

GOLETA WEST
SANITARY DISTRICT
June 30, 2020 and 2019
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, 2020 and 2019, 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, 2020 and 2019, 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 Discussion and Analysis on pages 3 through 8, the California Public Employees' Retirement System - Schedule of Goleta West Sanitary District's Proportionate Share of the Net Pension Liability on page 36, the California Public Employees' Retirement System - Schedule of Goleta West Sanitary District's Contributions on page 37, and the Other Postemployment Benefits (OPEB) Plan - Schedule of Changes in the Net OPEB Asset and Related Ratios on page 38 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 39 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
December 1, 2020

GOLETA WEST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the years ended June 30, 2020 and 2019. 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 basic 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, deferred outflows, liabilities and deferred inflows, 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, deferred outflows, liabilities, deferred inflows and net position of the District at a specific point in time. It is the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

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

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

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

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

Financial Statements (Continued)

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

Financial Highlights

During the year ended June 30, 2020, the District's total net position increased by \$1,904,441 (2.8%). Operating revenues increased by \$41,738 (0.9%) and operating expenses increased by \$648,412 (10.9%). Non-operating income increased in the current year by \$158,136 (4.4%). These increases are discussed in further detail below.

Revenue Sources and Uses

The District's financial statements classify revenues as operating or non-operating revenues. Operating revenues are comprised primarily of sewer service charges. The annual sewer service charge as of June 30, 2020 is \$262 per equivalent residential unit (ERU) for all customers. Additional surcharges are imposed for non-residential uses and vary based on the strength of the wastewater. Non-operating revenues are comprised primarily of property tax revenue, connection fees and investment income. The annual property tax revenues are predominately based on pre-Proposition 13 property tax allocation percentages.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total operating revenues	\$ 4,583,234	\$ 4,541,496	\$ 4,415,611
Wastewater O&M expenses	6,024,735	5,473,132	5,289,759
Less: Depreciation and amortization	<u>(1,806,633)</u>	<u>(1,781,872)</u>	<u>(1,727,145)</u>
	<u>4,218,102</u>	<u>3,691,260</u>	<u>3,562,614</u>
Net wastewater operating income	<u>\$ 365,132</u>	<u>\$ 850,236</u>	<u>\$ 852,997</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, 2020 totaled \$70,482,610 compared to \$68,578,169 at June 30, 2019. The increase in net position can be attributed to an operating loss of \$2,003,432, offset by non-operating income of \$3,791,879.

The following is a summary of the District's balance sheet as of June 30, 2020 compared to June 30, 2019 and 2018:

	June 30,	June 30,	Change		June 30,	Change	
	2020	2019	\$	%	2018	\$	%
<u>Assets:</u>							
Current assets	\$ 5,325,174	\$ 6,426,023	\$ (1,100,849)	-17.1%	\$ 4,740,323	\$ 1,685,700	35.6%
Noncurrent assets:							
Unrestricted assets	1,735,560	1,577,912	157,648	10.0%	2,269,490	(691,578)	-30.5%
Restricted assets	4,245,041	7,407,728	(3,162,687)	-42.7%	5,727,175	1,680,553	29.3%
Dedicated assets	7,436,565	6,867,943	568,622	8.3%	6,337,128	530,815	8.4%
Capital assets, net	37,518,474	29,596,428	7,922,046	26.8%	30,095,457	(499,029)	-1.7%
Capacity rights, net	17,984,423	18,459,480	(475,057)	-2.6%	18,714,422	(254,942)	-1.4%
Total Assets	\$ 74,245,237	\$ 70,335,514	\$ 3,909,723	5.6%	\$ 67,883,995	\$ 2,451,519	3.6%
<u>Deferred Outflows of Resources:</u>							
Related to pensions	\$ 357,596	\$ 348,578	\$ 9,018	2.6%	\$ 373,098	\$ (24,520)	-6.6%
Related to OPEB	93,490	150,493	(57,003)	-37.9%	-	150,493	100.0%
Total Deferred Outflows of Resources	\$ 451,086	\$ 499,071	\$ (47,985)	-9.6%	\$ 373,098	\$ 125,973	33.8%
<u>Liabilities:</u>							
Current liabilities	\$ 2,631,197	\$ 1,013,297	\$ 1,617,900	159.7%	\$ 637,500	\$ 375,797	58.9%
Long term liabilities	1,213,585	1,070,754	142,831	13.3%	1,074,248	(3,494)	-0.3%
Total Liabilities	\$ 3,844,782	\$ 2,084,051	\$ 1,760,731	84.5%	\$ 1,711,748	\$ 372,303	21.7%
<u>Deferred Inflows of Resources:</u>							
Related to pensions	\$ 148,104	\$ 172,365	\$ (24,261)	-14.1%	\$ 204,161	\$ (31,796)	-15.6%
Related to OPEB	220,827	-	220,827	100.0%	-	-	0.0%
Total Deferred Inflows of Resources	\$ 368,931	\$ 172,365	\$ 196,566	114.0%	\$ 204,161	\$ (31,796)	-15.6%
<u>Net Position:</u>							
Invested in capital assets and capacity rights	\$ 55,502,897	\$ 48,055,908	\$ 7,446,989	15.5%	\$ 48,809,879	\$ (753,971)	-1.5%
Restricted	4,245,041	7,407,728	(3,162,687)	-42.7%	5,727,175	1,680,553	29.3%
Unrestricted, dedicated	7,436,565	6,867,943	568,622	8.3%	6,337,128	530,815	8.4%
Unrestricted	3,298,107	6,246,590	(2,948,483)	-47.2%	5,467,002	779,588	14.3%
Total Net Position	\$ 70,482,610	\$ 68,578,169	\$ 1,904,441	2.8%	\$ 66,341,184	\$ 2,236,985	3.4%

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 \$70,482,610 as of June 30, 2020, and \$68,578,169 as of June 30, 2019.

