

**GOLETA WEST**  
**SANITARY DISTRICT**  
June 30, 2013 and 2012  
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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Goleta West Sanitary District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goleta West Sanitary District, as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## *Other Matters*

### *Required Supplementary Information*

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

### *Supplementary Information*

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

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

*Bartlett, Pringle + Wolf, LLP*

Santa Barbara, California  
November 19, 2013

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

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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, 2013 and 2012. Please read it in conjunction with the District's financial statements, which follow this section.

**Financial Statements**

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

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

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

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

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

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

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

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

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

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

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**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, 2013, the District's total net position increased by \$ 1,064,640 (2.0%). The District's operating revenues increased by \$8,497 (0.4%) and operating expenses increased by \$389,947 (9.1%). Non-operating income increased in the current year by \$377,090 (12.8%).

**Revenue Sources and Uses**

The District's financial statements classify revenues as operating or non-operating revenues. Operating revenues are comprised primarily of sewer service charges. The sewer service charge as of June 30, 2013 is \$168 per year for a single family residence. Commercial users are charged according to prior years' water usage and the type of wastewater discharged. Non-operating revenues are comprised primarily from property tax revenue and investment income. The annual property tax revenues are predominately based on pre-Proposition 13 property tax allocation percentages.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Total operating revenues	\$ 2,428,618	\$ 2,420,121	\$ 2,393,477
Wastewater O&M expenses	4,147,672	3,798,217	3,715,984
Less: Depreciation and amortization	<u>(1,597,194)</u>	<u>(1,369,442)</u>	<u>(1,204,239)</u>
	2,550,478	2,428,775	2,511,745
Net wastewater operating loss	<u>\$ (121,860)</u>	<u>\$ (8,654)</u>	<u>\$ (118,268)</u>

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

**Financial Analysis of the Financial Statements**

***Net Position***

The District's net position at June 30, 2013 totaled \$ 53,266,177 compared to \$ 52,201,537 at June 30, 2012. The increase in net position can be attributed to an operating loss of \$2,248,686, offset by non-operating income of \$ 3,313,326 .

The following is a summary of the District's balance sheet as of June 30, 2013 compared to June 30, 2012 and 2011:

	June 30,	June 30,	Change		June 30,	Change	
	2013	2012	\$	%	2011	\$	%
<b><u>Assets:</u></b>							
Current assets	\$ 1,926,683	\$ 1,266,891	\$ 659,792	52.1%	\$ 2,784,600	\$ (1,517,709)	-54.5%
Noncurrent assets:							
Unrestricted assets	1,430,123	2,300,978	(870,855)	-37.8%	898,067	1,402,911	156.2%
Restricted assets	8,518,041	10,859,228	(2,341,187)	-21.6%	20,789,887	(9,930,659)	-47.8%
Dedicated assets	5,359,066	4,843,109	515,957	10.7%	3,875,395	967,714	25.0%
Capital assets, net	16,106,145	16,383,871	(277,726)	-1.7%	15,741,920	641,951	4.1%
Capacity rights, net	20,651,001	18,420,737	2,230,264	12.1%	8,578,350	9,842,387	114.7%
<b>Total Assets</b>	<b>\$ 53,991,059</b>	<b>\$ 54,074,814</b>	<b>\$ (83,755)</b>	<b>-0.2%</b>	<b>\$ 52,668,219</b>	<b>\$ 1,406,595</b>	<b>2.7%</b>
<b><u>Liabilities:</u></b>							
Current liabilities	\$ 654,882	\$ 1,533,277	\$ (878,395)	-57.3%	\$ 1,115,682	\$ 417,595	37.4%
Long term liabilities	70,000	340,000	(270,000)	-79.4%	420,000	(80,000)	-19.0%
<b>Total Liabilities</b>	<b>\$ 724,882</b>	<b>\$ 1,873,277</b>	<b>\$ (1,148,395)</b>	<b>-61.3%</b>	<b>\$ 1,535,682</b>	<b>\$ 337,595</b>	<b>22.0%</b>
<b><u>Net Position:</u></b>							
Invested in capital assets and capacity rights	\$ 36,757,146	\$ 34,804,608	\$ 1,952,538	5.6%	\$ 24,320,270	\$ 10,484,338	43.1%
Restricted	8,518,041	10,859,228	(2,341,187)	-21.6%	20,789,887	(9,930,659)	-47.8%
Unrestricted, dedicated	5,359,066	4,843,109	515,957	10.7%	3,875,395	967,714	25.0%
Unrestricted	2,631,924	1,694,592	937,332	55.3%	2,146,985	(452,393)	-21.1%
<b>Total Net Position</b>	<b>\$ 53,266,177</b>	<b>\$ 52,201,537</b>	<b>\$ 1,064,640</b>	<b>2.0%</b>	<b>\$ 51,132,537</b>	<b>\$ 1,069,000</b>	<b>2.1%</b>

