



Regular Board of Directors Meeting

Thursday, February 9, 2023, at 3:00 p.m.
2435 Wallace Avenue, Summerland CA 93067

NOTES

This meeting will be held at the District's office at 2435 Wallace Avenue in Summerland. The public may listen to the meeting telephonically by calling +1 669 900 6833 (San Jose) Meeting Code ID: 983 226 8568 or through the internet at <https://us02web.zoom.us/j/9832268568>. The public may also attend the meeting. Should you wish to participate by offering comments on either non-agenda or agenda-related items, please follow the instructions set forth in Item IV of the agenda.

Materials related to an item on this agenda, which are part of the agenda packet, are available for public inspection on the District's website at www.summerlandsd.org, or during normal business hours (8:00 a.m. - 4:00 p.m. weekdays) in the District's office.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk of the Board at (805) 969-4344. Notification 24 hours prior to the meeting will help the Clerk make reasonable arrangements to ensure accessibility to this meeting.

AGENDA

- I. **CALL TO ORDER/ROLL CALL**
- II. **PLEDGE OF ALLEGIANCE**
- III. **APPROVAL OF THE AGENDA** [Action-item]
The Board President will ask the Board, public, staff, and legal counsel if there are any additions or modifications to the Agenda.
- IV. **PUBLIC COMMENT** [Non-Agenda Items]
Those wishing to offer public comment must submit a speaker slip to the Clerk of the Board. Public comment is limited to three minutes per speaker. For remote public participation, please email comments to info@summerlandsd.org at least 30 minutes before the meeting begins or call (805) 969-4344 to give a telephone number for the Clerk of the Board to call during the meeting to provide an opportunity for comment.
- V. **APPROVAL OF THE MINUTES FOR THE REGULAR BOARD MEETING OF JANUARY 12, 2023**
2022 [Action Item]
- VI. **APPROVAL OF THE MONTHLY EXPENSES FOR JANUARY 2023, INCLUDING PAYROLL**
AND PETTY CASH [Action Item]
- VII. **CLOSED SESSION**
CONFERENCE WITH LABOR NEGOTIATORS, Government Code Section 54957.6
Unrepresented employee: DISTRICT ADMINISTRATIVE MANAGER

SUMMERLAND SANITARY DISTRICT
Regular Board of Directors Meeting
AGENDA

VIII. COMMITTEE REPORTS UPDATES

- A. Finance Committee Report
- B. Administrative, Operations & Personnel Committee Report

IX. NEW BUSINESS ITEMS

A. Revised Financial Statements FY2021-22 [Action Item]

Description: The Board will receive a revised Financial Statements Report FY2021-22. The revised draft financial statement includes the accrual of the Marine Project Management Inc. invoice of \$343,541, which was paid on July 30, 2022, for a project completed before the close of the fiscal year. The Board will be asked to accept the Financial Statements as presented.

B. Financial Plan/Rate Study Phase 2 Proposal [Action Item]

Description: The District has received the "Financial Plan/Rate Study Phase 2" Proposal from Lechowicz + Tseng Municipal Consultants for review and acceptance.

Staff Recommendation: To accept the Financial Plan/Rate Study Phase 2 Proposal as presented.

X. FINANCIAL STATUS REPORT JANUARY 2023 [Action Item]

The Board will receive Financial Status and Cash Balances Reports for Funds 5215, 5216, and 5217 and may ask staff for explanations. The Board will be asked to accept the reports as presented.

XI. OPERATIONS MANAGER REPORT

The Operations Manager will provide a written report on operations, facility, and collection, system maintenance and affairs and will provide explanations as requested.

XII. ADMINISTRATIVE MANAGER REPORT

The Administrative Manager will provide a written report on the District's administrative affairs and will provide explanations as requested.

XIII. BOARD COMMUNICATIONS

- A. Board Communications
- B. Items for future Board meetings
- C. Next Board meeting date

XIV. ADJOURNMENT



V

Minutes of the Regular Board of Directors Meeting

Thursday, January 12, 2023, at 3:00 p.m.

These are the minutes of the regular meeting of the Governing Board of the Summerland Sanitary District held at the District's Office at 2435 Wallace Avenue, Summerland, California.

The public was able to listen to the meeting telephonically by calling +1 669 900 6833 (San Jose), code 983 226 8568, or through the internet at <https://us02web.zoom.us/j/9832268568>. The public was also allowed to attend the meeting.

The agenda notice for this meeting, including instructions for the public to provide comments and/or participate in the electronic meeting, was posted on the district's website and bulletin board and at the Post Office at least 72 hours in advance of the meeting.

PRESIDENT COLOMY CALLED THE REGULAR BOARD MEETING TO ORDER AT 3:00 p.m.

I. CALL TO ORDER/ROLL CALL

DIRECTORS PRESENT

JOLENE COLOMY
JOHN FRANKLIN
GARY ROBINSON
MARTIN TUCKER
JAMES WITMER

ABSENT

-

OTHERS PRESENT

DAVID LEWIS	Operations Manager
JANET MCGINNIS	Legal Counsel
TRACY SOLOMON, CPA	Bartlett Pringle & Wolf, LLC
MARJON (MAR) SOUZA	Administrative Manager

II. PLEDGE OF ALLEGIANCE

IV. APPROVAL OF THE AGENDA

President J. Colomy asked if there were any modifications and/or changes. Hearing no objections, the agenda was approved as submitted.

V. PUBLIC COMMENT [NON-AGENDA ITEMS]

No public comments were submitted, and Mr. Simpson from MNS, Inc. was present via zoom.

VI. APPROVAL OF THE MINUTES FOR THE REGULAR BOARD MEETING OF DECEMBER 8, 2022[Action Item]

A motion was made by Director J. Franklin to approve the minutes of the Regular Board Meeting of December 8, 2022. The motion was seconded by Director J. Witmer, and was carried by the following roll call vote:

AYES:	5	J. Colomy, J. Franklin, G. Robinson, M. Tucker, J. Witmer
NOES:	0	None
ABSENT:	0	None
ABSTAIN:	0	None

VII. APPROVAL OF THE MONTHLY EXPENSES FOR DECEMBER 2022, INCLUDING PAYROLL AND PETTY CASH [Action Item]

District Management answered the Board's questions and clarified information about the payout of bills. A motion was made by Director J. Franklin to approve the monthly expenses, including payroll and petty cash totaling \$89,832 for Fund 5215 and \$8,999 for Fund 5217. The motion was seconded by Director M. Tucker, and was carried by the following roll call vote:

AYES:	5	J. Colomy, J. Franklin, G. Robinson, M. Tucker, J. Witmer
NOES:	0	None
ABSENT:	0	None
ABSTAIN:	0	None

VIII. COMMITTEE REPORTS

A. Finance Committee Report

The Finance Committee met with Ms. Lechowicz and District staff on December 19, 2022. The Financial Report was presented by Ms. Lechowicz. Ms. Lechowicz answered the committee's questions, and the Financial Report was updated. The Finance Committee recommends that the Board accept the report and move forward with the second phase of the rate study.

B. Administration, Operations & Personnel (AOP) Committee

The AOP Committee did not meet.

VIII. NEW BUSINESS ITEMS

A. Financial Statements FY2021-22 and Management Report June 30, 2022 [Action Item]

The Board received a presentation of the Annual Financial Report and Management Report FY 2021-22 by Tracey Solomon, CPA of Bartlett, Pringle & Wolf, LLP. The Board was requested to accept the Financial Statements as presented.

The District's net position on June 30, 2022, totaled \$3,740,627 compared to \$3,800,655 on June 30, 2021, as a result of an operating loss of \$84,706 and non-operating income of \$24,678. The activity attributable to the changes was discussed through the statements of revenues, expenses, and changes in net position. The cash flow statement and some of the notes to the financial statements were discussed and further explained.

A motion was made by Director J. Franklin to accept the Annual Financial Statements and Management Report as presented. The motion was seconded by Director J. Witmer, and was carried by the following roll call vote:

AYES:	5	J. Colomy, J. Franklin, G. Robinson, M. Tucker, J. Witmer
NOES:	0	None
ABSENT:	0	None
ABSTAIN:	0	None

The Board President Ms. J. Colomy thanked Ms. Solomon for the great audit work performed and at this point, Ms. Solomon left the meeting.

B. Outfall Replacement Rough Order of Magnitude (ROM) Cost Estimate [Action Item]

The Board received the 2022 Summerland Sanitary Outfall Replacement Rough Order of Magnitude Cost Estimate for review and acceptance.

Mr. Steve Simpson from MPM, Inc. was present and answered questions from the Board members.

The report and cost estimate were used for the calculation of the cost-of-service for the financial plan and the rate study will be used to start the grant request process. The outfall replacement process is estimated to take anywhere from two to three years to complete.

C. Draft Financial Plan and Proposed Sewer Rates [Action Item]

The Board received the Draft Financial Plan and Proposed Sewer Rates (dated January 6, 2022) from Lechowicz + Tseng Municipal Consultants for review and acceptance. The Board was requested to consider moving forward with the second phase of the Rate Study.

Ms. Alison Lechowicz presented the Financial Plan and Proposed Sewer Rates via Zoom. Ms. Lechowicz explained the cost-of-service calculation, which includes the ocean outfall replacement project. The reserve recommendations were discussed, including cash flow projections, cost allocation (with the fixed and variable components), unit cost, the proposed residential and non-residential categories, the proposed annual sewer rates, and a rate survey of surrounding districts. Ms. Lechowicz answered questions from the Board members. The overall annual sewer rate increases for the upcoming year in the report are 8% for the first two years and 3.5% for the last 3 years. The rate increases reflect the cost-of-service requirement for the expected replacement of the ocean outfall, CPI adjustment, and the change in the cost allocation in the residential categories.

The Finance Committee recommended accepting the report and moving forward with the second phase of the Rate Study.

The Board said that they will continue exploring merging with a neighboring district, but this process will take time and further analysis. The Board agreed that at this point moving forward with the rate study second phase is a fiscally responsible action for the District.

A motion was made by Director J. Franklin to accept the January 6, 2022, Financial Plan and Proposed Sewer Rates as presented and to move forward with the second phase of the Rate Study. The motion was seconded by Director J. Witmer, and was carried by the following roll call vote:

AYES:	5	J. Colomy, J. Franklin, G. Robinson, M. Tucker, J. Witmer
NOES:	0	None
ABSENT:	0	None
ABSTAIN:	0	None

Ms. Lechowicz will provide a Proposal for services to complete the second phase of the Rate Study which will be discussed at the next Regular Board Meeting on February 9, 2023. Legal Counsel will start drafting the Rate Ordinance thereafter.

D. Montecito Bank & Trust Business Resolution 2023-01[Action Item]

The Board was requested to approve Resolution No. 2023-01 adding the new Operations Manager, Mr. David W. Lewis, as an authorized signatory for the Montecito Bank & Trust Petty Cash Account.

