicated assets	5,507,012	4,817,406	689,606	14.3%	5,359,066	(541,660)	-10.1%
Capital assets, net	26,716,773	17,789,550	8,927,223	50.2%	16,106,145	1,683,405	10.5%
Capacity rights, net	19,940,912	20,495,685	(554,773)	-2.7%	20,651,001	(155,316)	-0.8%
Total Assets	$ 59,953,820	$ 57,490,131	$ 2,463,689	4.3%	$ 53,991,059	$ 3,499,072	6.5%
Deferred Outflows of Resources							
Deferred pensions	62,979	-	62,979	100.0%	-	-	0.0%
Total Deferred Outflows of Resources	$ 62,979	$ -	$ 62,979	100.0%	$ -	$ -	100.0%
Liabilities:							
Current liabilities	$ 964,346	$ 2,375,917	$ (1,411,571)	-59.4%	$ 654,882	$ 1,721,035	262.8%
Long term liabilities	540,635	-	540,635	100.0%	70,000	(70,000)	-100.0%
Total Liabilities	$ 1,504,981	$ 2,375,917	$ (870,936)	-36.7%	$ 724,882	$ 1,651,035	227.8%
Deferred Inflows of Resources							
Deferred pensions	$ 301,247	$ -	301,247	100.0%	$ -	-	0.0%
Total Deferred Inflows of Resources	$ 301,247	$ -	$ 301,247	100.0%	$ -	$ -	0.0%
Net Position:							
Invested in capital assets and capacity rights	$ 46,657,685	$ 38,285,235	$ 8,372,450	21.9%	$ 36,757,146	$ 1,528,089	4.2%
Restricted	2,667,937	11,054,910	(8,386,973)	-75.9%	8,518,041	2,536,869	29.8%
Unrestricted, dedicated	5,507,012	4,817,406	689,606	14.3%	5,359,066	(541,660)	-10.1%
Unrestricted	3,377,937	956,663	2,421,274	253.1%	2,631,924	(1,675,261)	-63.7%
Total Net Position	$ 58,210,571	$ 55,114,214	$ 3,096,357	5.6%	$ 53,266,177	$ 1,848,037	3.5%

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 $ 58,210,571 as of June 30, 2015.

With a total of $46,657,685, 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 $2,667,937 must be used for specified purposes, as described in more detail in Note 6.

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

Changes in Net Position

The District reported a change in net position of $3,885,480 (excluding the prior period adjustment) for the year ended June 30, 2015. Total change in net position was $1,848,037 and $1,064,640 for the fiscal years ended June 30, 2014 and 2013, 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, 2015, 2014 and 2013.

	June 30, 2015	June 30, 2014	Change $	Change %	June 30, 2013	Change $	Change %
Operating revenues	$ 2,910,926	$ 2,676,338	$ 234,588	8.8%	$ 2,428,618	$ 247,720	10.2%
Operating expenses	4,917,909	4,736,300	181,609	3.8%	4,677,304	58,996	1.3%
Total Operating Loss	(2,006,983)	(2,059,962)	52,979	-2.6%	(2,248,686)	188,724	-8.4%
Non-operating income	5,827,603	3,551,299	2,276,304	64.1%	3,313,326	237,973	7.2%
Change in net position before contributions	3,820,620	1,491,337	2,329,283	156.2%	1,064,640	426,697	40.1%
Capital contributions	64,860	356,700	(291,840)	100.0%	-	356,700	100.0%
Change in net position	3,885,480	1,848,037	2,037,443	110.2%	1,064,640	783,397	73.6%
Net Position at Beginning of Year, as Originally Presented	55,114,214	53,266,177	1,848,037	3.5%	52,201,537	1,064,640	2.0%
Prior Period Adjustment	(789,123)	-	(789,123)	-100.0%	-	-	0.0%
Net Position at Beginning of Year, as Restated	54,325,091	-	54,325,091	100.0%	-	-	0.0%
Net Position at End of Year	$ 58,210,571	$ 55,114,214	$ 3,885,480	7.0%	$ 53,266,177	$ 1,848,037	3.5%

Operating revenues increased between the fiscal years ended June 30, 2015 and June 30, 2014 primarily due to an increase in the annual sewer service charge.