Net position may serve as an indicator of a public governmental agency's financial status. In the case of the District, assets exceeded liabilities by \$ 53,266,177 as of June 30, 2013.

With a total of \$36,757,146, 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 \$8,518,041 must be used for specified purposes, as described in more detail in Note 5.

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

*Net Position (Continued)*

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

*Changes in Net Position*

The District reported a change in net position of \$ 1,064,640 for the year ended June 30, 2013, a decrease of \$ 4,360 when compared to the year ended June 30, 2012. The following is a summary of the District's statement of revenues, expenses and changes in net position for the years ended June 30, 2013, 2012 and 2011.

	June 30, 2013	June 30, 2012	Change		June 30, 2011	Change	
			\$	%		\$	%
Operating revenues	\$ 2,428,618	\$ 2,420,121	\$ 8,497	0.4%	\$ 2,393,477	\$ 26,644	1.1%
Operating expenses	4,677,304	4,287,357	389,947	9.1%	4,289,910	(2,553)	-0.1%
Total Operating Loss	<u>(2,248,686)</u>	<u>(1,867,236)</u>	<u>(381,450)</u>	<u>20.4%</u>	<u>(1,896,433)</u>	<u>29,197</u>	<u>-1.5%</u>
Non-operating income	<u>3,313,326</u>	<u>2,936,236</u>	<u>377,090</u>	<u>12.8%</u>	<u>2,304,294</u>	<u>631,942</u>	<u>27.4%</u>
Change in Net Position	1,064,640	1,069,000	(4,360)	-0.4%	407,861	661,139	162.1%
Net Position at Beginning of Year	<u>52,201,537</u>	<u>51,132,537</u>	<u>1,069,000</u>	<u>2.1%</u>	<u>50,724,676</u>	<u>407,861</u>	<u>0.8%</u>
Net Position at End of Year	<u>\$ 53,266,177</u>	<u>\$ 52,201,537</u>	<u>\$ 1,064,640</u>	<u>2.0%</u>	<u>\$ 51,132,537</u>	<u>\$ 1,069,000</u>	<u>2.1%</u>

Operating revenues remained comparable between the fiscal years ended June 30, 2013 and June 30, 2012.

Operating expenses increased by \$389,947 (9.1%) between the fiscal years ended June 30, 2013 and June 30, 2012. The District's continued investment in the Goleta Sanitary District treatment plant upgrade and related capacity rights as well as various other capital improvement projects has resulted in increased amortization and depreciation expenses of approximately \$231,000 over the prior year. These expenses do not represent cash outflows from the District, but are book adjustments recorded to account for the use of capital during the year. Additionally, wastewater treatment expenses paid to Goleta Sanitary District increased by approximately \$106,000. See the supplemental schedule of operating expenses on page 27 of the financial statements for more detailed information.

Non-operating revenues increased during the year by \$ 377,090 (12.8%.) Taxes and assessments increased by approximately \$600,000 as the District received an allocation of funds from the dissolution of all California redevelopment agencies. Also, the District recognized a gain of approximately \$213,000 due to a reduction in the estimated amount of the accrued underground storage tank environmental clean up liability. These increases were offset by a decrease in investment income in the amount of approximately \$416,000 which was a result of decreasing investment balances as well as lower rates of return received on the District's investments.



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

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***Capital Assets***

At June 30, 2013, the District had invested \$26,729,842 in capital assets. This amount represents a decrease of \$217,457 (0.8%) from the prior year. The following is a summary of the capital assets at June 30, 2013 and 2012, respectively.