A motion was made by Director J. Witmer to approve Resolution No.2023-01 adding

Summerland Sanitary District
Minutes Regular Board Meeting 01/12/2023

Operations Manager, Mr. David W. Lewis, as an authorized signatory for the Montecito Bank & Trust Petty Cash. The motion was seconded by Director J. Witmer, and was carried by the following roll call vote:

AYES:	5	J. Colomy, J. Franklin, G. Robinson, M. Tucker, J. Witmer
NOES:	0	None
ABSENT:	0	None
ABSTAIN:	0	None

X. FINANCIAL STATUS REPORT – NOVEMBER 2022 [Action Item]

The Board received Financial Status and Cash Balances Reports for Funds 5215, 5216, and 5217, and staff provided explanations as requested.

A motion was made by Director J. Franklin to accept the Financial Status Report of December 2022. The motion was seconded by Director J. Witmer, and was approved by the following roll call vote:

AYES:	5	J. Colomy, J. Franklin, G. Robinson, M. Tucker, J. Witmer
NOES:	0	None
ABSENT:	0	None
ABSTAIN:	0	None

IX. OPERATIONS MANAGER REPORT

Operations Manager D. Lewis provided a written report and answered Board questions. In addition to the report, Mr. Lewis reported that the Outfall Buoy (including the chain) separated from the outfall pipeline anchor cement block during the winter storm, which included unusually high surf. Mr. Lewis found the buoy on the beach a mile down the road and retrieved the buoy with staff when the tide was low enough. Salty Dog Dive Service was contacted for an estimate to reinstall the buoy.

Staff prepared the plant and collection systems in advance for the expected rain; the plant could barely keep up with the inflow, but everything worked out well with a couple of adjustments; no spills occurred.

X. ADMINISTRATIVE MANAGER REPORT

Administrative Manager M. Souza provided a written report and answered Board questions. Mr. Lewis and Ms. Souza spoke to Mr. Turner, the General Manager of Montecito Water District this morning. A grant request was submitted on December 15th by the Montecito Ground Sustainability Agency for a feasibility study for the indirect portable transport of recycled wastewater from the Montecito Sanitary District (MSD) to the Carpinteria Sanitary District (CSD) for injection into groundwater basins. MSD supported this project for the grant request. Ms. Souza reached out to Mr. Turner to learn what this project could mean for SSD. Mr. Turner said that if this project would take place, SSD could potentially transport its sewage to MSD where it would be recycled and transported to CSD. He also said that this project is in its infancy, no grant approval has been received, and the overall cost might prevent moving forward. Ms. Souza will keep in touch with Mr. Turner regarding further developments.

Summerland Sanitary District
Minutes Regular Board Meeting 01/12/2023

XI. BOARD COMMUNICATIONS

- A. Board communications: None
- B. Items for future Board meetings: Proposal for Services for Second Phase Rate Study.
- C. The next regular board meeting is Thursday, February 9, 2023.

XII. ADJOURNMENT

A motion was made by Director J. Witmer to adjourn the Regular Board Meeting at 5:20 p.m. and was seconded by Director J. Franklin and carried by five ayes.

Respectfully submitted:

Gary Robinson
Board Secretary

Date: February 9, 2023

Minutes prepared by M. Souza

Expenditure Transactions

From January 1 through January 31, 2023

From 1/1/2023 to 1/31/2023

Selection Criteria: Fund = 5215, 5216, 5217

Layout Options: Summarized By = Fund; Page Break At = Fund; Columns = Vendor

Fund 5215 -- SummerInd San Dist Running Exp

Document	Post On	Dept	LIAcct	Description	Amount	Vendor	Vendor Name
JE - 0243990	1/1/2023		6475	Contribs to cover 401(h) Addtl Reimb Costs SUMSAN	106.63		
JE - 0243407	1/3/2023		6475	HRA Administrative Fee - DEC 2022	13.50		
CLM - 0715440	1/5/2023		7731	Gasoline December 2022	62.88	522736	McCormix Corporation
CLM - 0715431	1/6/2023		7450	First Aid Kits (9)	494.55	835122	USA BLUEBOOK
CLM - 0715431	1/6/2023		7121	Hach total Chlorine Accuvac, Buffer & solution	256.34	835122	USA BLUEBOOK
CLM - 0715437	1/6/2023		7450	Thank you Card & Plant from Board to N.A.	52.80	790180	Summerland Sanitary District
CLM - 0715437	1/6/2023		7460	Monthly Payroll Program	75.00	790180	Summerland Sanitary District
CLM - 0715438	1/6/2023		7516	Dig alert ticket cost Dec 2022	8.75	828128	UNDERGROUND SERVICE ALERT
CLM - 0715439	1/6/2023		7362	PVC Cement Glue for PVC-Plumbing Projects	43.10	116421	SITE ONE LANDSCAPE SUPPLY LLC
DJE - 0161313	1/6/2023		7053	Purchase secondhand iPhone N.A.	-200.00		
MIC - 0174825	1/6/2023		7763	Water Delivery 12-29	31.05	067307	CULLIGAN OF VENTURA COUNTY
MIC - 0174825	1/6/2023		7763	Water Delivery 12-14	15.61	067307	CULLIGAN OF VENTURA COUNTY
CLM - 0716262	1/13/2023		7053	Internet January 2023	110.00	776537	COX COMMUNICATIONS - BUSINESS
CLM - 0716264	1/13/2023		7053	Phone Wireless Dec 22 plus act. new phone line	239.13	297454	VERIZON WIRELESS
CLM - 0716266	1/13/2023		7763	Water Dec 2022	94.29	556712	MONTECITO WATER DISTRICT
CLM - 0716268	1/13/2023		7121	854 Gallons of Sodium Hypochlorite	3,173.34	214614	UNIVAR SOLUTIONS USA INC
CLM - 0716269	1/13/2023		7121	500 Gallons of Sodium Bisulfite	1,969.47	214614	UNIVAR SOLUTIONS USA INC
CLM - 0716271	1/13/2023		7510	Call Center Service - January 2023	119.25	106048	CENTRAL COMMUNICATIONS
CLM - 0716273	1/13/2023		7110	Compensation Agenda Setting Meeting 01/05/2023	175.00	009934	JOLENE M COLOMY
JE - 0244000	1/15/2023		6400	Retirement Contr. Payroll 01-15-2023	5,197.68		
JE - 0244000	1/15/2023		6475	Retirement Healthcare Contr. retirees 01-15-2023	241.67		
CLM - 0716415	1/17/2023		7030	Safety Shoes (2) C.B. & V.A.	419.15	790180	Summerland Sanitary District
CLM - 0716415	1/17/2023		7630	Milwaukee 12-Volt Battery & Charger	235.97	790180	Summerland Sanitary District
CLM - 0716415	1/17/2023		7363	Holiday Lunch & Pneumatic Grease Gun	295.26	790180	Summerland Sanitary District
CLM - 0716415	1/17/2023		7450	New Heater, Poinsettia's, Household & Office Supp	420.78	790180	Summerland Sanitary District
CLM - 0716415	1/17/2023		7454	Zoom & Office 365 Monthly Subscription	23.24	790180	Summerland Sanitary District
CLM - 0716415	1/17/2023		7459	Computer Technician Set up computer Op. Manager	262.50	790180	Summerland Sanitary District
CLM - 0716415	1/17/2023		7460	Website Security Annual Sub. & 1 Email Purchase	215.64	790180	Summerland Sanitary District
CLM - 0716451	1/17/2023		6100	Regular Salaries January 1-15, 2023	14,913.58	790178	Summerland Sanitary District

Petty Cash

Credit Card Exp.

H

Expenditure Transactions

From 1/1/2023 to 1/31/2023

Selection Criteria: Fund = 5215, 5216, 5217

Layout Options: Summarized By = Fund; Page Break At = Fund; Columns = Vendor

Fund 5215 -- SummerInd San Dist Running Exp

Document	Post On	Dept	LIAcct	Description	Amount	Vendor	Vendor Name
CLM - 0716451	1/17/2023		6270	Standby January 1-15, 2023	803.23	790178	Summerland Sanitary District
CLM - 0716451	1/17/2023		6300	Overtime January 1-15, 2023	382.63	790178	Summerland Sanitary District
CLM - 0716451	1/17/2023		6500	Medicare and Fica January 1-15, 2023	1,287.78	790178	Summerland Sanitary District
CLM - 0716663	1/17/2023		7121	513 Gallons of Sodium Bisulfite	2,019.89	214614	UNIVAR SOLUTIONS USA INC
CLM - 0717082	1/20/2023		6600	Medical Benefits Feb 2023, plus credits	1,554.98	002073	SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
CLM - 0717085	1/20/2023		7764	Trash Service Dec 2022	348.09	509950	MARBORG INDUSTRIES
CLM - 0717088	1/20/2023		7110	Comp. Regular Board Meeting 01/12/2023	175.00	091927	JAMES WITMER
CLM - 0717089	1/20/2023		7110	Comp. Regular Board Meeting 01/12/2023	175.00	765907	John Franklin
CLM - 0717090	1/20/2023		7110	Comp. Regular Board Meeting 01/12/2023	175.00	009934	JOLENE M COLOMY
CLM - 0717129	1/20/2023		7110	Comp. Regular Board Meeting 01/12/2023	175.00	009758	MARTIN TUCKER
CLM - 0717131	1/20/2023		7110	Comp. Regular Board Meeting 01/12/2023	175.00	167410	GARY W ROBINSON
CLM - 0717132	1/20/2023		7731	Gasoline January 2023	173.44	522736	McCormix Corporation
CLM - 0717136	1/20/2023		7404	FGL Lab testing 11/21/2022 - 11/30/2022	1,738.00	270150	FGL ENVIRONMENTAL INC
CLM - 0718018	1/26/2023		7761	Electric Bill 12/05/22 - 01-03-2023	4,559.65	767200	SOUTHERN CALIFORNIA EDISON
CLM - 0718020	1/26/2023		7121	Hach total Chlorine Accuvac. buffer plus tax	185.95	835122	USA BLUEBOOK
CLM - 0718015	1/30/2023		7460	Financial Plan	7,680.00	169424	LECHOWICZ & TSENG MUNICIPAL CONSULTANTS
CLM - 0718738	1/31/2023		6100	Regular Salaries January 16-31, 2023	16,153.40	790178	Summerland Sanitary District
CLM - 0718738	1/31/2023		6270	Standby January 16-31, 2023	952.77	790178	Summerland Sanitary District
CLM - 0718738	1/31/2023		6300	Overtime January 16-31, 2023	288.88	790178	Summerland Sanitary District
CLM - 0718738	1/31/2023		6500	Medicare and Fica January 16-31, 2023	1,393.83	790178	Summerland Sanitary District
CLM - 0718746	1/31/2023		7053	Monthly Charge LS Alarm Phones 01/13-02/12	237.89	075391	FRONTIER
CLM - 0718751	1/31/2023		7053	Monthly Charge Plant/Office Phone 01/13-02/12	317.13	075391	FRONTIER
Total SummerInd San Dist Running Exp					70,018.70		

Expenditure Transactions

From 1/1/2023 to 1/31/2023

Selection Criteria: Fund = 5215, 5216, 5217

Layout Options: Summarized By = Fund; Page Break At = Fund; Columns = Vendor

Fund 5217 -- SummerInd San Dist-Capital Rep

Document	Post On	Dept	LIAcct	Description	Amount	Vendor	Vendor Name
CLM - 0717135	1/20/2023		8400	Outfall Replac. ROM Cost Estimate per Board Appr.	6,500.00	131815	MARINE PROJECT MANAGEMENT INC
Total SummerInd San Dist-Capital Rep					6,500.00		



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

IX A/1

February 2, 2023

Board of Directors
Summerland Sanitary District
P.O. Box 417
Summerland, CA 93067

Re: Explanation of Audit Adjustment to Accrue MPM Invoice

An audit adjustment was made subsequent to the initial draft of the financial statements to record invoice #21248 from MPM related to expenses for the abandoned ocean outfall rehabilitation project in the amount of \$343,541 as of June 30, 2022. The entry is reflected in accounts payable on the Statement of Net Position (page 10 of the financial statements) and in loss on disposal of assets on the Statement of Revenues, Expenses and Changes in Net Position (page 11 of the financial statements). The invoice was initially recorded at the end of July; however, it was determined that the services were provided in May and June and therefore relate to the June 30, 2022 fiscal year. Footnote 3 was also updated to reflect the addition and disposal of capital related costs related to the project. There was no net change to fixed assets. Note 9 included a disclosure for the non-cash capital related item since it was not reflected in the Statement of Cash Flows.