Operating expenses increased by $181,608 between the fiscal years ended June 30, 2015 and June 30, 2014. This was primarily due to increased sewage treatment costs which increased by approximately $196,000. See the supplemental schedule of operating expenses on page 34 of the financial statements for more detailed information.

The increase in non-operating revenues during the year of $2,276,304 (64.1%) was driven by connection fee revenue which increased by $2,339,953 due to one large ($2,525,460) fee received by the District during the current fiscal year.

Contributed capital represents infrastructure dedicated to the District by developers. The District received $64,860 of contributed capital during the year ended June 30, 2015 compared to $356,700 of contributed capital in the prior year.

Capital Assets

At June 30, 2015, the District had invested $38,310,892 in capital assets. This amount represents an increase of $9,288,878 (32.0%) from the prior year. The following is a summary of the capital assets at June 30, 2015, 2014, and 2013, respectively.

	June 30, 2015	June 30, 2014	Change $	Change %	June 30, 2013	Change $	Change %
Structures and improvements	$ 16,637	$ 16,637	$ -	0.0%	$ 16,637	$ -	0.0%
Infrastructure	35,835,273	23,533,210	12,302,063	52.3%	23,418,747	114,463	0.5%
Equipment	1,488,660	1,438,498	50,162	3.5%	1,440,540	(2,042)	-0.1%
Office equipment & furniture	205,210	434,806	(229,596)	-52.8%	426,852	7,954	1.9%
Construction in progress	765,112	3,598,863	(2,833,751)	-78.7%	1,427,066	2,171,797	152.2%
Total Capital Assets	$ 38,310,892	$ 29,022,014	$ 9,288,878	32.0%	$ 26,729,842	$ 2,292,172	8.6%

The total balance of construction in progress (CIP) decreased significantly due to the completion of the Mesa Road Project. This project had a CIP balance of $3,039,297 at June 30, 2014, and current year additions of $9,378,846. Upon completion a total of $12,418,143 was transferred out of CIP and into capital assets. Other additions to CIP were related to the Pump Station Upgrade and Administrative Building projects. See Note 5 for additions and disposals by asset classification.

Economic Factors and Budget

The Board of Directors has approved the budget for the 2015/2016 fiscal year. The budgeted operating expenses total $3,761,801, 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 $1,095,500.

GOLETA WEST SANITARY DISTRICT
BALANCE SHEET
June 30, 2015 and 2014

ASSETS	**2015**	**2014**
Current Assets:		
Cash and cash equivalents (note 2)	$ 2,981,948	$ 2,735,535
Interest receivable	21,407	47,995
Connection fees receivable, current portion (note 3)	178,570	-
Other current assets	38,686	38,840
Total current assets	3,220,611	2,822,370
Restricted Assets:		
Investments, restricted (note 6)	2,667,937	11,054,910
Total restricted assets	2,667,937	11,054,910
Long-term Assets:		
Cash and investments, dedicated (note 6)	5,507,012	4,817,406
Connection fees receivable, net of current portion (note 3)	1,390,365	-
Prepaid other post employement benefits (note 9)	510,210	510,210
Capital assets, net of depreciation (note 5)	25,951,661	14,190,688
Construction in progress (note 5)	765,112	3,598,862
Capacity rights, net of amortization (note 4)	19,940,912	20,495,685
Total long-term assets	54,065,272	43,612,851
Total assets	59,953,820	57,490,131
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions (note 7)	62,979	-
Total deferred outflows of resources	62,979	-
Total assets and deferred outflows of resources	$ 60,016,799	$ 57,490,131

