

DRAFT

MONTECITO SANITARY DISTRICT

June 30, 2023 and 2022

FINANCIAL STATEMENTS



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

MONTECITO SANITARY DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report.....	1 - 3
Management’s Discussion and Analysis	4 - 14
Basic Financial Statements:	
Statement of Net Position	15 - 16
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18 - 19
Notes to Financial Statements.....	20 - 43
Required Supplementary Information:	
California Public Employees’ Retirement System – Schedule of Montecito Sanitary District’s Proportionate Share of the Net Pension Liability	44
California Public Employees’ Retirement System – Schedule of Montecito Sanitary District’s Contributions	45
Other Postemployment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios.....	46
Other Information:	
Board of Directors.....	47
Supplementary Information:	
Schedule of Operating Expenses – By Department	48 - 49

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Montecito Sanitary District:**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Montecito Sanitary District (the District) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

DRAFT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the California Public Employees' Retirement System Schedule of Montecito Sanitary District's Proportionate Share of the Net Pension Liability on page 44, the California Public Employees' Retirement System Schedule of Montecito Sanitary District's Contributions on page 45, and the Other Postemployment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic

DRAFT

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Montecito Sanitary District's basic financial statements. The Schedule of Operating Expenses – By Department on pages 48 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses – By Department is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of board of directors on page 47 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Santa Barbara, California

December 6, 2024

This Management's Discussion and Analysis (MD&A) is a key element of the District's annual audited financial statements that are prepared in accordance with the Governmental Accounting Standards Board Statement No. 34 (GASB 34). The purpose of the MD&A is to provide an overview of the District's financial condition and to highlight important changes and activities with fiscal implications that occurred during the fiscal years (FY) June 30, 2022-2023 and June 30, 2021-2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements and related notes, which follow this section.

District Overview

The Montecito Sanitary District (the District) is an independent special district voted into existence in 1947 by the residents of Montecito to provide for the collection, treatment and disposal of wastewater. The District's mission has always been and continues to be "to protect public health and safety and to preserve the natural environment through the collection, treatment and disposal of wastewater in the most cost-effective way possible."

In 1961, the District constructed a wastewater treatment plant capable of processing 750,000 gallons per day. The infrastructure includes an ocean outfall pipeline (located 1,500 feet offshore) and sewer collection system pipeline and pumping system. In 1981 the voters approved \$3.1 million in revenue bonds to incorporate new technology, and double the plant's capacity to 1.5 million gallons per day. Today, the treatment plant capacity remains at 1.5 million gallons per day (mgd). The average daily flow as reported in the District's 2023 Annual Report to the California Regional Water Quality Control Board was 778,000 gallons per day (gpd).

In March 2007 the District issued Certificates of Participation (COPs) in the amount of \$14,765,000. These funds were used for capital replacement/improvement projects including a new testing laboratory and a maintenance building, over 25 miles of sewer main rehabilitation, lift station refurbishment and new sewer force main pipelines.

In May 2017 the District refunded the COPs by using \$1,121,862 available cash, \$957,824 COP reserve funds, and issuing new 2017 Sewer Refunding Revenue Bonds in the amount of \$10,020,000. This refunding will result in savings of over \$4 million due to favorable interest rates obtained and shortening of the term of the debt by seven years.

The District currently serves 3,084 residential properties and 42 commercial/institutional properties.

Management and Governance

The District is governed by a five-member Board of Directors. The Directors are elected on an at-large basis for four-year terms. In 2001, the Board voted to align its elections with the Statewide General Elections to increase voter turnout and achieve a substantial cost savings. At the Board's discretion an Organizational Meeting is held at least every other year to assign officers' duties and to appoint the standing Committee Representatives. This process generally results in a rotation of duties among the Board members. The established Committees meet on an as-needed basis. If necessary, Ad Hoc Committees are formed for special projects. The Board of Directors approves the annual operating and capital budgets and authorizes expenditures of the District's funds.

The District employs a General Manager as the chief executive. The General Manager reports directly to the Board of Directors and is responsible for the overall operation and administration of the District. The District's Management Staff also includes a District Administrator who is the chief administrator, an Operations Manager, an Engineering Manager and a Lab and Pretreatment Manager. The District had 18 full-time authorized positions in FY June 30, 2022-2023 and 18 in FY June 30, 2021-2022.

Financial Statements

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

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

The Statement of Net Position includes all the District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Net position is categorized as follows:

- Net Investment in Capital Assets
All property not easily converted to cash and held for a long period of time (real estate, equipment, etc.) net of related debt
- Restricted
Assets/Cash needed to pay liabilities and may be restricted according to law or regulation
- Unrestricted
Any asset that is not restricted

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

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

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

This statement differs from the Statement of Revenues, Expenses and Changes in Net Position because the Statement of Cash Flows accounts only for transactions that result in cash receipts or cash disbursements.

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

Financial Highlights

- The District's net position increased 5.04% or \$2,063,700 to \$43,042,182 in fiscal year June 30, 2022-June 30, 2023. In the prior year, the District's net position increased 4.39% or \$1,722,829 to \$40,978,482.
- The District's operating revenues decreased by 0.26% and operating expenses increased by 0.84% in fiscal year June 30, 2022-June 30, 2023. In the prior year, operating revenues decreased by 0.26% and operating expenses decreased by 4.35%.

Financial Analysis of the District

The following is a summary of the District's Statement of Net Position:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>% Change FY 2022- 2023 and 2021-2022</u>	<u>% Change FY 2021- 2022 and 2020-2021</u>
<u>Assets:</u>					
Current assets	\$ 19,552,540	\$ 19,779,250	\$ 19,158,689	-1.15%	3.24%
<u>Noncurrent assets:</u>					
Capital assets	33,434,059	32,950,699	31,758,000	1.47%	3.76%
Total Assets	<u>52,986,599</u>	<u>52,729,949</u>	<u>50,916,689</u>	<u>0.49%</u>	<u>3.56%</u>
<u>Deferred Outflows of Resources:</u>					
Deferred pensions	1,346,078	593,052	650,339	126.97%	-8.81%
Deferred OPEB	228,338	291,218	342,403	-21.59%	-14.95%
Total Deferred Outflows	<u>1,574,416</u>	<u>884,270</u>	<u>992,742</u>	<u>78.05%</u>	<u>-10.93%</u>
<u>Liabilities:</u>					
Current liabilities	1,347,854	2,016,232	1,506,684	-33.15%	33.82%
Long term liabilities	9,755,876	9,213,867	11,012,375	5.88%	-16.33%
Total Liabilities	<u>11,103,730</u>	<u>11,230,099</u>	<u>12,519,059</u>	<u>-1.13%</u>	<u>-10.30%</u>
<u>Deferred Inflows of Resources:</u>					
Deferred pensions	149,877	1,331,615	59,003	-88.74%	2156.86%
Deferred OPEB	207,825	8,421	1,914	2367.94%	339.97%
Deferred gain on refunding debt	57,401	65,602	73,802	-12.50%	-11.11%
Total Deferred Inflows	<u>415,103</u>	<u>1,405,638</u>	<u>134,719</u>	<u>-70.47%</u>	<u>943.39%</u>
<u>Net Position:</u>					
Net investment in capital assets	26,507,285	25,272,391	23,362,404	4.89%	8.18%
Unrestricted	16,534,897	15,706,091	15,893,249	5.28%	-1.18%
Total Net Position	<u>\$ 43,042,182</u>	<u>\$ 40,978,482</u>	<u>\$ 39,255,653</u>	<u>5.04%</u>	<u>4.39%</u>

% Change calculated by current year less prior year number and divided by prior year number.

The following is a summary of the District's statement of revenues, expense and changes in net position for the years ended June 30, 2023 and 2022:

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	% Change FY 2022- 2023 and 2021-2022	% Change FY 2021- 2022 and 2020-2021
Operating revenues	\$ 6,805,832	\$ 6,823,389	\$ 6,841,292	-0.26%	-0.26%
Operating expenses	5,688,021	5,640,501	5,897,097	0.84%	-4.35%
Operating income	<u>1,117,811</u>	<u>1,182,888</u>	<u>944,195</u>	<u>-5.50%</u>	<u>25.28%</u>
Nonoperating revenue	1,086,405	194,533	618,657	458.47%	-68.56%
Nonoperating expense	160,020	(208,152)	866,091	-176.88%	-124.03%
Non-operating income (loss)	<u>926,385</u>	<u>402,685</u>	<u>(247,434)</u>	<u>130.05%</u>	<u>262.74%</u>
Excess of revenue over expenses	2,044,196	1,585,573	696,761	28.92%	127.56%
Capital contributions	19,504	137,256	154,807	-85.79%	-11.34%
Change in net position	2,063,700	1,722,829	851,568	19.79%	102.31%
Net position, beginning of year	<u>40,978,482</u>	<u>39,255,653</u>	<u>38,404,085</u>	<u>4.39%</u>	<u>2.22%</u>
Net position, end of year	<u>\$ 43,042,182</u>	<u>\$ 40,978,482</u>	<u>\$ 39,255,653</u>	<u>5.04%</u>	<u>4.39%</u>

The following is a table of the District's nonoperating revenue and expenses broken down by major source:

	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021
Nonoperating Revenue:			
Investment income (loss)	\$ 337,780	\$ (482,136)	\$ (14,911)
Property taxes	748,625	676,669	633,568
Nonoperating Expense:			
Other income (expense)	9,192	403,564	(140,078)
Loss on disposal of assets	-	-	(505,200)
Interest expense	<u>(169,212)</u>	<u>(195,412)</u>	<u>(220,813)</u>
Total nonoperating revenue	<u>\$ 926,385</u>	<u>\$ 402,685</u>	<u>\$ (247,434)</u>

FY 2021 to 2023 Nonoperating expense includes Interest expense (Bond/Debt Service interest payments).

FY 2021-22 Increase in Investment Income loss is due to Unrealized Losses on District funds held in the County Treasury.

FY 2020-21 Nonoperating expense includes a loss on the disposal of the essential services building project that was abandoned during the year.

FY 2020-21 Nonoperating expense includes approximately \$148,900 in COVID-19 related expenses reflected in other income (expense).