The Management's Discussion and Analysis section of the financial statements was updated to reflect the revised Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, and the corresponding analysis.

This memo is intended solely for the information and use of the Board of Directors and management. It 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 may have about this memo. We appreciate the opportunity to continue to be of service to Summerland Sanitary District.

Very truly yours,

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

Tracey Solomon
Partner

**SUMMERLAND
SANITARY DISTRICT
June 30, 2022 and 2021
FINANCIAL STATEMENTS**



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

SUMMERLAND SANITARY DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Management's Discussion and Analysis.....	3 - 9
Basic Financial Statements:	
Statement of Net Position.....	10
Statement of Revenues, Expenses and Changes in Net Position.....	11
Statement of Cash Flows.....	12
Notes to Financial Statements.....	13 - 32
Required Supplementary Information:	
Santa Barbara County Employees' Retirement System – Schedule of Summerland Sanitary District's Proportionate Share of the Net Pension Liability.....	33
Santa Barbara County Employees' Retirement System – Schedule of Summerland Sanitary District's Contributions.....	34
Other Post-Employment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios.....	35

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Summerland Sanitary District (the District) as of and for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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.

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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, the Santa Barbara County Employees' Retirement System – Schedule of Summerland Sanitary District's Proportionate Share of the Net Pension Liability on page 33, the Santa Barbara County Employees' Retirement System – Schedule of Summerland Sanitary District's Contributions on page 34, and the Other Postemployment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios on page 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Santa Barbara, California
January 12, 2023

SUMMERLAND SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Summerland Sanitary District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements and related notes, which follow this section.

Financial Statements

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

- 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 may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted Net Position
- Unrestricted Net Position

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:

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

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

SUMMERLAND SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The notes to the basic financial statements can be found on pages 13 through 32.

Financial Highlights

- The District's net position decreased by 10.6% or \$403,569 to \$3,397,086 in fiscal year 2022 as a result of operating loss of \$84,706 and non-operating loss of \$318,863. In the prior year, the District's net position increased by 2.4% or \$89,228 to \$3,800,655 in fiscal year 2021 as a result of operating loss of \$203,879, non-operating income of \$263,702, and capital contributions of \$29,405.
- The District's operating revenues decreased by 1.7% or \$17,996 in fiscal year 2022. In the prior year, operating revenues increased by 2.9% or 30,040.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position reports information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Statement of Net Position

One can think of the District's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State wastewater standards.

The District has an Operations Fund, a Restricted Capital Facilities Fund, and an Unrestricted Board Designated Fund for Capital Replacement and Repair (respectively fund 5215, 5216 and 5217).

The District's net position at June 30, 2022 totaled \$3,397,086 compared to \$3,800,655 at June 30, 2021. The activity attributable to the changes in net position can be found on the statement of revenues, expenses and changes in net position.

**SUMMERLAND SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Condensed Statement of Net Position

The following is a summary of the District's statement of net position as of June 30, 2022 compared to June 30, 2021:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Assets:			
Current assets	\$ 2,397,618	\$ 2,092,412	\$ 305,206
Restricted assets	227,445	250,276	(22,831)
Capital assets, net	2,588,056	2,555,016	33,040
Total assets	<u>5,213,119</u>	<u>4,897,704</u>	<u>315,415</u>
Deferred Outflows of Resources:			
Deferred pensions	270,388	417,746	(147,358)
Deferred other post-employment benefits	32,935	39,739	(6,804)
Total deferred outflows of resources	<u>303,323</u>	<u>457,485</u>	<u>(154,162)</u>
Liabilities:			
Current liabilities	390,099	17,196	372,903
Long-term liabilities	1,241,480	1,427,565	(186,085)
Total liabilities	<u>1,631,579</u>	<u>1,444,761</u>	<u>186,818</u>
Deferred Inflows of Resources:			
Deferred pensions	445,157	84,575	360,582
Deferred other post-employment benefits	42,620	25,198	17,422
Total deferred inflows of resources	<u>487,777</u>	<u>109,773</u>	<u>378,004</u>
Net Position:			
Net investment in capital assets	2,588,056	2,555,016	33,040
Restricted	228,518	250,277	(21,759)
Unrestricted	580,512	995,362	(414,850)
Total net position	<u>\$ 3,397,086</u>	<u>\$ 3,800,655</u>	<u>\$ (403,569)</u>

Assets and deferred outflows of resources of the District exceed liabilities and deferred inflows of resources by \$3,397,086 as of June 30, 2022 and \$3,800,655 as of June 30, 2021.

A large portion of the District's net position (76% and 67% as of June 30, 2022 and June 30, 2021, respectively) reflects its net investment in capital assets net of related debt used to acquire those assets that are still outstanding. Net investment in capital assets excludes unspent debt proceeds. The District uses these capital assets to provide sewer service to customers within the District's service area; consequently, these assets are *not* available for future spending.

Total liabilities had an overall increase of \$186,818 as of June 30, 2022 compared to June 30, 2021. During 2022, \$500,000 of new debt was incurred to finance the outfall repair project. Additionally, current assets includes \$343,541 that was accrued for costs related to the ocean outfall project. The increase related to the ocean outfall project was offset by a decrease in the net pension liability as of June 30, 2022, as reflected in the actuarial valuation.

Restricted net position as of June 30, 2022 and June 30, 2021 was \$228,518 and \$250,277, respectively, and is restricted for capital outlay. At the end of the fiscal years 2022 and 2021, the District shows a positive balance in its unrestricted net position of \$924,053 and \$995,362, respectively, which may be utilized in future years. As of June 30, 2022 and June 30, 2021, \$1,128,320 and \$1,350,227, respectively, was included in fund 5217 designated by the board for capital replacement and repair.

SUMMERLAND SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position (Continued)

The following is a summary of the District's statement of net position as of June 30, 2021 compared to June 30, 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets:			
Current assets	\$ 2,092,412	\$ 1,820,887	\$ 271,525
Restricted assets	250,276	342,878	(92,602)
Capital assets, net	2,555,016	2,589,792	(34,776)
Other assets	-	1,664	(1,664)
Total assets	<u>4,897,704</u>	<u>4,755,221</u>	<u>142,483</u>
Deferred Outflows of Resources:			
Deferred pensions	417,746	364,223	53,523
Deferred other post-employment benefits	39,739	11,805	27,934
Total deferred outflows of resources	<u>457,485</u>	<u>376,028</u>	<u>81,457</u>
Liabilities:			
Current liabilities	17,196	46,349	(29,153)
Long-term liabilities	1,427,565	1,258,618	168,947
Total liabilities	<u>1,444,761</u>	<u>1,304,967</u>	<u>139,794</u>
Deferred Inflows of Resources:			
Deferred pensions	84,575	94,760	(10,185)
Deferred other post-employment benefits	25,198	20,095	5,103
Total deferred inflows of resources	<u>109,773</u>	<u>114,855</u>	<u>(5,082)</u>
Net Position:			
Net investment in capital assets	2,555,016	2,589,792	(34,776)
Restricted	250,277	311,461	(61,184)
Unrestricted	995,362	810,174	185,188
Total net position	<u>\$ 3,800,655</u>	<u>\$ 3,711,427</u>	<u>\$ 89,228</u>

Assets and deferred outflows of resources of the District exceed liabilities and deferred inflows of resources by \$3,800,655 as of June 30, 2021 and \$3,711,427 as of June 30, 2020.

A large portion of the District's net position (67% and 70% as of June 30, 2021 and June 30, 2020, respectively) reflects its net investment in capital assets net of related debt used to acquire those assets that are still outstanding. Net investment in capital assets excludes unspent debt proceeds. The District uses these capital assets to provide sewer service to customers within the District's service area; consequently, these assets are *not* available for future spending.

Restricted net position as of June 30, 2021 and June 30, 2020 was \$250,277 and \$311,461, respectively, and is restricted for capital outlay.

SUMMERLAND SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position (Continued)

At the end of the fiscal years 2021 and 2020, the District shows a positive balance in its unrestricted net position of \$995,362 and \$810,174, respectively, which may be utilized in future years. As of June 30, 2021 and June 30, 2020, \$1,350,227 and \$754,302, respectively, was included in fund 5217 designated and reserved by the board for capital replacement and repair.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal year. Net position decreased by \$403,569 for the fiscal year ended June 30, 2022 and increased by \$89,228 for the fiscal year ended June 30, 2021. Following is a summary of the District's statement of revenues, expenses and changes in net position for the year ending June 30, 2022 compared to June 30, 2021:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 1,036,539	\$ 1,054,535	\$ (17,996)
Non-operating revenues	297,208	293,107	4,101
Total revenues	<u>1,333,747</u>	<u>1,347,642</u>	<u>(13,895)</u>
Expenses:			
Operating expenses	951,272	1,096,555	(145,283)
Non-operating expenses	616,071	-	616,071
Depreciation	169,973	161,859	8,114
Total expenses	<u>1,737,316</u>	<u>1,258,414</u>	<u>478,902</u>
Change in net position	(403,569)	89,228	(492,797)
Net position, beginning of year	<u>3,800,655</u>	<u>3,711,427</u>	<u>89,228</u>
Net position, end of year	<u>\$ 3,397,086</u>	<u>\$ 3,800,655</u>	<u>\$ (403,569)</u>

In 2022 the District's total revenues decreased by \$13,895 primarily due to having no connection fees or capital contributions in the current year, which was partially offset by increased service charges and property taxes. Total expenses increased by \$478,902 primarily due to a legal settlement of \$202,080 in 2022 and a loss on disposal of capital assets of \$413,990, which was offset by a decrease in salaries and benefits expenses.