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>	<u>Change</u>		<u>June 30,</u> <u>2011</u>	<u>Change</u>	
			\$	%		\$	%
Structures and improvements	\$ 16,637	\$ 53,859	\$ (37,222)	-69.1%	\$ 53,859	\$ -	0.0%
Infrastructure	23,418,747	23,638,573	(219,826)	-0.9%	23,374,614	263,959	1.1%
Equipment	1,440,539	1,199,066	241,473	20.1%	1,043,337	155,729	14.9%
Office equipment & furniture	426,853	779,677	(352,824)	-45.3%	752,900	26,777	3.6%
Construction in progress	1,427,066	1,276,124	150,942	11.8%	1,416,945	(140,821)	-9.9%
Total Capital Assets	<u>\$ 26,729,842</u>	<u>\$ 26,947,299</u>	<u>\$ (217,457)</u>	<u>-0.8%</u>	<u>\$ 26,641,655</u>	<u>\$ 305,644</u>	<u>1.1%</u>

Additions to the construction in progress account consisted primarily of costs related to the Pump Station #2 Upgrade project (\$223K.) Approximately \$121,000 in construction in progress was transferred to infrastructure due to the completion of various minor capital projects. The increase in the equipment account was due to the purchase of a new street sweeper (\$254K.) Decreases were related to the retirement of depreciated assets that were no longer in service. See Note 4 for additional details regarding capital asset activity.

**Economic Factors and Budget**

The Board of Directors has approved the budget for the 2013/2014 fiscal year. The budgeted operating expenses total \$3,567,670, 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 \$3,087,500

**GOLETA WEST SANITARY DISTRICT**  
**BALANCE SHEET**  
**June 30, 2013 and 2012**

<u><b>ASSETS</b></u>		
	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Current Assets:</b>		
Cash and cash equivalents (note 2)	\$ 1,819,302	\$ 1,008,576
Interest receivable	62,367	80,595
Proposition 1A receivable	-	132,676
Other current assets	45,014	45,044
Total current assets	<u>1,926,683</u>	<u>1,266,891</u>
<b>Restricted Assets:</b>		
Investments, restricted (note 5)	<u>8,518,041</u>	<u>10,859,228</u>
Total restricted assets	<u>8,518,041</u>	<u>10,859,228</u>
<b>Long-term Assets:</b>		
Investments, unrestricted	919,913	1,790,768
Investments, dedicated (note 5)	5,359,066	4,843,109
Prepaid other post employment benefits (note 8)	510,210	510,210
Capital assets, net of depreciation (note 4)	14,679,079	15,107,747
Construction in progress (note 4)	1,427,066	1,276,124
Capacity rights, net of amortization (note 3)	<u>20,651,001</u>	<u>18,420,737</u>
Total long-term assets	<u>43,546,335</u>	<u>41,948,695</u>
Total assets	<u><u>\$ 53,991,059</u></u>	<u><u>\$ 54,074,814</u></u>

*See accompanying notes*

**GOLETA WEST SANITARY DISTRICT  
BALANCE SHEET  
June 30, 2013 and 2012**

**LIABILITIES AND NET POSITION**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 344,857	\$ 1,123,668
Customer deposits	1,000	111,375
Compensated absences	<u>309,025</u>	<u>298,234</u>
Total current liabilities	<u>654,882</u>	<u>1,533,277</u>
<b>Long Term Liabilities:</b>		
Environmental clean up obligation (note 9)	<u>70,000</u>	<u>340,000</u>
Total long term liabilities	<u>70,000</u>	<u>340,000</u>
Total liabilities	<u>724,882</u>	<u>1,873,277</u>
<b>Net Position (notes 1 and 5):</b>		
Net investment in capital assets and capacity rights	36,757,146	34,804,608
Restricted	8,518,041	10,859,228
Unrestricted, dedicated	5,359,066	4,843,109
Unrestricted, undedicated	<u>2,631,924</u>	<u>1,694,592</u>
Total net position	<u>53,266,177</u>	<u>52,201,537</u>
Total liabilities and net position	<u><u>\$ 53,991,059</u></u>	<u><u>\$ 54,074,814</u></u>