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

Net Position (Continued)

With a total of \$55,502,897 and \$48,055,908 as of June 30, 2020 and 2019 respectively, 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 \$4,245,041 as of June 30, 2020, and \$7,407,728 at June 30, 2019 must be used for specified purposes, as described in more detail in Note 6.

Unrestricted net position consists of assets/deferred outflows and liabilities/deferred inflows 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 \$1,904,441 for the year ended June 30, 2020. Total change in net position was \$2,236,985 and \$2,680,717 for the fiscal years ended June 30, 2019 and 2018, 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, 2020, 2019 and 2018.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>		<u>June 30, 2018</u>	<u>Change</u>	
			\$	%		\$	%
Operating revenues	\$ 4,583,234	\$ 4,541,496	\$ 41,738	0.9%	\$ 4,415,611	\$ 125,885	2.9%
Operating expenses	6,586,666	5,938,254	648,412	10.9%	5,828,202	110,052	1.9%
Total Operating Loss	<u>(2,003,432)</u>	<u>(1,396,758)</u>	<u>(606,674)</u>	<u>43.4%</u>	<u>(1,412,591)</u>	<u>15,833</u>	<u>-1.1%</u>
Non-operating income	<u>3,791,879</u>	<u>3,633,743</u>	<u>158,136</u>	<u>4.4%</u>	<u>4,093,308</u>	<u>(459,565)</u>	<u>-11.2%</u>
Change in net position before contributions	1,788,447	2,236,985	(448,538)	-20.1%	2,680,717	(443,732)	-16.6%
Capital contributions	<u>115,994</u>	<u>-</u>	<u>115,994</u>	<u>100.0%</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Change in net position	1,904,441	2,236,985	(332,544)	-14.9%	2,680,717	(443,732)	-16.6%
Net Position at Beginning of Year, as Originally Presented	<u>68,578,169</u>	<u>66,341,184</u>	<u>2,236,985</u>	<u>3.4%</u>	<u>63,229,665</u>	<u>3,111,519</u>	<u>4.9%</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>	<u>430,802</u>	<u>(430,802)</u>	<u>-100.0%</u>
Net Position at Beginning of Year, as Restated	<u>68,578,169</u>	<u>66,341,184</u>	<u>2,236,985</u>	<u>3.4%</u>	<u>63,660,467</u>	<u>2,680,717</u>	<u>4.2%</u>
Net Position at End of Year,	<u>\$ 70,482,610</u>	<u>\$ 68,578,169</u>	<u>\$ 1,904,441</u>	<u>2.8%</u>	<u>\$ 66,341,184</u>	<u>\$ 2,236,985</u>	<u>3.4%</u>

There were no changes to the District's rate structure for the 2019/2020 fiscal year. Operating revenues for the year ended June 30, 2020 were comparable to the year ended June 30, 2019, with a slight increase of \$41,738 (0.9%).

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

Changes in Net Position (Continued)

Operating expenses increased by \$648,412 between the fiscal years ended June 30, 2020 and June 30, 2019. See the supplemental schedule of operating expenses on page 39 of the financial statements for more detailed information. The primary driver of this increase was related to sewage treatment and disposal expenses (included with contract services), which increased by approximately \$346,000 from the prior fiscal year. Employee benefits were also higher in the current year due to an increase of \$145,903 in non-cash pension expense which is calculated and reported based on annual valuations provided by CalPERS.

The increase in non-operating revenues during the year of \$158,136 (4.4%) was the result of a combination of offsetting factors. Connection fees and property tax assessments increased in the current year by \$141,331 and \$166,823, respectively. Offsetting these increases was a loss on the disposal of assets which was larger than the prior year loss by \$130,476.

Capital Assets

At June 30, 2020, the District had invested \$53,020,078 in gross capital assets. This amount represents an increase of \$8,609,611 (19.4%) from the prior year. The following is a summary of the capital assets at June 30, 2020, 2019, and 2018, respectively.

	June 30, 2020	June 30, 2019	Change		June 30, 2018	Change	
			\$	%		\$	%
Infrastructure	\$ 40,186,984	\$ 40,292,533	\$ (105,549)	-0.3%	\$ 40,260,651	\$ 31,882	0.1%
General operating equipment	1,822,527	1,961,411	(138,884)	-7.1%	1,971,925	(10,514)	-0.5%
Office equipment & furniture	91,266	94,656	(3,390)	-3.6%	85,818	8,838	10.3%
Construction in progress	10,919,301	2,061,867	8,857,434	429.6%	1,630,641	431,226	26.4%
Total Capital Assets	<u>\$ 53,020,078</u>	<u>\$ 44,410,467</u>	<u>\$ 8,609,611</u>	<u>19.4%</u>	<u>\$ 43,949,035</u>	<u>\$ 461,432</u>	<u>1.0%</u>

In fiscal year 2019/2020, the District continued to incur costs related to the Pump Station Upgrade, Administrative Building, and Phelps Road projects. See Note 5 for additions, disposals, and transfers by asset classification.

Pension Plan and Section 115 Trust

The District provides retirement benefits through the California Public Employees Retirement System (CalPERS) as described in Note 7. The District's net pension liability recognized on the balance sheet at June 30, 2020 was \$1,213,585 as compared to \$1,070,754 at June 30, 2019.

During the 2017/2018 fiscal year the District entered into a Section 115 trust (pension stabilization fund) with Pension Agency Retirement Services (PARS) to address the District's pension obligations by accumulating assets to reduce the net pension liability. Under generally accepted accounting principles the balance in the pension stabilization fund is not allowed to be recorded as a direct offset to the net pension liability on the balance sheet, as the assets are not considered to be pension plan assets under GASB 68 until they are deposited into the CalPERS pension plan. The assets are instead classified as restricted assets on the balance sheet.