**SUMMERLAND SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses and Changes in Net Position (Continued)

Following is a summary of the District's statement of revenues, expenses and changes in net position for the year ending June 30, 2021 compared to June 30, 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 1,054,535	\$ 1,024,495	\$ 30,040
Non-operating revenues	293,107	400,897	(107,790)
Total revenues	<u>1,347,642</u>	<u>1,425,392</u>	<u>(77,750)</u>
Expenses:			
Operating expenses	1,096,555	1,062,440	34,115
Depreciation	161,859	148,371	13,488
Total expenses	<u>1,258,414</u>	<u>1,210,811</u>	<u>47,603</u>
Change in net position	89,228	214,581	(125,353)
Net position, beginning of year	<u>3,711,427</u>	<u>3,496,846</u>	<u>214,581</u>
Net position, end of year	<u>\$ 3,800,655</u>	<u>\$ 3,711,427</u>	<u>\$ 89,228</u>

In 2021 the District's total revenues decreased by \$77,750 primarily due to contributed capital of the Ortega Ridge Road mainline extension in the amount of \$109,890 that was contributed in 2020 and was not a reoccurring revenue. Total expenses increased by \$47,603 primarily due to facilities expenses, including depreciation, supplies, insurance and electricity.

Property and Equipment

Changes in property and equipment for fiscal year ending June 30, 2022 were as follows:

	<u>Balance 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2022</u>
Non-depreciable assets	\$ 2,525	\$ -	\$ -	\$ 2,525
Depreciable assets	5,508,716	617,003	(546,931)	5,578,788
Accumulated depreciation	<u>(2,956,225)</u>	<u>(169,973)</u>	<u>132,941</u>	<u>(2,993,257)</u>
Total property and equipment, net	<u>\$ 2,555,016</u>	<u>\$ 447,030</u>	<u>\$ (413,990)</u>	<u>\$ 2,588,056</u>

**SUMMERLAND SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Property and Equipment (Continued)

Changes in property and equipment for fiscal year ending June 30, 2021 were as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets	\$ 2,525	\$ -	\$ -	\$ 2,525
Depreciable assets	5,405,541	127,083	(23,908)	5,508,716
Accumulated depreciation	(2,818,274)	(161,859)	23,908	(2,956,225)
Total property and equipment, net	<u>\$ 2,589,792</u>	<u>\$ (34,776)</u>	<u>\$ -</u>	<u>\$ 2,555,016</u>

At the end of fiscal years 2022 and 2021, the District's investment in capital assets net of accumulated depreciation amounted to \$2,588,056 and \$2,555,016, respectively. This investment in capital assets includes land, sewage treatment facilities, subsurface lines, ocean outfall lines and equipment. Capital assets additions during 2022 include \$478,424 for subsurface lines, \$13,098 for sewage treatment facilities and \$125,481 for equipment additions. Additionally, capital assets deletions during 2022 include \$443,638 for subsurface lines, \$28,460 for sewage treatment facilities, \$1,319 for ocean outfall lines and \$73,514 for equipment with accumulated depreciation amounted to \$132,941. The disposals resulted in a net loss of \$413,990, primarily due to the abandonment of the rehabilitation ocean outfall project. During 2021, additions include \$96,307 for subsurface lines, \$4,336 for sewage treatment facilities and \$26,440 for equipment additions. During 2021 capital assets deletions include \$23,908 for equipment with accumulated depreciation amounted to \$23,908.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Administrative Manager at 2435 Wallace Avenue, Summerland, CA 93067.

SUMMERLAND SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 2,393,761	\$ 2,090,492
Interest receivable	3,857	1,920
Total current assets	<u>2,397,618</u>	<u>2,092,412</u>
Restricted assets:		
Cash and cash equivalents, restricted (Note 2)	227,096	250,043
Interest receivable, restricted	349	233
Total restricted assets	<u>227,445</u>	<u>250,276</u>
Property and equipment:		
Total property and equipment	5,581,313	5,511,241
Accumulated depreciation	<u>(2,993,257)</u>	<u>(2,956,225)</u>
Net property and equipment (Notes 1 and 3)	<u>2,588,056</u>	<u>2,555,016</u>
Total assets	<u>5,213,119</u>	<u>4,897,704</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions (Note 5)	270,388	417,746
Deferred other post-employment benefits (Note 6)	32,935	39,739
Total deferred outflows of resources	<u>303,323</u>	<u>457,485</u>
LIABILITIES		
Current liabilities:		
Accounts payable	346,684	17,196
Current portion of long-term debt (Note 4)	43,415	-
Total current liabilities	<u>390,099</u>	<u>17,196</u>
Long-term liabilities:		
Accrued compensated absences (Note 1)	21,550	24,399
Long-term debt (Note 4)	456,585	-
Other accrued expenses (Note 8)	153,000	153,000
Net pension liability (Note 5)	429,186	1,043,070
Other post-employment benefits liability (Note 6)	181,159	207,096
Total long-term liabilities	<u>1,241,480</u>	<u>1,427,565</u>
Total liabilities	<u>1,631,579</u>	<u>1,444,761</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions (Note 5)	445,157	84,575
Deferred other post-employment benefits (Note 6)	42,620	25,198
Total deferred inflows of resources	<u>487,777</u>	<u>109,773</u>
NET POSITION		
Net investment in capital assets	2,588,056	2,555,016
Restricted	228,518	250,277
Unrestricted	<u>580,512</u>	<u>995,362</u>
Total net position	<u>\$ 3,397,086</u>	<u>\$ 3,800,655</u>

See accompanying notes

SUMMERLAND SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Service charges	\$ 1,031,362	\$ 1,012,298
Connection fees	-	28,566
Inspection fees	1,683	5,371
Administrative revenue	3,494	8,300
Total operating revenues	<u>1,036,539</u>	<u>1,054,535</u>
Operating expenses:		
Salaries and benefits	635,690	779,077
Facilities	132,392	124,165
Services and supplies	183,190	193,313
Depreciation	169,973	161,859
Total operating expenses	<u>1,121,245</u>	<u>1,258,414</u>
Operating loss	<u>(84,706)</u>	<u>(203,879)</u>
Non-operating revenues (expenses):		
Property taxes	287,207	261,357
Gain (loss) on disposal of assets	(413,990)	6,382
Loss on settlement of litigation	(202,080)	-
Investment earnings (loss)	10,000	(4,037)
Net non-operating income	<u>(318,863)</u>	<u>263,702</u>
Change in net position before contributions	(403,569)	59,823
Capital contributions	<u>-</u>	<u>29,405</u>
Change in net position	(403,569)	89,228
Net position, beginning of year	<u>3,800,655</u>	<u>3,711,427</u>
Net position, end of year	<u>\$ 3,397,086</u>	<u>\$ 3,800,655</u>

See accompanying notes

SUMMERLAND SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,036,539	\$ 1,056,199
Cash payments to suppliers for goods and services	(531,715)	(346,631)
Cash payments to employees for services	(746,194)	(696,669)
Net cash provided by operating activities	<u>(241,370)</u>	<u>12,899</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from property taxes	<u>287,207</u>	<u>261,357</u>
Net cash provided by noncapital financing activities	<u>287,207</u>	<u>261,357</u>
Cash Flows from Capital and Related Financing Activities:		
Additions-equipment	(125,481)	(26,440)
Additions-subsurface lines	(134,883)	(66,902)
Additions-disposal plant	(13,098)	(4,336)
Proceeds from debt	500,000	-
Net cash used by capital and related financing activities	<u>226,538</u>	<u>(97,678)</u>
Cash Flows from Investing Activities:		
Investment earnings	7,947	451
Proceeds from sale of long-term asset	-	6,382
Net cash provided by investing activities	<u>7,947</u>	<u>6,833</u>
Net change in cash	280,322	183,411
Cash and restricted cash and equivalents at beginning of period	<u>2,340,535</u>	<u>2,157,124</u>
Cash and restricted cash and equivalents at end of period	<u>\$ 2,620,857</u>	<u>\$ 2,340,535</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (84,706)	\$ (203,879)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	169,973	161,859
Loss on settlement of litigation	(202,080)	
Decrease (increase) in:		
Other receivable	-	1,664
Deferred outflows	154,162	(81,457)
Increase (decrease) in:		
Accounts payable	(14,053)	(29,153)
Net pension liability	(613,884)	136,964
Other post-employment benefits	(25,937)	31,365
Deferred inflows	378,004	(5,082)
Accrued compensated absences	(2,849)	618
Net cash provided by operating activities	<u>\$ (241,370)</u>	<u>\$ 12,899</u>

See accompanying notes

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A) Organization and Operations of the Reporting Entity

Summerland Sanitary District (District) was formed in 1957, under the provisions of the Sanitary District Act of 1923 Health and Safety Code, State of California, Section 6400, et seq. The District is located in an area generally known as Summerland in Santa Barbara, California. The District was organized 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 serve with minimal compensation for attendance at official board meetings or services as adopted through resolution 2015-01. The Board employs and is assisted by an Operations Manager, Administrative Manager, and such other personnel as are required to operate the District.

B) Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through use charges for sewer services and connection fees. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

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. The principal operating revenues of the District are charges for sewer services and connection fees. Operating expenses of the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District is responsible for funding all of its expenses, regardless of the operation or non-operating classification.

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

C) Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

D) Budgetary Policies

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.

E) Property Taxes and Sewer Service Charges

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations. Secured property taxes are levied on July 1 and become delinquent on December 10 and April 10, for the first and second installments, respectively. Unsecured personal property taxes are collected in one installment and become delinquent August 31.

Property taxes and sewer service charges are allocated on the County of Santa Barbara's annual tax bills to property owners who receive sewer service by the District. The County of Santa Barbara Tax Collector's Office collects the property taxes and sewer charge payments from the property owners and transfers the collection to the District's operating fund held with the County Treasurer's Office. During fiscal year 1994, the District adopted the *Teeter Plan* as defined under California Revenue and Taxation Code. Under the Teeter Plan, the District receives from the County 99.5% of the annual assessed secured and unsecured property taxes and 100% of its annual sewer service charges for the year, with the County responsible for the collection of any delinquent property taxes and sewer service charges. Therefore, the County receives the benefits of collecting all penalty and interest charges on the delinquent property taxes and sewer service charges; hence, no accrual for uncollected property taxes and sewer service charges is recorded at year-end.

F) Compensated Absences

Vacation Accrual

Employees are encouraged to use their accrued vacation benefits each calendar year. Full and part-time employees may accrue up to a maximum of two times their annual accrual amount as indicated below based upon full-time employment.

<u>Years of Service Completed</u>	<u>Maximum Vacation Accrual</u>
Up to 4 years	160 hours
5 to 9 years	240 hours
10 to 14 years	320 hours
15+ years	400 hours

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

F) Compensated Absences (Continued)

In the event an employee's earned but unused vacation benefit reaches the maximum accrual that is allowed, vacation benefits will cease to accrue until the employee takes enough vacation to lower the maximum accrual entitlement. Vacation benefit accruals will then resume up to the maximum time allowed.