Sources of Revenue

The following is a table of the Districts revenues broken down by major source:

<u>Revenue Category</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>% Change FY 2022- 2023 and 2021-2022</u>	<u>% Change FY 2021- 2022 and 2020-2021</u>
Service charges	\$ 6,525,589	\$ 6,543,286	\$ 6,533,184	-0.3%	0.2%
Connection fees	234,212	191,597	203,860	22.2%	-6.0%
Other services	46,031	88,506	104,248	-48.0%	-15.1%
Operating revenue	<u>6,805,832</u>	<u>6,823,389</u>	<u>6,841,292</u>	<u>-0.3%</u>	<u>-0.3%</u>
Investment income (loss)	337,780	(482,136)	(14,911)	-170.1%	3133.4%
Property taxes	748,625	676,669	633,568	10.6%	6.8%
Grant revenue for pandemic costs	19,840	438,560	-	0.0%	-100.0%
Nonoperating revenue	<u>1,106,245</u>	<u>633,093</u>	<u>618,657</u>	<u>74.7%</u>	<u>2.3%</u>
Total revenue	<u>\$ 7,912,077</u>	<u>\$ 7,456,482</u>	<u>\$ 7,459,949</u>	<u>6.1%</u>	<u>0.0%</u>

Sewer Service Charge (SSC)

The major source of revenue for the District is its annual Sewer Service Charges (SSC). The fiscal year (FY) June 30, 2023 sewer service charges revenue decreased approximately 0.3% from the prior FY June 30, 2021-2022. The District's total annual SSC revenue for FY June 30, 2023 was \$6,525,589, which amounted to 82.5% of the total revenues and 95.9% of the total operating revenue. The District's total annual SSC revenue for FY June 30, 2021-2022 was \$6,543,286, which amounted to 87.8% of the total revenues and 95.9% of the total operating revenue.

The District maintains a Teeter Plan agreement with the County of Santa Barbara. Under this agreement, the County guarantees payment to the District. The County collects these funds from the District's customers on their annual property tax statements, and the District receives the total amount of SSC revenue reported to the County each year.

Future Rate Increases

On May 9, 2016 the Board of Directors approved a 3-year planned rate increase structure for sewer service charges that went into effect beginning in FY 2016-17 and ran through FY 2018-19. On October 9, 2017 the Board of Directors approved to amend the fee schedule. All rate increases were validated and approved by following the procedures and requirements of Proposition 218. At this time there are no future planned rate increases.

Connection Fees

The connection fees collected on District permits are charges for connection to the District's sanitary sewer system, necessary to cover or recoup prior infrastructure costs incurred to provide service. Connection fees collected for the FY June 30, 2023 and FY June 30, 2021-2022 were \$234,212 and \$191,597, respectively. The increase in connection fees received in FY June 30, 2023 is due to the completion of one large sewer main extension project (Lilac & Oak Grove) coupled with an increase in Accessory Dwelling Unit connections. The increase in connection fees in FY June 30, 2023 from FY June 30, 2021-2022 is reflected in increased operating revenues on page 8.

Investment Income

The District's current approved investment policy, under Resolution No. 2013-883, states that it shall be the policy of the District to invest funds, with maximum security through diversification and prudence, in a manner which will provide the highest investment return, while meeting the daily cash flow demands of the entity and conforming to all statutes governing the investments of District funds.

In keeping with that policy, the District Board chose to distribute the District's monies between two investment vehicles: the Santa Barbara County Investment Pool, and the Local Agency Investment Fund (LAIF) which is a State of California controlled investment pool. Funds are readily available from either pool. The Santa Barbara County Pool consists of Sewer Service Charges, Property Tax Income, and Interest. The LAIF account consists of originally funded reserves and accumulated interest. District practice has been to draw from the Santa Barbara County Pool for operating funds.

Interest revenues received within FY June 30, 2023 from the two investment pools was \$281,474. Investment income for the FY June 30, 2023 also reflects a fair market value adjustment of \$(546,695) from the two investment pools. Note that these losses were not realized and these investments are managed by the County of Santa Barbara Treasurer-Tax Collector's office.

Property Tax

The District receives one half of 1% of the total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area whether or not they are a customer of the District. The property tax revenue is inclusive of secure, unsecured, unitary, and supplemental property taxes. In FY June 30, 2023 this property tax revenue amounted to \$748,625.

Operating Expenses

The District's operating expenses (not including depreciation) for FY June 30, 2022-2023 were \$4,414,902 and for FY June 30, 2021-2022 were \$4,397,257. This is an overall increase for FY June 30, 2022-2023 in actual operating expenses of 0.4%. For FY June 30, 2021-2022 there was an increase in actual operating expenses of 4.0%. Depreciation expense for FY June 30, 2022-2023 was \$1,273,119 and for FY June 30, 2021-2022 was \$1,243,244.

MONTECITO SANITARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditure increases or decreases in fiscal year June 30, 2022-2023 versus fiscal year June 30, 2021-2022 were as follows:

Expense Category	Expenses FY 2022/2023	Expenses FY 2021/2022	FY 2022/2023 Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	\$ 2,531,857	\$ 2,977,355	\$ (445,498)	-15.0%	FY22-23 Decrease due to less District PERS and Medical Benefits contributions as a result of long-term staff turnover
Pooled Liability and Other CSRMA Insurance Programs	114,149	103,558	10,591	10.2%	FY 22-23 Increase due to a premium increase in the District's CSRMA Pooled Liability policy
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	970,306	697,176	273,130	39.2%	FY22-23 Increase primarily due to increases in chemical costs, plant maintenance materials
Utilities, Telephone, Fuel and Oil	286,971	223,421	63,550	28.4%	FY22-23 Increase primarily due to increase in electricity costs, and contracted services, and across the board cost increases due to inflation
Research & Monitoring	28,713	30,348	(1,635)	-5.4%	Immaterial difference from FY 2021-22
Office Expenses, Special Projects, and Misc. Administrative Costs	86,047	37,799	48,248	127.6%	FY22-23 Increase primarily due to increased membership fees
Professional Services, Administrative Fees, and Memberships	348,511	305,124	43,387	14.2%	FY22-23 Increase primarily due to increased legal fees
Training, Safety and Travel Expenses	48,348	22,476	25,872	115.1%	FY22-23 Increase due to post-COVID travel resuming back to normal levels
Subtotals	4,414,902	4,397,257	17,645	0.4%	
Depreciation	1,273,119	1,243,244	29,875	2.4%	FY22-23 Increase due to new assets added
Totals	\$ 5,688,021	\$ 5,640,501	\$ 47,520	0.8%	

MONTECITO SANITARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditure increases or decreases in fiscal year June 30, 2021-2022 versus fiscal year 2020-2021 were as follows:

Expense Category	Expenses FY 2021/2022	Expenses FY 2020/2021	FY 2021/2022 Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	\$ 2,977,355	\$ 3,119,194	\$ (141,839)	-4.5%	FY 21-22 Decrease due to a vacancy in the Engineering position
Pooled Liability and Other CSRMA Insurance Programs	103,558	68,081	35,477	52.1%	FY 21-22 Increase due to a premium increase in the District's CSRMA Pooled Liability policy
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	697,176	650,627	46,549	7.2%	FY21-22 Increase primarily due to COVID-19 related expenditures
Utilities, Telephone, Fuel and Oil	223,421	231,604	(8,183)	-3.5%	Immaterial difference from FY 2020-21
Research & Monitoring	30,348	22,828	7,520	32.9%	Immaterial difference from FY 2020-21
Office Expenses, Special Projects, and Misc. Administrative Costs	37,799	102,107	(64,308)	-63.0%	FY21-22 Decrease primarily due to reduced special project costs
Professional Services, Administrative Fees, and Memberships	305,124	454,015	(148,891)	-32.8%	FY21-22 Decrease due to no longer having Contract Services for Interim General Manager
Training, Safety and Travel Expenses	22,476	20,350	2,126	10.4%	Immaterial difference from FY 2020-21
Subtotals	4,397,257	4,668,806	(271,549)	-5.8%	
Depreciation	1,243,244	1,228,291	14,953	1.2%	FY21-22 Increase due to new assets added
Totals	\$ 5,640,501	\$ 5,897,097	\$ (256,596)	-4.4%	

Certificates of Participation (COPs) – California Special Districts Association (CSDA) Finance Corporation – 2007 Series UU

Due to an urgent need for capital improvement project funds in FY 2006-07 the District worked with CSDA to seek funding through the issuance of COPs. The Board saw this as a means to ensure the District would have the funds necessary to complete a list of capital projects deemed to be mission critical to the District’s efforts to provide the service expected and mandated by federal and state regulations, and to ensure the environmental health and safety of the community which the District serves. On March 1, 2007 the CSDA Finance Corporation issued Certificates of Participation (COPs) in the amount of \$14,765,000 (see Note 6). The Acquisition Fund was established from these funds in 2007 with a beginning balance of \$10,533,493. All of those funds were spent on Board approved Mission Critical Projects by June 30, 2016. The COPs were refunded in May 2017.

2017 Sewer Refunding Revenue Bonds – California Special Districts Association (CSDA) Finance Corporation

The 2007 Certificates of Participation (COPs) used for capital improvement projects became eligible for “Current Refunding” after the initial call date in April 2017. In January 2017 the District engaged Fieldman, Rolapp & Associates, independent financial advisors, to analyze the opportunity for refunding the 2007 COPs. The analysis showed the District could decrease the maturity term by seven years, remove the requirement for a reserve fund, and take advantage of lower interest rates, resulting in savings of approximately \$4 million. In May 2017 the District refunded the COPs by using \$1,121,862 available cash, \$957,824 COP reserve funds, and issuing new 2017 Sewer Refunding Revenue Bonds in the amount of \$10,020,000 (see Note 6). During the fiscal year ending June 30, 2023, the District made principal payments totaling \$655,000 against the debt. As of June 30, 2023, the remaining principal balance was \$6,365,000 and unamortized premium balance was \$518,618.

The District makes two annual Debt service payments: A transfer for one half the annual interest due is made from County Treasury Operating fund to BNY Mellon in December each year, and BNY Mellon issues the debt service payment on January 1. A second transfer for the full principal payment and one half the annual interest due is made from County Treasury Operating fund to BNY Mellon in June each year, and BNY Mellon issues the debt service payment on July 1.

Annual Depreciation Funding

On May 26, 2009, the Board authorized the creation of a separate fund for depreciation. Effective July 1, 2009, the County Auditor-Controller’s office established a fund titled Montecito Sanitary Capital Replacement Fund and as of June 30, 2023 there was \$5,034,597 in this fund. Annually the Board considers contributing to this fund. Typically, the annual amount contributed is based on the prior fiscal year’s annual depreciation expense. The District may withdraw monies from the Capital Replacement Fund at any time to fund capital projects or to meet any operational needs of the District.

Annual Audited Financial Statements

At the end of each fiscal year, the District is audited by an independent certified public accounting firm qualified to perform government accounting audits. The financial statements consist of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District's entire financial position. These statements provide a detailed look at specific financial activities. This annual report consists of two parts; management's discussion and analysis (this section) and a series of basic financial statements.

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows, followed by various and specific notes to those financial statements.

Additionally, the financial report includes required supplementary information, as well as other supplemental information as noted in the table of contents.

Contacting the District's Financial Management

This financial report has been prepared to provide the District's customers, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact Stephen Williams, District Administrator/Clerk to the Board, at 1042 Monte Cristo Lane, Santa Barbara, CA 93108, or by telephone at (805) 969-4200.