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

Pension Plan and Section 115 Trust (Continued)

The relationship of net pension liability to pension stabilization funds at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Net pension liability	\$ 1,213,585	\$ 1,070,754
Pension stabilization fund	<u>(1,172,091)</u>	<u>(1,118,407)</u>
Liability more (less) than trust fund	<u>\$ 41,494</u>	<u>\$ (47,653)</u>

Economic Factors and Budget

The Board of Directors has approved the budget for the 2020/2021 fiscal year. The budgeted operating expenses total \$5,065,950, 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 \$6,675,000.

GOLETA WEST SANITARY DISTRICT
BALANCE SHEET
June 30, 2020 and 2019

ASSETS	2020	2019
Current Assets:		
Cash and cash equivalents (note 2)	\$ 5,227,461	\$ 5,954,714
Interest receivable	55,235	69,695
Connection fees receivable, current portion (note 3)	-	178,570
Other current assets	42,478	223,044
Total current assets	<u>5,325,174</u>	<u>6,426,023</u>
Restricted Assets:		
Investments, restricted (note 6)	<u>4,245,041</u>	<u>7,407,728</u>
Total restricted assets	<u>4,245,041</u>	<u>7,407,728</u>
Long-term Assets:		
Cash and cash equivalents, dedicated (note 6)	1,490	567,559
Investments, dedicated (note 6)	7,435,075	6,300,384
Connection fees receivable, net of current portion (note 3)	683,675	817,798
Net OPEB asset (note 9)	1,051,885	760,114
Capital assets, net of depreciation (note 5)	26,599,173	27,534,561
Construction in progress (note 5)	10,919,301	2,061,867
Capacity rights, net of amortization (note 4)	17,984,423	18,459,480
Total long-term assets	<u>64,675,022</u>	<u>56,501,763</u>
Total assets	<u>74,245,237</u>	<u>70,335,514</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (note 7)	357,596	348,578
Deferred outflows related to OPEB (note 9)	<u>93,490</u>	<u>150,493</u>
Total deferred outflows of resources	<u>451,086</u>	<u>499,071</u>
Total assets and deferred outflows of resources	<u>\$ 74,696,323</u>	<u>\$ 70,834,585</u>

See accompanying notes

GOLETA WEST SANITARY DISTRICT
BALANCE SHEET
June 30, 2020 and 2019

LIABILITIES	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Accounts payable	\$ 2,162,484	\$ 753,580
Unearned revenue	179,076	-
Compensated absences	<u>289,637</u>	<u>259,717</u>
Total current liabilities	<u>2,631,197</u>	<u>1,013,297</u>
Long Term Liabilities:		
Net pension liability (note 7)	<u>1,213,585</u>	<u>1,070,754</u>
Total long term liabilities	<u>1,213,585</u>	<u>1,070,754</u>
Total liabilities	<u>3,844,782</u>	<u>2,084,051</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (note 7)	148,104	172,365
Deferred inflows related to OPEB (note 9)	<u>220,827</u>	<u>-</u>
Total deferred inflows of resources	<u>368,931</u>	<u>172,365</u>
 NET POSITION		
Net Position (notes 1 and 6):		
Net investment in capital assets and capacity rights	55,502,897	48,055,908
Restricted	4,245,041	7,407,728
Unrestricted, dedicated	7,436,565	6,867,943
Unrestricted, undedicated	<u>3,298,107</u>	<u>6,246,590</u>
Total net position	<u>70,482,610</u>	<u>68,578,169</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 74,696,323</u></u>	<u><u>\$ 70,834,585</u></u>

See accompanying notes

GOLETA WEST SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Service charges	\$ 4,344,255	\$ 4,314,212
Permits, annexation, plan check and inspection fees	59,363	46,427
Other operating revenue	<u>179,616</u>	<u>180,857</u>
Total operating revenues	<u>4,583,234</u>	<u>4,541,496</u>
Operating Expenses:		
Sewage collection	1,850,779	1,816,488
Sewage treatment	3,292,834	2,913,597
General and administrative	881,122	743,047
Other operating expenses	<u>561,931</u>	<u>465,122</u>
Total operating expenses	<u>6,586,666</u>	<u>5,938,254</u>
Operating loss	<u>(2,003,432)</u>	<u>(1,396,758)</u>
Nonoperating Revenue (Expense):		
Taxes and assessments	3,158,953	2,992,130
Loss on disposal of assets	(133,871)	(3,395)
Connection fees	231,207	89,876
Investment income	<u>535,590</u>	<u>555,132</u>
Total non-operating revenue	<u>3,791,879</u>	<u>3,633,743</u>
Change in net position before contributions	1,788,447	2,236,985
Capital contributions	<u>115,994</u>	<u>-</u>
Change in net position	1,904,441	2,236,985
Net position at beginning of year	<u>68,578,169</u>	<u>66,341,184</u>
Net position at end of year	<u>\$ 70,482,610</u>	<u>\$ 68,578,169</u>

See accompanying notes

GOLETA WEST SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 4,942,868	\$ 4,360,938
Cash payments to suppliers for goods and services	(2,780,082)	(2,871,568)
Cash payments to employees for services	(873,553)	(776,314)
Cash payments for payroll taxes and employee benefits	(417,075)	(341,874)
Net cash provided by operating activities	<u>872,158</u>	<u>371,182</u>
Cash Flows from Noncapital Financing Activities:		
Cash received for taxes and assessments	<u>3,158,953</u>	<u>2,992,130</u>
Net cash provided by noncapital financing activities	<u>3,158,953</u>	<u>2,992,130</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(8,170,909)	(323,968)
Cost related to capacity rights	(275,470)	(483,171)
Proceeds from connection fees	<u>543,900</u>	<u>239,425</u>
Net cash used by capital and related financing activities	<u>(7,902,479)</u>	<u>(567,714)</u>
Cash Flows from Investing Activities:		
Purchase of investments and securities	(5,757,384)	(8,483,623)
Proceeds from sales of investments and securities	7,939,640	7,436,794
Investment income received	<u>395,790</u>	<u>302,572</u>
Net cash provided (used) by investing activities	<u>2,578,046</u>	<u>(744,257)</u>
Net increase (decrease) in cash	(1,293,322)	2,051,341
Cash – beginning of year	<u>6,522,273</u>	<u>4,470,932</u>
Cash – end of year	<u>\$ 5,228,951</u>	<u>\$ 6,522,273</u>

Noncash Capital and Related Financing Activities:

The District received contributions of capital from developers in the amount of \$115,994 during the fiscal year ended June 30, 2020.