Sick Leave Pay Out

Upon retirement from the District through the County Retirement System, all accrued unused sick leave up to a maximum of 80 (eighty) hours shall be paid to the employee in accordance with the following schedule:

<u>Years of Service Completed</u>	<u>Sick Leave Pay Out</u>
Up to 10 years	50%
10 to 20 years	75%
20+ years	100%

Sick leave pay will be calculated based on the employee's current regular hourly rate of pay. Accumulated sick leave over 80 (eighty) hours will be rolled over to the retirement system for service time credit.

Employees who voluntarily resign before retirement through the County Retirement System or are discharged from District service are not eligible for sick leave pay-out of any accrued and unused sick leave hours. If the employee is rehired within one year of the initial separation due to voluntary resignation before retirement through the County Retirement System or discharge from District service, all previously unused sick leave will be reinstated.

As of June 30, 2022 and 2021 compensated absences were \$21,550 and \$24,399, respectively.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

G) Property and Equipment

Property and equipment acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Sewage treatment facilities – 5 to 50 years
- Subsurface lines – 5 to 50 years
- Ocean outfall lines – 8 to 20 years
- Equipment – 3 to 30 years

H) Net Position

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

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.” Board designated 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.

I) 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 Summerland Sanitary District's proportionate share of the Santa Barbara County Employees' Retirement System (Retirement System) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Retirement System. 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.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

J) 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, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

K) Future Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements if applicable. 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. 91	<i>"Conduit Debt Obligations"</i>	The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
Statement No. 94	<i>"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 96	<i>"Subscription-Based Information Technology Arrangements"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 99	<i>"Omnibus 2022"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
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 2 – Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Cash Equivalents (Continued)

Authorized Deposits and Investments

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions. Investments are to be made in the Santa Barbara County Pooled Investment Fund (SBCPIF).

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon liquidation or sale of investments.

Cash and cash equivalents are classified in the statement of net position as of June 30, as follows:

	<u>2022</u>	<u>2021</u>
Deposits held with financial institutions	\$ 28,501	\$ 29,968
Deposits held with Santa Barbara County Pooled Investment Fund (SBCPIF)	2,592,356	2,310,567
Total	<u>\$ 2,620,857</u>	<u>\$ 2,340,535</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents, unrestricted	\$ 2,393,761	\$ 2,090,492
Cash and cash equivalents, restricted capacity fees	227,096	250,043
Total	<u>\$ 2,620,857</u>	<u>\$ 2,340,535</u>

Santa Barbara County Pooled Investment Fund

The cash with the County of Santa Barbara is managed by the County Treasurer's Office. Sewer service charges and property taxes collected for the District are deposited in the District's operating account (fund). The majority of expenses of the District are processed through this account. The Pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like Pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow. All participants in the Pool are allocated their proportionate share of the net realized earnings on investments quarterly based upon each participant's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participants based upon the participant's ending cash balance. Credit and market risk is unknown for the District's Pool share. The fair value of the Pool is based on the value of the Pool shares.

The County of Santa Barbara's bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of Santa Barbara's Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of Santa Barbara Auditor-Controller's Office – 105 E. Anapamu Street, Santa Barbara, CA 93101.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Cash Equivalents (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depositor financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District had deposits with bank balances of \$28,501 as of June 30, 2022. Of the bank balance, up to \$250,000 is federally insured, any balance over \$250,000 is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 Code and the District's investment policy contain legal and 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 SBCPIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value is sensitive to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The SBCPIF is considered to have a maturity of less than 12 months.

Note 3 – Property and Equipment

Property and equipment additions during 2022 include \$13,098 for sewage treatment facilities, \$478,424 for subsurface lines and \$125,482 for equipment additions. Additionally, property and equipment deletions during 2022 include \$28,460 for sewage treatment facilities, \$443,638 for subsurface lines, \$1,319 for ocean outfall lines and \$73,514 for equipment.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 3 – Property and Equipment (Continued)

Changes in capital assets during 2022 were as follows:

	Balance 2021	Additions	Disposals	Transfers	Balance 2022
Non-depreciable assets:					
Land	\$ 2,525	\$ -	\$ -	\$ -	\$ 2,525
Total non-depreciable assets	2,525	-	-	-	2,525
Depreciable assets:					
Sewage treatment facilities	2,919,917	13,098	(28,460)	(887,330)	2,017,225
Subsurface lines	1,804,559	478,424	(443,638)	848,170	2,687,515
Ocean outfall lines	52,961	-	(1,319)	41,561	93,203
Equipment	731,279	125,481	(73,514)	(2,401)	780,845
Total depreciable assets	5,508,716	617,003	(546,931)	-	5,578,788
Accumulated depreciation	(2,956,225)	(169,973)	132,941	-	(2,993,257)
Total depreciable assets, net	2,552,491	447,030	(413,990)	-	2,585,531
Total capital assets, net	\$ 2,555,016	\$ 447,030	\$ (413,990)	\$ -	\$ 2,588,056

Property and equipment additions during 2021 include \$4,336 for sewage treatment facilities, \$96,307 for subsurface lines and \$26,440 for equipment additions. Additionally, property and equipment deletions during 2021 include \$23,908 for equipment. Changes in capital assets during 2021 were as follows:

	Balance 2020	Additions	Disposals	Transfers	Balance 2021
Non-depreciable assets:					
Land	\$ 2,525	\$ -	\$ -	\$ -	\$ 2,525
Total non-depreciable assets	2,525	-	-	-	2,525
Depreciable assets:					
Sewage treatment facilities	2,915,581	4,336	-	-	2,919,917
Subsurface lines	1,708,252	96,307	-	-	1,804,559
Ocean outfall lines	52,961	-	-	-	52,961
Equipment	728,747	26,440	(23,908)	-	731,279
Total depreciable assets	5,405,541	127,083	(23,908)	-	5,508,716
Accumulated depreciation	(2,818,274)	(161,859)	23,908	-	(2,956,225)
Total depreciable assets, net	2,587,267	(34,776)	-	-	2,552,491
Total capital assets, net	\$ 2,589,792	\$ (34,776)	\$ -	\$ -	\$ 2,555,016

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4 – Long-Term Debt

On April 19, 2022, the District entered into a loan agreement with Municipal Finance Corporation in the amount of \$500,000, with repayment in ten annual payments of \$58,915, with a 3.1% fixed interest rate. The loan proceeds are used to fund the outfall pipeline repair project. The outstanding balance was \$500,000 at June 30, 2022. The loan is secured by a pledge of Net Revenues. Total annual requirements to amortize the debt are as follows:

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 43,415	\$ 15,500	\$ 58,915
2024	44,761	14,154	58,915
2025	46,148	12,767	58,915
2026	47,579	11,336	58,915
2027	49,054	9,861	58,915
2028 - 2032	269,043	25,530	294,573
	<u>\$ 500,000</u>	<u>\$ 89,148</u>	<u>\$ 589,148</u>

Note 5 – Retirement Plan

General Information about the Pension Plans

Plan Descriptions –The District is a member of Santa Barbara County’s cost sharing multiple-employer defined benefit pension plan, which is administered by the Santa Barbara County Employees’ Retirement System (Retirement System). On April 28, 1994, the Board of Directors approved and adopted Resolution No. 1984-01, allowing the employees of the District to join the Santa Barbara County Employees’ Retirement System. The Retirement System was organized under the provision of the 1937 County Employees Retirement Act on January 1, 1944.

The District currently participates in General Plan 5B for employees who started prior to January 1, 2013, and PEPRA Plan 8 for employees who started on or after January 1, 2013. All plans provide benefits as defined by law upon retirement, death or disability of members based upon a combination of age, years of service, final average salary (generally the 12 highest paid consecutive months), and the benefit options selected. Cost-of-living adjustments after retirement are provided in these plans.

Fiduciary Responsibility –The Retirement System is controlled by its own Retirement Board, which acts as a fiduciary agent for the accounting and control of the member and employee contributions and investment income. The Retirement System issues its own Comprehensive Annual Financial Report which includes note disclosures and required supplementary information for the pension plan. This may be obtained online at www.sbcers.org or by writing to the Santa Barbara County Employees’ Retirement System at 3916 State Street, Suite 210, Santa Barbara, CA 93105.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

Benefits Provided—All pension plans provide benefits, in accordance with CERL regulations, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing 5 years of retirement service credit (5 year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning 5 years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service related disability benefits are based upon final average compensation or retirement benefits (if eligible). Non-service related disability benefits are based on 1) years of service and final average compensation or 2) retirement benefits (if eligible). Death benefits are based upon a variety of factors including whether the participant was retired or not. Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to an annual maximum dependent upon the provisions of the plans. Specific details for the retirement, disability or death benefit calculations and COLA maximums for each of the pension plans are available in the separately issued SBCERS' Comprehensive Annual Financial Report (CAFR).

Contributions – Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the SBCERS Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the District's contractually required contribution rate for the years ended June 30, 2022 and 2021, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

The employer and employee contribution rates in effect at June 30, 2022 (measurement date June 30, 2021), are summarized as follows:

	<u>General Plan 5B</u>	<u>PEPRA Plan 8</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 57	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-62	52-67
Monthly benefits, as a % of eligible compensation	0.6681% to 1.3093%	0.0100% to 0.0250%
Required employee contribution rates	6.03% - 12.23%	8.36% - 9.63%
Required employer contribution rates	39.33%	32.95% - 34.22%

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2021 (measurement date June 30, 2020), are summarized as follows:

	<u>General Plan 5B</u>	<u>PEPRA Plan 8</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 57	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-62	52-67
Monthly benefits, as a % of eligible compensation	0.6681% to 1.3093%	0.0100% to 0.0250%
Required employee contribution rates	6.03% - 12.23%	8.43% - 9.34%
Required employer contribution rates	37.06%	30.74% - 31.66%

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

As of June 30, 2022 and 2021, the Summerland Sanitary District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Net Pension Liability	\$ 429,186	\$ 1,043,070

For the year ended June 30, 2022, the net pension liability of all of the Plans is measured as of June 30, 2021, 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, 2020, updated to June 30, 2021.

For the year ended June 30, 2021, the net pension liability of all of the Plans is measured as of June 30, 2020, 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, 2019, updated to June 30, 2020.

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for all Plans with actuarial valuation dates of June 30, 2020 and 2019 (measurement dates June 30, 2021 and 2020, respectively) were as follows:

<u>For the Year Ended June 30, 2022</u> <u>(Measurement Date June 30, 2021)</u>		<u>For the Year Ended June 30, 2021</u> <u>(Measurement Date June 30, 2020)</u>	
Proportion - June 30, 2020	0.0988%	Proportion - June 30, 2019	0.1062%
Proportion - June 30, 2021	0.0909%	Proportion - June 30, 2020	0.0988%
Change - Increase (Decrease)	<u>-0.0079%</u>	Change - Increase (Decrease)	<u>-0.0074%</u>

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

For the years ended June 30, 2022 and 2021, the District recognized pension expense of \$54,065 and \$208,641, respectively.