See accompanying notes

GOLETA WEST SANITARY DISTRICT
BALANCE SHEET
June 30, 2015 and 2014

LIABILITIES	**2015**	**2014**
Current Liabilities:		
Accounts payable	$ 455,015	$ 2,054,107
Unearned revenue	173,586	-
Customer deposits	1,000	1,000
Compensated absences	334,745	320,810
Total current liabilities	964,346	2,375,917
Long Term Liabilities:		
Net pension liability (note 7)	540,635	-
Total long term liabilities	540,635	-
Total liabilities	1,504,981	2,375,917
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions (note 7)	301,247	-
Total deferred inflows of resources	301,247	-
NET POSITION		
Net Position (notes 1 and 6):		
Net investment in capital assets and capacity rights	46,657,685	38,285,235
Restricted	2,667,937	11,054,910
Unrestricted, dedicated	5,507,012	4,817,406
Unrestricted, undedicated	3,377,937	956,663
Total net position	58,210,571	55,114,214
Total liabilities, deferred inflows of resources, and net position	$ 60,016,799	$ 57,490,131

See accompanying notes

GOLETA WEST SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2015 and 2014

	2015	2014
Operating Revenues:		
Service charges	$ 2,803,487	$ 2,547,125
Permits, annexation, plan check and inspection fees	97,355	65,218
Other operating revenue	10,084	63,995
Total operating revenues	2,910,926	2,676,338
Operating Expenses:		
Sewage collection	1,377,178	1,384,612
Sewage treatment	2,463,306	2,265,370
General and administrative	626,286	677,348
Other operating expenses	451,139	408,970
Total operating expenses	4,917,909	4,736,300
Operating loss	(2,006,983)	(2,059,962)
Nonoperating Revenue (Expense):		
Taxes and assessments	2,149,716	2,076,680
Loss on disposal of assets	(21,216)	(34,382)
Gain on reduction of loss contingency	-	12,956
Connection fees	3,621,283	1,281,330
Investment income	77,820	214,715
Total non-operating revenue	5,827,603	3,551,299
Change in net position before contributions	3,820,620	1,491,337
Capital contributions	64,860	356,700
Change in net position	3,885,480	1,848,037
Net position at beginning of year, as originally presented	55,114,214	53,266,177
Prior period adjustment (note 13)	(789,123)	-
Net position at beginning of year, as restated	54,325,091	-
Net position at end of year	$ 58,210,571	$ 55,114,214

See accompanying notes

GOLETA WEST SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Cash received from customers	$ 1,515,577	$ 2,676,338
Cash payments to suppliers for goods and services	(2,260,730)	(2,212,615)
Cash payments to employees for services	(985,994)	(955,755)
Net cash used by operating activities	(1,731,147)	(492,032)
Cash Flows from Noncapital Financing Activities		
Cash received for taxes and assessments	2,149,716	2,076,680
Net cash provided by noncapital financing activities	2,149,716	2,076,680
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(11,396,106)	(493,885)
Proceeds from disposal of capital assets	1,600	-
Cost related to capacity rights	(200,708)	(609,651)
Proceeds from connection fees	3,621,283	1,281,330
Net cash provided (used) by capital and related financing activities	(7,973,931)	177,794
Cash Flows from Investing Activities:		
Purchase of investments and securities	(976,853)	(6,742,536)
Proceeds from sales of investments and securities	8,709,546	6,448,206
Investment income received	131,490	209,564
Net cash provided (used) by investing activities	7,864,183	(84,766)
Net increase in cash	308,821	1,677,676
Cash – beginning of year	3,496,978	1,819,302
Cash – end of year	$ 3,805,799	$ 3,496,978

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 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.

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. In June 2015 the District received capital fund fees from UCSB related to 2015/2016.

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 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 9 for further details.

Pensions

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 District's Health's California Public Employees' Retirement System (CalPERS) plans (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.

