

AGENDA

Covid-19 Meeting Notice

To address concerns relating to COVID-19 and to comply with the prohibitions on gatherings under Santa Barbara County Health Officer Order No. 2020-12.14, this meeting will be held by remote video conferencing without a physical meeting location, as authorized by Governor Newsom's Executive Order N-29-20.

Members of the public who wish to observe the meeting and/or offer public comment by video conferencing should contact the District at least 4 hours before the meeting at (805) 967-4519 or RMangus@GoletaSanitary.org to obtain the meeting ID and passcode.

Members of the public with disabilities who wish to request a reasonable modification or accommodation to observe the meeting and/or offer public comment should contact the District at least 8 hours before the meeting at the foregoing telephone number or email address for instructions on how to access the meeting.

A G E N D A
REGULAR MEETING OF THE GOVERNING BOARD
OF THE GOLETA SANITARY DISTRICT
A PUBLIC AGENCY

One William Moffett Place
Goleta, California 93117

December 21, 2020

CALL TO ORDER: 6:30 p.m.

ROLL CALL OF MEMBERS

BOARD MEMBERS: Sharon Rose
Jerry D. Smith
Steven T. Majoewsky
George W. Emerson
Edward Fuller

CONSIDERATION OF THE MINUTES OF THE BOARD MEETING

The Board will consider approval of the Minutes of the Regular Meeting of December 7, 2020.

PUBLIC COMMENTS - Members of the public may address the Board on items within the jurisdiction of the Board.

POSTING OF AGENDA – The agenda notice for this meeting was posted at the main gate of the Goleta Sanitary District and on the District’s web site 72 hours in advance of the meeting.

BUSINESS:

1. DISCUSSION AND PRESENTATION OF THE DISTRICT’S AUDIT REPORT AND FINANCIAL STATUS AS OF JUNE 30, 2020
(Board may take action on this item.)
2. DISCUSSION AND ACTION RELATED TO DIRECTOR PARTICIPATION ON THE EXECUTIVE BOARD OF THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATION’S SANTA BARBARA CHAPTER
(Board may take action on this item.)
3. CONSIDERATION AND ADOPTION OF RESOLUTION NO. 20-658 IN RECOGNITION AND APPRECIATION OF SERVICE OF ROBERT O. WAGENECK TO THE DISTRICT
(Board may take action on this item.)

4. CLOSED SESSION - ANTICIPATED LITIGATION
 - a. PUBLIC COMMENTS ON CLOSED SESSION
 - b. CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION
SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(3)
ONE POTENTIAL CASE
 - c. OPEN SESSION REPORT ON CLOSED SESSION
CONSIDERATION AND APPROVAL
5. GENERAL MANAGER'S REPORT
6. LEGAL COUNSEL'S REPORT
7. COMMITTEE/DIRECTOR'S REPORTS AND APPROVAL/RATIFICATION OF DIRECTOR'S ACTIVITIES
8. PRESIDENT'S REPORT
9. ITEMS FOR FUTURE MEETINGS
10. CORRESPONDENCE
(The Board will consider correspondence received by and sent by the District since the last Board Meeting.)
11. APPROVAL OF BOARD COMPENSATION AND EXPENSES AND RATIFICATION OF CLAIMS PAID BY THE DISTRICT
(The Board will be asked to ratify claims.)

ADJOURNMENT

Any public records which are distributed less than 72 hours prior to this meeting to all, or a majority of all, of the District's Board members in connection with any agenda item (other than closed sessions) will be available for public inspection at the time of such distribution at the District's office located at One William Moffett Place, Goleta, California 93117.

MINUTES

MINUTES
REGULAR MEETING OF THE GOVERNING BOARD
GOLETA SANITARY DISTRICT
A PUBLIC AGENCY
DISTRICT OFFICE CONFERENCE ROOM
ONE WILLIAM MOFFETT PLACE
GOLETA, CALIFORNIA 93117

December 7, 2020

CALL TO ORDER:

President Rose called the meeting to order at 6:32 p.m. via Zoom.

BOARD MEMBERS PRESENT:

Sharon Rose, Jerry D. Smith, Steven T. Majoewsky, George W. Emerson, Edward Fuller

BOARD MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Steve Wagner, General Manager/District Engineer, Rob Mangus, Finance and Human Resources Manager/Board Secretary and Richard Battles, Legal Counsel from Howell Moore & Gough LLP.

OTHERS PRESENT:

Larry Meyer, Director, Goleta West Sanitary District
Tom Evans, Director, Goleta Water District

APPROVAL OF MINUTES:

Director Majoewsky made a motion, seconded by Director Emerson, to approve the minutes of the Regular Board meeting of 11/16/20. The motion carried by the following vote:

(20/12/2146)

| | | |
|----------|---|---------------------------------|
| AYES: | 4 | Rose, Smith, Majoewsky, Emerson |
| NOES: | | None |
| ABSENT: | | None |
| ABSTAIN: | 1 | Fuller |

POSTING OF AGENDA:

The agenda notice for this meeting was posted at the main gate of the Goleta Sanitary District and on the District's website 72 hours in advance of the meeting.

PUBLIC COMMENTS:

None

BUSINESS:

1. CONSIDERATION AND ADOPTION OF ORDINANCE NO. 92 REGULATING THE USE OF THE GOLETA SANITARY DISTRICT SEWERAGE SYSTEM AND REPEALING ORDINANCE NO. 77
Mr. Wagner gave the staff report.

Director Smith made a motion, seconded by Director Majoewsky to approve and adopt Ordinance No. 92, Regulating the Use of the Goleta Sanitary District Sewerage System and Repealing Ordinance No. 77.

The motion carried by the following vote:

(20/12/2147)

| | | |
|----------|---|---|
| AYES: | 5 | Rose, Smith, Majoewsky, Emerson, Fuller |
| NOES: | | None |
| ABSENT: | | None |
| ABSTAIN: | | None |

2. STATUS REPORT OF 2020 PRE-WINTER STORM PREPARATION ACTIVITIES

Mr. Wagner gave the staff report for this presentation item, no Board action was taken.

3. CONSIDERATION AND APPROVAL OF PURCHASE OF NEW 4-INCH PORTABLE TRASH PUMP WITH SOUND ATTENUATED ENCLOSURE

Mr. Wagner gave the staff report.

Director Smith made a motion, seconded by Director Fuller to authorize the General Manager to execute a Purchase Order for a Rockwell 4" Trash Pump with Sound Attenuated Enclosure in the amount of \$52,942.

The motion carried by the following vote:

(20/12/2148)

| | | |
|----------|---|---|
| AYES: | 5 | Rose, Smith, Majoewsky, Emerson, Fuller |
| NOES: | | None |
| ABSENT: | | None |
| ABSTAIN: | | None |

4. GENERAL MANAGER'S REPORT

Mr. Wagner gave the report.

5. LEGAL COUNSEL'S REPORT

Mr. Battles reported on a recent Fair Political Practices Commission opinion related spouses of city council members working at two facilities that might be impacted by a matter regarding a new facility that may be in direct competition with the other two facilities. The FPPC's position was that the spouses' employers could create a conflict in this case.

6. COMMITTEE/DIRECTORS' REPORTS AND APPROVAL/RATIFICATION OF DIRECTORS' ACTIVITIES

Director Majoewsky – Reported on two Goleta West Sanitary District meetings, one of which he attended via Zoom.

Director Emerson – Reported on the CSDA Finance Committee meeting he attended via teleconference.

Director Smith – No report.

Director Fuller – No report.

8. PRESIDENT'S REPORT

President Rose – Read her report from the November 10, 2020 Goleta Water District meeting and announced the next local chapter of CSDA meeting scheduled for January, 2021.

9. ITEMS FOR FUTURE MEETINGS

There was a consensus of the Board to have staff prepare and bring back for action a resolution of appreciation for the services of Robert Wageneck.

10. CORRESPONDENCE

The Board reviewed and discussed the list of correspondence to and from the District in the agenda.

11. APPROVAL OF BOARD COMPENSATION AND EXPENSES AND RATIFICATION OF CLAIMS PAID BY THE DISTRICT

Director Emerson made a motion, seconded by Director Majoewsky, to ratify and approve the claims, for the period 11/17/20 to 12/07/20 as follows:

| | |
|---|---------------|
| Running Expense Fund #4640 | \$ 615,092.96 |
| Depreciation Replacement Reserve Fund #4655 | \$ 4,882.00 |
| Retiree Health Insurance Sinking Fund #4660 | \$ 10,451.47 |

The motion carried by the following vote:

(20/12/2149)

| | | |
|----------|---|---|
| AYES: | 5 | Rose, Smith, Majoewsky, Emerson, Fuller |
| NOES: | | None |
| ABSENT: | | None |
| ABSTAIN: | | None |

ADJOURNMENT

There being no further business, the meeting was adjourned at 7:50 p.m.

Sharon Rose
Governing Board President

Robert O. Mangus, Jr.
Governing Board Secretary

Jerry D. Smith

Steven T. Majoewsky

George W. Emerson

Edward Fuller

AGENDA ITEM #1

AGENDA ITEM: 1

MEETING DATE: December 21, 2020

I. NATURE OF ITEM

Discussion and Presentation of the District's Audit Report and Financial Status as of June 30, 2020

II. BACKGROUND INFORMATION

The District's auditors, Moss, Levy & Hartzheim, LLP, have completed their review of the District's financial records, and have prepared the draft annual financial statements and audit report for FY 2019-20. The draft report is enclosed in this agenda item for review and comments.

III. COMMENTS AND RECOMMENDATIONS

The Finance Committee reviewed the draft financial statements on Wednesday December 16, 2020. The District's auditor will present the enclosed audit report to the Board on Monday, December 21, 2020, for approval and adoption. Enclosed also are copies of the auditor's report on compliance and internal control over financial reporting.

With the auditor's assistance the District will submit its State Controller's Report, before the due date January 31, 2021 as mandated by State requirements.

Overall, this is a good audit report with no findings. The District's total revenues for FY 2019-20 exceeded expenses, before capital contributions, by approximately \$904,986. With capital contributions, the District's net financial position as of June 30, 2020 was \$96,140,649 which is an increase of \$1,923,485 over the prior year balance after prior period adjustments.

IV. REFERENCE MATERIALS

Independent Auditor's Report and draft Annual Audit Report for FY 2019-20

Audit Term Sheet



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Goleta Sanitary District
Goleta, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Goleta Sanitary District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 11, 2020



To the Board of Directors
Goleta Sanitary District,

We have audited the basic financial statements of the Goleta Sanitary District as of and for the fiscal year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Goleta Sanitary District are described in Note 2 to the financial statements. We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Goleta Sanitary District's financial statements was:

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and deferred inflows and outflows related to OPEB is based on the actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the OPEB calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and deferred inflows and outflows related to pension are based on the CalPERS actuary's expertise experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Pension Plan in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Goleta Sanitary District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Moss, Remy & Hartzheim LLP

December 11, 2020
Santa Maria, California

GOLETA SANITARY DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

GOLETA SANITARY DISTRICT
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June 30, 2020

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Goleta Sanitary District
Goleta, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Goleta Sanitary District (District) as of and for the fiscal year ended June 30, 2020, and the related notes to the 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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 respective financial position of the Goleta Sanitary District, as of June 30, 2020, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 12, the Schedule of Proportionate Share of Net Pension Liability on page 37, the Schedule of Pension Contributions on page 38, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 39, and the Schedule of OPEB Contributions on page 40, 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 audit 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.

Report on Summarized Comparative Information

We have previously audited the Goleta Sanitary District’s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 11, 2020, on our consideration of the Goleta Sanitary District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Moss, Remy & Hartgreen LLP

Santa Maria, California
December 11, 2020

**Goleta Sanitary District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

As management of the Goleta Sanitary District, we offer readers of the Goleta Sanitary District's financial statements this narrative overview and analysis of the financial activities of the Goleta Sanitary District for the fiscal year ending June 30, 2020. We encourage readers to consider the information presented here in conjunction with the audit report.

Financial Highlights

- The assets and deferred outflows of resources of the Goleta Sanitary District exceeded its liabilities and deferred inflows of resources by \$96,140,649 and \$94,217,164 at the close of the June 30, 2020 and 2019 fiscal year, respectively.
- The District's total net position increased by \$1,923,485 as of June 30, 2020 and increased by \$2,536,113 as of June 30, 2019.
- The combination of operating and non-operating revenues, less operating expenses results in net income in the amount of \$904,986 as of June 30, 2020 and net income in the amount of \$1,291,621 as of June 30, 2019.
- Capital contributions were made to the District in the amount of \$1,018,499 and \$1,171,462 as of June 30, 2020 and 2019, respectively.
- The District is not carrying any debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Goleta Sanitary District's basic financial statements. The Goleta Sanitary District's basic financial statements comprise two components: 1) government-wide financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The statement of net position presents information on all of the Goleta Sanitary District's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Goleta Sanitary District's is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave, or compensated absences).

The Goleta Sanitary District has only business type activities and that business-type activity is the provision of sanitation services to the community.

The financial statements can be found on pages 13-16 of this audit report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Goleta Sanitary District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The various funds are presented in the accompanying financial statements as a proprietary fund category, enterprise fund type.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Goleta Sanitary District's progress in funding its obligation to provide pension benefits to its employees on pages 37-40.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Goleta Sanitary District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$96,140,649 and \$94,217,164 at the close of June 30, 2020 and 2019, respectively.