DRAFT

MONTECITO SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and investments (Note 2 and 3)	\$ 19,379,376	\$ 19,684,936
Receivables	112,693	34,976
Prepaid expenses	60,471	59,338
	<u>19,552,540</u>	<u>19,779,250</u>
Total current assets		
Capital Assets:		
Depreciable:		
Plant and equipment	58,170,514	55,612,113
Less accumulated depreciation	<u>(26,313,156)</u>	<u>(25,039,289)</u>
	31,857,358	30,572,824
Non-depreciable:		
Construction in progress	1,470,201	2,271,375
Land and improvements	<u>106,500</u>	<u>106,500</u>
	33,434,059	32,950,699
Net capital assets (Note 2 and 4)	<u>33,434,059</u>	<u>32,950,699</u>
	<u>52,986,599</u>	<u>52,729,949</u>
Total Assets	<u>52,986,599</u>	<u>52,729,949</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions (Note 8)	1,346,078	593,052
Deferred postemployment health care benefits (Note 9)	<u>228,338</u>	<u>291,218</u>
	1,574,416	884,270
Total deferred outflows of resources	<u>1,574,416</u>	<u>884,270</u>
Total assets and deferred outflows of resources	<u>\$ 54,561,015</u>	<u>\$ 53,614,219</u>

DRAFT

MONTECITO SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 105,051	\$ 561,959
Accrued salaries and benefits	29,548	24,113
Accrued interest	292,223	305,323
Customer deposits	266,032	469,837
Current portion of long-term debt (Note 6)	685,000	655,000
	<u>1,377,854</u>	<u>2,016,232</u>
Total current liabilities		
Long-Term Liabilities:		
Compensated absences payable (Note 5)	190,410	184,682
Long-term debt, net of current portion (Note 6)	6,198,618	6,957,706
Net pension liability (Note 8)	3,038,888	1,483,020
Postemployment health care benefits liability (Note 9)	297,960	588,459
	<u>9,725,876</u>	<u>9,213,867</u>
Total long-term liabilities		
Total Liabilities	<u>11,103,730</u>	<u>11,230,099</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions (Note 8)	149,877	1,331,615
Deferred postemployment health care benefits (Note 9)	207,825	8,421
Deferred gain on refunding debt	57,401	65,602
	<u>415,103</u>	<u>1,405,638</u>
Total deferred inflows of resources		
Total liabilities and deferred inflows of resources	<u>11,518,833</u>	<u>12,635,737</u>
NET POSITION		
Net investment in capital assets	26,507,285	25,272,391
Unrestricted, designated for retirement benefits obligation	180,629	178,429
Unrestricted, designated for capital replacement	5,034,597	6,414,295
Unrestricted, designated for reserves	2,025,855	1,995,964
Unrestricted, designated for recycled water	869,741	979,671
Unrestricted	8,424,075	6,137,732
	<u>43,042,182</u>	<u>40,978,482</u>
Total Net Position		

DRAFT

MONTECITO SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Service charges	\$ 6,525,589	\$ 6,543,286
Connection fees	234,212	191,597
Other services	46,031	88,506
	<u>6,805,832</u>	<u>6,823,389</u>
Total operating revenues		
Operating Expenses:		
Sewage collection	1,943,518	1,846,737
Sewage treatment	2,436,548	2,402,440
Sewage disposal	77,048	73,851
Administrative	1,230,907	1,317,473
	<u>5,688,021</u>	<u>5,640,501</u>
Total operating expenses		
Income from operations	<u>1,117,811</u>	<u>1,182,888</u>
Nonoperating Revenue (Expense):		
Investment income (loss)	337,780	(482,136)
Property taxes	748,625	676,669
Other income	9,192	403,564
Interest expense	(169,212)	(195,412)
	<u>926,385</u>	<u>402,685</u>
Total nonoperating revenue (expense)		
Excess of revenue over expenses	<u>2,044,196</u>	<u>1,585,573</u>
Capital contributions		
Contributed subsurface lines	19,504	137,256
	<u>19,504</u>	<u>137,256</u>
Total capital contributions		
Change in net position	2,063,700	1,722,829
Net position, beginning of year	<u>40,978,482</u>	<u>39,255,653</u>
Net position, end of year	<u>\$ 43,042,182</u>	<u>\$ 40,978,482</u>

See accompanying notes

DRAFT

MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 6,598,637	\$ 6,953,928
Cash payments to vendors for goods and services	(2,354,186)	(1,008,512)
Cash payments for employees services and benefits	(2,927,806)	(2,680,770)
Net cash provided by operating activities	<u>1,316,645</u>	<u>3,264,646</u>
Cash Flows from Noncapital Financing Activities:		
Property taxes	748,625	676,669
Other	9,192	403,564
Net cash provided by noncapital financing activities	<u>757,817</u>	<u>1,080,233</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(1,756,479)	(2,435,943)
Interest payments	(251,500)	(277,700)
Extension reimbursements	19,504	137,256
Principal payments on long term debt	(655,000)	(635,000)
Net cash used by capital and related financing activities	<u>(2,643,475)</u>	<u>(3,211,387)</u>
Cash Flows from Investing Activities:		
Investment income received	263,453	(495,665)
Net cash provided by investing activities	<u>263,453</u>	<u>(495,665)</u>
Net increase (decrease) in cash and restricted cash	(305,560)	637,827
Cash and investments – beginning of year	<u>19,684,936</u>	<u>19,047,109</u>
Cash and investments – end of year	<u>\$ 19,379,376</u>	<u>\$ 19,684,936</u>

See accompanying notes

DRAFT

MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,117,811	\$ 1,182,888
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,273,119	1,243,244
Change in assets and liabilities:		
Accounts receivable	(3,390)	36,858
Prepaid insurance	(1,133)	(6,063)
Deferred outflows	(690,146)	108,472
Accounts payable	(456,908)	430,153
Accrued salaries and benefits	5,435	(21,586)
Accrued interest	(13,100)	(12,700)
Customer deposits	(203,805)	93,681
Compensated absences	5,728	4,065
Net pension liability	1,555,868	(1,058,876)
Postemployment health care benefits	(290,499)	(14,609)
Deferred inflows	(982,335)	1,279,119
Net cash provided by operating activities	<u>\$ 1,316,645</u>	<u>\$ 3,264,646</u>

See accompanying notes

Note 1 – Reporting Entity

Montecito Sanitary District was organized in 1947, pursuant to the Sanitary District Act of 1923, to provide sewage collection and treatment for residents within the District’s geographical boundaries.

The District is governed by a Board of Directors consisting of five members elected at large. The Directors receive fees for attendance at Board and Committee meetings. The District employs a General Manager/District Engineer and such other personnel as are required to meet its responsibilities.

Note 2 – Summary of Significant Accounting Policies

Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants (AICPA).

Accounting Basis

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 and services on a continuing basis be financed or recovered primarily through user charges. The accounts are maintained and these financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses recognized when they are incurred. An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the statement of net position.

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

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Budget

The District prepares an annual budget which estimates major sources of revenue to be received during the fiscal year, as well as estimated expenditures needed for operation of District facilities. The budget is filed with Santa Barbara County (the County). The Board of Directors has the power to amend the budget during the year.

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and investments held in pooled accounts and restricted and unrestricted certificates of deposit with original maturities of three months or less.

Receivables

Receivables are primarily comprised of sewer service fees collected by the County of Santa Barbara and interest earned on investments but not yet paid.

Property, Plant and Equipment

Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired. Prior to the adoption of GASB 89 during fiscal year June 30, 2021, interest incurred during the construction period of an asset was capitalized as part of the cost.

Depreciation

Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-80 years) under the straight-line method of depreciation.

Accumulated Vacation, Compensated Time Off and Sick Leave

Accumulated unpaid employee vacation, compensated time off, and sick leave benefits are recognized as liabilities of the District.

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 reports a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position reports 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.

Net Position

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

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

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

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

Revenue Recognition – Property Taxes and Services Charges

Property taxes and user sewer service charges are collected on the tax rolls of the County of Santa Barbara. The District receives an allocation of general property taxes. Sewer service charges are based upon the total number of equivalent residential units (ERU's) connected to the sewers of the District. Commercial properties are charged based upon loading factors and water consumption. The property taxes and service charges are recognized when they have been collected by the County and are available for distribution to the District.

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Santa Barbara (County) for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

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 on March 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition – Property Taxes and Services Charges (Continued)

During the fiscal year ended June 30, 1994, the District adopted the “Teeter Plan” as defined in the Revenue and Taxation Code. Under this plan, the District is guaranteed 99.6% of the secured property tax apportionment each year. The District is also assured of receiving 95% of the unsecured property tax apportionment for each fiscal year by July 31 of the following fiscal year. The remaining 5% is placed in a Tax Loss Reserve Fund which will be used to offset future tax sale losses incurred by the County. Additionally, the District is assured of receiving 100% of its sewer service charges for each fiscal year.

Tax Levy Apportionments – Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979. The District’s apportionment is ½ of 1% of the total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area.

Property Tax Administration Fees – The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Tax Levies – are limited to 1% of full value 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.

Tax Levy Dates – are attached annually on January 1 preceding 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 they exist at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Connection Fees

Connection fees are one-time capacity charges imposed at the time a structure is connected to the District’s system, or an existing connection is expanded or increased. These funds are restricted and may be used to finance the expansion or upgrade of existing facilities that will benefit new customers including collection system improvements and treatment system upgrades. There are no unspent connection fees held at June 30, 2023 and 2022.

Annual Appropriations Limit

The District is exempt from the annual appropriations limit required by Senate Bill 813 (Chapter 1025, Statutes of 1987) in accordance with California Constitution Article XIII B. This exemption is based on a tax rate not greater than 12-1/2 cents per \$100 of assessed valuation in 1978.