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

Implementation of New Accounting Pronouncements

For the year ended June 30, 2015, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement amends paragraph 137 of Statement No. 68. The requirements of this Statement apply to all state and local governments that are required to apply the provisions of Statement No. 68 for defined benefit pensions. This statement recognizes that at the beginning of the period in which the provisions of Statement No. 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Note 2 - Cash and Investments

Cash and investments are classified in the accompanying financial statements at fair value, respectively at June 30, 2015 and 2014 as follows:

	2015	2014
Petty cash	$ 210	$ 210
Deposits with financial institutions	3,366,319	1,447,094
Cash held in investment account	439,270	2,049,674
Total cash and equivalents	3,805,799	3,496,978
Investments, non-cash equivalents	7,351,098	15,110,873
Total cash and investments	$ 11,156,897	$ 18,607,851

Note 2 - Cash and Investments (Continued)

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.

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, 2015.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment 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%

Note 2 - Cash and Investments (Continued)

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, 2015, 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	$ 3,241,882	$ 1,358,660	$ 623,647	$ 1,259,575	$ -
Federal agency bonds	2,288,858	1,067,434	-	1,221,424	-
Corporate bonds	1,144,698	-	-	1,144,698	-
Municipal bonds	325,418	200,004	125,414	-	-
Certificates of deposit	350,242	-	350,242	-	-
Total	$ 7,351,098	$ 2,626,098	$ 1,099,303	$ 3,625,697	$ -

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, 2015.

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	$ 3,241,882 *	N/A	$ -	$ 3,241,882	$ -	$ -
Federal agency bonds	2,288,858	N/A	-	2,288,858	-	-
Corporate bonds	1,144,698	A	99,430	924,925	120,343	-
Municipal bonds	325,418	N/A	200,004	-	125,414	-
Certificates of deposit	350,242	A	-	-	350,242	-
Total	$ 7,351,098		$ 299,434	$ 6,455,665	$ 595,999	$ -

***** 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 $178,567, payable each July 1 beginning on July 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, 2015:

	2015
Connection fees receivable	$ 1,785,699
Discount	(216,764)
Net present value	$ 1,568,935

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 intangible assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Capacity rights	$ 28,100,663	$ 200,708	$ (158,542)	$ -	$ 28,142,829
Accumulated amortization	(7,604,978)	(743,552)	146,613	-	(8,201,917)
Net capacity rights	$ 20,495,685	$ (542,844)	$ (11,929)	$ -	$ 19,940,912

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

	Balance June 30, 2013	Additions	Disposals	Transfers	Balance 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	$ 20,651,001	$ (155,316)	$ -	$ -	$ 20,495,685

Note 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Disposals	Transfers	Balance June 30, 2015
Structures and improvements	$ 16,637	$ -	$ -	$ -	$ 16,637
Infrastructure	23,533,210	64,860	(180,940)	12,418,143	35,835,273
Equipment	1,438,498	64,861	(14,699)	-	1,488,660
Office equipment and furniture	434,806	-	(229,596)	-	205,210
Construction in progress	3,598,863	9,584,392	-	(12,418,143)	765,112
Capital assets	29,022,014	9,714,113	(425,235)	-	38,310,892
Accumulated depreciation	(11,232,464)	(770,712)	409,057	-	(11,594,119)
Net capital assets	$ 17,789,550	$ 8,943,401	$ (16,178)	$ -	$ 26,716,773

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	$ 16,106,145	$ 1,717,787	$ (34,382)	$ -	$ 17,789,550