By far the largest portion of the Goleta Sanitary District's net position, \$71,611,940 (74.5 percent) and \$71,545,583 (75.9 percent) as of June 30, 2020 and 2019, respectively, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Goleta Sanitary District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Goleta Sanitary District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt would need to be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOLETA SANITARY DISTRICT'S NET POSITION

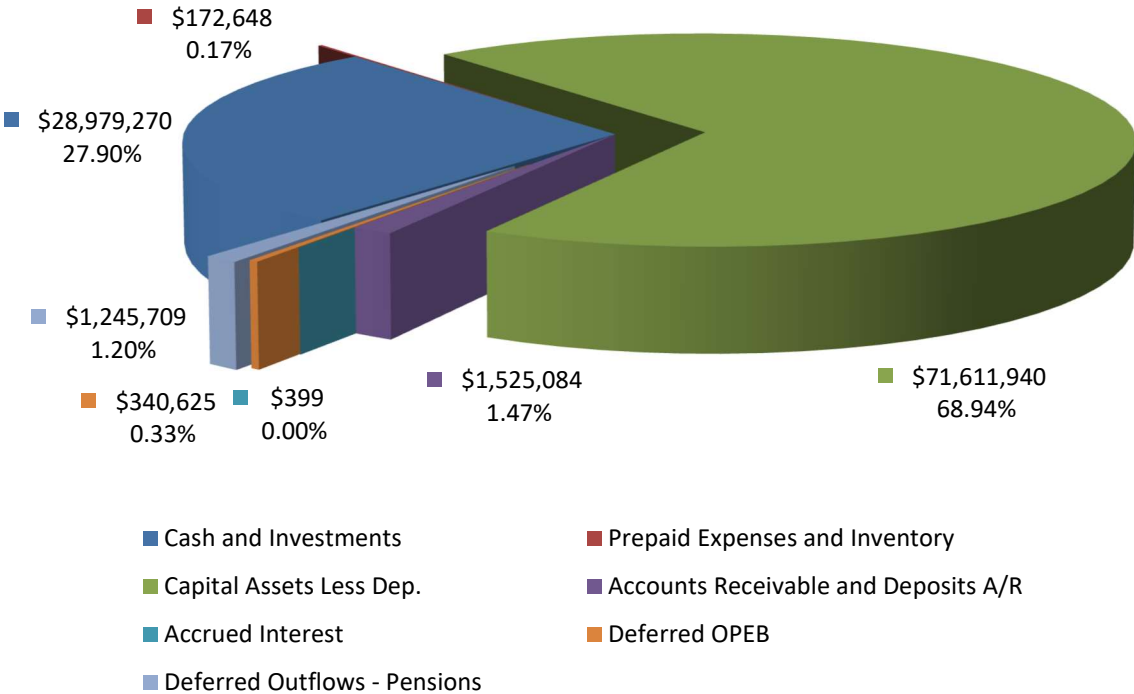
| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|----------------------------------|-----------------------|----------------------|
| Current Assets | \$ 25,692,866 | \$ 22,171,207 |
| Noncurrent Assets | <u>76,596,475</u> | <u>77,594,314</u> |
| Total Assets | <u>\$ 102,289,341</u> | <u>\$ 99,765,521</u> |
| Deferred Outflows of Resources | \$ 1,586,334 | \$ 1,646,387 |
| Current Liabilities | \$ 1,166,266 | \$ 811,559 |
| Noncurrent Liabilities | <u>5,686,011</u> | <u>5,434,004</u> |
| Total Liabilities | <u>\$ 6,852,277</u> | <u>\$ 6,245,563</u> |
| Deferred Inflow of Resources | \$ 882,749 | \$ 949,181 |
| Net Position: | | |
| Net Investment in Capital Assets | \$ 71,611,940 | \$ 71,545,583 |
| Restricted | 4,984,535 | 6,048,731 |
| Unrestricted | <u>19,544,174</u> | <u>16,622,850</u> |
| Total Net Position | <u>\$ 96,140,649</u> | <u>\$ 94,217,164</u> |

An additional portion of the Goleta Sanitary District's net position, \$4,984,535 (5.2%) and \$6,048,731 (6.4%) as of June 30, 2020 and 2019, respectively, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$19,544,174 and \$16,622,850 as of June 30, 2020 and 2019, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

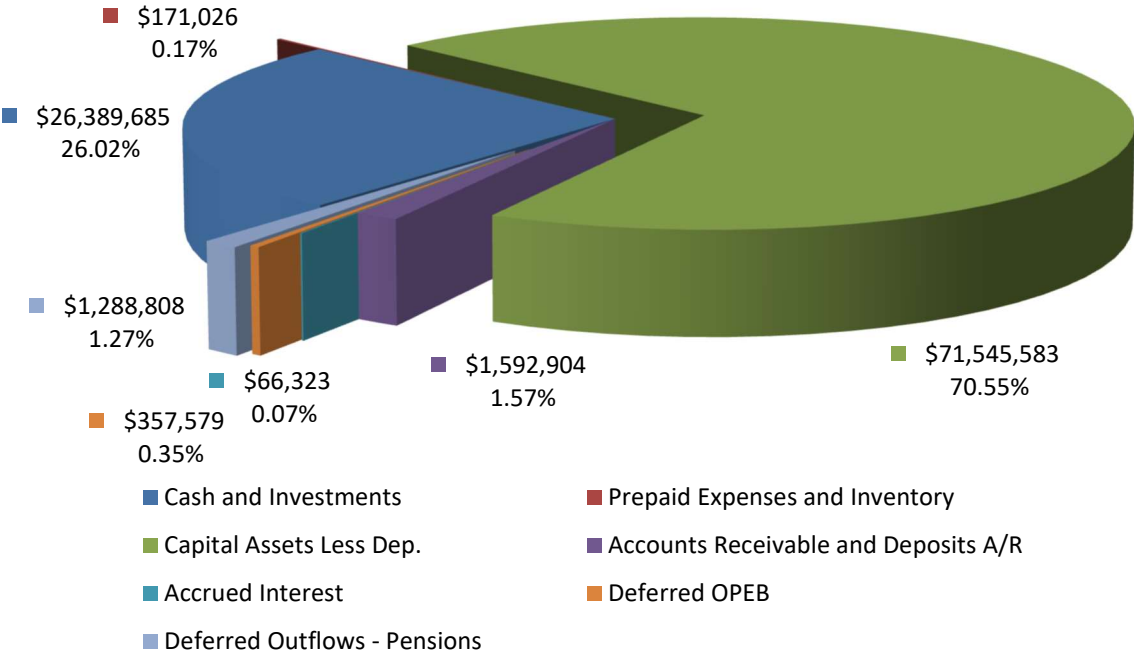
At the end of the current fiscal year, the Goleta Sanitary District is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

Charts comparing the Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources of the last two fiscal years are represented on the following two pages.

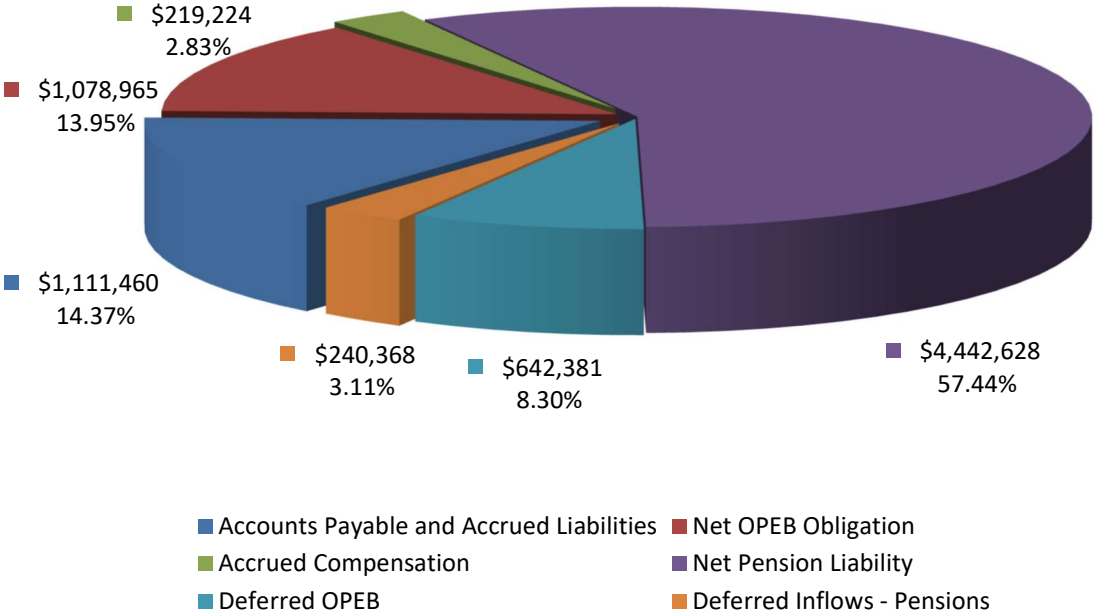
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES FY 19-20



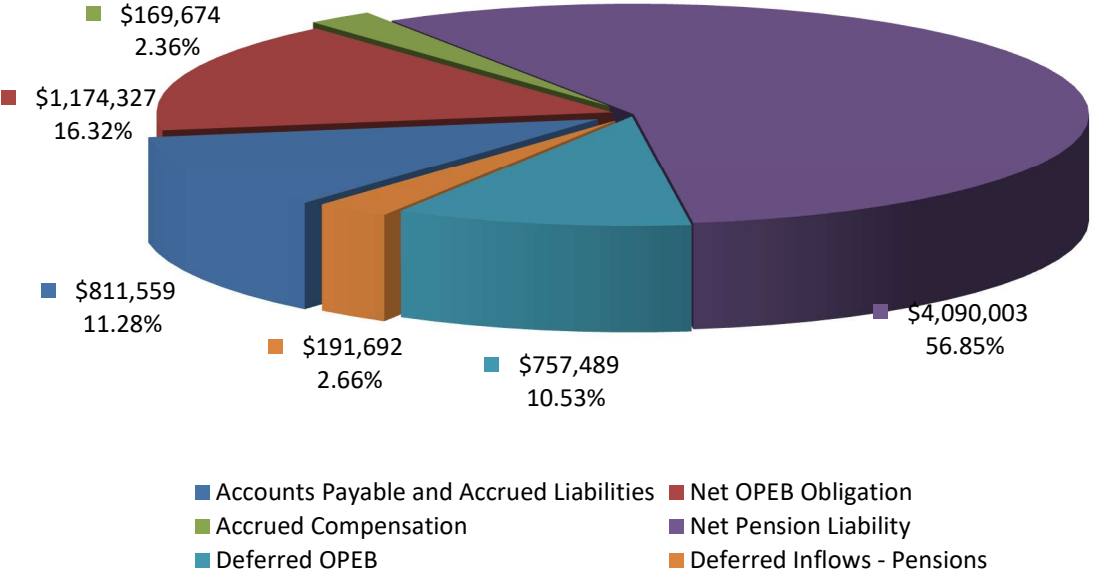
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES FY 18-19



LIABILITIES AND DEFERRED INFLOWS OF RESOURCES FY 19-20



LIABILITIES AND DEFERRED INFLOWS OF RESOURCES FY 18-19

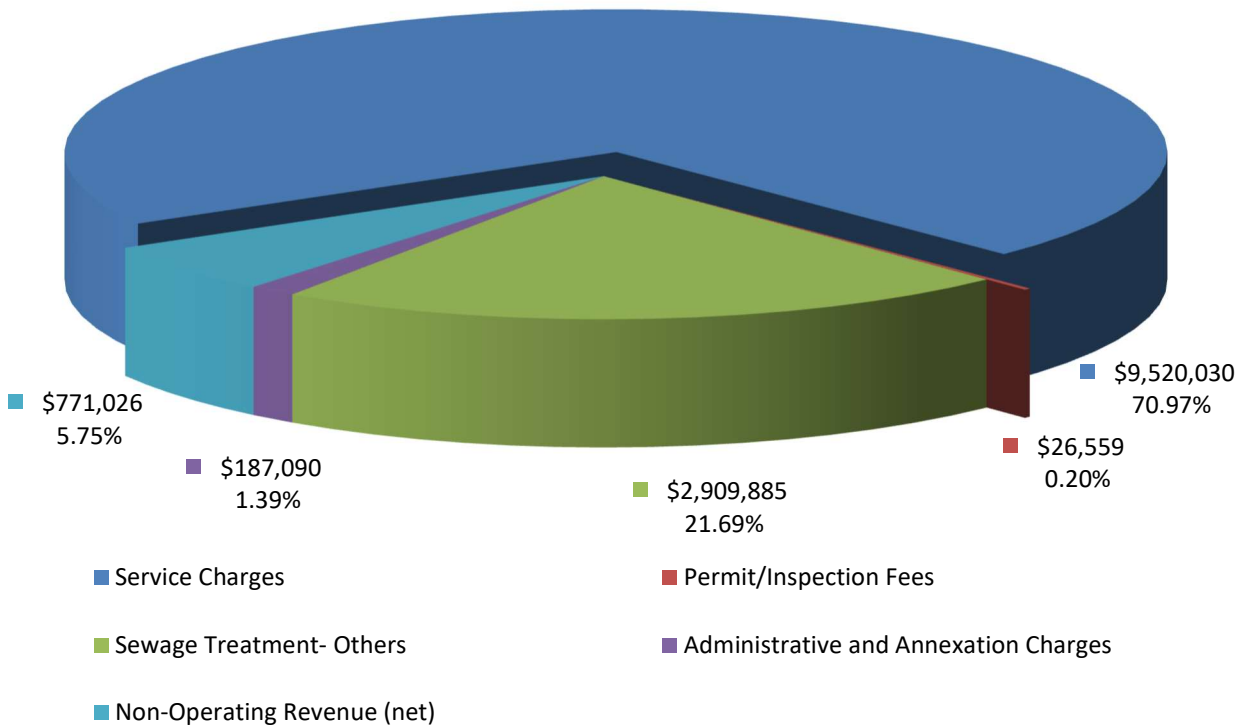


Business-type activities. The business-type activities increased the Goleta Sanitary District’s net position by \$1,923,485 and \$2,463,083 as of June 30, 2020 and 2019, respectively. The key elements are as follows: operating and non-operating revenues exceeded operating and nonoperating expenses by \$904,986 as of June 30, 2020 whereas operating and non-operating revenues exceeded operating and nonoperating expenses by \$1,291,621 as of June 30, 2019. Capital contributions to the District’s system totaled \$1,018,499 and \$1,171,462 as of June 30, 2020 and 2019, respectively. This is a net decrease of \$152,963 in capital contributions as of June 30, 2020. The total revenues and capital contributions exceeded expenses during the 2019-2020 fiscal year. The District’s construction in progress value of \$2,498,532 has been recorded as capitalized amounts as detailed in Note 4 on page 25.