*See accompanying notes*

**GOLETA WEST SANITARY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Service charges	\$ 2,313,290	\$ 2,282,940
Permits, annexation, plan check and inspection fees	52,292	67,675
Other operating revenue	<u>63,036</u>	<u>69,506</u>
Total operating revenues	<u>2,428,618</u>	<u>2,420,121</u>
Operating Expenses:		
Sewage collection	1,386,403	1,319,453
Sewage treatment	2,146,299	1,878,568
General and administrative	614,970	600,196
Other operating expenses	<u>529,632</u>	<u>489,140</u>
Total operating expenses	<u>4,677,304</u>	<u>4,287,357</u>
Operating loss	<u>(2,248,686)</u>	<u>(1,867,236)</u>
Nonoperating Revenue (Expense):		
Taxes and assessments	2,395,599	1,795,431
Loss on disposal of assets	(3,076)	(36,078)
Gain on reduction of loss contingency	213,578	-
Connection fees	617,823	671,820
Investment income	<u>89,402</u>	<u>505,063</u>
Total non-operating revenue (expense)	<u>3,313,326</u>	<u>2,936,236</u>
Change in net position	1,064,640	1,069,000
Net position at beginning of year	<u>52,201,537</u>	<u>51,132,537</u>
Net position at end of year	<u>\$ 53,266,177</u>	<u>\$ 52,201,537</u>

*See accompanying notes*

**GOLETA WEST SANITARY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 2,318,243	\$ 2,420,121
Cash payments to suppliers for goods and services	(2,124,353)	(2,159,025)
Cash payments to employees for services	(915,870)	(890,696)
Net cash used by operating activities	<u>(721,980)</u>	<u>(629,600)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash received for taxes and assessments	<u>2,528,275</u>	<u>1,795,431</u>
Net cash provided by noncapital financing activities	<u>2,528,275</u>	<u>1,795,431</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of capital assets	(1,402,956)	(975,779)
Cost related to capacity rights	(3,014,151)	(10,465,066)
Proceeds from sale of capital assets	-	20,000
Proceeds from connection fees	<u>617,823</u>	<u>671,820</u>
Net cash used by capital and related financing activities	<u>(3,799,284)</u>	<u>(10,749,025)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments and securities	(9,850,584)	(15,676,166)
Proceeds from sales of investments and securities	12,383,057	23,338,408
Investment income received	<u>271,242</u>	<u>438,056</u>
Net cash provided by investing activities	<u>2,803,715</u>	<u>8,100,298</u>
Net increase (decrease) in cash	810,726	(1,482,896)
Cash – beginning of year	<u>1,008,576</u>	<u>2,491,472</u>
Cash – end of year	<u><u>\$ 1,819,302</u></u>	<u><u>\$ 1,008,576</u></u>

*See accompanying notes*

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

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**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, expense 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, including restricted cash, and not subject to early withdrawal penalties, to be cash equivalents.

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

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

Investments

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

Capital Assets

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

Net Position

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

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

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

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

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

Revenue Recognition – Property Taxes and Services Charges

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

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

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

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 liability for environmental clean up costs, 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 Pension*.

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

Implementation of New Accounting Pronouncements

For the year ended June 30, 2013, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

GASB Statement No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement establishes accounting and financial reporting requirements to service concession arrangements between governments and private entities and between multiple governmental entities. This Statement did not have a material impact on the District's financial statements as of and for the period ended June 30, 2013.

GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This Statement provides guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity by modifying certain requirements in Statements No. 14, *The Financial Reporting Guidance*, and No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement did not have a material impact on District's financial statements as of and for the period ended June 30, 2013.



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

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

Implementation of New Accounting Pronouncements (Continued)

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in other professional pronouncements issued before November 30, 1989.

GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements.) The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the District's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the "Statement of Revenues, Expenses, and Changes in Net Assets" to the "Statement of Revenues, Expenses, and Changes in Net Position."

GASB Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. This Statement clarifies the circumstances in which hedge accounting continues to be applied when a swap counterparty, or related credit support provider, is replaced. This Statement did not have a material impact on the District's financial statements as of and for the period ended June 30, 2013.

GASB Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This Statement amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows or resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues.) The implementation of GASB 65 did not have a material impact on the District's financial statements as of and for the period ended June 30, 2013.