Note 6 - Net Position

	2015	2014
Net investment in capital assets and capacity rights	$ 46,657,685	$ 38,285,235
Restricted:		
Capacity fees for collection system/plant reserve (Fund 4932)	982,127	4,400,198
Capital and treatment plant upgrade reserve (Fund 4935)	1,685,810	6,654,712
Total restricted net position	2,667,937	11,054,910
Dedicated by Board of Directors:		
Property tax reserve (Fund 4910)	2,555,426	2,298,144
Equipment/vehicle replacement reserve (Fund 4960)	274,326	253,355
Building replacement reserve (Fund 4965)	2,677,260	2,265,907
Total dedicated net position	5,507,012	4,817,406
Unrestricted, undedicated	3,377,937	956,663
Total net position	$ 58,210,571	$ 55,114,214

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 Plans 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) will participate in the PEPRA Miscellaneous Plan, however the District had no such employees as of the measurement date of June 30, 2014.

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 Plans' provisions and benefits in effect at June 30, 2015, 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	6.89%	N/A
Required employer contribution rates	9.12%	N/A

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 both Plans 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. The District's contractually required contribution for the year ended June 30, 2015 was 9.12%.

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. 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.

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

As of June 30, 2015, the District reported a liability of $540,635 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. 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, actuarially determined.

Note 7 - Pension Plan (Continued)

The District's proportionate share of the net pension liability for all Plans as of June 30, 2013 and 2014 was as follows:

	Miscellaneous
Proportion – June 30, 2013	0.02568%
Proportion – June 30, 2014	0.02187%
Change – Increase (Decrease)	-0.00381%

For the year ended June 30, 2015, the District recognized pension expense of $42,169. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 52,389	$ -
Changes in assumptions	-	-
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	10,590	(37,849)
Net differences between projected and actual earnings on plan investments	-	(263,398)
Total	$ 62,979	$ (301,247)

Employer contributions of $52,389 reported 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	$ (75,586)
2017	(75,586)
2018	(73,637)
2019	(65,848)
2020	-
Thereafter	-
	$ (290,657)

Note 7 - Pension Plan (Continued)

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, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actual Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service (1)
Investment Rate of Return	7.5% (2)
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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate **–** The discount rate used to measure the total pension liability was 7.50% for all Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for all plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Note 7 - Pension Plan (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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 for each fund. 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. These rates of return are net of administrative expenses.

Asset Class	Net Strategic Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-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.

Note 7 - Pension Plan (Continued)

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 7.50% 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:

Miscellaneous		
1% Decrease		6.50%
Net Pension Liability	$	1,121,075
Current Discount Rate		7.50%
Net Pension Liability	$	540,635
1% Increase		8.50%
Net Pension Liability	$	58,925

Pension Plan Fiduciary Net Position – Detailed information about all pension plan fiduciary net positions 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.

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, 2015, 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. 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.

Note 9 - Post-employment Health Care Benefits (Continued)

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.

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, 2015, 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, 2015 and the two preceding years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Asset
06/30/13	$ -	100%	$ 510,210
06/30/14	-	100%	510,210
06/30/15	-	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%

Note 9 - Post-employment Health Care Benefits (Continued)

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.

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 Amorization 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 10 - Supplemental Schedule Statement of Cash Flows

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

	2015	2014
Operating loss	$ (2,006,983)	$ (2,059,962)
Adjustments to reconcile the operating loss to net cash used by operating activities:		
Depreciation and amortization	1,514,264	1,595,893
Changes in operating assets and liabilities		
Connection fees receivable	(1,568,935)	
Other current assets	154	6,174
Deferred outflows of resources	(10,650)	-
Accounts payable	153,052	11,122
Unearned revenue	173,586	
Compensated absences	13,935	11,785
Net pension liability	(300,817)	-
Environmental clean up obligation	-	(57,044)
Deferred inflows of resources	301,247	-
Net cash used by operating activities	$ (1,731,147)	$ (492,032)

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

	2015	2014
Cash and cash equivalalents	$ 2,981,948	$ 2,735,535
Cash equivalents included in cash and investments, dedicated	823,851	761,443
Total cash and cash equivalents	$ 3,805,799	$ 3,496,978

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	(1st installment)
	March 1	(2nd installment)
Delinquent Date	December 11	(1st installment)
	April 11	(2nd 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.