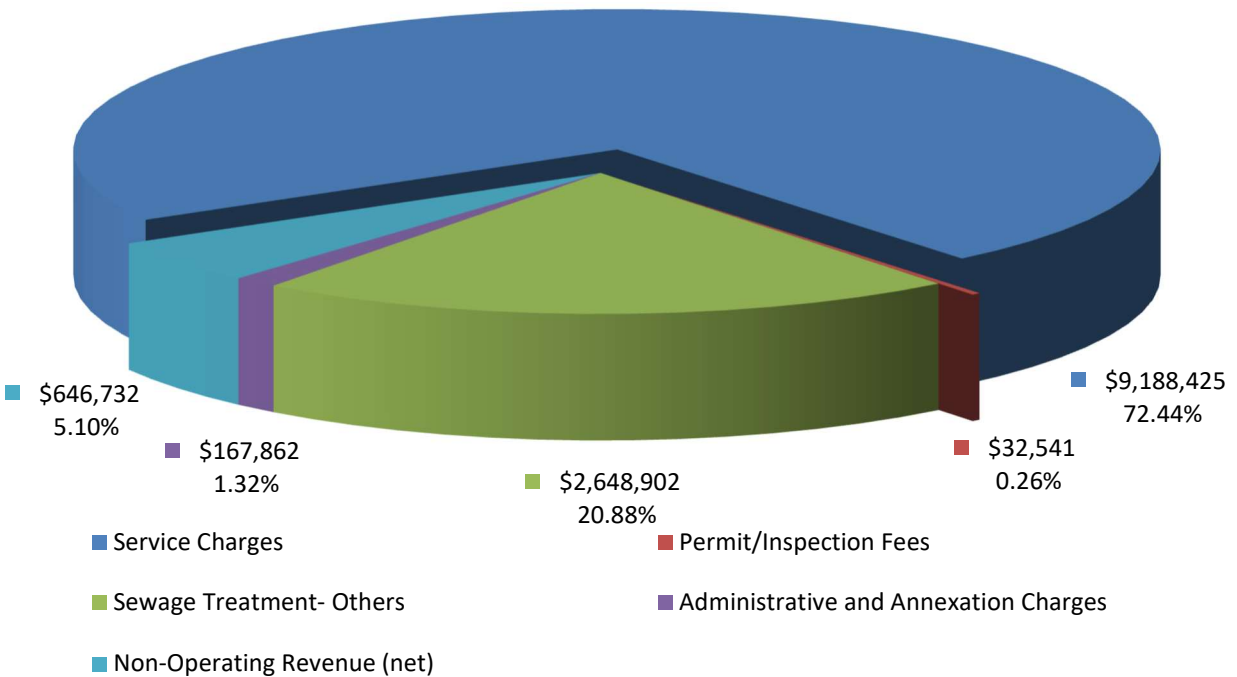
GOLETA SANITARY DISTRICT’S CHANGE IN NET POSITION

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|---|----------------------|----------------------|
| Revenues: | | |
| Service Charges | \$ 9,520,030 | \$ 9,188,425 |
| Other Operating | 3,123,534 | 2,849,305 |
| Non-Operating | <u>771,026</u> | <u>646,732</u> |
| Sub-total: | \$ 13,414,590 | \$ 12,684,462 |
| Expenses: | | |
| Sewer Collection | \$ 2,315,306 | \$ 2,071,699 |
| Sewage Treatment | 7,828,514 | 7,086,617 |
| Plant Pump Station | 183,181 | 162,651 |
| Sewage Disposal | 113,593 | 117,535 |
| Administrative | 1,314,352 | 1,257,997 |
| Wastewater Reclamation | <u>754,658</u> | <u>696,342</u> |
| Total Expenses: | \$ 12,509,604 | \$ 11,392,841 |
| Net Income/(Loss) Before Capital Contributions: | \$ 904,986 | \$ 1,291,621 |
| Capital Contributions | <u>1,018,499</u> | <u>1,171,462</u> |
| Increase in Net Position | \$ 1,923,485 | \$ 2,463,083 |
| Net Position – Beginning of Year | \$ 94,217,164 | \$ 91,681,051 |
| Prior Period Adjustment | <u>0</u> | <u>73,030</u> |
| Net Position – End of Year | <u>\$ 96,140,649</u> | <u>\$ 94,217,164</u> |

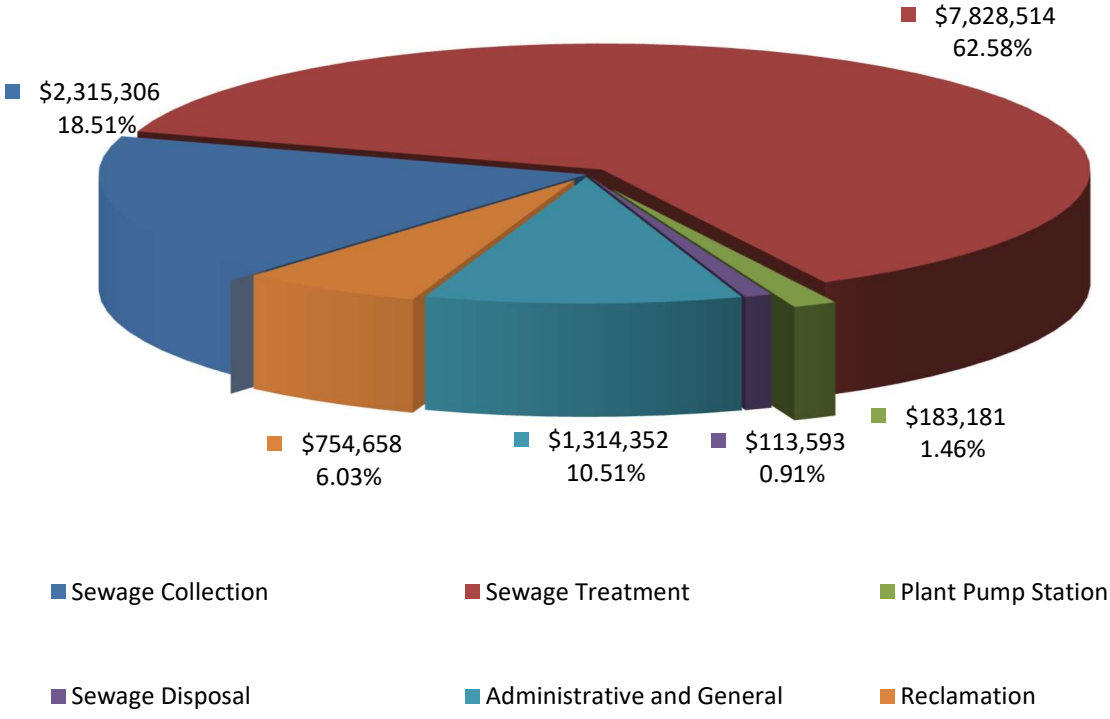
REVENUES FY 19-20



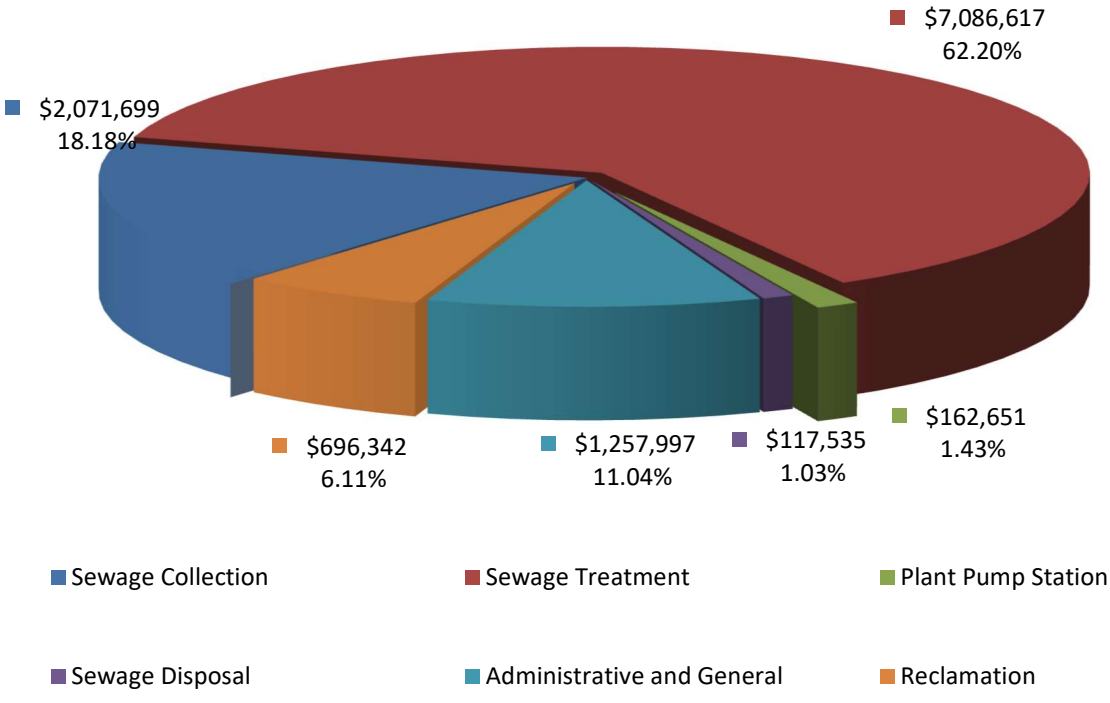
REVENUES FY 18-19



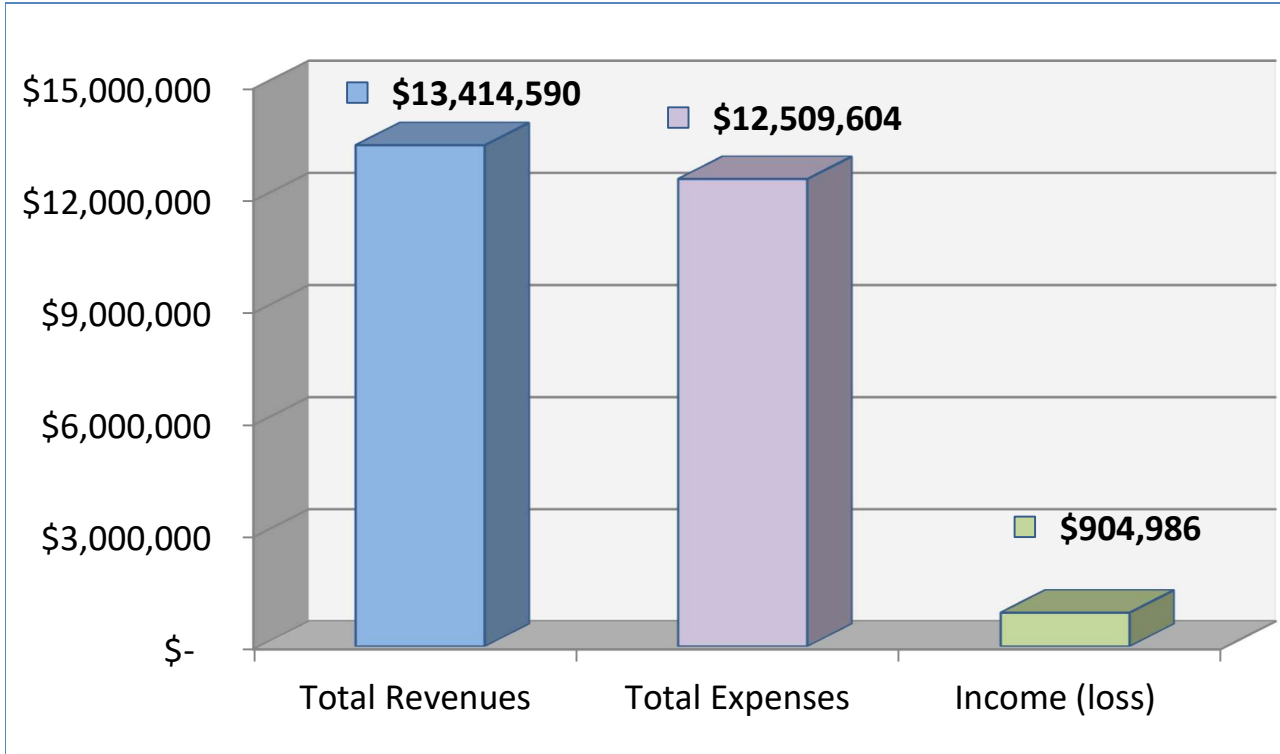
EXPENSES FY 19-20



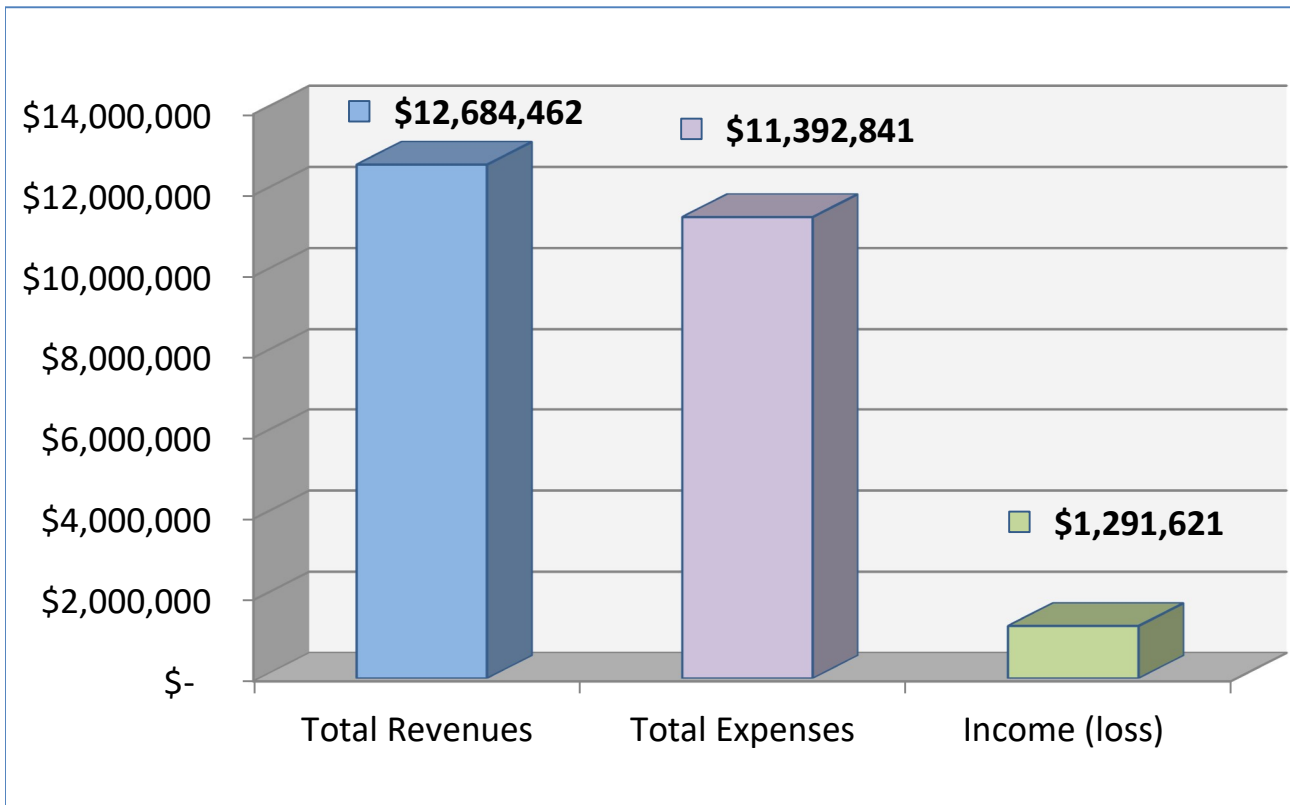
EXPENSES FY 18-19



REVENUES AND EXPENSES FY 19-20



REVENUES AND EXPENSES FY 18-19



Capital Asset and Debt Administration

Capital Assets. The Goleta Sanitary District’s investment in capital assets for its business type activities as of June 30, 2020 and June 30, 2019 amounts to \$71,611,940 and \$71,545,583 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Collections department 2019-20 Pipeline Rehabilitation project and the Robin Hill Road Sewer Improvement project were completed. A jetter camera was purchased.

Treatment plant projects included: installation of a new 5400 Gallon Ferric Chloride storage tank and dosing facility including a duplex peristaltic pump skid, instrumentation and control; service air compressor # 2 was replaced; a manlift was purchased to replacing an existing manlift set to be retired; the ODS sludge pumps for primary clarifier #2 and #3 were replaced, piping and controls rehabilitated; the air handling unit for the Boiler-Generator building was replaced; Replacement PERTH gas mixing assembly was purchased for Anaerobic Digesters #1-3; Double doors within the Power and Maintenance building were replaced to meet safety code; a replacement digester sludge recirculation pump was purchased; a sludge transfer pump was replaced within the solids building; high pressure service air tank was purchased for the compressor at the weld shop; gas mixing blower for digester #2 was purchased; new drive units were purchased for secondary clarifier #3 and #4; a replacement maintenance cart was purchased; a natural gas only boiler was installed to replace an existing unit that was required to be decommissioned due regulatory changes; an electrical control bucket was purchased; used “sea-train” shipping containers were purchased to use as weather-proof onsite storage of parts and records; a new effluent de-chlorination residual analyzer was purchased.