See accompanying notes

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Operations

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

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

Basis of Accounting and Measurement Focus

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

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

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

Budget

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

Cash

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity of three months or less and not subject to early withdrawal penalties to be cash equivalents except for amounts held within the District's Section 115 trust which are classified as investments.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Investments

Investments are reported at fair value. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon maturity or sale of investments.

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 deferred outflows and liabilities and deferred inflows and is classified into three components as follows:

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

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

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

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

Revenue Recognition – Property Taxes and Services Charges

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

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Connection Fees

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

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. See Note 3 for additional details.

Unearned Revenue

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

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates used in preparing these financial statements include useful lives of capitalized assets, the net pension liability, and the total liability for other postemployment benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

Other Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Pension Plan

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

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Future Governmental Accounting Standards Board (GASB) Statements

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

Statement No. 84	<i>"Fiduciary Activities"</i>	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 87	<i>"Leases"</i>	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 89	<i>"Accounting for Interest Cost Incurred Before the End of a Construction Period"</i>	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents:		
Unrestricted, undedicated	\$ 5,227,461	\$ 5,954,714
Unrestricted, dedicated	1,490	567,559
Total cash and cash equivalents	<u>5,228,951</u>	<u>6,522,273</u>
Investments:		
Restricted	4,245,041	7,407,728
Unrestricted, dedicated	7,435,075	6,300,384
Total investments	<u>11,680,116</u>	<u>13,708,112</u>
Total cash and investments	<u>\$ 16,909,067</u>	<u>\$ 20,230,385</u>

Cash and investments are comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents:		
Petty cash	\$ 210	\$ 210
Deposits with financial institutions	4,634,325	5,171,256
Cash held in general investment account	594,416	1,350,807
Total cash and cash equivalents	<u>5,228,951</u>	<u>6,522,273</u>
Investments:		
General investment account	10,508,025	12,589,705
Section 115 trust - pension stabilization fund	1,172,091	1,118,407
Total investments (non-cash equivalents)	<u>11,680,116</u>	<u>13,708,112</u>
Total cash and investments	<u>\$ 16,909,067</u>	<u>\$ 20,230,385</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.

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

Note 2 – Cash and Investments (Continued)

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

Investments Authorized by the District’s Investment Policy

The District’s investment policy is to invest funds in a manner which will provide maximum security while meeting the daily cash flow demands of the District, earning the highest investment return and conforming to all statutes governing the investment of District funds.

The following table identifies the investment types that are authorized by the District’s general investment policy as of June 30, 2020.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in 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	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	5 years	None	5%
Corporate and Depository Institution Debt Securities	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	5%
Mortgage Securities	5 Years	30%	5%

Investments Authorized by the District’s Section 115 Trust Agreement

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

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

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

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

Fair Value of Investments

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

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

At June 30, 2020 the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Total Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Treasury Note	\$ 3,994,749	\$ 3,994,749	\$ -	\$ -
Federal agency bonds	3,738,508	-	3,738,508	-
Corporate bonds	1,685,853	-	1,685,853	-
Certificates of deposit	723,434	-	723,434	-
Supra-national agency bond	365,481	-	365,481	-
Section 115 trust:				
Cash/cash equivalents	57,537	57,537	-	-
Mutual funds - equity	349,074	349,074	-	-
Mutual funds - fixed income	765,480	765,480	-	-
Total	<u>\$ 11,680,116</u>	<u>\$ 5,166,840</u>	<u>\$ 6,513,276</u>	<u>\$ -</u>

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

At June 30, 2019 the District had the following recurring fair value measurements:

Investment Type	Total			
	Fair value	Level 1	Level 2	Level 3
US Treasury Note	\$ 4,518,497	\$ 4,518,497	\$ -	\$ -
Federal agency bonds	3,038,373	-	3,038,373	-
Corporate bonds	2,265,521	-	2,265,521	-
Certificates of deposit	1,373,541	-	1,373,541	-
Commercial paper	796,186	-	796,186	-
Supra-national agency bond	597,587	-	597,587	-
Section 115 trust:				
Cash/cash equivalents	41,076	41,076	-	-
Mutual funds - equity	350,164	350,164	-	-
Mutual funds - fixed income	727,167	727,167	-	-
Total	\$ 13,708,112	\$ 5,636,904	\$ 8,071,208	\$ -

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

Interest Rate Risk

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

As of June 30, 2020, the District had the following investments:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		6 Months or Less	7-12 Months	13-36 Months	More than 36 Months
US Treasury Note	\$ 3,994,749	\$ 422,307	\$ 591,292	\$ 2,981,150	\$ -
Federal agency bonds	3,738,508	-	712,789	3,025,719	-
Corporate bonds	1,685,853	50,308	723,853	784,699	126,993
Certificates of deposit	723,434	226,600	-	496,834	-
Supra-national agency bond	365,481	201,230	-	164,251	-
Section 115 trust:					
Cash / cash equivalents	57,537	57,537	-	-	-
Mutual funds - equity	349,074	349,074	-	-	-
Mutual funds - fixed income	765,480	765,480	-	-	-
Total	\$ 11,680,116	\$ 2,072,536	\$ 2,027,934	\$ 7,452,653	\$ 126,993

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

As of June 30, 2019, the District had the following investments:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		6 Months or Less	7-12 Months	13-36 Months	More than 36 Months
US Treasury Note	\$ 4,518,497	\$ 1,176,792	\$ 2,375,782	\$ 965,923	\$ -
Federal agency bonds	3,038,373	169,819	125,052	2,743,502	-
Corporate bonds	2,265,521	294,480	470,517	1,500,524	-
Certificates of deposit	1,373,541	294,838	854,366	224,337	-
Commercial paper	796,186	796,186	-	-	-
Supra-national agency bond	597,587	199,100	-	398,487	-
Section 115 trust:					
Cash / cash equivalents	41,076	41,076	-	-	-
Mutual funds - equity	350,164	350,164	-	-	-
Mutual funds - fixed income	727,167	727,167	-	-	-
Total	<u>\$ 13,708,112</u>	<u>\$ 4,049,622</u>	<u>\$ 3,825,717</u>	<u>\$ 5,832,773</u>	<u>\$ -</u>

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, 2020.