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

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**Note 2 - Cash and Investments**

Cash and investments are classified in the accompanying financial statements at fair value, respectively at June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Petty cash	\$ 210	\$ 210
Deposits with financial institutions	1,786,024	869,195
Cash held in investment account	<u>33,068</u>	<u>139,171</u>
Total cash and equivalents	<u>1,819,302</u>	<u>1,008,576</u>
Investments, non-cash equivalents	<u>14,797,020</u>	<u>17,493,105</u>
Total cash and investments	<u><u>\$ 16,616,322</u></u>	<u><u>\$ 18,501,681</u></u>

**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.

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

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

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

**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, 2013, the District had the following investments:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>6 Months or Less</u>	<u>7-12 Months</u>	<u>13-36 Months</u>	<u>More than 36 Months</u>
US Treasury Note	\$ 3,814,029	\$ 399,913	\$ -	\$ 2,902,201	\$ 511,915
Federal agency bonds	4,327,944	415,322	-	3,284,423	628,199
Corporate bonds	4,379,163	-	100,979	2,407,808	1,870,376
Municipal bonds	323,866	-	-	323,866	-
Certificates of deposit	1,952,018	-	552,602	1,399,416	-
<b>Total</b>	<b>\$ 14,797,020</b>	<b>\$ 815,235</b>	<b>\$ 653,581</b>	<b>\$ 10,317,714</b>	<b>\$ 3,010,490</b>

**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, 2013.

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

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

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	\$ 3,814,029 *	N/A	\$ -	\$ 3,814,029	\$ -	\$ -
Federal agency bonds	4,327,944	N/A	-	4,327,944	-	-
Corporate bonds	4,379,163	A	-	2,049,924	2,851,073	-
Municipal bonds	323,866	N/A	323,866	-	-	-
Certificates of deposit	1,952,018	A	-	625,032	1,251,043	-
<b>Total</b>	<b>\$ 14,797,020</b>		<b>\$ 323,866</b>	<b>\$ 10,816,929</b>	<b>\$ 4,102,116</b>	<b>\$ -</b>

\* Exempt from Disclosure

**Note 3 - Capacity Rights**

The District has capacity rights to 40.78% of the total capacity of the Goleta treatment plant operated by Goleta Sanitary District. As part of the agreement on capacity rights, Goleta West Sanitary District pays for 40.78% of any capital improvements to the treatment plant, 35% of any outfall improvements and a share of the operating expenses based on flow actually utilized.

Amounts paid to Goleta Sanitary District for capital improvements are considered to be an intangible asset 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 as of June 30, 2013:

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

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

**Note 3 - Capacity Rights (Continued)**

The following is a summary of changes in capacity rights as of June 30, 2012:

	Balance June 30, 2011	Additions	Disposals	Transfers	Balance June 30, 2012
Capacity rights	\$ 15,015,063	\$ 10,465,066	\$ (325,389)	\$ -	\$ 25,154,740
Accumulated amortization	(6,436,713)	(622,679)	325,389	-	(6,734,003)
Net capacity rights	<u>\$ 8,578,350</u>	<u>\$ 9,842,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,420,737</u>

**Note 4 - Capital Assets**

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

	Balance June 30, 2012	Additions	Disposals	Transfers	Balance June 30, 2013
Structures and improvements	\$ 53,859	\$ -	\$ (37,222)	\$ -	\$ 16,637
Infrastructure	23,638,573	-	(245,618)	25,792	23,418,747
Equipment	1,199,066	266,432	(24,959)	-	1,440,539
Office equipment and furniture	779,677	5,687	(454,670)	96,159	426,853
Construction in progress	1,276,124	272,893	-	(121,951)	1,427,066
Capital assets	26,947,299	545,012	(762,469)	-	26,729,842
Accumulated depreciation	(10,563,428)	(819,662)	759,393	-	(10,623,697)
Net capital assets	<u>\$ 16,383,871</u>	<u>\$ (274,650)</u>	<u>\$ (3,076)</u>	<u>\$ -</u>	<u>\$ 16,106,145</u>