The Administration building received a new roof to replace one that was beyond its useful life.

The Reclamation Facility also had major capital asset events; Replacement of Motor Control Centers 8080 and 8081 which were at the end of their useful lives; the addition of a emergency transfer switch to allow the facility to be operated during a power outage.

Construction in progress projects include the asset management and capital asset projects for both the Collections and Treatment Plant. Collections started the 2020 Pipeline Rehab and El Sueno lift station force main projects. The Treatment Plant has ongoing projects with the related biosolids handling and biosolids to energy projects; Cart storage and charge facility. The Lift Station rehab project is underway as is the Administration building office space remodel.

GOLETA SANITARY DISTRICT’S CAPITAL ASSETS

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|-----------------------------------|------------------------|------------------------|------------------------|
| Land | \$ 327,243 | \$ 327,243 | \$ 327,243 |
| Construction in Progress | 2,498,532 | 1,632,120 | 999,489 |
| Collection Facilities | 28,174,076 | 26,618,204 | 25,277,243 |
| Treatment Facilities | 70,041,905 | 69,345,240 | 68,844,920 |
| Disposal Facilities | 3,743,731 | 3,743,731 | 3,743,731 |
| Admin Facilities and All Vehicles | 3,285,357 | 3,222,687 | 3,200,857 |
| Wastewater Reclamation | <u>15,543,279</u> | <u>15,169,424</u> | <u>15,073,252</u> |
| Total | <u>\$ 123,614,123</u> | <u>\$ 120,058,649</u> | <u>\$ 117,466,735</u> |
| Less Accumulated Depreciation | <u>\$ (52,002,183)</u> | <u>\$ (48,513,066)</u> | <u>\$ (45,272,768)</u> |
| Net Capital Assets | <u>\$ 71,611,940</u> | <u>\$ 71,545,583</u> | <u>\$ 72,193,967</u> |

Additional information on the Goleta Sanitary District's capital assets can be found in Note 4 on page 25 of this report.

Long-term debt. At the end of June 30, 2020 and 2019, the Goleta Sanitary District did not hold any current or long-term debt besides compensated absences, net OPEB, and pension liability. Information on these three liabilities can be found in Note 5 on page 26 of this report.

Economic Factors and Next Year's Budgets and Rates

The District sets its user rate schedule to cover the total O&M costs and accommodate an annual contribution to its depreciation reserve fund. The District reviewed and adjusted its sewer service rates for FY 2018-19 using a CPI index to accommodate increased O&M costs due to inflation.

Other Post-Employment Benefits

The District provides other post-employment benefits (OPEB) through the California Employers' Retiree Benefit fund which is administered by CalPERS. In 2009, the District joined the CalPERS medical program. An actuarial was performed during the 2019-2020 fiscal year to complete a valuation of the District's postemployment medical program as June 30, 2019 compliant under GASB 75. The purpose of the valuation is to determine the value of the expected postretirement benefits for current and future retirees and the net OPEB Benefit Cost of the fiscal year ending June 30, 2019. GASB 75 has many accounts and features that are similar to GASB 68 related to pensions. The actuarial report prepared during Fiscal Year 2019-2020 noted that the Plan Net OPEB liability at \$1,078,965. Actual cash contributions to CERBT for Plan year 19-20 came to \$334,190 in the form of direct payments to CERBT, reimbursements to retirees and direct premium payments to CalPERS. Details can be found in Note 9 beginning on page 32 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Goleta Sanitary District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, Goleta Sanitary District, One William Moffett Place, Goleta, CA 93117.

GOLETA SANITARY DISTRICT
STATEMENT OF NET POSITION - ENTERPRISE FUND
June 30, 2020
With Comparative Totals for June 30, 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current: | | |
| Cash and investments | \$ 23,994,735 | \$ 20,406,594 |
| Receivables: | | |
| Accounts | 1,525,084 | 1,592,904 |
| Accrued interest | 399 | 683 |
| Inventories | 94,046 | 113,842 |
| Prepaid expenses | 78,602 | 57,184 |
| Total Current Assets | <u>25,692,866</u> | <u>22,171,207</u> |
| Noncurrent: | | |
| Restricted: | | |
| Cash and investments | 4,984,535 | 5,983,091 |
| Accounts receivable | | 65,640 |
| Capital assets - net | 71,611,940 | 71,545,583 |
| Total Noncurrent Assets | <u>76,596,475</u> | <u>77,594,314</u> |
| Total Assets | <u>102,289,341</u> | <u>99,765,521</u> |
| Deferred Outflows of Resources | | |
| Deferred OPEB | 340,625 | 357,579 |
| Deferred pensions | 1,245,709 | 1,288,808 |
| Total Deferred Outflows of Resources | <u>1,586,334</u> | <u>1,646,387</u> |
| Liabilities | | |
| Current: | | |
| Accounts payable and accrued liabilities | 1,111,460 | 811,559 |
| Current portion of accrued compensation | 54,806 | |
| Total Current Liabilities | <u>1,166,266</u> | <u>811,559</u> |
| Noncurrent: | | |
| Accrued compensation | 164,418 | 169,674 |
| Net OPEB liability | 1,078,965 | 1,174,327 |
| Net pension liability | 4,442,628 | 4,090,003 |
| Total Noncurrent Liabilities | <u>5,686,011</u> | <u>5,434,004</u> |
| Total Liabilities | <u>6,852,277</u> | <u>6,245,563</u> |
| Deferred Inflows of Resources | | |
| Deferred OPEB | 642,381 | 757,489 |
| Deferred pensions | 240,368 | 191,692 |
| Total Deferred Inflows of Resources | <u>882,749</u> | <u>949,181</u> |
| Net Position | | |
| Net investment in capital assets | 71,611,940 | 71,545,583 |
| Restricted for capital expansion | 4,984,535 | 6,048,731 |
| Unrestricted | 19,544,174 | 16,622,850 |
| Total Net Position | <u>\$ 96,140,649</u> | <u>\$ 94,217,164</u> |

The notes to basic financial statements are an integral part of this statement.

GOLETA SANITARY DISTRICTSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
ENTERPRISE FUND

For the Fiscal Year Ended June 30, 2020

With Comparative Totals for the Fiscal Year Ended June 30, 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Operating Revenues: | | |
| Service charges | \$ 9,520,030 | \$ 9,188,425 |
| Permit and inspection fees | 26,559 | 32,541 |
| Sewage treatment-other agencies | 2,909,885 | 2,648,902 |
| Administrative charges | 187,090 | 167,862 |
| | <u>12,643,564</u> | <u>12,037,730</u> |
| Operating Expenses: | | |
| Sewage collection | 2,315,306 | 2,071,699 |
| Sewage treatment | 7,828,514 | 7,086,617 |
| Plant pump station | 183,181 | 162,651 |
| Sewage disposal | 113,593 | 117,535 |
| Administrative and general | 1,314,352 | 1,257,997 |
| Wastewater reclamation | 754,658 | 696,342 |
| | <u>12,509,604</u> | <u>11,392,841</u> |
| Total operating expenses | <u>12,509,604</u> | <u>11,392,841</u> |
| Operating income (loss) | <u>133,960</u> | <u>644,889</u> |
| Nonoperating Revenues (Expenses): | | |
| Property tax | 178,080 | 168,460 |
| Intergovernmental | 772 | 774 |
| Investment earnings | 553,658 | 535,041 |
| Annexation charges | | 15,907 |
| Reimbursements from participating agencies | 2,820 | 7,786 |
| Other | 40,263 | 41,214 |
| Loss on disposal of capital assets | (4,567) | (122,450) |
| | <u>771,026</u> | <u>646,732</u> |
| Total nonoperating revenues (expenses) | <u>771,026</u> | <u>646,732</u> |
| Income (loss) before capital contributions | 904,986 | 1,291,621 |
| Capital contributions | <u>1,018,499</u> | <u>1,171,462</u> |
| Change in net position | <u>1,923,485</u> | <u>2,463,083</u> |
| Net position, beginning of fiscal year | 94,217,164 | 91,681,051 |
| Prior period adjustment | | 73,030 |
| Net position, beginning of fiscal year - restated | <u>94,217,164</u> | <u>91,754,081</u> |
| Net position, end of fiscal year | <u>\$ 96,140,649</u> | <u>\$ 94,217,164</u> |

The notes to basic financial statements are an integral part of this statement.

GOLETA SANITARY DISTRICT
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 12,777,024 | \$ 11,497,072 |
| Payments to suppliers | (3,123,522) | (2,678,375) |
| Payments to employees | (5,287,409) | (4,955,851) |
| | <u>4,366,093</u> | <u>3,862,846</u> |
| Net cash provided by operating activities | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Property taxes | 178,080 | 168,460 |
| Intergovernmental | 772 | 774 |
| Reimbursements from other governments | 2,820 | 7,786 |
| Annexation charges | | 15,907 |
| Other revenue | 40,263 | 41,214 |
| | <u>221,935</u> | <u>234,141</u> |
| Net cash provided by noncapital financing activities | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital contributions | 1,018,499 | 1,171,462 |
| Acquisition and construction of capital assets | (3,570,884) | (2,893,028) |
| | <u>(2,552,385)</u> | <u>(1,721,566)</u> |
| Net cash used by capital and related financing activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 553,942 | 573,119 |
| | <u>553,942</u> | <u>573,119</u> |
| Net cash provided by investing activities | | |
| Net increase in cash and cash equivalents | 2,589,585 | 2,948,540 |
| Cash and cash equivalents, July 1 | 26,389,685 | 23,441,145 |
| Cash and cash equivalents, June 30 | <u>\$ 28,979,270</u> | <u>\$ 26,389,685</u> |
| Reconciliation to Statement of Net Position: | | |
| Cash and investments | \$ 23,994,735 | \$ 20,406,594 |
| Restricted cash and investments | 4,984,535 | 5,983,091 |
| | <u>\$ 28,979,270</u> | <u>\$ 26,389,685</u> |

The notes to basic financial statements are an integral part of this statement.

GOLETA SANITARY DISTRICT
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Reconciliation to reconcile operating income to net cash provided by operating activities: | | |
| Operating income | \$ 133,960 | \$ 644,889 |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | 3,499,960 | 3,418,962 |
| Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | |
| Accounts receivable | 133,460 | (540,658) |
| Inventory | 19,796 | (19,342) |
| Prepaid expenses | (21,418) | 11,429 |
| Deferred outflows | 60,053 | 256,081 |
| Accounts payables | 299,901 | 372,475 |
| Net OPEB obligation | (95,362) | (864,015) |
| Compensated absences | 49,550 | (15,512) |
| Net pension liability | 352,625 | (134,329) |
| Deferred inflows | (66,432) | 732,866 |
| Net cash provided by operating activities | <u>\$ 4,366,093</u> | <u>\$ 3,862,846</u> |

The notes to basic financial statements are an integral part of this statement.

NOTE 1 - REPORTING ENTITY

The Goleta Sanitary District (District) was formed in 1942 to provide sewage service for the unincorporated community of Goleta. In 2002, the City of Goleta was incorporated as a general law city of the State of California. The original plant site was owned by the District and the University of California at Santa Barbara. The District is now the sole owner of the plant and the site.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of the Goleta Sanitary District have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). The Governmental Accounting Standards Board (“GASB”) is the accepted setting body for governmental accounting financial reporting purposes.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues, and expenses. This system permits separate accounting for each established fund for purposes of complying with applicable legal provisions, Board of Director’s ordinances and resolutions and other requirements. The accounts have also been maintained in accordance with the California State Controller’s uniform system of accounts.

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 a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

The District distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by wastewater services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying wastewater treatment services.

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations. It does not apply any Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

B. Plant Capacity Rights

In 1950, the District entered into an agreement with the University of California at Santa Barbara for the construction and mutual use of a treatment plant and sewer lines. Since that time three other agencies have acquired capacity rights in the sewage treatment facilities.

For the fiscal year, agreements were in effect for the following capacity rights:

| | <u>Capacity Rights in Plant</u> | <u>Capacity Rights In Ocean Outfall Line</u> |
|---|-------------------------------------|--|
| Goleta Sanitary District | 47.87% | 55.81% |
| Goleta West Sanitary District | 40.78% | 35.00% |
| University of California at Santa Barbara | 7.09% | 4.70% |
| City of Santa Barbara | 2.84% | 2.60% |
| County of Santa Barbara | 1.42% | 1.89% |
| | <u>100.00%</u> | <u>100.00%</u> |

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Procedures

Budgetary information is not presented because the District is not legally required to adopt a budget. Although not legally required, an annual budget is prepared, which includes estimates for the District's principal income sources to be received during the fiscal year, as well as estimated expenses and cash reserves needed for operations.

D. Deposits and Investments

For purpose of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

As a governmental entity other than an external investment pool in accordance with GASB Statement No. 31, the District's investments are stated at fair value except for interest-earning investment contracts.

E. Prepaid Costs

Payments to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items. The District utilizes the consumption method of accounting for purchases, and accounts for prepaid costs in the period that the benefit was received and recognizes expenses as consumed.

F. Inventories

Inventories are priced using the lower of cost or market method, determined on a first-in, first-out basis. Inventories consist of expendable supplies, spare parts and fittings.

G. Capital Assets

Capital assets, which include property, plant equipment, and infrastructure assets, are reported in the District's enterprise fund. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500.

As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the District values these capital assets at the original estimate.

Construction in Progress – The District occasionally constructs capital assets for its own use in the plant operations and within its sewer collection system. The costs associated within these projects are accumulated in a construction in progress account while the project is being developed. Once the project is completed, the entire cost of the constructed assets are transferred to the capital assets account and depreciated over the estimated useful life of the capital assets.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material. For the current fiscal year, no interest was capitalized.

Capital assets are depreciated using the straight line method over estimated useful lives as follows:

| | |
|---------------------------------|---------------|
| Collection Lines | 50 years |
| Buildings | 40 years |
| Pumping and Treatment Equipment | 10 – 25 years |
| Office Equipment | 3 – 10 years |

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences Liability

Employees are entitled to accumulate vacation leave at a rate of two, three, four, or five weeks per year, depending on the number of years of service completed. Vacation leave is fully vested and any unused leave will be paid to employees upon termination of employment. Employees are also entitled to accumulate comp time when they work overtime, they are called back to work, or they are on standby. The rates of the accrual vary by employees and no employee can accumulate more than 40 hours.

In accordance with accounting principles generally accepted in the United States of America, the liability is reflected on the Statement of Net Position and the current year allocation has been expensed. The balance at June 30, 2020 and 2019 was \$219,224 and \$169,674 respectively. The full amount is shown as a noncurrent liability because it is not expected to be paid out within the next year.

I. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indenture, by law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets.

J. Capital Contributions

Capital contributions represent utility plant additions contributed to the District by property owners, other agencies, or developers. Depreciation of contributed utility plant assets are charged to operations.