Concentration of Credit Risk

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

Credit Risk

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

	Carrying Amount	Minimum Rating	Rating as of June 30, 2020			
			AAA / A-1	AA	A	Not Rated
US Treasury Note	\$ 3,994,749 *	N/A	\$ -	\$ 3,994,749	\$ -	\$ -
Federal agency bonds	3,738,508	N/A	-	3,738,508	-	-
Corporate bonds	1,685,853	A	50,308	449,405	1,186,140	-
Certificates of deposit	723,434	A	-	-	723,434	-
Supra-national agency bond	365,481	AA	365,481	-	-	-
Section 115 trust:						
Cash / cash equivalents	57,537	N/A	-	-	-	57,537
Mutual funds - equity	349,074	N/A	-	-	-	349,074
Mutual funds - fixed income	765,480	N/A	-	-	-	765,480
Total	<u>\$ 11,680,116</u>		<u>\$ 415,789</u>	<u>\$ 8,182,662</u>	<u>\$ 1,909,574</u>	<u>\$ 1,172,091</u>

* Exempt from Disclosure

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Investments (Continued)

	Carrying Amount	Minimum Rating	Rating as of June 30, 2019			
			AAA / A-1	AA	A	Not Rated
US Treasury Note	\$ 4,518,497 *	N/A	\$ -	\$ 4,518,497	\$ -	\$ -
Federal agency bonds	3,038,373	N/A	-	3,038,373	-	-
Corporate bonds	2,265,521	A	50,043	903,410	1,312,068	-
Certificates of deposit	1,373,541	A	1,149,204	224,337	-	-
Commercial paper	796,186	A-1	796,186	-	-	-
Supra-national agency bond	597,587	AA	597,587	-	-	-
Section 115 trust:						
Cash / cash equivalents	41,076	N/A	-	-	-	41,076
Mutual funds - equity	350,164	N/A	-	-	-	350,164
Mutual funds - fixed income	727,167	N/A	-	-	-	727,167
Total	<u>\$ 13,708,112</u>		<u>\$ 2,593,020</u>	<u>\$ 8,684,617</u>	<u>\$ 1,312,068</u>	<u>\$ 1,118,407</u>

* Exempt from Disclosure

Note 3 – Connection Fees Receivable

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

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

	2020	2019
Connection fees receivable	\$ 714,280	\$ 1,071,420
Discount	(30,605)	(75,052)
Net present value	<u>\$ 683,675</u>	<u>\$ 996,368</u>

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.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4 – Capacity Rights (Continued)

The following is a summary of changes in capacity rights for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Capacity rights	\$ 29,447,346	\$ 275,470	\$ -	\$ -	\$ 29,722,816
Accumulated amortization	(10,987,866)	(750,527)	-	-	(11,738,393)
Net capacity rights	<u>\$ 18,459,480</u>	<u>\$ (475,057)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,984,423</u>

The following is a summary of changes in capacity rights for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Capacity rights	\$ 28,967,308	\$ 483,171	\$ (3,133)	\$ -	\$ 29,447,346
Accumulated amortization	(10,252,886)	(738,113)	3,133	-	(10,987,866)
Net capacity rights	<u>\$ 18,714,422</u>	<u>\$ (254,942)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,459,480</u>

Note 5 – Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Infrastructure	\$ 40,292,533	\$ 187,061	\$ (292,610)	\$ -	\$ 40,186,984
General operating equipment	1,961,411	93,000	(231,884)	-	1,822,527
Office equipment and furniture	94,656	-	(3,390)	-	91,266
Construction in progress	2,061,867	8,857,434	-	-	10,919,301
Capital assets	44,410,467	9,137,495	(527,884)	-	53,020,078
Accumulated depreciation	(14,814,039)	(1,081,578)	394,013	-	(15,501,604)
Net capital assets	<u>\$ 29,596,428</u>	<u>\$ 8,055,917</u>	<u>\$ (133,871)</u>	<u>\$ -</u>	<u>\$ 37,518,474</u>

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Infrastructure	\$ 40,260,651	\$ 74,754	\$ -	\$ (42,872)	\$ 40,292,533
General operating equipment	1,971,925	58,710	(112,096)	42,872	1,961,411
Office equipment and furniture	85,818	8,838	-	-	94,656
Construction in progress	1,630,641	431,226	-	-	2,061,867
Capital assets	43,949,035	573,528	(112,096)	-	44,410,467
Accumulated depreciation	(13,853,578)	(1,069,162)	108,701	-	(14,814,039)
Net capital assets	<u>\$ 30,095,457</u>	<u>\$ (495,634)</u>	<u>\$ (3,395)</u>	<u>\$ -</u>	<u>\$ 29,596,428</u>

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

Note 6 – Net Position

Net position consists of the following at June, 30 2020 and 2019:

	2020	2019
Net investment in capital assets and capacity rights	\$ 55,502,897	\$ 48,055,908
Restricted:		
Capacity fees for collection system/plant reserve (Fund 4932)	1,511,906	930,741
Capital and treatment plant upgrade reserve (Fund 4935)	1,561,044	5,358,580
Section 115 trust - pension stabilization fund	1,172,091	1,118,407
Total restricted net position	4,245,041	7,407,728
Dedicated by Board of Directors:		
Property tax reserve (Fund 4910)	1,468,631	1,928,594
Equipment/vehicle replacement reserve (Fund 4960)	318,068	320,034
Building replacement reserve (Fund 4965)	5,649,866	4,619,315
Total dedicated net position	7,436,565	6,867,943
Unrestricted, undedicated	3,298,107	6,246,590
Total net position	\$ 70,482,610	\$ 68,578,169