At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 160,009	\$ -	\$ 135,385	\$ -
Differences between actual and expected experience	-	(1,953)	-	(12,554)
Changes in assumptions	13,907	(9,472)	42,650	(17,645)
Investment return	-	(339,083)	119,258	-
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	43,969	(94,649)	75,442	(54,376)
Net differences between projected and actual earnings on plan investments	52,503	-	45,011	-
	<u>\$ 270,388</u>	<u>\$ (445,157)</u>	<u>\$ 417,746</u>	<u>\$ (84,575)</u>

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

Employer contributions of \$160,009 reported at June 30, 2022 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year Ended June 30:	Amount
2023	\$ (66,175)
2024	(70,301)
2025	(84,259)
2026	(114,043)
2027	-
Thereafter	-
	<u>\$ (334,778)</u>

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions:

	<u>For the Year Ended June 30, 2022</u>	<u>For the Year Ended June 30, 2021</u>
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actual Cost Method	Entry Age	Entry Age
Actuarial Assumptions		
Administrative expenses	Plan expenses base of \$5.5 million for the fiscal year ending June 30, 2021, to be split between employees and employers based on their share of the overall contributions, with wage inflation increases of 3.00% each year.	Plan expenses base of \$5.3 million for the fiscal year ending June 30, 2020, to be split between employees and employers based on their share of the overall contributions, with wage inflation increases of 3.00% each year.
Discount rate	7.00%	7.00%
Inflation	3.00%	3.00%
COLA Increases:		
Basic COLA	2.75%	2.75%
Post-Retirement COLA	2.60%	2.60%
Projected Salary Increase	3.00% plus merit component	3.00% plus merit component
Investment Rate of Return	7.00% (1)	7.00% (1)
Post-Retirement Mortality	Sex distinct 2014 CalPERS Healthy Annuitant Mortality Tables, with generational improvements using Projection Scale MP-2016	Sex distinct 2014 CalPERS Healthy Annuitant Mortality Tables, with generational improvements using Projection Scale MP-2016

(1) Net of pension plan investment expense

The actuarial assumptions used in the June 30, 2020, updated to the June 30, 2021 valuation, were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2019.

The long-term expected rate of return on pension plan investments (7.0 percent) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for the years ended June 30, 2022 and 2021 in the following table:

Asset Class	For the Year Ended June 30, 2022		For the Year Ended June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Emerging markets equity	7%	8.00%	7%	9.25%
Developed market non-U.S. equity	11%	5.50%	11%	7.00%
Private equity	10%	6.75%	10%	8.00%
Broad US equity	19%	4.05%	19%	5.30%
Core fixed income	17%	0.00%	17%	0.50%
Custom non-core fixed income	11%	3.20%	11%	5.10%
Custom real return	15%	4.00%	15%	5.00%
Custom real estate	10%	4.55%	10%	4.55%
Total	100%		100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the Year Ended June 30, 2022		For the Year Ended June 30, 2021	
1% Decrease	6.0%	1% Decrease	6.0%
Net Pension Liability	\$ 997,219	Net Pension Liability	\$ 1,584,483
Current Discount Rate	7.0%	Current Discount Rate	7.0%
Net Pension Liability	\$ 429,186	Net Pension Liability	\$ 1,043,070
1% Increase	8.0%	1% Increase	8.0%
Net Pension Liability	\$ (35,400)	Net Pension Liability	\$ 583,611

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued SBCERS CAFR.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Other Post-Employment Benefits (OPEB)

Plan Description – The District is a member of Santa Barbara County’s cost sharing multiple-employer defined benefit postemployment healthcare plan (OPEB Plan), which is administered by the Santa Barbara County Employees’ Retirement System (Retirement System). The OPEB Plan provides medical benefits to eligible retired employees, as well as to their eligible dependents, pursuant to California Government Code Section 31694 et. seq.

The Retirement System issues its own Comprehensive Annual Financial Report which includes note disclosures and required supplementary information for the OPEB Plan. This may be obtained online at www.sbcers.org or by writing to the Santa Barbara County Employees’ Retirement System at 3916 State Street, Suite 210, Santa Barbara, CA 93105.

Plan Benefits – The District participates in the Santa Barbara County Employees’ Retirement System (SBCERS) which negotiates health care contracts with providers for its participating retired members of the Retirement System. Retirees are offered the same health plans as active employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active employees; as such, the District does not have a retiree premium implicit rate subsidy.

Pursuant to the OPEB Plan, the District has determined to provide a monthly insurance premium subsidy of \$15 (whole dollars) per year of credited service from the 401(h) account for Eligible Retired Participants participating in the health insurance plan. The monthly insurance premium subsidy is applied directly by the Retirement System to pay the premium and is not paid to the retiree or other party. The maximum amount paid in any month does not exceed the premium; any amount in excess of the premium is forfeited. If an Eligible Retired Participant does not participate in the health insurance plan, then the Retirement System reimburses the Eligible Retired Participant for other medical care expenses. The maximum monthly amount paid is \$4 (whole dollars) per year of credited service.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 (whole dollars) per month or a subsidy of \$15 (whole dollars) per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient.

Survivors of Eligible Retired Participants (spouses and dependents) continue to receive a subsidy proportionate to their percentage of the retiree’s pension benefit (if any).

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. The District pays 100% of costs on behalf of the eligible participants.

Net OPEB Liability – As of June 30, 2022, the District reported a net OPEB liability of \$181,159. The net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, updated to June 30, 2021.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

Actuarial Assumptions – The total OPEB liability measured as of June 30, 2021 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increase rate	3% plus an additional longevity and promotion increase compounded based on years of service.
Investment rate of return	7.0%, net of investment expense.
Healthcare cost trend rates	The Healthcare Cost Trend Rate is not applicable because the total cost of health benefits is not valued. Only the monthly benefit provided is valued using the assumption that no future increase will be granted to the amount.
Future retiree plan election	55% - monthly subsidy of \$15 per year of service; 45% - \$4 cash benefit option.
Mortality rates	Mortality rates are based on the sex distinct CalPERS Healthy Annuitant Mortality Tables or CalPERS Disable Annuitant Mortality Tables (as applicable), with Generational improvement using Projection Scale MP-2019 from a base year of 2009.

The actuarial assumptions used in the valuation as of June 30, 2020, updated to June 30, 2021, were based on 1) the demographic assumptions determined in the actuarial experience study of July 1, 2016 – June 30, 2019 for the Pension Plan, 2) implementation of the OPEB Funding Policy, and 3) current experience for OPEB Plan election by retirees. As the benefit for the OPEB plan is a fixed payment per year of service that is currently lower than the premiums paid for coverage, and is expected to remain so into the future, no age related costs are required to be developed.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.16 percent. The discount rate used at the June 30, 2021 measurement date assumed that contributions will continue based upon the current OPEB Funding Policy. The OPEB plan's 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.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

Changes in the Net OPEB Liability – The table below shows the changes in the total OPEB liability, the plan fiduciary net position (i.e. fair value of plan assets), and the net OPEB liability during the measurement period ending on June 30, 2021 for the District's proportionate share.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2021 (Measurement Date June 30, 2020)	\$ 207,096	\$ -	\$ 207,096
Changes Recognized for the Measurement Period:			
Service cost	4,791	-	4,791
Interest	4,566	-	4,566
Difference between expected and actual experience	(30,662)	-	(30,662)
Changes of assumptions	1,168	-	1,168
Contributions - employer	-	6,045	(6,045)
Benefit payments	(5,800)	(5,800)	-
Administrative expense	-	(245)	245
Net Changes	(25,937)	-	(25,937)
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 181,159	\$ -	\$ 181,159

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, 2021.

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability	\$ 207,106	\$ 181,159	\$ 159,744
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	\$ 207,106	\$ 181,159	\$ 159,744

For the measurement period ended June 30, 2020.

	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Total OPEB Liability	\$ 236,839	\$ 207,096	\$ 182,486
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	\$ 236,839	\$ 207,096	\$ 182,486

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued SBCERS financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources – For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$4,361. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 5,990	\$ -	\$ 6,044	\$ -
Differences between expected and actual experience	-	(33,265)	-	(12,822)
Changes in assumptions	26,945	(9,355)	33,695	(12,376)
	<u>\$ 32,935</u>	<u>\$ (42,620)</u>	<u>\$ 39,739</u>	<u>\$ (25,198)</u>

Employer contributions of \$5,990 reported at June 30, 2022 as deferred outflows of resources related to contributions subsequent to measurement date will be recognized as a reduction of OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ended June 30:	Amount
2023	\$ (5,322)
2024	(5,322)
2025	(2,964)
2026	(517)
2027	(517)
Thereafter	(1,033)
	<u>\$ (15,675)</u>

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7 – Risk Management

Insurance and Claims

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2022, the District participated in the liability and property programs of the SDRMA.

Settled claims have not exceeded any of the coverage amounts in any of the last two fiscal years and there were no reductions in the District's insurance coverage during the year ending June 30, 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include amounts for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2022.

Global Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates.

Note 8 – 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.

The District has been notified by the U.S. Environmental Protection Agency (EPA) that it is considered a Potentially Responsible Party to the Casmalia Disposal Site (Site), an inactive commercial hazardous waste treatment, storage, and disposal facility. The District is one among thousands of waste generators that contributed waste to the Site.

On January 2, 2000, the EPA made a *de minimis* settlement offer to the District and other former customers of the Site. The settlement is being offered to waste contributors of the minimal amounts of waste in comparison to the other waste at the Site, and of the minimal amounts of toxic or other hazardous effects of the waste in comparison to other waste at the Site. The EPA has offered the *de minimis* parties the opportunity to fully resolve their liability in exchange for cash payments based on the volume of waste sent to the Site each year.

SUMMERLAND SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8 – Commitments and Contingencies (Continued)

The District, along with the other members represented in the *de minimis* settlement offer, has not yet accepted the EPA's offer. The *de minimis* group has uncovered numerous deficiencies in the proposed settlement offer that need to be addressed. Consequently, the *de minimis* group has proposed a counter settlement offer, which the District believes the EPA will accept. This liability for the District was estimated not to exceed \$153,000 which was accrued and recorded by the District.

Note 9 – Significant Non-Cash Capital and Related Financing Activities

The District accrued \$343,541 of capital related expenses for the ocean outfall rehabilitation project that was included in account payable as of June 30, 2022.

The District received contributions of capital for a mainline extension on Whitney Avenue in the amount of \$29,405 during fiscal year ended June 30, 2021.