K. Uncollectible Accounts

Uncollectible accounts are determined using the allowance method based upon prior experience and management's assessment of the collectability of specific existing accounts.

L. Property Taxes

Tax levies are limited to 1% of full market value (at time of purchase) which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Property taxes are attached annually on January 1 proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change of ownership.

Tax collections are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments; the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due February 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

The District does not receive a substantial amount of property taxes. For the fiscal year ended June 30, 2020 and 2019, the District received \$178,080 and \$168,460, respectively. The District does not receive property tax from every parcel in its service area, only those parcels for which the property taxes were negotiated at the time it was annexed.

M. Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Goleta Sanitary District's California Public Employee's Retirement System (CalPERS) plan (Plan) 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.

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/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 Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Notes 8 and 9 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Notes 8 and 9 for a detailed listing of the deferred inflows of resources the District has reported.

Q. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

| | | |
|------------------|--|---|
| Statement No. 84 | "Fiduciary Activities" | The provisions of this statement are effective for fiscal years beginning after December 15, 2019. |
| Statement No. 87 | "Leases" | The provisions of this statement are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 89 | "Accounting for Interest Cost Incurred before the End of a Construction Period" | The provisions of this statement are effective for fiscal years beginning after December 15, 2020. |
| Statement No. 90 | "Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61" | The provisions of this statement are effective for fiscal years beginning after December 15, 2019. |
| Statement No. 91 | "Conduit Debt Obligations" | The provisions of this statement are effective for fiscal years beginning after December 15, 2021. |
| Statement No. 92 | "Omnibus 2020" | The provisions of this statement are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 93 | "Replacement of Interbank Offered Rates" | The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 94 | "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" | The provisions of this statement are effective for fiscal years beginning after June 15, 2022. |
| Statement No. 96 | "Subscription-Based Information Technology Arrangements" | The provisions of this statement are effective for fiscal years beginning after June 15, 2022. |
| Statement No. 97 | "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" | The provisions of this statement are effective for fiscal years beginning December 15, 2019. |

S. Comparative Data/Totals Only

Comparative total data for the prior fiscal year has been presented in certain accompanying financial statements in order to provide an understanding of the changes in the District's financial position, operations, and cash flows. Also, certain prior fiscal amounts have been reclassified to conform to the current fiscal year financial statements presentation.

NOTE 3 - CASH AND INVESTMENTS

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

| | | |
|--------------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Cash on hand | \$ 500 | \$ 492 |
| Deposits with financial institutions | 28,868,783 | 26,282,077 |
| Investments | 109,987 | 107,116 |
| | <u>\$ 28,979,270</u> | <u>\$ 26,389,685</u> |

Cash and investments listed above, are presented on the accompanying statement of net position, as follows:

| | | |
|---------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Cash and investments | \$ 23,994,735 | \$ 20,406,594 |
| Restricted cash and investments | 4,984,535 | 5,983,091 |
| Total cash and investments | <u>\$ 28,979,270</u> | <u>\$ 26,389,685</u> |

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the Local Agency Investment Fund, however, this external pool is not measured under Level 1, 2 or 3.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|--|-----------------------------|--|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| Federal Agency Securities | N/A | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase and Reverse Repurchase Agreements | 92 days | 20% of base value | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual Funds | 5 years | 15% | 10% |
| Money Market Mutual Funds | N/A | None | None |
| Mortgage Pass-Through Securities | N/A | 20% | None |
| County Pooled Investment Fund | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| State Registered Warrants, Notes or Bonds | N/A | None | None |
| Notes and Bonds for other Local California Agencies | 5 years | None | None |

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

| Investment Type | Carrying Amount | 2020 | | | |
|------------------------------|-----------------|--------------------------------|--------------|--------------|---------------------|
| | | Remaining Maturity (in Months) | | | |
| | | 12 Months Or Less | 13-24 Months | 25-60 Months | More than 60 Months |
| State investment pool (LAIF) | \$ 109,987 | \$ 109,987 | \$ - | \$ - | \$ - |
| | \$ 109,987 | \$ 109,987 | \$ - | \$ - | \$ - |

| Investment Type | Carrying Amount | 2019 | | | |
|------------------------------|-----------------|--------------------------------|--------------|--------------|---------------------|
| | | Remaining Maturity (in Months) | | | |
| | | 12 Months Or Less | 13-24 Months | 25-60 Months | More than 60 Months |
| State investment pool (LAIF) | \$ 107,116 | \$ 107,116 | \$ - | \$ - | \$ - |
| | \$ 107,116 | \$ 107,116 | \$ - | \$ - | \$ - |

Disclosures Relating to 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 rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

| Investment Type | Carrying Amount | Minimum Legal Rating | 2020 | | | |
|------------------------------|-----------------|----------------------|------------------------------|------|------|------------|
| | | | Rating as of Fiscal Year End | | | |
| | | | AAA | A+ | Baa | Not Rated |
| State investment pool (LAIF) | \$ 109,987 | N/A | \$ - | \$ - | \$ - | \$ 109,987 |
| | \$ 109,987 | | \$ - | \$ - | \$ - | \$ 109,987 |

| Investment Type | Carrying Amount | Minimum Legal Rating | 2019 | | | |
|------------------------------|-----------------|----------------------|------------------------------|------|------|------------|
| | | | Rating as of Fiscal Year End | | | |
| | | | AAA | A+ | Baa | Not Rated |
| State investment pool (LAIF) | \$ 107,116 | N/A | \$ - | \$ - | \$ - | \$ 107,116 |
| | \$ 107,116 | | \$ - | \$ - | \$ - | \$ 107,116 |

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2020, \$28,885,033 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Collateral for Deposits

The collateral for deposits is generally held in safekeeping by the Federal Home Loan Bank in San Francisco as the third-party trustee. The securities are physically held in an undivided pool for all California public agency depositors. The State Public Administrative Office for public agencies and the Federal Home Loan Bank maintain detailed records of the security pool which are coordinated and updated weekly.

The Treasurer, at his or her discretion, may waive the 110% collateral requirement for deposits. Deposit accounts are insured up to \$250,000.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investment. With respect to investments, custodial credit risk generally applies to direct investments in marketable securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each entity may invest up to \$50,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California.

LAIF's and the District's exposure to risk (credit, market or legal) is not currently available. Section 16429.3 states that "money placed with the State Treasurer for deposit in the LAIF shall not be subject to impoundment or seizure by any State official or State Agency.

GOLETA SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 and June 30, 2019 was as follows:

| | Balance July 1, 2019 | Additions | Deletions | Transfers | Balance June 30, 2020 |
|--|-------------------------|-----------------------|---------------------|-----------------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 327,243 | \$ - | \$ - | \$ - | \$ 327,243 |
| Construction in progress | 1,632,120 | 2,637,251 | (303) | (1,770,536) | 2,498,532 |
| Total capital assets not being depreciated | <u>\$ 1,959,363</u> | <u>\$ 2,637,251</u> | <u>\$ (303)</u> | <u>\$ (1,770,536)</u> | <u>\$ 2,825,775</u> |
| Capital assets being depreciated: | | | | | |
| Collection facilities | \$ 26,618,204 | \$ 78,895 | \$ - | \$ 1,476,977 | \$ 28,174,076 |
| Treatment facilities | 69,345,240 | 413,303 | (10,197) | 293,559 | 70,041,905 |
| Disposal facilities | 3,743,731 | | | | 3,743,731 |
| General administrative facilities | 3,222,687 | 62,670 | | | 3,285,357 |
| Wastewater reclamation facility | 15,169,424 | 378,765 | (4,910) | | 15,543,279 |
| | 118,099,286 | 933,633 | (15,107) | 1,770,536 | 120,788,348 |
| Less accumulated depreciation | <u>48,513,066</u> | <u>3,499,960</u> | <u>10,843</u> | | <u>52,002,183</u> |
| Total capital assets being depreciated, net | <u>\$ 69,586,220</u> | <u>\$ (2,566,327)</u> | <u>\$ (4,264)</u> | <u>\$ 1,770,536</u> | <u>\$ 68,786,165</u> |
| Net capital assets | <u>\$ 71,545,583</u> | <u>\$ 70,924</u> | <u>\$ (4,567)</u> | <u>\$ -</u> | <u>\$ 71,611,940</u> |
| Capital assets activity for the year ended June 30, 2019: | | | | | |
| | Balance July 1, 2018 | Additions | Deletions | Transfers | Balance June 30, 2019 |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 327,243 | \$ - | \$ - | \$ - | \$ 327,243 |
| Construction in progress | 999,489 | 2,279,941 | (48,492) | (1,598,818) | 1,632,120 |
| Total capital assets not being depreciated | <u>\$ 1,326,732</u> | <u>\$ 2,279,941</u> | <u>\$ (48,492)</u> | <u>\$ (1,598,818)</u> | <u>\$ 1,959,363</u> |
| Capital assets being depreciated: | | | | | |
| Collection facilities | \$ 25,277,243 | \$ 39,159 | \$ (19,114) | \$ 1,320,916 | \$ 26,618,204 |
| Treatment facilities | 68,844,920 | 297,932 | (75,514) | 277,902 | 69,345,240 |
| Disposal facilities | 3,743,731 | | | | 3,743,731 |
| General administrative facilities | 3,200,857 | 38,396 | (16,566) | | 3,222,687 |
| Wastewater reclamation facility | 15,073,252 | 237,600 | (141,428) | | 15,169,424 |
| | 116,140,003 | 613,087 | (252,622) | 1,598,818 | 118,099,286 |
| Less accumulated depreciation | <u>45,272,768</u> | <u>3,418,962</u> | <u>178,664</u> | | <u>48,513,066</u> |
| Total capital assets being depreciated, net | <u>\$ 70,867,235</u> | <u>\$ (2,805,875)</u> | <u>\$ (73,958)</u> | <u>\$ 1,598,818</u> | <u>\$ 69,586,220</u> |
| Net capital assets | <u>\$ 72,193,967</u> | <u>\$ (525,934)</u> | <u>\$ (122,450)</u> | <u>\$ -</u> | <u>\$ 71,545,583</u> |

NOTE 5 – LONG-TERM LIABILITIES

The following table summarizes the changes in long-term liabilities for the year ended June 30, 2020 and June 30, 2019:

| | Balance July 1, 2019 | Additions | Retirements | Balance June 30, 2020 | Due Within One Year |
|------------------------------------|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Compensated absences | \$ 169,674 | \$ 190,095 | \$ 140,545 | \$ 219,224 | \$ 54,806 |
| Net OPEB liability | 1,174,327 | 414,546 | 509,908 | 1,078,965 | |
| Net pension liability | 4,090,003 | 882,467 | 529,842 | 4,442,628 | |
| Total long-term liabilities | \$ 5,434,004 | \$ 1,487,108 | \$ 1,180,295 | \$ 5,740,817 | \$ 54,806 |

| | Balance July 1, 2018 | Additions | Retirements | Balance June 30, 2019 | Due Within One Year |
|------------------------------------|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Compensated absences | 185,186 | \$ 182,318 | \$ 197,830 | \$ 169,674 | \$ - |
| Net OPEB liability | 2,038,342 | 463,413 | 1,327,428 | 1,174,327 | |
| Net pension liability | 4,224,332 | 888,823 | 1,023,152 | 4,090,003 | |
| Total long-term liabilities | \$ 6,447,860 | \$ 1,534,554 | \$ 2,548,410 | \$ 5,434,004 | \$ - |

NOTE 6 – NET POSITION

There are three main components of net position: Net Investment in Capital Assets, restricted and unrestricted. Net Investment in Capital Assets represents the District’s capital assets net of depreciation that are unencumbered by debt. Restricted net position consists of amounts that have legal restrictions imposed by parties outside of the reporting entity.

Unrestricted net position is a catchfall for all remaining net position not accounted for in the other two categories.

The following is included in Restricted Net Position:

Reserve for Plant Capacity Expansion

This reserve is related to that portion of the District’s net position attributable to capacity expansion connection fees. Such fees can only be used for plant expansion. At June 30, 2020 and 2019, this reserve was \$4,984,535 and \$6,048,731, respectively.

NOTE 7 – RISK MANAGEMENT

The District is a member of the California Sanitation Risk Management Authority (“Authority”). The following disclosures are made in compliance with GASB Code Section J50.103:

A. Description of Joint Powers Authority

The Authority is comprised of 60 members and is organized under a Joint Exercise Powers Agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance and risk management for the pooling of self-insured losses and to purchase excess insurance coverage.

Each member has a representative on the Board of Directors. Officers of the Authority are elected annually by the Board members.

NOTE 7 – RISK MANAGEMENT (Continued)

B. Self-Insurance Programs of the Authority

General Liability Insurance

Annual deposits are paid by member districts and are adjusted retrospectively to cover costs. Each member district self-insures at a variable amount for each loss; however, annual premiums are set such that this self-insured retention level is funded on an annual basis through required premiums. Participating districts then share in the next shared pool layer per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, errors and omissions, sudden and accidental pollution and employment practice liability. Separate deposits are collected from member districts to cover claims between \$0 and \$15,500,000. The pool layer is subject to retrospective adjustment. The District participates in the Authority's General Liability Program.

Workers Compensation Insurance

Annual deposits are paid by member districts and are adjusted retrospectively to cover costs. Each member district has first dollar coverage. Losses in excess of \$750,000 are covered by excess insurance purchased by the participating district, as part of the pool, to a limit of \$1 million per accident. The District participates in the Authority's Workers Compensation Program.

Property Protection

The District participates in the All Risks, Boiler and Machinery, and Flood Property Protection Program, which is underwritten by five insurance companies. The annual deposits are paid by participating member districts and are based upon value at risk and not subject to retroactive adjustments.

The Insurance Authority establishes claim liabilities based on actuarial estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported.

NOTE 8 – PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District 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.

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, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 8 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Benefits Provided(Continued)

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

| | Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire Date | | |
| Benefit formula | 2.0% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-63 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 7% | 6.5% |
| Required employer contribution rates | 10.868%+\$335,515 | 7.072%+\$1,971 |

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 is 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. Contributions to the pension plan from the District were \$619,908 for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$4,442,628 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 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. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2019, the District’s proportion share of net pension liability was as follows:

| | |
|---------------------------|----------|
| Proportion-June 30, 2018 | 0.10853% |
| Proportion-June 30, 2019 | 0.11094% |
| Change-increase(decrease) | 0.00241% |

NOTE 8 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$2,362,996. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Changes in assumptions | \$ 211,845 | \$ 75,097 |
| Differences between expected and actual experience | 308,559 | 23,907 |
| Net difference between projected and actual earnings on retirement plan investments | | 77,671 |
| Difference in proportions | 9,988 | 63,693 |
| Differences in actual contributions and proportionate share of contributions | 95,409 | |
| District contributions subsequent to the measurement date | 619,908 | |
| | <u>\$ 1,245,709</u> | <u>\$ 240,368</u> |

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$619,908 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2021 | \$ 356,119 |
| 2022 | (24,841) |
| 2023 | 38,460 |
| 2024 | 15,695 |
| | <u>\$ 385,433</u> |

NOTE 8 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | Miscellaneous |
|-------------------------------------|--|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.0% Net Pension Plan Investment and Administrative Expenses; includes Inflation |
| Mortality | Derived using CalPERS' Membership Data for all Funds (1) |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.75% thereafter |

- (1) 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 December 2017 experience study report.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

NOTE 8 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

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

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

| Asset Class | New Strategic Allocation | Real Return Years 1-10(a) | Real Return Years 11+(b) |
|---------------------|--------------------------------|------------------------------|-----------------------------|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Global Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Sensitive | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| Total | <u>100.0%</u> | | |

(a) An expected inflation of 2.0% was used for this period.