Note 7 – Pension Plan

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

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

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 – Pension Plan (Continued)

The Plan’s provisions and benefits in effect at June 30, 2020 and 2019, are summarized as follows:

	<u>Miscellaneous Plan</u>	
	Prior to January 1, 2013	On or after January 1, 2013
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		
2020	7.00%	7.25%
2019	7.00%	6.50%
Required employer contribution rates		
2020	10.87%	7.07%
2019	10.15%	7.27%

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

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above, and as a dollar amount for contributions toward the unfunded liability. The District’s required contribution for the unfunded liability was \$52,393 and \$35,749 for the fiscal years ended June 30, 2020 and 2019, respectively.

Classic Plan participants are required to contribute 7% of their annual covered salary and PEPRAs participants are required to contribute 7.25%, effective July 1, 2019. Participants in the classic Plan contribute 3.5% of their salary for the first five years. The District makes the remaining contributions required of classic Plan members on their behalf and for their account. These contributions made on behalf of employees are included in operating expenses on the statement of revenues, expenses, and changes in net position, but are not included in pension expense as disclosed below. The District does not pay any portion of the required participant contributions on behalf of PEPRAs members.

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

As of June 30, 2020, the District reported a liability of \$1,213,585 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 rolled forward to June 30, 2019 using standard update procedures.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 – Pension Plan (Continued)

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

The District’s proportionate shares of the net pension liability for all Plans with an actuarial valuation dates of June 30, 2018 and 2017 (measurement dates June 30, 2019 and 2018) were as follows:

<u>Measurement Date June 30, 2019</u>		<u>Measurement Date June 30, 2018</u>	
	<u>Miscellaneous</u>		<u>Miscellaneous</u>
Proportion – June 30, 2018	0.02841%	Proportion – June 30, 2017	0.02725%
Proportion – June 30, 2019	<u>0.03031%</u>	Proportion – June 30, 2018	<u>0.02841%</u>
Change – Increase (Decrease)	<u><u>0.00190%</u></u>	Change – Increase (Decrease)	<u><u>0.00116%</u></u>

For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$234,062 and \$88,407 respectively. The District’s contributions to the Plan for the years ended June 30, 2020 and 2019 were \$124,510 and \$99,177, respectively.

At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 124,510	\$ -	\$ 99,177	\$ -
Differences between expected and actual experience	84,288	(6,532)	41,083	(13,980)
Changes in assumptions	57,869	(20,514)	122,069	(29,917)
Changes in employer’s proportion	90,929	(1,256)	80,956	(2,825)
Difference between employer's contributions and employer's proportionate share of contributions	-	(98,585)	-	(125,643)
Net differences between projected and actual earnings on plan investments	-	(21,217)	5,293	-
Total	<u><u>\$ 357,596</u></u>	<u><u>\$ (148,104)</u></u>	<u><u>\$ 348,578</u></u>	<u><u>\$ (172,365)</u></u>

Employer contributions of \$124,510 reported at June 30, 2020 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, 2021.

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

Note 7 – Pension Plan (Continued)

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

Fiscal Year Ended June 30:

2021	\$	73,402
2022		(5,629)
2023		12,924
2024		4,285
2025		-
Thereafter		-
	<u>\$</u>	<u>84,982</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations (June 30, 2019 and 2018 measurement dates) were determined using the following actuarial assumptions:

	Miscellaneous Plan
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2019	7.15%
Measurement Date - 2018	7.15%
Inflation	
Measurement Date - 2019	2.50%
Measurement Date - 2018	2.50%
Salary Increases	Varies by entry age and service
Investment Rate of Return	
Measurement Date - 2018	7.15%
Measurement Date - 2018	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 – Pension Plan (Continued)

Change of Assumption – During the measurement period ended June 30, 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. Further details of the Experience Study can be found on the CalPERS website. Deferred inflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the measurement periods ending June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return – 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+ 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 rounded 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 adjusted to account for assumed administrative expenses.

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

Note 7 – Pension Plan (Continued)

The expected real rates of return by asset class are as follows:

Asset Class	Measurement Date June 30, 2019			Measurement Date June 30, 2018		
	Assumed Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)	Assumed Allocation	Real Return Years 1 -10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents The District’s proportionate share of the net pension liability calculated using the discount rate of 7.15% as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Measurement Date June 30, 2019		Measurement Date June 30, 2018	
Miscellaneous (Pool Amount)		Miscellaneous (Pool Amount)	
1% Decrease	6.15%	1% Decrease	6.15%
Net Pension Liability	\$ 1,857,988	Net Pension Liability	\$ 1,815,399
Current Discount Rate	7.15%	Current Discount Rate	7.15%
Net Pension Liability	\$ 1,213,585	Net Pension Liability	\$ 1,070,754
1% Increase	8.15%	1% Increase	8.15%
Net Pension Liability	\$ 681,677	Net Pension Liability	\$ 456,063

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

Note 8 – Deferred Compensation Plan

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

All amounts of compensation deferred, all property and the rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

As of June 30, 2020, four employees were participating in the plan.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 9 – Post-Employment Health Care Benefits

Plan Description

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

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

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

Net OPEB Asset

The District’s net OPEB asset was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

	OPEB Plan
Actuarial Cost Method	Entry-Age Actuarial Cost Method in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2019	5.00%
Inflation	2.75%
Salary Increases (1)	2.75%
Investment Rate of Return	6.00%
Mortality	2014 CalPERS Active Mortality for Miscellaneous Employees; 2014 CalPERS Retiree Mortality for Miscellaneous Employees
Turnover	2009 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	4% per year

(1) Benefits are not dependent upon salary

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Discount Rate/Long-Term Rate of Return

The discount rate used to measure the total OPEB liability was 5.0% for the measurement periods ending June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate for the measurement period ended June 30, 2019 assumed that all contributions are from the District. Historic 27 year real rates of return for each asset class along with assumed long-term inflation assumptions were used to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points.