Note 2 – Summary of Significant Accounting Policies (Continued)

Grant Receivable and Revenue

The District recognizes grant revenue when the qualifying expenditures are incurred, all eligibility requirements have been met, and collection of the grant funds is probable. Receipt of funds under the grant is dependent on the approval of submitted expenditures. An allowance for estimated disallowed costs is reflected in the receivable balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant estimates used in preparing these financial statements include useful lives of capitalized assets and the liability for pension and postemployment healthcare benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

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 Montecito Sanitary District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the District and additions to/deductions from the District's OPEB liability have been determined on the same basis. For this purpose, MSD recognizes benefit payments when due and payable in accordance with the benefit terms. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

Future Governmental Accounting Standards Board (GASB) Pronouncements

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

Statement No. 100 <i>"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"</i>	The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 23/24)
Statement No. 101 <i>"Compensated Absences"</i>	The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 24/25)

Note 3 – Cash and Investments

Cash and investments are classified in the accompanying financial statements at June 30, 2023 and 2022 as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Unrestricted:		
Cash and investments, undesignated	\$ 11,268,554	\$ 10,116,577
Cash designated for retirement benefits	180,629	178,429
Cash designated for capital replacement	5,034,597	6,414,295
Cash designated for reserves	2,025,855	1,995,964
Cash designated for recycled water	869,741	979,671
Total cash and investments	<u>\$ 19,379,376</u>	<u>\$ 19,684,936</u>

Cash and investments as of June 30, 2023 and 2022 consist of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash on hand	\$ 250	\$ 250
Deposits held with financial institutions	1,562,131	1,764,587
Cash with fiscal agent	810,750	793,850
Local Agency Investment Fund	2,025,855	1,995,964
Santa Barbara County Investment Pool	14,980,390	15,130,285
Total cash and investments	<u>\$ 19,379,376</u>	<u>\$ 19,684,936</u>

Note 3 – Cash and Investments (Continued)

Investments Authorized by the District’s Investment Policy

The District’s investment policy authorizes investments selected on the basis of credit worthiness, financial strength, experience, and minimal capitalization. The District shall select only licensed brokers and dealers in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers, or other applicable self-regulatory organizations. The District is prohibited from investing in any funds in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment which may result in a zero interest accrual if held to maturity. It is the District policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The primary objectives of the District’s investment activities in priority order are: safety, liquidity, and return on investments. Investments shall be chosen with judgment and care, considering the probable safety of their capital as well as the probable income to be derived. Although the District has pre-authorized investment categories per Resolution No. 2013-883, the only investments in practice are those in the local government investment pool administered by the State of California Local Agency Investment Fund (LAIF) and the Santa Barbara County Investment Pool.

Investments

The District participates in LAIF and the Santa Barbara County Investment Pool. LAIF and the Santa Barbara County Investment Pool are regulated by the California Government Code.

The District’s investment in LAIF is reported in the accompanying financial statements at amounts based on the District’s pro-rata share of the value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. LAIF invests some of its portfolio in derivatives. Detailed information on derivative investments held by this pool is not readily available. The fair value of LAIF is approximately equal to the value of the pool shares.

The District’s investment in the Santa Barbara County Investment Pool is reported in the accompanying financial statements at the amounts based upon the District’s pro-rata share of the value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio, which is recorded on the amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara Investment Pool. The fair value of the Santa Barbara Investment Pool is approximately equal to the value of the pool shares.

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

The 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 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.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Santa Barbara County Investment Pool).

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. The District did not have any investments that are considered highly sensitive to changes in interest rates at June 30, 2023 and 2022.

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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 as of June 30, 2023 and 2022.

<u>Investment Type</u>	June 30, 2023				
	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	\$ 2,025,855	\$ 2,025,855	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	14,980,390	14,980,390	-	-	-
Total Investments	\$ 17,006,245	\$ 17,006,245	\$ -	\$ -	\$ -

<u>Investment Type</u>	June 30, 2022				
	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	\$ 1,995,964	\$ 1,995,964	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	15,130,285	15,130,285	-	-	-
Total Investments	\$ 17,126,249	\$ 17,126,249	\$ -	\$ -	\$ -

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

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.

MONTECITO SANITARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Note 3 – Cash and Investments (Continued)

Presented below is the minimum rating required by the California Government Code and the District’s investment policy, and the actual rating as of June 30, 2023 and 2022 for each investment type.

<u>Investment Type</u>	June 30, 2023					
	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				AAA	AA	Not Rated
Local Agency Investment Fund	\$ 2,025,855	N/A	\$ 2,025,855	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	14,980,390	N/A	14,980,390	-	-	-
Total Investments	\$ 17,006,245		\$ 17,006,245	\$ -	\$ -	\$ -

<u>Investment Type</u>	June 30, 2022					
	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				AAA	AA	Not Rated
Local Agency Investment Fund	\$ 1,995,964	N/A	\$ 1,995,964	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	15,130,285	N/A	15,130,285	-	-	-
Total Investments	\$ 17,126,249		\$ 17,126,249	\$ -	\$ -	\$ -

Fair Value of Investments

The following investments are recognized at fair value at June 30, 2023 and 2022, respectively.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Local Agency Investment Fund	\$ 2,025,855	\$ 1,995,964
Santa Barbara County Investment Pool	14,980,390	15,130,285
Total Investments	\$ 17,006,245	\$ 17,126,249

MONTECITO SANITARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Schedule of Capital Assets

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2023, is shown below:

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Subsurface Lines	\$30,301,226	\$ -	\$ -	\$2,344,492	\$32,645,718
Collection Facilities	9,954,553	-	-	68,414	10,022,967
Treatment Facilities	14,464,304	-	-	106,995	14,571,299
Disposal Facilities	532,466	-	-	-	532,466
Administrative Facilities	359,564	-	-	38,500	398,064
	<u>55,612,113</u>	<u>-</u>	<u>-</u>	<u>2,558,401</u>	<u>58,170,514</u>
Accumulated Depreciation	(25,039,289)	(1,273,867)	-	-	(26,313,156)
	<u>30,572,824</u>	<u>(1,273,867)</u>	<u>-</u>	<u>2,558,401</u>	<u>31,857,358</u>
Construction in Progress	2,271,375	1,798,569	(41,342)	(2,558,401)	1,470,201
Land and Improvements	106,500	-	-	-	106,500
	<u>106,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,500</u>
Net capital assets	<u>\$32,950,699</u>	<u>\$ 524,702</u>	<u>\$ (41,342)</u>	<u>\$ -</u>	<u>\$33,434,059</u>

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Subsurface Lines	\$29,861,149	\$ -	\$ -	\$ 440,077	\$30,301,226
Collection Facilities	9,718,253	-	-	236,300	9,954,553
Treatment Facilities	14,354,404	-	-	109,900	14,464,304
Disposal Facilities	532,466	-	-	-	532,466
Administrative Facilities	326,144	-	-	33,420	359,564
	<u>54,792,416</u>	<u>-</u>	<u>-</u>	<u>819,697</u>	<u>55,612,113</u>
Accumulated Depreciation	(23,796,045)	(1,243,244)	-	-	(25,039,289)
	<u>30,996,371</u>	<u>(1,243,244)</u>	<u>-</u>	<u>819,697</u>	<u>30,572,824</u>
Construction in Progress	655,129	2,435,943	-	(819,697)	2,271,375
Land and Improvements	106,500	-	-	-	106,500
	<u>106,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,500</u>
Net capital assets	<u>\$31,758,000</u>	<u>\$1,192,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$32,950,699</u>

Note 5 – Compensated Absences

Employees are entitled to accumulate up to 120 working days of sick leave, at the rate of eight hours per month for full time employees, and pro-rated for part-time employees. If employees retire under the District’s retirement program, or voluntarily resign after twenty or more years of service, they would receive full compensation for any unused sick leave, paid at their current salary level. If employees voluntarily resign with less than twenty years of service, they would receive one-half to three quarters of their unused sick leave, depending on the years of service completed. Employees hired on or after January 1, 2018 are not eligible for any unused sick leave cash out.

Employees are also entitled to accumulate vacation leave at a rate of two to five weeks per year, depending on the number of years of service completed. Such accumulated leave cannot exceed two times the employee’s annual entitlement. Employees are entitled to accumulate Personal Time Off (PTO) at a rate of six days per year. Accumulated PTO cannot exceed six days. Vacation and PTO leave is fully vested at all times and will be paid to employees upon termination of employment.

Eligible employees may request the option of selecting compensatory time off (CTO) for overtime hours worked during any workweek in lieu of overtime pay. All CTO hours will be subject to payout at the time of employment separation.

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 fiscal year allocation has been expensed.

Note 6 – Long-Term Debt

The long-term debt liabilities of the District are as follows:

	Balance June 30, 2022	Additions	Retirements/ Amortization	Balance June 30, 2023
2017 Sewer Refunding				
Revenue Bonds	\$ 7,020,000	\$ -	\$ (655,000)	\$ 6,365,000
Unamortized premiums	592,706	-	(74,088)	518,618
Total 2017 Sewer Refunding				
Revenue Bonds	7,612,706	-	(729,088)	6,883,618
Current portion of long-term debt	655,000			685,000
Net long-term debt	<u>\$ 6,957,706</u>	<u>\$ -</u>	<u>\$ (729,088)</u>	<u>\$ 6,198,618</u>

CSDA Finance Corporation Certificates of Participation 2007 Series UU

The CSDA Finance Corporation Certificates of Participation 2007 Series UU (2007 COPs) were issued March 1, 2007 in the aggregate principal amount of \$14,765,000. Interest was payable semi-annually each January 1 and July 1, commencing July 1, 2007.

Note 6 – Long-Term Debt (Continued)

CSDA Finance Corporation Certificates of Participation 2007 Series UU (Continued)

On May 3, 2017 the District deposited \$12,797,633 with an escrow agent to provide for payment when due (through July 1, 2017) of all principal and interest with respect to the 2007 COPs. The deposit amount was obtained by using \$1,121,862 available cash, \$957,824 COP reserve funds, and through the issuance of new 2017 Sewer Refunding Revenue Bonds. On July 1, 2017, the final payment from the escrow account was made, and the entire outstanding aggregate principal amount and interest of the 2007 COPs was refunded.

2017 Sewer Refunding Revenue Bonds

The 2017 Sewer Refunding Revenue Bonds (2017 Bonds) were issued May 1, 2017 in the aggregate principal amount of \$10,020,000 and a premium of \$963,147. The costs of issuance and the underwriter's discount were \$165,000 and \$100,200, respectively. The Bonds consist of serial certificates in the principal amount of \$10,020,000 bearing interest rates ranging from 2-5%, with the final installment payment due July 1, 2030. Interest is payable semi-annually each January 1 and July 1, commencing July 1, 2017.

The District is required to use the proceeds from the bonds to 1) prepay the District's obligations under the installment purchase contract, dated as of March 1, 2007, between the District and the CSDA Finance Corporation, and 2) to pay certain costs of issuing the 2017 Bonds. The Bonds are secured by a pledge of the District's revenues.

The refunding resulted in decreased total debt service payments from \$19,409,316 to \$12,805,980. This decreased cash flow created an economic gain of approximately \$2,091,000 when discounted at the 2017 Bonds' effective interest rate of 2.7436644%. Total annual requirements to amortize the 2017 Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2023-2024	\$ 685,000	\$ 237,800	\$ 922,800
FY 2024-2025	710,000	209,900	919,900
FY 2025-2026	735,000	177,325	912,325
FY 2026-2027	775,000	139,575	914,575
FY 2027-2028	820,000	99,700	919,700
FY 2028-2029 to 2030-2031	<u>2,640,000</u>	<u>120,300</u>	<u>2,760,300</u>
Total	<u>\$ 6,365,000</u>	<u>\$ 984,600</u>	<u>\$ 7,349,600</u>

Debt service payments in any one fiscal year will not exceed \$922,800.