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, 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 (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

| | 1% Decrease 6.15% | Discount Rate 7.15% | 1% Increase 8.15% |
|--|----------------------|------------------------|----------------------|
| District's proportionate share of the net pension plan liability | \$ 6,993,630 | \$ 4,442,628 | \$ 2,336,956 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to Pension Plan

At June 30, 2020, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2020.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District provides other post-employment benefits (OPEB) through the California Employers' Retiree Benefit Fund (CERBT), an agent multiple-employer defined benefit healthcare plan administered by the California Public Employees' Retirement System (CalPERS). Benefits are provided to employees who retire at age 50 or older with five years of eligible CalPERS service. Coverage is also provided to eligible retirees, spouses and surviving spouses. These benefits are provided per contract between the District and the employee associations. Separate financial statements of the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, and CA 95814 or by visiting the CalPERS website at www.calpers.ca.gov.

Funding Policy

In 2009, the District joined the CalPERS medical program. In 2020, the District contributed the full cost of retiree and spousal coverage, up to the cost of PERS Choice coverage in comparison to the "unequal contribution" approach that was used at the inception of the CalPERS medical program. The District's contribution will be based on each retiree's age and enrollment status. The contribution requirements of plan members and the District are established and may be amended by the District and the employee associations. Currently, contributions are not required from plan members.

Employees Covered

As of June 30, 2018, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

| | |
|--|------------------|
| Active employee | 33 |
| Inactive employees or beneficiaries currently receiving benefits | <u>10</u> |
| Total | <u><u>43</u></u> |

Contributions

The District has a trust with the California Employers' Retiree Benefit Trust (CERBT). The District currently finances the trust by making 100% of the actuarially determined contribution.

Net OPEB Liability

The District's Net OPEB Liability 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 as of June 30, 2018. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|--|
| Discount Rate | 7.28%, based on the CERBT Strategy 1 investment policy |
| Investment Rate of Return | 7.28%, based on the CERBT Strategy 1 investment policy |
| Inflation | 2.26% |
| Salary Increases | 3.25% |
| Mortality Rate | Derived from 2017 CalPERS study |
| Healthcare Trend Rate | 7.00% Pre-65 and 5.00% Post-65; 5-6.75% for later years |
| Administrative Expenses | \$1,130 |

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20 years, tax-exempt general obligation municipal bonds with an average of AA/Aa or better for benefits not covered by plan assets.

The arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan and listed in the Investments section of this Note. For year thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

| | June 30, 2019 | June 30, 2018 |
|-----------------------------|----------------------|----------------------|
| Discount Rate | 7.28% | 7.28% |
| Bond buyer 20-Bond GO Index | 3.50% | 3.87% |

Changes in the OPEB Liability

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) |
|---|----------------------------|-----------------------------------|----------------------------------|
| Balance at June 30, 2018-Measurement Date | \$ 3,650,528 | \$ 2,476,201 | \$ 1,174,327 |
| Changes recognized for the measurement period: | | | |
| Service cost | 142,604 | | 142,604 |
| Interest | 271,402 | | 271,402 |
| Changes of assumptions | | | |
| Difference between expected and actual experience | 3,998 | | 3,998 |
| Contributions - employer | | 356,618 | (356,618) |
| Net investment income | | 157,288 | (157,288) |
| Benefit payments | (132,500) | (132,500) | |
| Administrative expense | | (540) | 540 |
| Net Changes | 285,504 | 380,866 | (95,362) |
| Balance at June 30, 2019-Measurement Date | \$ 3,936,032 | \$ 2,857,067 | \$ 1,078,965 |

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.28 percent) or 1-percentage-point higher (8.28 percent) than the current discount rate:

| | 1% Decrease 6.28% | Discount Rate 7.28% | 1% Increase 8.28% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB Liability | \$ 1,680,172 | \$ 1,078,965 | \$ 558,547 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (8.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

| | 1% Decrease (6.00% decreasing to 4.00%) | Trend Rate (7.00% decreasing to 5.00%) | 1% Increase (8.00% decreasing to 6.00%) |
|--------------------|--|---|--|
| Net OPEB Liability | \$ 528,181 | \$ 1,078,965 | \$ 1,770,734 |

Investments

The allocation of the plan's invested assets is established by CERBT Strategy 1. The objective is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The asset allocations and benchmarks for CERBT Strategy 1 are listed below:

| <u>Investment Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|------------------------------|---|
| Equity | 60.00% | 5.49% |
| Fixed Income | 32.00% | 1.65% |
| REITs | 8.00% | 5.06% |

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$140,674. As of the fiscal year ended June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| OPEB contributions subsequent to measurement date | \$ 334,190 | \$ - |
| Change in assumptions | | 450,351 |
| Difference between expected and actual experience | 4,364 | 192,030 |
| Net difference between projected and actual earnings on retirement plan investments | 2,071 | |
| | <u>\$ 340,625</u> | <u>\$ 642,381</u> |

\$334,190 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

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

| Fiscal year Ending June 30, | Amount |
|-----------------------------|---------------------|
| 2021 | \$ (85,609) |
| 2022 | (85,610) |
| 2023 | (75,620) |
| 2024 | (74,710) |
| 2025 | (81,084) |
| Thereafter | (233,313) |
| | <u>\$ (635,946)</u> |

NOTE 10 – WASTEWATER RECLAMATION PROJECT

The District entered into an agreement, dated October 15, 1990, with the Goleta Water District for construction and operation of a wastewater reclamation project. The project provides for additional treatment of the District’s wastewater and to distribute the resulting reclaimed wastewater for use by the Goleta Water District’s customers.

The District agreed to provide the additional treatment facilities, which are integrated into the current treatment plant. The Goleta Water District agreed to provide the pumping and distribution facilities for the delivery of the reclaimed water.

The District has provided the site for the Reclamation Facility. The Reclamation Facility is designed to have a treatment, storage, and pumping capacity of 3.3 million gallons per day.

The agreement with the Goleta Water District provides that the Goleta Water District ultimately pay all the costs associated with the design and construction of the project, as well as the operation costs once the facility is completed. The Goleta Water District has the right to the water produced, with certain options.

The project was substantially complete and officially placed in service in August 1994.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Land Purchase Restrictions

On December 23, 1980, the District acquired twenty-eight (28) acres of land adjacent to the original plant site for the construction of various structures, ponds and sludge lagoons for the plant expansion project. The acquisition is subject to the condition that should the District or its successors at any time within fifty-nine (59) years cease to use the land, as defined in the deed, for the operation of a wastewater treatment plant for a continuous period of one (1) year, and the land will revert to the seller or its successor, at the acquisition price.

NOTE 12 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

NOTE 12 – SUBSEQUENT EVENTS (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GOLETA SANITARY DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2020

The following table provides required supplementary information regarding the District's Pension Plan.

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Proportion of the net pension liability | 0.04244% | 0.04244% | 0.04260% | 0.04215% |
| Proportionate share of the net pension liability | \$ 4,442,628 | \$ 4,090,003 | \$ 4,224,332 | \$ 3,647,366 |
| Covered-payroll | \$ 2,711,945 | \$ 2,995,198 | \$ 2,609,634 | \$ 2,526,857 |
| Proportionate share of the net pension liability as percentage of covered payroll | 163.82% | 136.55% | 161.87% | 144.34% |
| Plan's total pension liability | \$ 41,426,453,489 | \$ 38,944,855,364 | \$ 37,161,348,332 | \$ 33,358,627,624 |
| Plan's fiduciary net position | \$ 31,179,414,067 | \$ 29,308,589,559 | \$ 27,244,095,376 | \$ 24,705,532,291 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.26% | 75.26% | 73.31% | 74.06% |
| | <u>2016</u> | <u>2015</u> | | |
| Proportion of the net pension liability | 0.03991% | 0.04434% | | |
| Proportionate share of the net pension liability | \$ 2,739,101 | \$ 2,759,210 | | |
| Covered-payroll | \$ 2,378,509 | \$ 2,309,232 | | |
| Proportionate share of the net pension liability as percentage of covered payroll | 115.16% | 119.49% | | |
| Plan's total pension liability | \$ 31,771,217,402 | \$ 30,829,966,631 | | |
| Plan's fiduciary net position | \$ 24,907,305,871 | \$ 24,607,502,515 | | |
| Plan fiduciary net position as a percentage of the total pension liability | 78.40% | 79.82% | | |

Note to Schedule:

Changes in assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as par of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

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

GOLETA SANITARY DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2020

The following table provides required supplementary information regarding the District's Pension Plan.

| | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution (actuarially determined) | \$ 619,908 | \$ 529,842 | \$ 545,176 | \$ 429,773 |
| Contribution in relation to the actuarially determined contributions | (619,908) | (529,842) | (545,176) | (429,773) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-payroll | \$ 2,962,731 | \$ 2,711,945 | \$ 2,995,198 | \$ 2,609,634 |
| Contributions as a percentage of covered payroll | 20.92% | 19.54% | 18.20% | 16.47% |
| | 2016 | 2015 | | |
| Contractually required contribution (actuarially determined) | \$ 392,036 | \$ 398,321 | | |
| Contribution in relation to the actuarially determined contributions | (392,036) | (398,321) | | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | | |
| Covered-payroll | \$ 2,526,857 | \$ 2,378,509 | | |
| Contributions as a percentage of covered payroll | 15.51% | 16.75% | | |

Notes to Schedule

Valuation Date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019/2020 were derived from the June 30, 2018 funding valuation report.

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | For details, see June 30, 2018 funding valuation report. |
| Inflation | 2.75% |
| Salary Increases | Varies by entry age and service |
| Payroll Growth | 3.00% |
| Investment Rate of Return | 7.0% net of pension plan investment and administrative expenses; includes inflation. |
| Retirement Age | The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

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

GOLETA SANITARY DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Years*

As of June 30, 2020

| Measurement Period | 2019 | 2018 | 2017 |
|---|----------------------------|----------------------------|----------------------------|
| Total OPEB Liability | | | |
| Service cost | \$ 142,604 | \$ 155,373 | \$ 147,974 |
| Interest on the total OPEB liability | 271,402 | 306,910 | 284,763 |
| Actual and expected experience difference | 3,998 | (240,756) | 1,341 |
| Changes in assumptions | | (564,625) | |
| Changes in benefit terms | | | |
| Benefit payments | (132,500) | (131,291) | (143,019) |
| Net change in total OPEB Liability | <u>285,504</u> | <u>(474,389)</u> | <u>291,059</u> |
| Total OPEB liability- beginning | <u>3,650,528</u> | <u>4,124,917</u> | <u>3,833,858</u> |
| Total OPEB liability- ending (a) | <u><u>\$ 3,936,032</u></u> | <u><u>\$ 3,650,528</u></u> | <u><u>\$ 4,124,917</u></u> |
| | | | |
| Plan Fiduciary Net Position | | | |
| Contribution - employer | \$ 356,618 | \$ 357,543 | \$ 336,291 |
| Net investment income | 157,288 | 164,504 | 181,510 |
| Benefit payments | (132,500) | (131,291) | (143,019) |
| Administrative expense | (540) | (1,130) | (926) |
| Net change in plan fiduciary net position | <u>380,866</u> | <u>389,626</u> | <u>373,856</u> |
| Plan fiduciary net position- beginning | <u>2,476,201</u> | <u>2,086,575</u> | <u>1,712,719</u> |
| Plan fiduciary net position- ending (b) | <u><u>\$ 2,857,067</u></u> | <u><u>\$ 2,476,201</u></u> | <u><u>\$ 2,086,575</u></u> |
| | | | |
| Net OPEB liability - ending (a)-(b) | <u><u>\$ 1,078,965</u></u> | <u><u>\$ 1,174,327</u></u> | <u><u>\$ 2,038,342</u></u> |
| | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 72.59% | 67.83% | 50.58% |

*- Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

GOLETA SANITARY DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2020

The following table provides required supplementary information regarding the District's OPEB.

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|--------------------|
| Actuarially Determined Contribution (ADC) | \$ 238,643 | \$ 238,643 | \$ 321,290 |
| Contributions in relation to the ADC | <u>(344,190)</u> | <u>(356,618)</u> | <u>(357,543)</u> |
| Contribution deficiency (excess) | <u>\$ (105,547)</u> | <u>\$ (117,975)</u> | <u>\$ (36,253)</u> |
| | | | |
| Covered payroll | \$ 2,867,993 | \$ 2,711,945 | \$ 2,995,198 |
| | | | |
| Contributions as a percentage of covered payroll | 12.00% | 13.15% | 11.94% |

Notes to Schedule

| | |
|-------------------|-----------|
| Valuation Date: | 6/30/2018 |
| Discount Rate: | 7.28% |
| Salary Increases: | 3.25% |

*- Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

Audit Term Sheet

| | |
|-------------------------------|---|
| Accrual - | The recognition of an expense or revenue item that has occurred but not yet been recorded. The attempt to record the financial effects of these transactions and other events in the periods in which those transactions or events occur rather than only in the periods in which cash is received or paid by the business. |
| Asset – | A resource with an economic value. An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit. |
| Current - | represent all the assets or liabilities of a company that are expected to be utilized or exhausted through the standard business operations, over the next one year period. |
| Non-Current - | represent all the assets or liabilities of a company that are expected to be utilized or exhausted through the standard business operations, in future years, beyond the next one year period. |
| Liability - | DEBTS or OBLIGATIONS owed by one entity (Debtor) to another entity (Creditor) payable in money, goods, or services. |
| CERBT - | The California Employers' Retiree Benefit Trust Fund is a Section 115 trust fund dedicated to prefunding Other Post-Employment Benefits (OPEB) for all eligible California public agencies. |
| Depreciation - | Expense allowance made for wear and tear on an ASSET over its estimated useful life. |
| Discount Rate - | The rate used to determine the current value, or present value, of an Asset or income stream. |
| Restricted Fund - | Fund established to account for assets whose income must be used for purposes established by donors or grantors of such ASSETS. |
| Un-Restricted Fund - | Resources of a government entity that have no restrictions as to use or purpose. |
| Deferral - | The postponement of the date that an expense already paid or incurred, or of a revenue already received, is entered in the ledger. |
| Deferred Inflow - | Deferred inflow of resources is defined as “an acquisition of net assets by the government that is applicable to a future reporting period.” |
| Deferred Outflow - | Deferred outflow of resources is defined as “a consumption of net assets by the government that is applicable to a future reporting period.” |
| OPEB – | Other Post Employment Benefit(s) All post-retirement benefits other than pensions, provided by employers to employees. |
| GASB – | Government Accounting Standards Board. A non-government private organization that sets GAAP (Generally Accepted Accounting Principles) in the United States for non-federal governmental entities. |
| Capital Contribution - | The treatment plant entity partners are billed their share, based upon contracted plant or outfall capacity, of Capital purchases. Those contributions, payments, are the contributions. |

Revenues

- Operating -** Is comprised of the Sewer Service Charges to the District's rate payors, Permit and Inspection Fees, Cost reimbursement from the Entity Partners for treatment and Disposal, and Administrative charges billed to the Entity Partners.
- Non-Operating -** Is comprised of Property Taxes, Grants, Intergovernmental payments, Annexation charges, Investment earnings and Other Income that includes CalCard incentive rebates, CSRMA dividends, and scrap recycling payments.