Note 10 – Subsequent Events

Subsequent events have been evaluated through January 12, 2023 the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SUMMERLAND SANITARY DISTRICT
SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF SUMMERLAND SANITARY DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Years***

	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	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, 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	0.0909%	0.0988%	0.1062%	0.0982%	0.0865%	0.0880%	0.0881%	0.0935%
Proportionate share of the net pension liability	\$ 429,186	\$ 1,043,070	\$ 906,106	\$ 848,594	\$ 813,766	\$ 739,828	\$ 641,040	\$ 570,666
Covered payroll	\$ 398,183	\$ 418,370	\$ 433,121	\$ 388,149	\$ 347,798	\$ 337,744	\$ 328,613	\$ 338,923
Proportionate share of the net pension liability as percentage of covered payroll	107.8%	249.3%	209.2%	218.6%	234.0%	219.0%	195.1%	168.4%
Plan fiduciary net position as a percentage of the total pension liability	89.4%	75.2%	78.9%	77.6%	74.9%	75.2%	77.7%	80.5%

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, 2021 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.

**SUMMERLAND SANITARY DISTRICT
SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF SUMMERLAND SANITARY DISTRICT'S CONTRIBUTIONS
Last 10 Years***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 160,009	\$ 135,385	\$ 146,781	\$ 141,649	\$ 121,519	\$ 108,337	\$ 103,582	\$ 98,716
Contributions in relation to the actuarially determined contributions	\$ 160,009	\$ 135,385	\$ 146,781	\$ 141,649	\$ 121,519	\$ 108,337	\$ 103,582	\$ 98,716
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered payroll	\$ 397,580	\$ 398,183	\$ 418,370	\$ 433,121	\$ 388,149	\$ 347,798	\$ 337,744	\$ 328,613
Contributions as a percentage of covered payroll	40.25%	34.00%	35.08%	32.70%	31.31%	31.15%	30.67%	30.04%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2021-22 were derived from the June 30, 2019 valuation report.

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

**SUMMERLAND SANITARY DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Years***

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 4,791	\$ 5,410	\$ 5,741	\$ 5,464	\$ 6,437
Interest on the total OPEB liability	4,566	6,161	6,281	5,937	5,013
Difference between expected and actual experience	(30,662)	(9,505)	(1,439)	(4,575)	-
Changes of assumptions	1,168	34,134	7,982	(5,964)	(16,507)
Benefit payments	(5,800)	(4,835)	(4,513)	(4,513)	(4,614)
Net change in the total OPEB liability	(25,937)	31,365	14,052	(3,651)	(9,671)
Total OPEB liability - beginning	207,096	175,731	161,679	165,330	175,001
Total OPEB liability - ending (a)	<u>\$ 181,159</u>	<u>\$ 207,096</u>	<u>\$ 175,731</u>	<u>\$ 161,679</u>	<u>\$ 165,330</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 6,045	\$ 5,000	\$ 4,688	\$ 4,731	\$ 4,847
Net investment income	-	-	-	-	-
Benefit payments	(5,800)	(4,835)	(4,513)	(4,513)	(4,614)
Administrative expenses	(245)	(165)	(175)	(218)	(233)
Net change in the plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 181,159</u>	<u>\$ 207,096</u>	<u>\$ 175,731</u>	<u>\$ 161,679</u>	<u>\$ 165,330</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 176,136	\$ 418,370	\$ 433,121	\$ 388,149	\$ 347,798
Net OPEB liability as a percentage of covered-employee payroll	102.85%	49.50%	40.57%	41.65%	47.54%
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

Notes to Schedule:

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



XI B/1

Board of Directors Meeting STAFF REPORT

TO : Board of Directors
FROM : District Administrative Manager
DATE : February 9, 2023
RE : **Financial Plan/Rate Study Phase 2 Proposal**

Background

The Board received a Rate Study Proposal by L+T Municipal Consultants for discussion and acceptance during the October 13, 2022, Board Meeting with a proposed cost of \$25,790. At that time, the Board decided not to move forward with a Rate Study.

Financial Plan/Rate Study Phase 1

On November 10, 2022, the Board approved a Financial Plan (Rate Study Phase 1) proposal from L+T Municipal Consultant with a total of \$10,440. The intention of the Financial Plan was to gather crucial information to decide if the board should pursue implementing new user fee rates per July 2023. The expectation of the report was to receive a financial overview and a calculation of the new annual user fees. The 5-year proposed user fees would include financing the upcoming capital expenditure (replacement of the outfall pipeline) and the additional residential user classifications.

This Financial Study was completed and accepted by the Board on January 12, 2023. At this time the Board also voted to move forward with the second phase of the Rate Study. A proposal was requested by L+T Municipal Consultants to be discussed at the Regular Board Meeting on February 9, 2023.

Financial Plan/Rate Study Phase 2

The Financial Plan/Rate Study Phase 2 Proposal is attached as Exhibit A for the Board's consideration and acceptance. The final product of the Financial Plan/Rate Study will be presented in a technical memo. This technical memo serves as the District's administrative record to comply with Proposition 218 for a cost-of-service report.

Total Project Cost

The total proposed project cost for the Financial Plan/Rate Study Phase 2 is \$14,840. The final invoice for the completion of the Financial Plan/Rate Study Phase 1 was \$9,045. The total estimated amount for the completion of the Financial Study/Rate Study Report Phase 1 and 2 is \$23,885. The Board adopted \$35,000 in this fiscal year's budget for the completion of a Rate Study, which means that the Financial Plan/Rate Study will be completed below the projected budget amount.

Recommendation of Staff

To accept the Financial Plan/Rate Study Phase 2 as presented in Exhibit A.



Lechowicz & Tseng
Municipal Consultants
(510) 545-3182
LTmuniconsultants.com

FINANCIAL PLAN/RATE STUDY PHASE 2 PROPOSAL

- Exhibit A -

IX B/2

February 2, 2023

Dear Summerland Sanitary District (District),

On behalf of Lechowicz & Tseng Municipal Consultants (L&T), I very much enjoyed working with you on the District's Financial Plan and I appreciate the potential opportunity to work with you again to provide the 2nd Phase of the Financial Plan/Rate Study (rate study). The completed Financial Plan established the District's cost of service and provided a high-level sewer rate estimate. For the 2nd Phase of the Financial Plan/Rate Study, L&T will independently estimate wastewater flows and loads of the District's customers, refine the District's equivalent dwelling unit (EDU) counts and proposed rates, and assist with the Proposition 218 public approval process. Our proposed scope, schedule, and fee to conduct this work is provided below.

SCOPE

L&T's proposed scope of services includes:

- 1) Estimate wastewater flows and loads: Review metered water usage data provided by the Montecito Water District to determine winter water usage up to December 2022. Estimate winter water usage and corresponding sewer flows for the District's customer classes. Review existing pollutant strength estimates and recommend adjustments if appropriate. During this task, L&T will update the District's definition of an EDU. L&T will also update the District's allocation of costs to flow, BOD, and TSS and use this allocation to determine EDU counts for non-residential customers.
- 2) Refine the sewer rates: Based on the information from Task 1 and the cost of service from the Financial Plan, L&T will refine the fixed and variable portions of the proposed sewer rates. Provide the District with a 5-year schedule of recommended rates.
- 3) Summary Technical Memorandum: Provide a brief memorandum summarizing the prior tasks. The memo will include tables with background calculations and document key considerations for the Board. The memo will serve as the District's administrative record and be compliant with Proposition 218 requirements for a cost-of-service report. The memo will be provided in a similar format to the Financial Plan memo. This task also includes drafting the Proposition 218 notice of public hearing and assisting legal counsel with drafting rate ordinances and resolutions.
- 4) Meetings & Presentations: The draft schedule with proposed meetings and presentations is provided on the following page. It is anticipated that the study will have five total meetings consisting of: one meeting with the Finance Committee, two meetings with the Board of Directors (March 9 and April 12), one Town Hall meeting with the ratepayers (April 3), and attendance at the Proposition 218 public hearing (June 8). It is anticipated that the Town Hall meeting and the public hearing would be in-person meetings and the others would be virtual. L&T will provide powerpoint files in advance for staff review.

SCHEDULE

L&T agrees to conduct the study according to the following schedule:

DATE	ACTION	PARTY RESPONSIBLE
February 10 - February 26, 2023	Refine rate study by analyzing water usage data up to December 2022 from the Montecito Water District	L&T
February 27 - March 3, 2023	Rate study consultant discusses draft Technical Report with the Finance Committee	Staff/L&T/Finance Committee
March 9, 2023	Presentation of the Final Rate Study Technical Report for approval and instruction to prepare draft ordinance; the Board considers setting a date for a Town Hall Meeting with ratepayers	L&T
February/March 2023	Prepare rate ordinance	Legal Counsel/Staff/L&T
March 10-21, 2023	Publish Town Hall Meeting announcement in Coastal View, sent out email blast announcement & use SCA platform for the announcement	Staff
April 3, 2023	"Town Hall Meeting" at the Summerland Church to discuss the Rate Study Technical Report with ratepayers	Board/Staff/Legal Counsel/L&T (in-person)
April 1-12, 2023	Prepare/Draft notice to each "record owner"	Board/Staff/Legal Counsel
April 12, 2023	Regular Board Meeting to discuss the Final Rate Study Technical Report/Ordinance and call for a Notice of Hearing for Rate Setting	Board/Staff/Legal Counsel/L&T
April 15-18, 2023	Publish notice of hearing in Local Newspaper	Staff
April 21, 2023	LATEST SUGGESTED POSTMARK DATE: District mails written notice to "record owners" of each parcel; begin waiting period (minimum of 45 days)	Staff
May 11, 2023	File notice of exemption with County Clerk	Staff
June 8, 2023	Conduct a Public Hearing to consider protests at least 45 days after the notice of hearing postmark date	Board/Staff/Legal Counsel/L&T (in-person)
June 15, 2023	Publication of Ordinance in Newspaper one week before the new Fiscal Year beginning July 1, 2023	Staff

PROJECT BUDGET

Lechowicz & Tseng Municipal Consultants' budget for the 2nd Phase of the Rate Study including direct expenses for two (2) in-person meetings is \$14,840. L&T will invoice the District monthly for time and materials.

PROJECT TASKS	Lechowicz Principal \$195/hour	Mills Analyst \$120/hour	TRAVEL EXPENSES	BUDGET
1. Flows & Loads	14	6		\$3,450
2. Refine Sewer Rates	10	8		\$2,910
3. Summary Memorandum	12	10		\$3,540
4. Meetings (2 in-person) & Presentations	20	2	\$800	\$4,940
TOTAL	56	26	\$800	\$14,840

Travel expenses are estimated at \$400 per meeting potentially consisting of airfare, ground transportation to District offices, and reasonably priced meals while in transit. Flights will be booked as much in advance as possible to reduce cost. Travel to the District will be combined with other personal and business travel when feasible to lower expenses.

BILLING RATE SCHEDULE 2023

Lechowicz & Tseng's hourly rate is \$195 for principals and \$120 for staff analysts. Principal Alison Lechowicz will serve as project manager and be the primary consultant for the assignment. Ms. Lechowicz will be assisted by analyst Sophia Mills, if needed. No subconsultants are needed for this assignment. The professional time rate includes all overhead and indirect costs. Direct expenses incurred on behalf of the client will be billed at cost. Direct expenses include, but are not limited to:

- Travel, meals, lodging
- Automobile mileage
- Printing and report binding
- Courier services and mailing costs
- Outside computer services or software development
- Special legal services

L&T's hourly rate schedule is part of the quote for use in invoicing for progress payments and for any work that is requested by the District in addition to this scope of services.