Note 7 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District makes no employer contributions into this plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees and therefore are not reflected in the financial statements of the District.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plans

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

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

Note 8 – Defined Benefit Pension Plan (Continued)

The Plans’ provisions and benefits in effect at June 30, 2023 and 2022 are summarized as follows:

	For the Year Ended June 30, 2023		For the Year Ended June 30, 2022	
	Miscellaneous Plan		Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%	7.00%	6.75%
Required employer contribution rates	10.87%	7.47%	10.88%	7.59%

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

The District’s contribution to the Plan for the years ended June 30, 2023 and 2022 were \$380,867 and \$351,901, respectively. Of the total contributions made for the years ended June 30, 2023 and 2022, \$214,545 and \$185,282, respectively, were required contributions for the unfunded liability.

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

The District’s net pension liability for all Plans is measured as the proportionate share of the net pension liability. As of June 30, 2023 and 2022, the District reported a liability of \$3,038,888 and \$1,483,020, respectively, for its proportionate shares of the net pension liability of all Plans. The net pension liability of all of the Plans is measured as of June 30, 2022, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures.

Note 8 – Defined Benefit Pension Plan (Continued)

The District’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The District’s proportionate share of the net pension liability for all Plans with an actuarial valuation date of June 30, 2021 and 2020 (and measurement date of June 30, 2022 and 2021, respectively) were as follows:

For the Year Ended June 30, 2023	
	Miscellaneous
Proportion - June 30, 2022	0.07810%
Proportion - June 30, 2023	0.06494%
Change - Increase (Decrease)	-0.01316%

For the Year Ended June 30, 2022	
	Miscellaneous
Proportion - June 30, 2021	0.06026%
Proportion - June 30, 2022	0.07810%
Change - Increase (Decrease)	0.01784%

For the years ended June 30, 2023 and 2022, the District recognized pension earnings (expense) of \$4,190 and \$622,924, respectively. At June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 380,867	\$ -	\$ 351,901	\$ -
Differences between actual and expected experience	61,027	(40,873)	166,305	-
Changes in assumptions	311,398	-	-	-
Changes in employer’s proportion and difference between the employer’s contributions and the employer’s proportionate share of contributions	29,252	(109,004)	74,846	(37,017)
Net differences between projected and actual earnings on plan investments	563,534	-	-	(1,294,598)
	\$ 1,346,078	\$ (149,877)	\$ 593,052	\$ (1,331,615)

Note 8 – Defined Benefit Pension Plan (Continued)

Employer contributions of \$380,867 reported at June 30, 2023 as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. During the fiscal year ended June 30, 2023, \$351,901 of employer contributions that was reported in deferred outflows of resources at June 30, 2022 was recognized as a reduction to the net pension liability.

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

<u>Year Ended June 30:</u>	<u>Amount</u>
2024	\$ 210,607
2025	168,140
2026	96,125
2027	340,462
2028	-
Thereafter	-
	<u>\$ 815,334</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u>For the Year Ended June 30, 2023</u>	<u>For the Year Ended June 30, 2022</u>
	<u>Miscellaneous</u>	<u>Miscellaneous</u>
Valuation Date	30-Jun-21	30-Jun-20
Measurement Date	30-Jun-22	30-Jun-21
Actual Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:		
Discount Rate	6.90%	7.15%
Inflation	2.30%	2.50%
Payroll Growth	2.30%	2.50%
Projected Salary Increase	Varies by entry age and service (1)	Varies by entry age and service (1)
Investment Rate of Return	6.90%	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

Note 8 – Defined Benefit Pension Plan (Continued)

Change of Assumption – Deferred inflows and outflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods. In November, 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions under the Public Employees’ Retirement Fund (PERF). For PERF B, these changes were implemented in the June 30, 2021 actuarial valuation for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50% to 2.30%, the administrative expense assumption was reduced from 0.15% to 0.10%, and the discount rate was reduced from 7.00% to 6.80%. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15% to 6.90% in Fiscal Year 2021-22. See the 2021-22 CalPERS ACFR for additional information.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% and 7.15% for the measurement periods ending June 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made a statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return – In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

The table below reflects the expected real rates 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.

Asset Class	Measurement Date - June 30, 2023		Asset Class	Measurement Date - June 30, 2022		
	Net Strategic Allocation	Real Return Years 1 -10(a)		Net Strategic Allocation	Real Return Years 1 -10(b)	Real Return Years 11+(c)
Global Equity - Cap-weighted	30.00%	4.45%	Global Equity	50.00%	4.80%	5.98%
Global Equity Non-Cap-weighted	12.00%	3.84%	Global Fixed Income	28.00%	1.00%	2.62%
Private Equity	13.00%	7.28%	Inflation Sensitive	0.00%	0.77%	1.81%
Treasury	5.00%	0.27%	Private Equity	8.00%	6.30%	7.23%
Mortgage-backed Securities	5.00%	0.50%	Real Estate	13.00%	3.75%	4.93%
Investment Grade Corporates	10.00%	1.56%	Liquidity	1.00%	0.00%	-0.92%
High Yield	5.00%	2.27%				
Emerging Market Debt	5.00%	2.48%				
Private Debt	5.00%	3.57%				
Real Assets	15.00%	3.21%				
Leverage	-5.00%	-0.59%				

(a) An expected inflation of 2.3% used for this period.

Figures are based on the 2021-22 Asset Liability Management study.

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

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

Note 8 – Defined Benefit Pension Plan (Continued)

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

For the Year Ended June 30, 2023		For the Year Ended June 30, 2022	
Miscellaneous		Miscellaneous	
1% Decrease	5.90%	1% Decrease	6.15%
Net Pension Liability	\$ 4,571,069	Net Pension Liability	\$ 2,877,171
Current Discount Rate	6.90%	Current Discount Rate	7.15%
Net Pension Liability	\$ 3,038,888	Net Pension Liability	\$ 1,483,020
1% Increase	7.90%	1% Increase	8.15%
Net Pension Liability	\$ 1,778,284	Net Pension Liability	\$ 330,496

Pension Plan Fiduciary Net Position – Detailed information about all pension plan fiduciary net positions is available in the separately issued CalPERS financial reports.

Note 9 – Postemployment Health Care Benefits

Plan Description

For employees hired before July 1, 2010, the District provides retiree medical coverage to eligible current employees and one dependent as defined by the plan. Under the Plan, retired employees who attain age 55 with at least ten years of service are eligible to receive benefits until reaching age 65. The District pays 100% of the health insurance benefits’ monthly premium. The dependent of an eligible retiree is also eligible to receive benefits from this plan, and benefits continue until they are Medicare eligible or are no longer considered a dependent under the Patient Protection and Affordable Care Act (PPACA). When the retired employee reaches age 65 the retired employee and the dependent are no longer covered. In accordance with Montecito Sanitary District Board of Directors action taken on June 4, 2010, any employee hired by the District after July 1, 2010 is not eligible for postemployment health care benefits.

Employees Covered

As of the June 30, 2022 actuarial valuation, current and former employees that were covered by the benefit terms under the OPEB Plan are displayed in the table below:

Participating active employees	1
Inactive employees currently receiving benefits	1
Total	2

Note 9 – Postemployment Health Care Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and its board of directors. The required contribution is based on projected pay-as-you-go financing requirements. Currently, the District has \$180,629 of designated net position set aside to be used to fund the postemployment health care obligation, and plans to set aside \$15,000 each July until adequate funds have been established. The District pays 100% of costs on behalf of the eligible participants.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>OPEB Plan</u>
Actual Cost Method	Entry-Age Actuarial Cost Method in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2022	3.54%
Measurement Date - 2021	2.16%
Inflation	2.50%
Salary Increases (1)	2.75%
Investment Rate of Return	
Measurement Date - 2022	3.54%
Measurement Date - 2021	2.16%
Mortality	2021 CalPERS Active Mortality for Miscellaneous Employees; 2021 CalPERS Retiree Mortality for Miscellaneous Employees
Pre-Retirement Turnover	2021 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	4% per year

(1) Benefits are not dependent upon salary

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The projection of cash flows used to determine the discount rate assumed that District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9 – Postemployment Health Care Benefits (Continued)

Assumption Changes

The discount rate was increased from 2.16% to 3.54% for the measurement period ending June 30, 2022. The discount rate was decreased from 2.20% to 2.16% for the measurement period ending June 30, 2021.

Changes in the Net OPEB Liability

The District accrued the net OPEB liability of \$297,960 and \$588,459 as of June 30, 2023 and 2022, which is included on the Statement of Net Position. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation for plan benefits for the years ended June 30, 2023 and 2022:

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability/(Asset) (a) - (b)</u>
Balance at June 30, 2022 <i>(Measurement Date June 30, 2021)</i>	\$ 588,459	\$ -	588,459
Changes Recognized for the Measurement Period:			
Service cost	12,328	-	12,328
Interest on Total OPEB Liability	12,387	-	12,387
Contributions - Employer	-	41,891	(41,891)
Changes in Assumptions	(26,148)	-	(26,148)
Experience Gains/Losses	(247,175)	-	(247,175)
Benefit Payments & Refunds	(41,891)	(41,891)	-
Net Changes	<u>(290,499)</u>	<u>-</u>	<u>(290,499)</u>
Balance at June 30, 2023 <i>(Measurement Date June 30, 2022)</i>	<u>\$ 297,960</u>	<u>\$ -</u>	<u>\$ 297,960</u>

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022.

Net OPEB Liability		
Current		
1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
\$ 308,511	\$ 297,960	\$ 287,455

Note 9 – Postemployment Health Care Benefits (Continued)

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022.

Net OPEB Liability		
Trend 1% Lower (3.0%)	Valuation Trend (4.0%)	Trend 1% Higher (5.0%)
\$ 283,541	\$ 297,960	\$ 313,414

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

For the fiscal year ended June 30, 2023 and 2022, the District recognized OPEB expense of \$(7,010) and \$61,276, respectively.

As of the fiscal year ended June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 19,415	\$ -	\$ 20,909	\$ -
Differences between expected and actual experience	120,337	187,969	155,732	7,169
Changes in assumptions	88,586	19,856	114,577	1,252
Total	\$ 228,338	\$ 207,825	\$ 291,218	\$ 8,421

Note 9 – Postemployment Health Care Benefits (Continued)

At June 30, 2023, the District reported deferred outflows of resources of \$19,415 related to contributions made subsequent to the measurement date. This will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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

<u>Fiscal Year Ended June 30:</u>	<u>Amount</u>
2024	\$ (12,461)
2025	(12,461)
2026	3,112
2027	23,349
2028	(441)
Thereafter	-
	<u>\$ 1,098</u>

Note 10 – Risk Management

Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disaster.

The District participates in the California Sanitation Risk Management Authority (CSRMA), which arranges for and provides general liability, property damage, workers' compensation and employee dishonesty liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested.