Courtesy of: <https://www.nysscpa.org/professional-resources/accounting-terminology-guide#letterd> and other Google searches.

AGENDA ITEM #2

AGENDA ITEM: 2

MEETING DATE: December 21, 2020

I. NATURE OF ITEM

Discussion and Action Related to Director Participation on the Executive Board of the California Special Districts Association's Santa Barbara Chapter

II. BACKGROUND INFORMATION

Articles 6 and 7 of the District's Administrative Code provide for Board member participation on various committees and boards of District-supported organizations. Certain activities are identified and considered pre-approved in terms of compensation and/or expense reimbursement. For activities that are not considered pre-approved, the Board is authorized to approve such activities on a case-by-case basis.

While certain activities are considered pre-approved, individual Board members must get Board authorization before representing the District and/or participating in any activity that involves possible compensation and/or reimbursement of expenses.

III. COMMENTS AND RECOMMENDATIONS

Participation on the Santa Barbara County Chapter of the California Special Districts Association (SBCCSDA) Executive Board is included in the District's list of pre-approved activities for both compensation and reimbursement of expenses.

The SBCCSDA holds elections for their executive board positions in January of each year. President Rose currently serves as President of the chapter and Director Emerson currently serves as Second District Representative and Legislative Representative on the Executive Board. Both President Rose and Director Emerson and have expressed interest in continuing to serve on the SBCCSDA Board in their current roles.

Since participation on the SBCCSDA Executive Board is a pre-approved activity for compensation and reimbursement of expenses, the Board must consider approval of Directors Rose and Emerson's participation in this activity. As such, staff recommends the Board vote on Directors Rose and Emerson's participation on the SBCCSDA Executive Board.

IV. REFERENCE MATERIALS

None

AGENDA ITEM #3

AGENDA ITEM: 3

MEETING DATE: December 21, 2020

I. NATURE OF ITEM

Consideration and Adoption of Resolution No. 20-658 in Recognition and Appreciation of Service of Robert O. Wageneck to the District

II. BACKGROUND INFORMATION

Robert Wageneck served on the District's Governing Board as a Director since July 7, 2017. He was first appointed to fill a vacancy on the Board in 2017 and then was elected to serve a 2-year term in 2018, which expired at the end of this year. During his tenure with the District, Director Wageneck served on the Board's Finance and Engineering committees and was a strong supporter of the District's strategic planning initiatives.

At the last regular meeting of the District's Board on December 4, 2020, Director Smith requested that a resolution of appreciation of service for Mr. Wageneck be brought back to the Board for consideration and action at the next regular Board meeting.

III. COMMENTS AND RECOMMENDATIONS

Attached for Board consideration is a draft resolution of appreciation for Robert O. Wageneck's service to the District.

IV. REFERENCE MATERIAL

Draft Resolution No. 20-658 in Recognition and Appreciation of Service of Robert O. Wageneck

RESOLUTION NO. 20-658

**RESOLUTION OF THE GOVERNING BOARD OF THE
GOLETA SANITARY DISTRICT IN RECOGNITION AND
APPRECIATION OF SERVICE OF ROBERT O. WAGENECK**

WHEREAS, Robert O. Wageneck began serving as a member of the Governing Board of the Goleta Sanitary District on July 7, 2017 and served continuously as a Board member until December 4, 2020; and

WHEREAS, Director Wageneck actively participated as a member of the numerous District committees, including most recently the Engineering, and Finance Committees; and

WHEREAS, Director Wageneck was instrumental in the review and implementation of a number of major engineering studies and projects including (i) the District's first Asset Management Program, (ii) the Biosolids and Energy Strategic Plan, and (iii) numerous collection system construction and rehabilitation projects; and

WHEREAS, in his years of service as a member of the District's Governing Board, Director Wageneck effectively and faithfully carried out his duties, brought valuable engineering experience to his position, was an ardent supporter of the District's strategic initiatives, provided strong leadership, gave freely of his time and talent, demonstrated an unwavering commitment to the constituents he was elected to serve, and acted in all times in an exemplary manner. Director Wageneck had an outstanding attendance record at Board meetings, met the challenges facing the District in an astute and professional manner, worked cooperatively and constructively with other members of the District's Governing Board, District staff, consultants and members of the community, and was a great asset to the District and the public that the District serves; and

WHEREAS, by this Resolution, the District's Governing Board desires to recognize the achievements of Director Wageneck as a Board member and to express its appreciation for his contributions and years of service on behalf of the District.

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Goleta Sanitary District as follows:

1. The District hereby recognizes the achievements that have been made possible through the efforts of Director Wageneck and expresses its appreciation and gratitude for Director Wageneck's contributions and years of service on behalf of the District and its constituents.

2. Following the adoption hereof by the Governing Board, the Secretary of the District is hereby authorized and directed to present a copy of this Resolution to Director Wageneck.

PASSED AND ADOPTED this 21st day of December 2020, by the Governing Board of the Goleta Sanitary District.

Sharon Rose
President of the Governing Board

ATTEST:

Robert O. Mangus Jr.
Secretary of the Governing Board

GENERAL MANAGER'S REPORT

GOLETA SANITARY DISTRICT GENERAL MANAGER'S REPORT

The following summary report describes the District's activities from December 8, 2020 through December 21, 2020. It provides updated information on significant activities under three major categories: Collection System, Treatment/Reclamation and Disposal Facilities, and General and Administration Items.

1. COLLECTION SYSTEM REPORT

LINES CLEANING

Staff is conducting priority areas lines cleaning throughout the District.

CCTV INSPECTION

Staff continues routine Closed-Circuit Television (CCTV) inspections in the area of N. Fairview Avenue and Cathedral Oaks Road.

2020 CCTVI PROJECT

The contractor, National Plant Services, has started work in the area of N. Kellogg Avenue and Cambridge Drive in the City of Goleta. The District's Construction Management Inspector, Filippin Engineering is overseeing the work and coordinating the weekly progress meetings. The contractor is making excellent progress on cleaning and televising the sewer lines. They will work through December 18, 2020, take two weeks off during the holiday shut down and resume work on Monday January 4, 2021.

REPAIR AND MAINTENANCE

Staff replaced the control box on a Smart Cover remote flow level sensor on the Atascadero Creek trunk line at S. Patterson Avenue. Staff raised to grade a manhole on James Road near Shoreline Drive that had been paved over by the HOA.

GREASE AND OIL INSPECTIONS

Grease and Oil inspections have been completed for the year.

COMPETENCY-BASED TRAINING (CBT)

Confined space training with DKF staff has been tentatively rescheduled for late February, 2021 due to COVID 19 restrictions.

WINTER STORM PREPARATION

Refresher training on lift station emergency response procedures has been completed.

2. TREATMENT, RECLAMATION AND DISPOSAL FACILITIES REPORT

Plant flows have decreased to an average of 4.0 million gallons per day (MGD) due to the further protective measures in place for COVID-19. Reclamation demand has decreased to below 0.5 MGD with the cooler temperatures and shorter days. The facility has been shut down for December 2020 and January 2021, with the Goleta Water District providing potable water to the system.

Maintenance staff has completed the replacement of piping in grit removal channel #2. This process unit will be available for wet weather as necessary.

Centrifuge operations are continuing as planned. Dredging operations have been completed across approximately 70% of the lagoon.

The water leak near the Reclamation facility was identified as a sample feed line. Operations and Maintenance staff are planning to move the analyzers closer to the chlorine contact chamber eliminating the sample feed lines, which are at the end of their useful life.

Operations staff has removed the existing hypochlorite feed lines to the Reclamation facility. These lines are at the end of their useful life and will be replaced within the next few weeks.

Operations staff has removed biofilter #2 from service for the cold weather and reduced loadings period. During this time the rebuilt modulating valve will be reinstalled.

3. GENERAL AND ADMINISTRATIVE ITEMS

Financial Report

The District account balances as of December 21, 2020 shown below are approximations to the nearest dollar and indicate the overall funds available to the District at this time.

| | |
|------------------------------|---------------|
| Operating Checking Accounts: | \$ 720,574 |
| Investment Accounts: | \$ 24,859,575 |
| Total District Funds: | \$ 25,580,149 |

The following transactions are reported herein for the period 12/08/20 – 12/21/20.

| | |
|---|------------|
| Regular, Overtime, Cash-outs and Net Payroll: | \$ 123,391 |
| Claims: | \$ 246,434 |
| Total Expenditures: | \$ 369,825 |
| Total Deposits: | \$ 6,501 |

Transfers of funds:

| | |
|--|------------|
| LAIF to Community West Bank Operational (CWB): | \$ - 0 - |
| CWB Operational to CWB Money Market: | \$ 355,000 |
| CWB Money Market to CWB Operational: | \$ - 0 - |

The District's investments comply with the District's Investment Policy adopted per Resolution No. 16-606. The District has adequate funds to meet the next six months of normal operating expenses.

Local Agency Investment Fund (LAIF)

LAIF Monthly Statement – Previously submitted.

LAIF Quarterly Report – Previously submitted.

PMIA/LAIF Performance – November, 2020.

PMIA Effective Yield – November, 2020.

Community West Bank (CWB)

CWB Money Market Account – Previously submitted.

Deferred Compensation Accounts

CalPERS 457 Deferred Compensation Plan – November, 2020.

Lincoln 457 Deferred Compensation Plan – Previously submitted.

COVID-19 Response Plan Update

A verbal update will be provided at the meeting.



PMIA/LAIF Performance Report as of 12/08/20



PMIA Average Monthly Effective Yields⁽¹⁾

| | |
|-----|-------|
| Nov | 0.576 |
| Oct | 0.620 |
| Sep | 0.685 |

Quarterly Performance Quarter Ended 09/30/20

| | |
|--|---------------------|
| LAIF Apportionment Rate ⁽²⁾ : | 0.84 |
| LAIF Earnings Ratio ⁽²⁾ : | 0.00002309407394024 |
| LAIF Fair Value Factor ⁽¹⁾ : | 1.004114534 |
| PMIA Daily ⁽¹⁾ : | 0.65% |
| PMIA Quarter to Date ⁽¹⁾ : | 0.80% |
| PMIA Average Life ⁽¹⁾ : | 169 |

Pooled Money Investment Account Monthly Portfolio Composition ⁽¹⁾ 10/31/20 \$101.4 billion

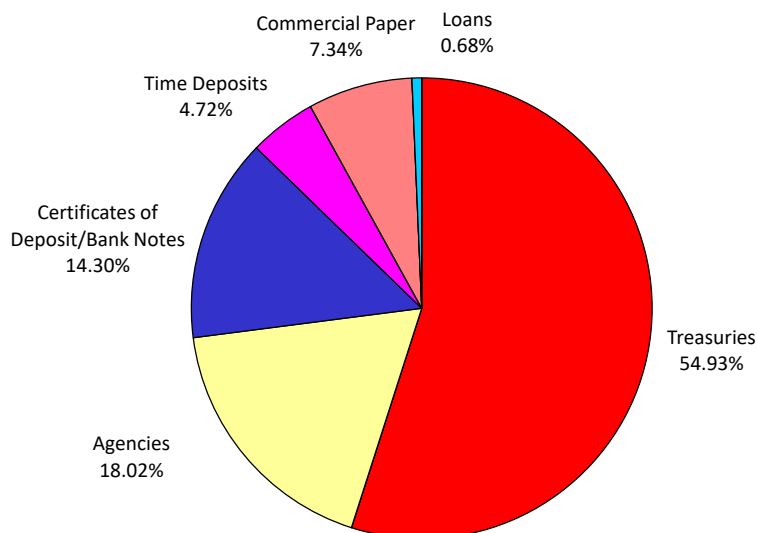


Chart does not include 0.01% of mortgages. Percentages may not total 100% due to rounding.

Daily rates are now available here. [View PMIA Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

Source:

⁽¹⁾ State of California, Office of the Treasurer

⁽²⁾ State of California, Office of the Controller



POOLED MONEY INVESTMENT ACCOUNT

PMIA Average Monthly Effective Yields

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1990 | 8.571 | 8.538 | 8.506 | 8.497 | 8.531 | 8.538 | 8.517 | 8.382 | 8.333 | 8.321 | 8.269 | 8.279 |
| 1991 | 8.164 | 8.002 | 7.775 | 7.666 | 7.374 | 7.169 | 7.098 | 7.072 | 6.859 | 6.719 | 6.591 | 6.318 |
| 1992 | 6.122 | 5.863 | 5.680 | 5.692 | 5.379 | 5.323 | 5.235 | 4.958 | 4.760 | 4.730 | 4.659 | 4.647 |
| 1993 | 4.678 | 4.649 | 4.624 | 4.605 | 4.427 | 4.554 | 4.438 | 4.472 | 4.430 | 4.380 | 4.365 | 4.384 |
| 1994 | 4.359 | 4.176 | 4.248 | 4.333 | 4.434 | 4.623 | 4.823 | 4.989 | 5.106 | 5.243 | 5.380 | 5.528 |
| 1995 | 5.612 | 5.779 | 5.934 | 5.960 | 6.008 | 5.997 | 5.972 | 5.910 | 5.832 | 5.784 | 5.805 | 5.748 |
| 1996 | 5.698 | 5.643 | 5.557 | 5.538 | 5.502 | 5.548 | 5.587 | 5.566 | 5.601 | 5.601 | 5.599 | 5.574 |
| 1997 | 5.583 | 5.575 | 5.580 | 5.612 | 5.634 | 5.667 | 5.679 | 5.690 | 5.707 | 5.705 | 5.715 | 5.744 |
| 1998 | 5.742 | 5.720 | 5.680 | 5.672 | 5.673 | 5.671 | 5.652 | 5.652 | 5.639 | 5.557 | 5.492 | 5.374 |
| 1999 | 5.265 | 5.210 | 5.136 | 5.119 | 5.086 | 5.095 | 5.178 | 5.225 | 5.274 | 5.391 | 5.484 | 5.639 |
| 2000 | 5.760 | 5.824 | 5.851 | 6.014 | 6.190 | 6.349 | 6.443 | 6.505 | 6.502 | 6.517 | 6.538 | 6.535 |
| 2001 | 6.372 | 6.169 | 5.976 | 5.760 | 5.328 | 4.958 | 4.635 | 4.502 | 4.288 | 3.785 | 3.526 | 3.261 |
| 2002 | 3.068 | 2.967 | 2.861 | 2.845 | 2.740 | 2.687 | 2.714 | 2.594 | 2.604 | 2.487 | 2.301 | 2.201 |
| 2003 | 2.103 | 1.945 | 1.904 | 1.858 | 1.769 | 1.697 | 1.653 | 1.632 | 1.635 | 1.596 | 1.572 | 1.545 |
| 2004 | 1.528 | 1.440 | 1.474 | 1.445 | 1.426 | 1.469 | 1.604 | 1.672 | 1.771 | 1.890 | 2.003 | 2.134 |
| 2005 | 2.264 | 2.368 | 2.542 | 2.724 | 2.856 | 2.967 | 3.083 | 3.179 | 3.324 | 3.458 | 3.636 | 3.808 |
| 2006 | 3.955 | 4.043 | 4.142 | 4.305 | 4.563 | 4.700 | 4.849 | 4.946 | 5.023 | 5.098 | 5.125 | 5.129 |
| 2007 | 5.156 | 5.181 | 5.214 | 5.222 | 5.248 | 5.250 | 5.255 | 5.253 | 5.231 | 5.137 | 4.962 | 4.801 |
| 2008 | 4.620 | 4.161 | 3.777 | 3.400 | 3.072 | 2.894 | 2.787 | 2.779 | 2.774 | 2.709 | 2.568 | 2.353 |
| 2009 | 2.046 | 1.869 | 1.822 | 1.607 | 1.530 | 1.377 | 1.035 | 0.925 | 0.750 | 0.646 | 0.611 | 0.569 |
| 2010 | 0.558 | 0.577 | 0.547 | 0.588 | 0.560 | 0.528 | 0.531 | 0.513 | 0.500 | 0.480 | 0.454 | 0.462 |
| 2011 | 0.538 | 0.512 | 0.500 | 0.588 | 0.413 | 0.448 | 0.381 | 0.408 | 0.378 | 0.385 | 0.401 | 0.382 |
| 2012 | 0.385 | 0.389 | 0.383 | 0.367 | 0.363 | 0.358 | 0.363 | 0.377 | 0.348 | 0.340 | 0.324 | 0.326 |
| 2013 | 0.300 | 0.286 | 0.285 | 0.264 | 0.245 | 0.244 | 0.267 | 0.271 | 0.257 | 0.266 | 0.263 | 0.264 |
| 2014 | 0.244 | 0.236 | 0.236 | 0.233 | 0.228 | 0.228 | 0.244 | 0.260 | 0.246 | 0.261 | 0.261 | 0.267 |
| 2015 | 0.262 | 0.266 | 0.278 | 0.283 | 0.290 | 0.299 | 0.320 | 0.330 | 0.337 | 0.357 | 0.374 | 0.400 |
| 2016 | 0.446 | 0.467 | 0.506 | 0.525 | 0.552 | 0.576 | 0.588 | 0.614 | 0.634 | 0.654 | 0.678 | 0.719 |
| 2017 | 0.751 | 0.777 | 0.821 | 0.884 | 0.925 | 0.978 | 1.051 | 1.084 | 1.111 | 1.143 | 1.172 | 1.239 |
| 2018 | 1.350 | 1.412 | 1.524 | 1.661 | 1.755 | 1.854 | 1.944 | 1.998 | 2.063 | 2.144 | 2.208 | 2.291 |
| 2019 | 2.355 | 2.392 | 2.436 | 2.445 | 2.449 | 2.428 | 2.379 | 2.341 | 2.280 | 2.190 | 2.103 | 2.043 |
| 2020 | 1.967 | 1.912 | 1.787 | 1.648 | 1.363 | 1.217 | 0.920 | 0.784 | 0.685 | 0.620 | 0.576 | |

CalPERS 457 Plan

November 30, 2020

This document includes important information to help you compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to <https://calpers.voya.com>.

A free paper copy of the information available on the website can be obtained by contacting:

Voya Financial
Attn: CalPERS 457 Plan
P.O. Box 55772
Boston, MA 02205-5772
(800) 260-0659

Document Summary

This document has two parts. Part I consists of performance information for the plan investment options. This part shows you how well the investments have performed in the past. Part I also shows the total annual operating expenses of each investment option.

Part II provides additional information concerning Plan administrative fees that may be charged to your individual account.

CalPERS 457 PLAN

Part I. Performance Information For Periods Ended November 30, 2020

<https://calpers.voya.com>

Table 1 focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods¹. Past performance does not guarantee how the investment option will perform in the future. Your investment in these options could lose money. Information about an investment option's principal risks is available on the website listed above.

Table 1 also shows the Total Annual Operating Expenses of each investment option. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment option². The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. Visit the U.S. Department of Labor's website for an example showing the long-term fees and expenses at <http://www.dol.gov/ebsa>. Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Table 1 - Variable Net Return Investments

| Name of Fund / Name of Benchmark | Performance | | Annualized Performance | | | | Total Annual Operating Expenses ³ | |
|--|-------------|--------|------------------------|----------|-----------------|----------------|--|------------|
| | 3 Month | 1 Year | 5 Years | 10 Years | Since Inception | Inception Date | As a % | Per \$1000 |
| Equity Funds | | | | | | | | |
| State Street Russell All Cap Index Fund - Class I | 5.67 | 18.55 | 13.51 | - | 12.80 | 10/07/13 | 0.31% | \$3.10 |
| <i>Russell 3000 Index</i> | 5.75 | 19.02 | 13.95 | - | 13.20 | | | |
| State Street Global All Cap Equity ex-US Index Fund - Class I | 8.40 | 9.66 | 7.29 | - | 4.54 | 10/07/13 | 0.32% | \$3.20 |
| <i>MSCI ACWI ex-USA IMI Index (net)</i> | 8.43 | 9.85 | 7.45 | - | 4.75 | | | |
| Fixed Income | | | | | | | | |
| State Street US ShortTerm Gov't/Credit Bond Index Fund - Class I | 0.04 | 3.12 | 1.70 | - | 1.27 | 10/07/13 | 0.32% | \$3.20 |
| <i>Bloomberg Barclays US 1-3 yr Gov't/Credit Bond Index</i> | 0.13 | 3.49 | 2.16 | - | 1.75 | | | |
| State Street US Bond Fund Index - Class I | 0.40 | 7.08 | 4.00 | - | 3.67 | 10/07/13 | 0.31% | \$3.10 |
| <i>Bloomberg Barclays US Aggregate Bond Index</i> | 0.48 | 7.28 | 4.34 | - | 3.97 | | | |
| Real Assets | | | | | | | | |
| State Street Real Asset Fund - Class A | 4.00 | 2.42 | 4.53 | - | 1.11 | 10/08/13 | 0.44% | \$4.40 |
| <i>State Street Custom Benchmark⁴</i> | 4.09 | 2.19 | 4.92 | - | 1.46 | | | |
| Cash (Cash Equivalents) | | | | | | | | |
| State Street STIF | -0.03 | 0.43 | 1.01 | - | 0.76 | 09/02/14 | 0.33% | \$3.30 |
| <i>BofA ML 3-month US T-Bill</i> | 0.03 | 0.80 | 1.20 | - | 0.97 | | | |
| Target Retirement Date Funds⁵ | | | | | | | | |
| CalPERS Target Income Fund | 2.50 | 10.40 | 5.40 | 4.84 | 5.81 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP Income Policy Benchmark⁶</i> | 2.57 | 10.26 | 5.63 | 5.13 | 6.35 | | | |
| CalPERS Target Retirement 2015 | 2.56 | 10.66 | 5.39 | 5.39 | 6.92 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2015 Policy Benchmark⁶</i> | 2.62 | 10.52 | 5.62 | 5.79 | 7.47 | | | |
| CalPERS Target Retirement 2020 | 3.34 | 11.92 | 5.90 | 5.89 | 7.53 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2020 Policy Benchmark⁶</i> | 3.40 | 11.70 | 6.13 | 6.28 | 8.06 | | | |
| CalPERS Target Retirement 2025 | 4.16 | 12.82 | 6.88 | 6.63 | 8.32 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2025 Policy Benchmark⁶</i> | 4.22 | 12.59 | 7.11 | 7.05 | 8.82 | | | |
| CalPERS Target Retirement 2030 | 4.93 | 13.19 | 7.49 | 7.21 | 9.07 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2030 Policy Benchmark⁶</i> | 4.99 | 13.33 | 7.79 | 7.68 | 9.58 | | | |
| CalPERS Target Retirement 2035 | 5.74 | 13.84 | 8.23 | 7.76 | 9.70 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2035 Policy Benchmark⁶</i> | 5.79 | 13.94 | 8.52 | 8.27 | 10.26 | | | |
| CalPERS Target Retirement 2040 | 6.46 | 14.16 | 8.98 | 8.23 | 10.14 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2040 Policy Benchmark⁶</i> | 6.52 | 14.35 | 9.29 | 8.75 | 10.68 | | | |
| CalPERS Target Retirement 2045 | 6.46 | 14.16 | 9.56 | 8.52 | 10.34 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2045 Policy Benchmark⁶</i> | 6.52 | 14.35 | 9.86 | 9.04 | 10.92 | | | |
| CalPERS Target Retirement 2050 | 6.46 | 14.15 | 9.56 | 8.52 | 10.43 | 12/01/08 | 0.32% | \$3.20 |
| <i>SIP 2050 Policy Benchmark⁶</i> | 6.52 | 14.35 | 9.86 | 9.04 | 10.92 | | | |
| CalPERS Target Retirement 2055 | 6.46 | 14.16 | 9.55 | - | 7.50 | 11/01/13 | 0.32% | \$3.20 |
| <i>SIP 2055 Policy Benchmark⁶</i> | 6.52 | 14.35 | 9.86 | - | 7.86 | | | |
| CalPERS Target Retirement 2060 | 6.46 | 14.07 | - | - | 13.64 | 11/01/18 | 0.32% | \$3.20 |
| <i>SIP 2060 Policy Benchmark⁶</i> | 6.52 | 14.35 | - | - | 13.94 | | | |
| Broad-Based Benchmarks⁷ | | | | | | | | |
| <i>Russell 3000 Index</i> | 5.75 | 19.02 | 13.95 | 14.04 | - | - | - | - |
| <i>MSCI ACWI ex-USA IMI Index (net)</i> | 8.43 | 9.85 | 7.45 | 5.30 | - | - | - | - |
| <i>Bloomberg Barclays US Aggregate Bond Index</i> | 0.48 | 7.28 | 4.34 | 3.71 | - | - | - | - |

Part II. Explanation of CalPERS 457 Plan Expenses November 30, 2020

<https://calpers.voya.com>

Table 2 provides information concerning Plan administrative fees and expenses that may be charged to your individual account if you take advantage of certain features of the Plan. In addition to the fees and expenses described in Table 2 below, some of the Plan's administrative expenses are paid from the Total Annual Operating Expenses of the Plan's investment options.

| Table 2 - Fees and Expenses | | | | |
|--|----------------------------------|---|-----------------------------|---|
| Individual Expenses ⁸ | | | | |
| Service | Fee Amount | Frequency | Who do you pay this fee to? | Description |
| Loan Origination Fee | \$50 | Per loan application | Voya | The charge covers the processing of your loan and applies each time you request a loan from your retirement account. This fee is deducted from your Plan account. |
| Maintenance Fee (For loans taken on or after April 1, 2020) | \$35 (\$8.75 assessed quarterly) | Annual | Voya | The charge covers the maintenance costs of your loan and applies on a quarterly basis. This fee is deducted from your Plan account. |
| Self-Managed Account (SMA) Maintenance Fee | \$50 | Annual fee deducted monthly on a pro-rata basis | Voya | Schwab Personal Choice Retirement Account is available to you if your Employer has elected it as an option. This fee is deducted pro rata on a monthly basis from your core fund investments ⁹ in your CalPERS 457 account. For more information about SMAs, including a complete list of fees charged by Schwab for different types of investment transactions, please contact Schwab at (888) 393-PCRA (7272). Fees may also be incurred as a result of actual brokerage account trades. Before purchasing or selling any investment through the SMA, you should contact Schwab at (888) 393-PCRA (7272) to inquire about any fees, including any undisclosed fees, associated with the purchase or sale of such investment. |
| Self-Managed Account (SMA) Plan Administrative Fee | 0.29% (\$2.90 per \$1,000) | Annual fee deducted monthly on a pro-rata basis | Voya | The SMA Plan Administrative fee pays for recordkeeping costs for assets in your SMA account. This fee is deducted pro rata on a monthly basis from your core fund investments in your CalPERS 457 account. The SMA Plan Administrative Fee is subject to change based on total Plan assets. |

Footnotes for Table 1 and Table 2:

- 1 Fund returns shown are net of investment management and administrative expenses and fees unless otherwise noted. Benchmark performance returns do not reflect any management fees, transaction costs or expenses. Benchmarks are unmanaged. You cannot invest directly in a benchmark.
- 2 Historical annual operating expenses are not available. Reported annual operating expenses are estimated based on SSGA investment management, Voya recordkeeping, and SSGA capped operating expenses.
- 3 Total annual operating expenses are comprised of investment management and administrative expenses and fees incurred by the funds.
- 4 State Street Real Asset Fund has a custom benchmark comprised of 25% Bloomberg Roll Select Commodity Index, 25% S&P® Global LargeMidCap Commodity and Resources Index, 15% Dow Jones U.S. Select REIT Index, 25% Bloomberg Barclays U.S. TIPS Index, and 10% S&P Global Infrastructure Index.
- 5 If the ending market value (EMV) falls to zero in any one month, the inception date resets to the next month with an EMV. Performance is then calculated from the new inception date.
- 6 The benchmark for each Target Retirement Date Fund is a composite of asset class benchmarks that are weighted according to each Fund's policy target weights. The asset class benchmarks are Russell 3000 Index, MSCI ACWI ex-USA IMI Index (net), Bloomberg Barclays US Aggregate Bond Index, the SSGA customized benchmark for Real Assets (see footnote 4), and BofA ML 3-month US T-Bill.
- 7 Broad-based benchmarks grouped here provide comparative performance standards for domestic equity, international equity and fixed income.
- 8 The CalPERS Board of Administration periodically reviews the plan administrative fees and adjusts fees to reflect expenses incurred by the Plan. Participant fees are charged to reimburse CalPERS for actual administrative fees of the Plan.
- 9 Core fund investments are listed in Table 1 above the Target Retirement Date funds. Core funds include: State Street Russell All Cap Index Fund (Class I), State Street Global All Cap Equity ex-US Index Fund (Class I), State Street US Short Term Government/Credit Bond Index Fund (Class I), State Street US Bond Fund Index (Class I), State Street Real Asset Fund (Class A), and State Street Short Term Investment Fund ("STIF").

**DISTRICT
CORRESPONDENCE**
Board Meeting of December 21, 2020



Date: **Correspondence Sent To:**

1. 12/04/2020 Residents
Subject: Goleta Sanitary District 2020 CCTVI Project

2. 12/11/2020 Jill Van Wie
Capital Division Manager
County of Santa Barbara Community Services Dpt.
Subject: The District support of the County's application for the DBW
Public Beach Restoration Grant Program

Date: **Correspondence Received From:**

1. 12/10/2020 CalPERS
Subject: Circular Letters Are Going Paperless

Hard Copies of the Correspondence are available at the District's Office for review