The long-term expected rate of return on OPEB Plan investments of 5.0% was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Measurement Date June 30, 2019		
Asset Class	Assumed Allocation	Assumed Gross Return
Equities	20.00%	7.50%
Bonds	80.00%	4.50%
	100.00%	

Measurement Date June 30, 2018		
Asset Class	Assumed Allocation	Assumed Gross Return
Equities	20.00%	7.50%
Bonds	80.00%	4.50%
	100.00%	

Funding Policy

Beginning in the fiscal year ended June 30, 2009, the OPEB Plan was part of the Public Agency portion of the California Employers’ Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees’ Retirement System. In November 2017 the District moved the OPEB funds from the CERBT to a Section 115 trust administered by PARS.

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

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

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

Changes in the Net OPEB Asset

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset/(Liability) (b) - (a)
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	\$ 1,292,423	\$ 2,052,537	\$ 760,114
Changes Recognized for the Measurement Period:			
Service cost	28,899	-	(28,899)
Interest on Total OPEB Liability	64,140	-	(64,140)
Changes in assumptions	-	-	-
Differences between expected and actual experience	(240,137)	-	240,137
Net investment income	-	156,668	156,668
Administrative expense	-	(11,995)	(11,995)
Benefit Payments & Refunds	(41,247)	(41,247)	-
Net Changes	<u>(188,345)</u>	<u>103,426</u>	<u>291,771</u>
Balance at June 30, 2020 <i>(Measurement Date June 30, 2019)</i>	<u>\$ 1,104,078</u>	<u>\$ 2,155,963</u>	<u>\$ 1,051,885</u>

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

The following presents the net OPEB asset of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2019 and 2018.

Measurement Date June 30, 2019			Measurement Date June 30, 2018		
Net OPEB Asset			Net OPEB Asset		
Current			Current		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
\$ 920,257	\$ 1,051,885	\$ 1,161,559	\$ 590,561	\$ 760,114	\$ 945,465

The following presents the net OPEB asset of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2019 and 2018.

Measurement Date June 30, 2019			Measurement Date June 30, 2018		
Net OPEB Asset			Net OPEB Asset		
Trend 1%	Valuation	Trend 1%	Trend 1%	Valuation	Trend 1%
Lower	Trend	Higher	Lower	Trend	Higher
\$ 1,162,796	\$ 1,051,885	\$ 921,025	\$ 907,015	\$ 760,114	\$ 576,238

OPEB Plan Fiduciary Net Position

PARS issues a publicly available financial report that may be obtained from the public Agency Retirement Services, 4350 Von Karman Ave, Newport Beach, CA 92660.

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

The recognition period differs depending on the source of the gain or loss. The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life, which was 6.2 and 5.9 years at measurement dates June 30, 2019 and 2018, respectively.

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

For the fiscal year ended June 30, 2020 and 2019, the District recognized OPEB expense (benefit) of (\$13,941) and \$22,059, respectively.

At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (199,593)	\$ 2,278	\$ -
Changes in assumptions	93,490	-	117,463	-
Net differences between projected and actual earnings on plan investments	-	(21,234)	30,752	-
Total	<u>\$ 93,490</u>	<u>\$ (220,827)</u>	<u>\$ 150,493</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	
2021	\$ (17,679)
2022	(17,679)
2023	(17,683)
2024	(27,819)
2025	(38,732)
Thereafter	(7,745)
	<u>\$ (127,337)</u>

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 10 – Section 115 Trust

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

The Section 115 Trust has two separate components:

- Pension Stabilization Fund – These funds are restricted for use in funding the District’s CalPERS pension plan described in Note 7. The trust was created to address the District’s pension obligations by accumulating assets to reduce the net pension liability. In accordance with generally accepted accounting principles, the assets in the Pension Stabilization Fund are not considered to have present service capacity as plan assets and are therefore considered restricted assets of the District rather than pension plan assets. Accordingly, the Pension Stabilization Fund’s assets are recorded as restricted assets on the District’s balance sheet rather than as assets of the pension plan during the measurement of the net pension liability. Assets held in the Pension Stabilization Fund will be considered pension plan assets at the time they are transferred out of the trust in to the pension plan. The balance of the Pension Stabilization Fund at June 30, 2020 and 2019 was \$1,172,091 and \$1,118,407, respectively.
- OPEB Fund – These funds are restricted for use in funding the District’s Other Postemployment Benefit Plan described in Note 9 and are considered to be plan assets, as OPEB benefits are paid directly from the OPEB Fund. In accordance with generally accepted accounting principles the balance held in the PARS OPEB Fund (adjusted for accruals) at measurement date June 30, 2019 is considered to be the fiduciary net position of the OPEB plan at June 30, 2020.

Note 11 – Supplemental Schedule Statement of Cash Flows

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

	2020	2019
Operating loss	\$ (2,003,432)	\$ (1,396,758)
Adjustments to reconcile the operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,832,105	1,807,275
Changes in operating assets and liabilities:		
Other current assets	180,566	(176,861)
Net OPEB asset	(291,771)	172,552
Deferred outflows of resources	47,985	(125,973)
Accounts payable	558,312	107,037
Unearned revenue	179,076	-
Compensated absences	29,920	19,200
Net pension liability	142,831	(3,494)
Deferred inflows of resources	196,566	(31,796)
Net cash provided by operating activities	\$ 872,158	\$ 371,182

GOLETA WEST SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12 – Property Tax Calendar

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

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

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

Note 13 – Conditional Annexation Fees

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

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

Note 14 – Construction Commitment

In May 2019 the District entered into a contract for the installation and connection of a new trunk sewer along Phelps Road at a total estimated cost updated for change orders, of approximately \$8,744,000. At June 30, 2020 the District had incurred approximately \$8,090,000 related to this contract. The project is expected to be completed during the fiscal year ending June 30, 2021.