Note 12 - <u>Conditional Annexation Fees</u>

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 - <u>Prior Period Adjustment</u>

Note 2 describes the GASB pronouncements the District is adopting for this and the prior fiscal years. There is a financial impact for the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*.

Net Pension Liability

Implementation of GASB Statement No. 68 recognizes a liability for Goleta West Sanitary District's proportionate share of the net pension liability of all employers for benefits provided through the California Public Employees' Retirement System (CalPERS). Additionally, the District is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows or resources and deferred inflows of resources related to pensions. The effect of this adjustment can be seen below. 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.

The following table presents the effect of the prior period adjustment on the June 30, 2015 financial statement balances:

Net position at July 1, 2014, as originally stated	$ 55,114,214
Decrease in net position due to net pension liability	(789,123)
Net position at July 1, 2014, as restated	$ 54,325,091

Note 14 - <u>Subsequent Events</u>

Subsequent events have been evaluated through November 13, 2015, 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, 2015
LAST 10 YEARS*

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

		2015
Proportion of the net pension liability		0.00869%
Proportionate share of the net pension liability	$	540,635
Covered - employee payroll	$	570,418
Proportionate Share of the net pension liability as percentage of covered-employee payroll		94.78%
Plan fiduciary net position as a percentage of the total pension liability		87.64%

Notes to Schedule:

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

GOLETA WEST SANITARY DISTRICT MISCELLANEOUS PLAN
A COST-SHARING MULTIIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2015
LAST 10 YEARS*

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

		2015
Contractually required contribution (actuarially determined)	$	52,329
Contributions in relation to the actuarially determined contributions	$	52,329
Contribution deficiency (excess)	$	-
Covered-employee payroll	$	570,418
Contributions as a percentage of covered-employee payroll		9.17%

Notes to Schedule:

Valuation date:	6/30/2013

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

OTHER SUPPLEMENTARY INFORMATION

GOLETA WEST SANITARY DISTRICT
Schedule of Operating Expenses
For the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014

	Sewage Collection	Sewage Treatment	Other Operating Expenses	Administration and General	2015	2014
Salaries and wages	$ 307,879	$ -	$ 116,815	$ 311,457	$ 736,151	$ 690,749
Employee benefits	101,443	-	29,431	122,838	253,712	282,965
Contract services	32,388	1,620,351	106,884	19,111	1,778,734	1,587,198
Professional and other services	135	-	84,578	86,291	171,004	159,125
Utilities	74,342	-	23,971	4,423	102,736	98,833
Printing and publications	-	-	-	1,659	1,659	4,288
Insurance	41,845	-	5,579	10,470	57,894	50,775
Office expense	-	-	-	3,402	3,402	2,678
Operating supplies	2,505	-	-	-	2,505	961
Gas, oil and fuel	10,725	-	6,417	2,179	19,321	23,745
Repairs and maintenance	71,990	-	20,826	750	93,566	95,199
Training	5,101	-	215	10,275	15,591	14,996
Travel and meetings	-	-	-	1,882	1,882	2,687
Rents and leases	-	-	-	80	80	78
Memberships	891	-	1,270	15,649	17,810	16,077
Permits and licenses	7,444	-	-	185	7,629	6,641
Administration fees	-	93,923	-	16,296	110,219	93,737
Miscellaneous	-	-	29,750	-	29,750	9,675
Amortization	-	743,552	-	-	743,552	764,967
Depreciation	720,490	5,480	25,403	19,339	770,712	830,926
Totals, June 30, 2015	$ 1,377,178	$ 2,463,306	$ 451,139	$ 626,286	$ 4,917,909	
Totals, June 30, 2014	$ 1,384,612	$ 2,265,370	$ 408,970	$ 677,348		$ 4,736,300