Note 11 – Related Party Transaction

In May 2021, the District entered into an agreement for engineer services for the Highway 101 sewer main crossing relocation with an estimated fee of \$177,900. In June 2021, a family member of the engineer providing services was hired by the District to serve in a management position. In September 2021, it was determined that there was not an independent member of management to oversee the engineering services and the contract was terminated. Total fees paid for services provided was \$66,297.

Note 12 – Commitments and Contingencies

In the ordinary course of conducting business, various legal matters may be pending, however, in the opinion of the District’s management, the ultimate disposition of these matters will have no significant impact on the financial position of the District.

At its June 1, 2023 special meeting, the District entered into a contract with Tierra Contracting Inc. for the lining of the Districts’ gravity sewer and force mains across Highway 101 as well as rehabilitation work to facilitate construction of CalTRANS’ Highway 101 HOV Widening Project in the amount of \$976,780 plus \$97,678 in allowable change orders for any necessary changes in scope.

Note 13 – Subsequent Events

Subsequent events have been evaluated through December 6, 2024, the date that the financial statements were available to be issued.

On September 7, 2023, the District entered into an agreement for engineering design and support services with an estimate fee of \$538,000 for the protective measures of District facilities project due to January 2023 storm damage.

On October 12, 2023, at the regular board meeting, the District took a vote on consolidation with the Montecito Water District and the motion did not pass with three directors voting nay and two directors voting yay.

On November 9, 2023, at the regular board meeting, the District entered into a contract with Best Contracting Services for replacement of the District’s Administration/Operations Building roof in the amount of \$155,329 plus \$15,533 in allowable change orders for any necessary changes in scope.

On May 15, 2024, at the regular board meeting, the District accepted a grant award from the California Water Resources Control Board in the amount of \$219,930 to reimburse the cost of a Recycled Water Feasibility Study. That study was done in collaboration with the Montecito Water District and each district contributed 50% of the reported costs. As such, the District cut a check to Montecito Water District for half of the grant award, or \$109,965.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

**MONTECITO SANITARY DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS***

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

	As of June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.0263%	0.0274%	0.0234%	0.0226%	0.0217%	0.0214%	0.0208%	0.0190%	0.0198%
Proportionate share of the net pension liability	\$ 3,038,888	\$ 1,483,020	\$ 2,541,896	\$ 2,317,190	\$ 2,094,365	\$ 2,122,293	\$ 1,801,193	\$ 1,307,464	\$ 1,229,008
Covered payroll	\$ 1,691,839	\$ 1,754,587	\$ 1,899,486	\$ 1,854,359	\$ 1,729,391	\$ 1,669,379	\$ 1,534,968	\$ 1,450,789	\$ 1,065,779
Proportionate share of the net pension liability as percentage of covered payroll	179.62%	84.52%	133.82%	124.96%	121.10%	127.13%	117.34%	90.12%	115.32%
Plan fiduciary net position as a percentage of the total pension liability	72.96%	85.96%	74.89%	76.07%	77.09%	75.88%	77.39%	82.57%	83.46%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2022 measurement date.

Net Pension liability as a percentage of covered payroll demonstrates the relative size of the unfunded liability by expressing it in terms of current personnel expenditures.

* Fiscal year 2015 was the 1st year of implementation.

**MONTECITO SANITARY DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS***

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

	As of June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution (actuarially determined)	\$ 380,867	\$ 351,901	\$ 330,274	\$ 316,708	\$ 271,498	\$ 227,170	\$ 207,913	\$ 181,148	\$ 140,543	
Contributions in relation to the actuarially determined contributions	\$ 380,867	\$ 351,901	\$ 330,274	\$ 316,708	\$ 271,498	\$ 227,170	\$ 207,913	\$ 181,148	\$ 140,543	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	\$ 1,805,089	\$ 1,691,839	\$ 1,754,587	\$ 1,899,486	\$ 1,854,359	\$ 1,729,391	\$ 1,669,379	\$ 1,534,968	\$ 1,450,789	
Contributions as a percentage of covered payroll	21.10%	20.80%	18.82%	16.67%	14.64%	13.14%	12.45%	11.80%	9.69%	

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2022-2023 were derived from the June 30, 2020 funding valuation report.

* Fiscal year 2015 was the 1st year of implementation.

**MONTECITO SANITARY DISTRICT
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ 12,328	\$ 11,910	\$ 12,060	\$ 9,315	\$ 9,066	\$ 8,823
Interest on the total OPEB liability	12,387	12,949	7,963	7,008	7,686	7,668
Experience gain/losses	(246,741)	-	223,364	10,132	-	-
Assumption changes	(26,582)	(7,089)	139,371	29,554	(3,900)	-
Benefit payments	(41,891)	(32,379)	(1,752)	(27,416)	(34,210)	(32,894)
Net change in total OPEB liability	(290,499)	(14,609)	381,006	28,593	(21,358)	(16,403)
Total OPEB liability - beginning	588,459	603,068	222,062	193,469	214,827	231,230
Total OPEB liability - ending (a)	<u>\$ 297,960</u>	<u>\$ 588,459</u>	<u>\$ 603,068</u>	<u>\$ 222,062</u>	<u>\$ 193,469</u>	<u>\$ 214,827</u>
Fiduciary Net Position						
Employer contributions	\$ 41,891	\$ 32,379	\$ 1,752	\$ 20,936	\$ 34,210	\$ 32,894
Net investment income	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-
Benefit payments	(41,891)	(32,379)	(1,752)	(20,936)	(34,210)	(32,894)
Net change in fiduciary net position	-	-	-	-	-	-
Total fiduciary net position- beginning	-	-	-	-	-	-
Total fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB asset - ending (a) - (b)	\$ 297,960	\$ 588,459	\$ 603,068	\$ 222,062	\$ 193,469	\$ 214,827
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	\$ 111,388	\$ 296,004	\$ 426,005	\$ 408,782	\$ 397,821	\$ 384,664
Net OPEB liability as a percentage of covered-employee payroll	267.50%	198.80%	141.56%	54.32%	48.63%	55.85%
Measurement date	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17
Valuation date	06/30/22	06/30/20	06/30/20	06/30/18	06/30/17	06/30/17

Notes to Schedule:

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

DRAFT

OTHER INFORMATION

DRAFT

**MONTECITO SANITARY DISTRICT
BOARD OF DIRECTORS**

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Woody Barrett	President	December 2026
Phillip Hogan	Vice President	December 2026
Dorinne Lee Johnson	Secretary	December 2024
Edwin Martin	Treasurer	December 2024
Carl Ohlmann	Director	December 2024

DRAFT

SUPPLEMENTARY INFORMATION

DRAFT

MONTECITO SANITARY DISTRICT
STATEMENT OF OPERATING EXPENSES - BY DEPARTMENT
For the Fiscal Year Ended June 30, 2023

	<u>Collection</u>	<u>Treatment</u>	<u>Disposal</u>	<u>Administrative</u>	<u>2023</u>	<u>2022</u>
Salaries and Benefits:						
Salaries	\$ 607,993	\$ 713,016	\$ -	\$ 641,494	\$ 1,962,503	\$ 1,753,220
Stand-by pay	18,270	20,715	-	-	38,985	32,805
Overtime	2,687	658	-	-	3,345	6,272
Retirement contribution	17,696	22,625	-	19,992	60,313	691,877
Payroll tax	49,199	49,973	-	48,239	147,411	135,524
Group insurance	94,719	138,916	-	85,665	319,300	357,657
Total Salaries and Benefits	<u>790,564</u>	<u>945,903</u>	<u>-</u>	<u>795,390</u>	<u>2,531,857</u>	<u>2,977,355</u>
Supplies and Services:						
Insurance	42,090	60,204	-	11,855	114,149	103,558
Maintenance	132,512	548,181	-	6,737	687,430	518,746
Operating supplies	4,553	4,857	-	1,151	10,561	6,780
Office supplies	3,094	2,709	-	8,820	14,623	13,306
Memberships	1,707	2,083	-	48,331	52,121	35,153
Employee/Community goodwill	592	125	-	630	1,347	1,506
Miscellaneous	-	37,755	-	-	37,755	486
Office expense	142	28	-	824	994	1,168
Legal services	-	-	-	119,247	119,247	66,143
Consulting services	-	-	-	28,806	28,806	29,237
NPDES permit expenses	-	41,149	-	-	41,149	30,588
Other professional services	13,180	-	-	65,714	78,894	115,813
Administrative fees	2,984	1,500	-	23,810	28,294	28,190
Research and monitoring	-	28,713	-	-	28,713	30,348
Contract services	99,842	29,031	68,976	24,836	222,685	139,947
Publications and notices	-	-	-	3,068	3,068	4,167
Minor equipment purchases	18,213	6,340	-	25,077	49,630	31,703
Training and safety	24,053	12,753	-	2,102	38,908	19,507
Travel and meeting costs	1,487	2,909	-	5,044	9,440	2,969
Fuel and oil	14,549	8,442	-	-	22,991	18,577
Utilities and telephone	55,290	185,222	-	23,468	263,980	204,844
Special projects	-	-	-	28,260	28,260	17,166
Depreciation	738,666	518,644	8,072	7,737	1,273,119	1,243,244
Total Supplies and Services	<u>1,152,954</u>	<u>1,490,645</u>	<u>77,048</u>	<u>435,517</u>	<u>3,156,164</u>	<u>2,663,146</u>
Totals, June 30, 2023	<u>\$ 1,943,518</u>	<u>\$ 2,436,548</u>	<u>\$ 77,048</u>	<u>\$ 1,230,907</u>	<u>\$ 5,688,021</u>	
Totals, June 30, 2022	<u>\$ 1,846,737</u>	<u>\$ 2,402,440</u>	<u>\$ 73,851</u>	<u>\$ 1,317,473</u>		<u>\$ 5,640,501</u>

DRAFT

MONTECITO SANITARY DISTRICT
STATEMENT OF OPERATING EXPENSES - BY DEPARTMENT
For the Fiscal Year Ended June 30, 2022