The following is a summary of changes in capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Disposals	Transfers	Balance June 30, 2012
Structures and improvements	\$ 53,859	\$ -	\$ -	\$ -	\$ 53,859
Infrastructure	23,374,615	-	(933,521)	1,197,479	23,638,573
Equipment	1,043,336	349,347	(193,617)	-	1,199,066
Office equipment and furniture	752,900	42,469	(15,692)	-	779,677
Construction in progress	1,416,945	1,056,658	-	(1,197,479)	1,276,124
Capital assets	26,641,655	1,448,474	(1,142,830)	-	26,947,299
Accumulated depreciation	(10,899,735)	(750,146)	1,086,453	-	(10,563,428)
Net capital assets	<u>\$ 15,741,920</u>	<u>\$ 698,328</u>	<u>\$ (56,377)</u>	<u>\$ -</u>	<u>\$ 16,383,871</u>

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

**Note 5 - Net Position**

	2013	2012
Net investment in capital assets and capacity rights	\$ 36,757,146	\$ 34,804,608
Restricted:		
Capacity fees for collection system/plant reserve (Fund 4932)	3,240,920	2,796,583
Capital and treatment plant upgrade reserve (Fund 4935)	5,277,121	8,062,645
Total restricted net position	8,518,041	10,859,228
Dedicated by Board of Directors:		
Property tax reserve (Fund 4910)	3,372,584	2,993,338
Equipment/vehicle replacement reserve (Fund 4960)	180,314	361,326
Building replacement reserve (Fund 4965)	1,806,168	1,488,445
Total dedicated net position	5,359,066	4,843,109
Unrestricted, undedicated	2,631,924	1,694,592
Total net position	\$ 53,266,177	\$ 52,201,537

**Note 6 - Pension Plan**

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

**Funding Policy**

As of June 30, 2013, participants are required to contribute 7% of their annual covered salary. The employees contribute 3.5% of their salary for the first five years. The District makes the remaining contributions required of District employees on their behalf and for their account. In addition, the District is required to contribute at an actuarially determined rate; the current rate was 6.819% for the year ended June 30, 2013, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

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

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**Note 6 - Pension Plan (Continued)**

Annual Pension Cost

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

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 Years as of the Valuation Date
Asset Valuation Method	15 year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

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

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Ending 06/30/11	\$ 27,911	100%	-
06/30/12	32,673	100%	-
06/30/13	37,043	100%	-

Required Supplementary Information

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

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

**Note 6 - Pension Plan (Continued)**

	(A)	(B)	(C)	(D)	(E)	(F)
		Actuarial	Unfunded	Funded	Annual	UL as a
Valuation	Accrued	Value of	Liability	Ratio	Covered	% of
Date	Liability	Assets	(A) - (B)	(B)/(A)	Payroll	Payroll
						(C)/(E)
06/30/09	#####	\$2,758,511,101	\$346,287,121	88.8%	\$742,981,488	46.6%
06/30/10	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,352	48.5%
06/30/11	3,619,835,876	3,203,214,899	416,620,977	88.5%	759,263,518	54.9%

**Note 7 - Deferred Compensation Plan**

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

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

As of June 30, 2013, four employees were participating in the plan.

**Note 8 - Post-employment Health Care Benefits**

Plan Description

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

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

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



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

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

Funding Policy

The District is required to contribute the annual required contribution of the employer (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, 2013, 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, 2013 and the two preceding years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net OPEB Asset
06/30/11	\$ -	100%	\$ 510,210
06/30/12	-	100%	510,210
06/30/13	-	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)
07/01/07	\$ 1,215,099	\$ 1,215,099	-	100.0%
07/01/09	750,326	1,208,994	(458,668)	161.1%
06/30/11	944,722	1,338,568	(393,846)	141.7%

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

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

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

Actuarial Methods and Assumptions

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

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

Valuation Date	06/30/11
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Open 30 Years as of the Valuation Date
Asset Valuation Method	15 year Smoothed Market
Actuarial Assumptions	
Discount	7.61%
Inflation	3.25%
Payroll Growth	3.25%
Medical Trend	4% per year

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

**Note 9 - Environmental Cleanup Costs**

The District discovered that its underground fuel storage tanks had leaked petroleum distillates thereby contaminating the ground surrounding the tanks, and possibly contaminating certain underground water supplies. The District has estimated the total future costs of remediation as of June 30, 2013 to be approximately \$70,000, which has been accrued as a liability on the balance sheet. A gain was recognized in the amount of \$213,577 on the Statement of Revenues, Expenses, and Changes in Net Position due to a decrease from the prior year in estimated total costs to complete the remediation. The ultimate cost of remediation is dependent on the scope of the contamination as well as developing remediation technology. Total costs incurred as of June 30, 2013 were \$1,157,189.