Note 15 – Subsequent Events

Subsequent events have been evaluated through December 1, 2020 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**GOLETA WEST SANITARY DISTRICT MISCELLANEOUS PLAN
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2020
LAST 10 YEARS***

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.01184%	0.01111%	0.01083%	0.01012%	0.00843%	0.00869%
Proportionate share of the net pension liability	\$ 1,213,585	\$ 1,070,754	\$ 1,074,248	\$ 876,080	\$ 578,492	\$ 540,635
Covered payroll	\$ 641,832	\$ 582,912	\$ 563,911	\$ 584,074	\$ 574,347	\$ 570,418
Proportionate Share of the net pension liability as percentage of covered payroll	189.08%	183.69%	190.50%	149.99%	100.72%	94.78%
Plan fiduciary net position as a percentage of the total pension liability	74.67%	80.55%	79.39%	81.36%	87.04%	87.64%
Measurement date	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
Valuation date	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14	06/30/13

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 measurement date.

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

**GOLETA WEST SANITARY DISTRICT MISCELLANEOUS PLAN
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2020
LAST 10 YEARS***

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 124,510	\$ 99,177	\$ 76,930	\$ 66,953	\$ 60,932	\$ 52,389
Contributions in relation to the actuarially determined contributions	\$ 124,510	\$ 99,177	\$ 76,930	\$ 66,953	\$ 60,932	\$ 52,389
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 709,250	\$ 641,832	\$ 582,912	\$ 563,911	\$ 584,074	\$ 574,347
Contributions as a percentage of covered payroll	17.56%	15.45%	13.20%	11.87%	10.43%	9.12%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019-2020 were derived from the June 30, 2017 funding valuation report.

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

**GOLETA WEST SANITARY DISTRICT
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020
LAST 10 YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 28,899	\$ 28,126	\$ 27,373
Interest on the total OPEB liability	64,140	55,144	63,337
Changes in assumptions	-	141,436	-
Differences between expected and actual experience	(240,137)	2,744	-
Benefit payments	<u>(41,247)</u>	<u>(44,944)</u>	<u>(46,205)</u>
Net change in total OPEB liability	(188,345)	182,506	44,505
Total OPEB liability - beginning	1,292,423	1,109,917	1,065,412
Total OPEB liability - ending (a)	<u>\$ 1,104,078</u>	<u>\$ 1,292,423</u>	<u>\$ 1,109,917</u>
Fiduciary Net Position			
Net investment income	\$ 156,668	\$ 62,378	\$ 84,095
Administrative expense	(11,995)	(7,480)	(1,731)
Benefit payments	<u>(41,247)</u>	<u>(44,944)</u>	<u>(46,205)</u>
Net change in fiduciary net position	103,426	9,954	36,159
Total fiduciary net position- beginning	<u>2,052,537</u>	<u>2,042,583</u>	<u>2,006,424</u>
Total fiduciary net position - ending (b)	<u>\$ 2,155,963</u>	<u>\$ 2,052,537</u>	<u>\$ 2,042,583</u>
Net OPEB asset - ending (a) - (b)	\$ (1,051,885)	\$ (760,114)	\$ (932,666)
Plan fiduciary net position as a percentage of the total OPEB liability	195.27%	158.81%	184.03%
Covered - employee payroll	\$ 846,838	\$ 745,954	\$ 672,205
Net OPEB asset as a percentage of covered-employee payroll	-124.21%	-101.90%	-138.75%
Measurement date	06/30/19	06/30/18	06/30/17
Valuation date	06/30/19	06/30/17	06/30/17

Notes to Schedule:

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

OTHER SUPPLEMENTARY INFORMATION

**GOLETA WEST SANITARY DISTRICT
SCHEDULE OF OPERATING EXPENSES**

For the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	<u>Sewage Collection</u>	<u>Sewage Treatment</u>	<u>Other Operating Expenses</u>	<u>Administration and General</u>	<u>2020</u>	<u>2019</u>
Salaries and wages	\$ 415,904	\$ -	\$ 128,304	\$ 359,265	\$ 903,473	\$ 795,514
Employee benefits	179,122	-	35,872	297,700	512,694	356,860
Contract services	24,536	2,393,515	131,115	12,411	2,561,577	2,219,945
Professional and other services	-	-	90,350	144,038	234,388	222,619
Utilities	57,756	-	34,854	5,381	97,991	104,890
Printing and publications	-	-	-	1,560	1,560	558
Insurance	41,271	-	5,503	12,739	59,513	59,964
Office expense	-	-	-	2,388	2,388	4,404
Operating supplies	389	-	-	-	389	1,537
Gas, oil and fuel	7,814	-	7,497	1,193	16,504	25,058
Repairs and maintenance	69,844	-	36,473	1,648	107,965	115,218
Training	11,003	-	1,208	7,108	19,319	20,804
Travel and meetings	1,006	-	333	1,395	2,734	6,587
Memberships	768	-	192	18,437	19,397	19,830
Permits and licenses	2,792	-	735	3,360	6,887	4,664
Administration fees	-	143,610	34,026	-	177,636	157,386
Miscellaneous	149	-	29,997	-	30,146	15,141
Amortization	-	750,527	-	-	750,527	738,113
Depreciation	1,038,425	5,182	25,472	12,499	1,081,578	1,069,162
Totals, June 30, 2020	<u>\$ 1,850,779</u>	<u>\$ 3,292,834</u>	<u>\$ 561,931</u>	<u>\$ 881,122</u>	<u>\$ 6,586,666</u>	
Totals, June 30, 2019	<u>\$ 1,816,488</u>	<u>\$ 2,913,597</u>	<u>\$ 465,122</u>	<u>\$ 743,047</u>		<u>\$ 5,938,254</u>