	<u>Collection</u>	<u>Treatment</u>	<u>Disposal</u>	<u>Administrative</u>	<u>2022</u>	<u>2021</u>
Salaries and Benefits:						
Salaries	\$ 499,397	\$ 715,114	\$ -	\$ 538,709	\$ 1,753,220	\$ 1,908,867
Stand-by pay	16,425	16,380	-	-	32,805	31,275
Overtime	2,825	3,447	-	-	6,272	12,345
Retirement contribution	217,797	239,350	-	234,730	691,877	589,359
Payroll tax	39,025	42,504	-	53,995	135,524	145,669
Group insurance	78,661	133,799	-	145,197	357,657	431,679
Total Salaries and Benefits	<u>854,130</u>	<u>1,150,594</u>	<u>-</u>	<u>972,631</u>	<u>2,977,355</u>	<u>3,119,194</u>
Supplies and Services:						
Insurance	38,995	54,138	-	10,425	103,558	68,081
Maintenance	108,833	404,547	-	5,366	518,746	418,063
Operating supplies	2,589	3,197	-	994	6,780	9,700
Office supplies	2,356	2,254	-	8,696	13,306	12,700
Memberships	819	1,823	-	32,511	35,153	40,912
Employee/Community goodwill	-	-	-	1,506	1,506	2,182
Miscellaneous	-	486	-	-	486	32,755
Office expense	79	32	-	1,057	1,168	1,167
Legal services	-	-	-	66,143	66,143	90,805
Consulting services	-	-	-	29,237	29,237	29,607
NPDES permit expenses	-	30,588	-	-	30,588	40,278
Other professional services	17,903	-	-	97,910	115,813	224,629
Administrative fees	4,823	1,943	-	21,424	28,190	27,784
Research and monitoring	-	30,348	-	-	30,348	22,828
Contract services	42,508	26,616	65,779	5,044	139,947	186,001
Publications and notices	-	-	-	4,167	4,167	3,232
Minor equipment purchases	9,111	4,450	-	18,142	31,703	36,863
Training and safety	4,465	13,414	-	1,628	19,507	20,345
Travel and meeting costs	90	2,407	-	472	2,969	5
Fuel and oil	11,596	6,981	-	-	18,577	18,366
Utilities and telephone	46,847	142,031	-	15,966	204,844	213,238
Special projects	-	-	-	17,166	17,166	50,071
Depreciation	701,593	526,591	8,072	6,988	1,243,244	1,228,291
Total Supplies and Services	<u>992,607</u>	<u>1,251,846</u>	<u>73,851</u>	<u>344,842</u>	<u>2,663,146</u>	<u>2,777,903</u>
Totals, June 30, 2022	<u>\$ 1,846,737</u>	<u>\$ 2,402,440</u>	<u>\$ 73,851</u>	<u>\$ 1,317,473</u>	<u>\$ 5,640,501</u>	
Totals, June 30, 2021	<u>\$ 2,075,985</u>	<u>\$ 2,358,547</u>	<u>\$ 63,393</u>	<u>\$ 1,399,172</u>		<u>\$ 5,897,097</u>

December 18, 2024

Board of Directors
Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108

To the Board of Directors:

We are pleased to present this letter related to our audit of the financial statements of the Montecito Sanitary District (the District) for the year ended June 30, 2023. This letter is to inform the Board of Directors about significant matters related to the conduct of the annual audit, so that it can appropriately discharge its oversight responsibility and we can comply with our professional responsibilities.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 20, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated July 29, 2024 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

The following is a list of the matters, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's financial statements:

Depreciation

Depreciation of fixed assets is taken on a straight-line basis over the expected life of each fixed asset. This method meets the generally accepted accounting principles requirement of being systematic and rational.

Other Post-Employment Benefits

The cost of Other Post-Employment Benefits is calculated based on the annual required contribution of the employer. This amount is calculated by an actuary in accordance with the parameters of GASB Statement No. 75.

Net Pension Liability

In accordance with GASB Statement No. 68, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/inflows of resources. CalPERS actuaries calculated these amounts in accordance with the parameters of GASB 68.

Audit Adjustments and Uncorrected Misstatements

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures.

Adjustments recorded after the initial trial balance was provided are attached to this letter.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the District's Schedule of Operating Expenses – By Department. We did not identify material inconsistencies with the audited financial statements.

Observations About the Audit Process

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit. Some information was not available in a timely manner which resulted in delay of completion of the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For Bartlett, Pringle & Wolf, LLP (BPW) to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and BPW each play an important role.

Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. BPW is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

The District's Responsibilities

- Timely inform BPW, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors or officers.
 - Change in the organizational structure or the reporting entity impacting affiliates such as related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the District and its affiliates, including the District, and the officers, directors or persons in a decision-making capacity, engaging in business relationships with BPW.
- Not entering into relationships resulting in BPW, BPW-covered persons or their close family members, temporarily or permanently acting as an officer, director or person in an accounting or financial reporting oversight role at the District

Internal Control Matters

We have separately communicated any internal control matters identified during our audit of the financial statements in a separate letter dated December 18, 2024.

Significant Written Communications Between Management and Our Firm

In conjunction with the audit of the financial statements, we have been provided a letter of certain representations from management dated December 18, 2024.

Conclusion

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Montecito Sanitary District.

Very truly yours,

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants

December 18, 2024

Board of Directors
Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108

To the Board of Directors:

In planning and performing our audit of the financial statements of the Montecito Sanitary District as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 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. A control deficiency is a deficiency in internal control that we determined did not constitute a significant deficiency or a material weakness.

Material Weakness

Missing or Incorrect Accruals

During the current year audit, we noted multiple account balances with missing or incorrect accruals. During review of the LAIF interest revenue, we noted that the fourth quarter interest had not been properly accrued. During review of the accrued-other account, we noted that certain prior year accruals had not been reversed and that current year accruals had not been recorded. During review of the 2017 Sewer Refunding Revenue Bonds liability, we noted that the interest receivable amount, the liability ending balance and the related BNY cash account were improperly stated due to missing accruals. Proper recording or accruals is critical for the accuracy of the accrual basis of accounting. We suggest that procedures be implemented at year-end to record expenses in the period incurred, regardless of when they are paid.

Control Deficiencies

Performance Deposit Liability Tracking

During our review of the current year Performance Deposit receipts, we noted that the District does not have a method or schedule for tracking repayments of the deposits that can be tied back to the trial balance. The schedule only includes current year receipts, in which, receipt omissions were also noted during testing. Proper tracking of the receipts and disbursements in a schedule that can be tied back to the trial balance is critical for the accuracy of the liability balance. We suggest that procedures be implemented to track this liability in a more comprehensive schedule.

Internal Control Review Procedures

- During our review of internal control procedures, we noted the multiple occasions in which proper review procedures were not performed. In reviewing the October 2022 bank statement and check signing policy, BPW noted that one check did not have any signature on it at all. In reviewing approvals related to disbursements and approvals, BPW noted one "Account Distribution and Approval for Payment" form that was not signed as approved by the General Manager. In Reviewing the June 2023 bank statements, we noted that there were variances for two cash accounts where the bank statement reconciliations did not tie out to the trial balance indicating a lack of review. In reviewing the CalPERS contributions spreadsheet, we noted an error in the posting of a journal entry in which the incorrect GL accounts were used. Proper review is a critical component of the internal control environment. We suggest that procedures be implemented to ensure proper review takes place when required.

- During review of the District's Excel schedules which are used to track and calculate balances that tie-out to the trial balance, we noted errors and omissions in multiple schedules which indicates a lack of review. In the capital assets schedule which is used to track and calculate depreciation expense, the spreadsheet requires formulas to be manually updated each year. During our audit, we noted certain formulas had not been updated which resulted in an error. In the connection permits schedule which is used to track specific charges related to connections permits, we noted errors where items were recorded in incorrect cells, where year-end totals did not tie-out to the trial balance, and where permits were erroneously left off of the schedule. Proper review is a critical component of the internal control environment. We recommend the completed schedules be reviewed by a person independent of the preparation function to strengthen oversight and ensure accuracy and completeness.

Status of Prior Year Comments

The following comments were communicated to you in the prior year letter dated April 17, 2024.

Significant Deficiency

Accrued Compensated Balances

Original Comment

- During our review of the accrued schedule of compensated absences, we noted that the District policy includes varying benefits depending on employee hire date which was not appropriately reflected in the calculation. We suggest the District implement procedures to accurately track and accrue compensated absences by employee based on the benefits they receive upon separation from employment. By doing this, the Company will be assured that sufficient records are maintained to record the required accrual for employee compensated absences.

Current Year Status

- During the current audit, it was noted that the compensated absences liability included accrued sick leave for ineligible employees which resulted in an adjustment to accrued vacation. We continue to recommend the District implement procedures to accurately track and accrue compensated absences to adjust the required accrual for employee compensated absences.

Conclusion

This communication is intended solely for the information and use of the Board of Directors, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties. This letter does not affect our report dated December 18, 2024 on the financial statements of the Montecito Sanitary District.

Very truly yours,

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants



Montecito Sanitary District

1042 Monte Cristo Lane *A Public Service Agency*
 Santa Barbara, CA 93108

Phone: (805) 969-4200
www.montsan.org

BOARD LIST OF PAYABLES – NOVEMBER 2024

<u>CHECK DATE</u>	<u>SUMMARY & TYPE</u>	<u>BATCH TOTAL</u>
11/05/2024	ACCOUNTS PAYABLE	224,881.09
11/22/2024	ACCOUNTS PAYABLE	100,691.93
	Subtotal	\$ 325,573.02
11/05/2024	CAPITAL IMPROVEMENT PROJECTS	159,489.33
11/22/2024	CAPITAL IMPROVEMENT PROJECTS	1,334,604.92
	Subtotal	\$ 1,494,094.25
11/14/2024	PAYROLL	109,177.18
11/28/2024	PAYROLL	102,784.93
	Subtotal	\$ 211,962.11
	<u>TOTAL</u>	<u>\$ 2,031,629.38</u>