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

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**Note 10 - Supplemental Schedule Statement of Cash Flows**

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

	2013	2012
Operating loss	\$ (2,248,686)	\$ (1,867,236)
Adjustments to reconcile the operating loss to net cash used by operating activities:		
Depreciation and amortization	1,603,549	1,372,825
Changes in operating assets and liabilities		
Other current assets	30	(388)
Accounts payable	79,133	(75,846)
Customer deposits	(110,375)	-
Compensated absences	10,791	21,045
Environmental clean up obligation	(56,422)	(80,000)
Net cash used by operating activities	\$ (721,980)	\$ (629,600)

**Note 11 - Property Tax Calendar**

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

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

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, 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 - 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

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

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**Note 13 - Commitments**

Goleta Sanitary District Plant Upgrade

The District, in cooperation with other public agencies, has executed the third amendment to the 1960 agreement with Goleta Sanitary District (GSD) relative to upgrading the Goleta Sanitary District treatment plant to a full secondary treatment level. The District has agreed to pay 40.78% of total construction costs for the upgrade of approximately \$38 million. As of November 19, 2013 there are outstanding approved construction costs to be paid and also certain contractor claims and disputed items which are under analysis and/or negotiation. The District's portion of these costs are estimated to be between approximately \$135,000 - \$987,000. This estimate does not take into account any reductions for claims filed by GSD against the contractor, or fees that may be incurred for other related expenses such as services from claims consultants and legal counsel, as these amounts can not be reasonably estimated.

**Note 14 - Subsequent Events**

Subsequent events have been evaluated through November 19, 2013, the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**GOLETA WEST SANITARY DISTRICT**

**Schedule of Operating Expenses**

**For the Year Ended June 30, 2013 with Comparative Totals for the Year Ended June 30, 2012**

	<u>Sewage Collection</u>	<u>Sewage Treatment</u>	<u>Other Operating Expenses</u>	<u>Administration and General</u>	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 273,745	\$ -	\$ 112,039	\$ 295,708	\$ 681,492	\$ 667,376
Employee benefits	101,481	-	28,639	115,079	245,199	243,977
Contract services	44,240	1,283,228	92,797	26,671	1,446,936	1,340,787
Professional and other services	156	-	173,219	106,670	280,045	225,624
Utilities	61,886	-	20,561	2,484	84,931	94,715
Printing and publications	-	-	-	3,124	3,124	4,588
Insurance	32,818	-	5,740	8,314	46,872	52,848
Office expense	-	-	-	765	765	1,096
Operating supplies	1,175	-	-	-	1,175	1,039
Gas, oil and fuel	12,136	-	8,151	2,578	22,865	22,440
Repairs and maintenance	65,661	-	40,214	315	106,190	118,846
Training	5,370	-	183	8,584	14,137	11,122
Travel and meetings	319	-	57	2,878	3,254	4,397
Rents and leases	-	-	-	300	300	280
Memberships	1,113	-	-	14,314	15,427	16,149
Permits and licenses	3,938	-	-	1,727	5,665	6,244
Administration fees	-	73,701	19,910	-	93,611	90,090
Miscellaneous	-	-	21,767	-	21,767	12,914
Amortization	-	783,887	-	-	783,887	622,679
Depreciation	782,365	5,483	6,355	25,459	819,662	750,146
Totals, June 30, 2013	<u>\$ 1,386,403</u>	<u>\$ 2,146,299</u>	<u>\$ 529,632</u>	<u>\$ 614,970</u>	<u>\$ 4,677,304</u>	
Totals, June 30, 2012	<u>\$ 1,319,453</u>	<u>\$ 1,878,568</u>	<u>\$ 489,140</u>	<u>\$ 600,196</u>		<u>\$ 4,287,357</u>