*All Invoices were reviewed and approved by Department Managers

**All Invoices and Payments were reviewed and approved and checks signed by the General Manager

***Board Treasurer, Carter Ohlmann, approved all payables by email prior to check mailing

Bank B: Operations and Maintenance

Check No.	CheckDate	Name	Check Amount	Payment Description
29711	11/5/2024	ACME ANALYTICAL SOLUTIONS	462.22	Analyzer Chemicals
				A/C Vacuum Pump & Gague, Control Relay, L/S Degreaser, Ink Cartridges, COVID Tests, Safety Glasses, Mouse &
29712	11/5/2024	AMAZON CAPITAL SERVICES	2,338.88	Keyboards, Calendars, Respirators, American Flag Lapel Pin, Computer Montior, Battery Backup, Wireless Mouse, Hand Sanitizer
29713	11/5/2024	AQUATIC BIOASSAY & CONSULTING	4,990.00	NPDES Required Lab Sampling
29714	11/5/2024	AT&T MOBILITY	78.77	Office Data Port, Standby Cellphone-Oct
29715	11/5/2024	AUTOZONE, INC	86.41	Vehicle Parts
29716	11/5/2024	BARTLETT, PRINGLE & WOLF, LLP	2,500.00	Accounting Consulting Services - Jul, Aug, Sept
29717	11/5/2024	BRITTANY BESSE	801.84	CSDA Conference Hotel Room Reimbursement
29718	11/5/2024	BIG GREEN CLEANING COMPANY	2,785.15	Janitorial Services-Nov, Janitorial Supplies
29719	11/5/2024	BOOTH MEDICAL EQUIPMENT	1,605.20	Laboratory Equipment Repair
29720	11/5/2024	CANON FINANCIAL SERVICES INC	371.14	Canon Copier Lease Payment - October
29721	11/5/2024	CASA - CA ASSOC OF SANIT AGENC	10,030.00	2025 Annual Membership Dues
29722	11/5/2024	SUZANNE CHICK	2,462.00	Deposit Refund - 653 Romero Canyon Road
29723	11/5/2024	CINTAS CORPORATION #684	648.08	Uniforms, Towels, Floor Mats - Cleaning/Rental - Oct
29724	11/5/2024	COMPUVISION COMMUNICATIONS	207.00	Office 365 G3 Subscription
29725	11/5/2024	COX BUSINESS	206.04	Wireless Internet Services - October
29726	11/5/2024	CALIF SPECIAL DISTRICTS ASSOC	9,495.00	2025 Annual Membership Dues
29727	11/5/2024	CALIFORNIA WATER ENVIRONMENT	106.00	Certfication Renewal - Michael Arce
29728	11/5/2024	DOCU PRODUCTS	15.11	Copier Maintenance Agreement
29729	11/5/2024	FAMCON PIPE & SUPPLY, INC	1,533.38	Lift Station Parts
29730	11/5/2024	FED EX	217.24	FedEx Shipping Charges
29731	11/5/2024	FISHER SCIENTIFIC	1,084.60	Lab Testing Supplies
29732	11/5/2024	FRONTIER	748.10	Phone Service fo Lift Stations 1, 2, 4 & WWTP - Oct
29733	11/5/2024	GLS COMPANIES	780.00	Landscape Services - October
29734	11/5/2024	GRAINGER	538.46	Battery Cable, Gloves, Saw Blade, Marking Paint, Windshield Cleaner
29735	11/5/2024	PETER (or) RENEE HAAS	117,212.50	Construction Bond and Inspection Deposit Refund - 1950 Lemon Ranch
29736	11/5/2024	PETER HUNT	2,462.00	Deposit Refund - 638 Orchard Avenue
29737	11/5/2024	JOSHUA BOBROVE	250.00	Photo Shoot With Congressman Carbajal
29738	11/5/2024	JUAN O'S MOBILE REPAIR	2,000.00	Repairs to the CCTV Van and Vac-Con
29739	11/5/2024	KIMBALL MIDWEST	233.07	Plant Maintenance Materials
29740	11/5/2024	MALLORY SAFETY AND SUPPLY LLC	355.03	Monkey Grip Gloves
29741	11/5/2024	MARBORG INDUSTRIES	181.99	Portable Restroom - September
29742	11/5/2024	MCCORMIX CORP	1,856.55	Vehicle Fule - 10/1 - 10/15/2024
29743	11/5/2024	O'CONNOR PEST CONTROL WEST COAS	1,605.63	Pest, Rodent, Gopher Control at WWTP and Lift Stations - Aug & Sept
29744	11/5/2024	JOSHUA PEREZ	224.00	Colelction System 2 Exam Fee Reimbursement
29745	11/5/2024	PHOENIX CIVIL ENGINEERING	1,950.00	Engineering Services for RFP Support
29746	11/5/2024	PLANETBIDS, INC.	4,234.32	PlanetBids Annual Contract Renewal
29747	11/5/2024	PURETEC INDUSTRIAL WATER	80.82	Water Softener Sodium Tank Exchange
29748	11/5/2024	RINGCENTRAL, INC.	722.95	Phone Services - October
29749	11/5/2024	SANSUM CLINIC	535.00	Pre-Employment Physical - Dakota
29750	11/5/2024	SBCO. CLERK-RECORDER	29.00	Agreemetn Processing Fees
29751	11/5/2024	SOUTHERN CALIFORNIA EDISON CO	17,246.64	Electric Service - October
29752	11/5/2024	STANDARD INSURANCE COMPANY	1,831.55	Short/Long Term Disability Insurance - November
29753	11/5/2024	STREAMLINE	375.00	Website Hosting Services - November
29754	11/5/2024	T4 SPATIAL LLC	10,000.00	CCTV Video Cloud Storage Vault
29755	11/5/2024	UNIVAR SOLUTIONS	13,638.12	Sodium Bisulfite and Hypochlorite Chemicals
29756	11/5/2024	UNDERGROUND SERVICE ALERT	156.15	79 New Dig Alert Tickets - October
29757	11/5/2024	VERIZON BUSINESS	180.15	iPad Tablets Service - October
29758	11/5/2024	JOHN (or) JODIE ZUKOWSKI	1,150.00	Deposit Refund - 620 Parra Grande Lane
29759	11/5/2024	ZWORLD GIS	2,280.00	GIS Services - October
				Toll Fee for Brittany Traveling to San Diego for CSDA Conference
29760	11/22/2024	405 EXPRESS LANES	5.35	
29761	11/22/2024	ACWA/JPIA	29,597.74	Medical/Dental/Life Insurance Premium - November

29762	11/22/2024	AT&T MOBILITY	126.03	Standby Cellphone-November
29763	11/22/2024	CANON FINANCIAL SERVICES INC	371.74	Canon Copier Lease Payment-November
29764	11/22/2024	CINTAS	247.17	Replenish First Aid Supplies
29765	11/22/2024	COLANTUONO, HIGHSMTIH & WHATLE	3,362.50	Legal Counsel Services-October
29766	11/22/2024	COMPUVISION COMMUNICATIONS	5,371.75	IT Services-October
29767	11/22/2024	CORT	44.00	Deed Report-October
29768	11/22/2024	COX BUSINESS	176.04	Wireless Internet Services-November
29769	11/22/2024	CALIFORNIA WATER ENVIRONMENT	478.00	Annual Membership Dues for Rizo and Morelos
29770	11/22/2024	DOCU PRODUCTS	23.78	Copier Maintenance Agreement-October
29771	11/22/2024	ENGEL & GRAY, INC	7,969.64	Biosolids Hauling, Bin Rental-October
29772	11/22/2024	ENV SERVICES INC.	385.94	Chemical Fume Hood Testing
29773	11/22/2024	FAMCON PIPE & SUPPLY, INC	65.25	Nuts & Bolts Set for Collections
29774	11/22/2024	FILIPPIN ENGINEERING	13,735.00	2500 East Valley Road Private Sewer Main Inspection Services
29775	11/22/2024	FISHER SCIENTIFIC	857.10	Lab Testing Supplies
29776	11/22/2024	GOLD COAST ENVIRONMENTAL	3,573.62	Repair and Calibrate Gas Meters and Influent Sampler Repair
29777	11/22/2024	GRAINGER	400.79	Tool Box, Ratchet, Coated Gloves. Safety Signs, Copper Lug, Drill Screw
29778	11/22/2024	HACH COMPANY	317.92	Lab Testing Supplies
29779	11/22/2024	IBS OF SIERRA MADRE	544.15	Batteries for Electric Carts
29780	11/22/2024	LARRY'S AUTO PARTS	552.09	Vehicle Maintenance Parts
29781	11/22/2024	MARBORG INDUSTRIES	1,015.47	Refuse Disposal/Recycling-October, Portable Restroom Rental
29782	11/22/2024	MONTECITO BANK & TRUST (Credit Cards)	2,797.96	Vehicle Repairs, Smog, Lab Supplies, Kuerig Machine & Coffee, Repair Lab Door, Propane for Forklift, Board Lunches, Staff Travel Expense
29783	11/22/2024	MCCORMIX CORP	686.48	Vehicle Fuel 11/01-11/15/2024
29784	11/22/2024	MOUNTAIN SPRING WATER	161.10	Bottled Drinking Water, Cooler Rental-October
29785	11/22/2024	MONTECITO WATER DISTRICT	1,266.44	Water Service-October
29786	11/22/2024	OILFIELD ENVIRONMENTAL & COMPLIA	3,498.84	Annual NPDES Required Lab Sampling, Monthly Outside Lab Analyses
29787	11/22/2024	PAYCHEX OF NEW YORK, LLC	621.76	Payroll Services-October
29788	11/22/2024	PURETEC INDUSTRIAL WATER	308.88	Quarterly Water Softener Tank Rental
29789	11/22/2024	SAFEGUARD BUSINESS SYSTEMS	515.11	Re-Order of Operating Checks
29790	11/22/2024	SBCO AUDITOR-CONTROLLER LAFCO	5,971.00	Annual LAFCO Budget Distribution Fees
29791	11/22/2024	SBCO SPECIAL DISTRICTS ASSOC.	150.00	Annual Membership Dues for Local Chapter
29792	11/22/2024	S B HOME IMPROVEMENT CENTER	148.93	Security Lights, Bulletin Board Glass Replacement
29793	11/22/2024	SEIU LOCAL 620	1,798.72	Union Dues 9/15, 9/29, 10/13, 10/27, 11/10
29794	11/22/2024	SOCAL GAS	173.73	Gas Services-October
29795	11/22/2024	SWRCB-ELAP FEES	4,615.00	Lab Accreditation Program Renewal
29796	11/22/2024	THE TOLL ROADS VIOLATION DEPT.	7.17	Toll Fee for Brittany Traveling to San Diego for CSDA Conference
29797	11/22/2024	UNIVAR SOLUTIONS	8,749.74	Sodium Bisulfite and Hypochlorite Chemicals
Operations and Maintenance Total			<u><u>325,573.02</u></u>	

Bank G: CIP

CheckNumber	CheckDate	Name	Check Amount	Payment Description
1504	11/5/2024	ASPECT ENGINEERING GROUP	1,826.33	CIP No. TSCA; Engineering Services for SCADA Improvements-September
1505	11/5/2024	CUSHMAN CONTRACTING CORP	155,603.00	CIP No. C010; Construction Progress to Protect in Place District Facilities-October
1506	11/5/2024	MICHAEL K. NUNLEY & ASSOCIATES, IN	110.00	CIP No. C005; Engineering Services for the Manhole Rehabilitation Project-September
1507	11/5/2024	PHOENIX CIVIL ENGINEERING	1,950.00	CIP No. L001; Construction Management of the Channel Drive Force Main Improvements-September CIP No. C003; Construction Management of the Sewer Main CIPP Lining Project-September
1508	11/22/2024	CUSHMAN CONTRACTING CORP	1,238,526.68	CIP No. C010; Construction Progress to Protect-in-Place District Facilities-October

1509	11/22/2024	DXP ENTERPRISES, INC	24,629.41	CIP No. T013/PO 4876; Sodium Bisulfite Tank Replacement
1510	11/22/2024	MICHAEL K. NUNLEY & ASSOCIATES, IN	4,177.75	CIP No. C005; Engineering Services for the Manhole Rehabilitation Project-October
1511	11/22/2024	STANTEC CONSULTING SERVICES	39,670.33	CIP No. C010; Engineering Design Services for the Protective Measures of District Facilities-October
1512	11/22/2024	WATER SYSTEMS CONSULTING, INC.	27,600.75	CIP No. C003; Engineering Services for the CIPP Lining Project-August/September/October

CIP Total 1,494,094.25