DISCLOSURE

Lechowicz & Tseng Municipal Consultants has no conflicts of interest related to this assignment.

SIGNED FOR APPROVAL

Lechowicz & Tseng Municipal Consultants is authorized to conduct the 2nd Phase of the Financial Plan/Rate Study for the Summerland Sanitary District at a rate of \$195 per hour for principals and \$120 per hour for staff analysts. Direct expenses will be billed at cost, absent markup. The total not-to-exceed fee is \$14,840 including two (2) in-person meetings.

By: _____ Date: _____

Marjon (Mar) Souza, District Administrative Manager
Summerland Sanitary District
P.O. Box 417
Summerland, CA 93067

Financial Status (Real-Time)

As of January 31, 2023

As of: 1/31/2023 (59% Elapsed)
Accounting Period: OPEN

Selection Criteria: Fund = 5215,5216, 5217

Layout Options: Summarized By = Fund, LineItemAccount; Page Break At = Fund

Fund 5215 -- SummerInd San Dist Running Exp

Line Item Account	6/30/2023 Fiscal Year Adjusted Budget	1/31/2023 Year-To-Date Actual	6/30/2023 Fiscal Year Variance	6/30/2023 Fiscal Year Pct of Budget
Revenues				
Taxes				
3010 -- Property Tax-Current Secured	260,000.00	162,339.63	-97,660.37	62.44 %
3011 -- Property Tax-Unitary	0.00	2,164.26	2,164.26	--
3015 -- PT PY Corr/Escapes Secured	0.00	690.26	690.26	--
3020 -- Property Tax-Current Unsecd	10,000.00	10,076.54	76.54	100.77 %
3023 -- PT PY Corr/Escapes Unsecured	0.00	107.66	107.66	--
3040 -- Property Tax-Prior Secured	0.00	56.46	56.46	--
3050 -- Property Tax-Prior Unsecured	0.00	182.13	182.13	--
3054 -- Supplemental Pty Tax-Current	3,500.00	3,751.65	251.65	107.19 %
3056 -- Supplemental Pty Tax-Prior	0.00	107.54	107.54	--
Taxes	273,500.00	179,476.13	-94,023.87	65.62 %
Fines, Forfeitures, and Penalties				
3057 -- PT-506 Int, 480 CLOS/CIC Pen	0.00	7.91	7.91	--
Fines, Forfeitures, and Penalties	0.00	7.91	7.91	--
Use of Money and Property				
3380 -- Interest Income	2,000.00	2,616.17	616.17	130.81 %
Use of Money and Property	2,000.00	2,616.17	616.17	130.81 %
Intergovernmental Revenue-State				
4220 -- Homeowners Property Tax Relief	1,000.00	549.00	-451.00	54.90 %
Intergovernmental Revenue-State	1,000.00	549.00	-451.00	54.90 %
Charges for Services				
5091 -- Planning & Engrng-Plan Ck Fes	1,960.00	1,256.00	-704.00	64.08 %
5430 -- Sanitation Services	1,065,078.00	620,572.50	-444,505.50	58.27 %
5433 -- Inspection Fees	3,360.00	2,382.00	-978.00	70.89 %
5746 -- Administrative Revenue	2,940.00	2,320.00	-620.00	78.91 %

11

Financial Status (Real-Time)

As of: 1/31/2023 (59% Elapsed)
Accounting Period: OPEN

Selection Criteria: Fund = 5215,5216, 5217

Layout Options: Summarized By = Fund, LineItemAccount; Page Break At = Fund

Fund 5215 -- SummerInd San Dist Running Exp

Line Item Account	6/30/2023 Fiscal Year Adjusted Budget	1/31/2023 Year-To-Date Actual	6/30/2023 Fiscal Year Variance	6/30/2023 Fiscal Year Pct of Budget
Charges for Services	1,073,338.00	626,530.50	-446,807.50	58.37 %
Revenues	1,349,838.00	809,179.71	-540,658.29	59.95 %
Expenditures				
Salaries and Employee Benefits				
6100 -- Regular Salaries	441,950.00	256,843.35	185,106.65	58.12 %
6270 -- Stand-by Pay	19,000.00	10,915.58	8,084.42	57.45 %
6300 -- Overtime	4,500.00	2,464.26	2,035.74	54.76 %
6400 -- Retirement Contribution	160,358.00	86,638.89	73,719.11	54.03 %
6475 -- Retiree Medical OPEB	6,000.00	3,557.51	2,442.49	59.29 %
6500 -- FICA Contribution	35,263.00	20,791.36	14,471.64	58.96 %
6600 -- Health Insurance Contrib	82,563.00	46,008.17	36,554.83	55.72 %
6900 -- Workers Compensation	16,264.00	11,472.82	4,791.18	70.54 %
Salaries and Employee Benefits	765,898.00	438,691.94	327,206.06	57.28 %
Services and Supplies				
7030 -- Clothing and Personal	2,550.00	2,446.80	103.20	95.95 %
7053 -- Telephone Service Local	8,420.00	5,354.91	3,065.09	63.60 %
7090 -- Insurance	54,000.00	53,168.41	831.59	98.46 %
7110 -- Directors Fees	15,000.00	8,575.00	6,425.00	57.17 %
7121 -- Operating Supplies	35,400.00	21,610.36	13,789.64	61.05 %
7324 -- Audit and Accounting Fees	25,200.00	21,438.75	3,761.25	85.07 %
7362 -- Building Maintenance	8,000.00	4,320.51	3,679.49	54.01 %
7363 -- Equipment Maintenance	15,500.00	14,458.26	1,041.74	93.28 %
7404 -- Public Health Lab Serv	24,370.00	16,894.00	7,476.00	69.32 %
7430 -- Memberships	8,675.00	6,253.00	2,422.00	72.08 %
7450 -- Office Expense	3,800.00	3,180.57	619.43	83.70 %
7454 -- Books & Subscriptions	530.00	139.44	390.56	26.31 %
7459 -- IT Professional Services	4,000.00	1,324.41	2,675.59	33.11 %

Financial Status (Real-Time)

As of: 1/31/2023 (59% Elapsed)
Accounting Period: OPEN

Selection Criteria: Fund = 5215,5216, 5217

Layout Options: Summarized By = Fund, LineItemAccount; Page Break At = Fund

Fund 5215 -- SummerInd San Dist Running Exp

Line Item Account	6/30/2023 Fiscal Year Adjusted Budget	1/31/2023 Year-To-Date Actual	6/30/2023 Fiscal Year Variance	6/30/2023 Fiscal Year Pct of Budget
7460 -- Professional & Special Service	44,005.00	14,910.64	29,094.36	33.88 %
7508 -- Legal Fees	35,000.00	3,544.20	31,455.80	10.13 %
7510 -- Contractual Services	9,475.00	3,938.25	5,536.75	41.56 %
7516 -- Permitting Services	9,740.00	9,041.75	698.25	92.83 %
7530 -- Publications & Legal Notices	600.00	250.00	350.00	41.67 %
7546 -- Administrative Expense	3,600.00	0.00	3,600.00	0.00 %
7630 -- Small Tools & Instruments	500.00	273.65	226.35	54.73 %
7653 -- Training Fees & Supplies	7,700.00	5,646.70	2,053.30	73.33 %
7671 -- Special Projects	400.00	400.00	0.00	100.00 %
7730 -- Transportation and Travel	1,000.00	261.32	738.68	26.13 %
7731 -- Gasoline-Oil-Fuel	3,500.00	1,255.11	2,244.89	35.86 %
7761 -- Electricity	43,000.00	33,430.87	9,569.13	77.75 %
7763 -- Water	2,620.00	1,558.06	1,061.94	59.47 %
7764 -- Refuse	4,250.00	2,773.10	1,476.90	65.25 %
Services and Supplies	370,835.00	236,448.07	134,386.93	63.76 %
Expenditures	1,136,733.00	675,140.01	461,592.99	59.39 %
SummerInd San Dist Running Exp	213,105.00	134,039.70	-79,065.30	62.90 %

Financial Status (Real-Time)

As of: 1/31/2023 (59% Elapsed)
Accounting Period: OPEN

Selection Criteria: Fund = 5215,5216, 5217

Layout Options: Summarized By = Fund, LineItemAccount; Page Break At = Fund

Fund 5216 -- Summerland San Cap Facilities

Line Item Account	6/30/2023 Fiscal Year Adjusted Budget	1/31/2023 Year-To-Date Actual	6/30/2023 Fiscal Year Variance	6/30/2023 Fiscal Year Pct of Budget
Revenues				
Use of Money and Property				
3380 -- Interest Income	1,500.00	1,244.11	-255.89	82.94 %
Use of Money and Property	1,500.00	1,244.11	-255.89	82.94 %
Charges for Services				
5432 -- Connection Fees	12,385.00	16,773.00	4,388.00	135.43 %
Charges for Services	12,385.00	16,773.00	4,388.00	135.43 %
Revenues	13,885.00	18,017.11	4,132.11	129.76 %
Expenditures				
Capital Assets				
8300 -- Equipment	25,000.00	22,196.94	2,803.06	88.79 %
Capital Assets	25,000.00	22,196.94	2,803.06	88.79 %
Expenditures	25,000.00	22,196.94	2,803.06	88.79 %
Summerland San Cap Facilities	-11,115.00	-4,179.83	6,935.17	37.61 %

Financial Status (Real-Time)

As of: 1/31/2023 (59% Elapsed)
Accounting Period: OPEN

Selection Criteria: Fund = 5215,5216, 5217

Layout Options: Summarized By = Fund, LineItemAccount; Page Break At = Fund

Fund 5217 -- SummerInd San Dist-Capital Rep

Line Item Account	6/30/2023 Fiscal Year Adjusted Budget	1/31/2023 Year-To-Date Actual	6/30/2023 Fiscal Year Variance	6/30/2023 Fiscal Year Pct of Budget
Revenues				
Use of Money and Property				
3380 -- Interest Income	3,000.00	6,801.36	3,801.36	226.71 %
Use of Money and Property	3,000.00	6,801.36	3,801.36	226.71 %
Revenues	3,000.00	6,801.36	3,801.36	226.71 %
Expenditures				
Capital Assets				
8300 -- Equipment	128,300.00	137,299.00	-8,999.00	107.01 %
8400 -- Infrastructure	800,000.00	352,668.49	447,331.51	44.08 %
Capital Assets	928,300.00	489,967.49	438,332.51	52.78 %
Expenditures	928,300.00	489,967.49	438,332.51	52.78 %
Other Financing Sources & Uses				
Other Financing Sources				
5920 -- Gain/Loss Sale Capital Assets	0.00	20,000.00	20,000.00	--
Other Financing Sources	0.00	20,000.00	20,000.00	--
Other Financing Sources & Uses	0.00	20,000.00	20,000.00	--
SummerInd San Dist-Capital Rep	-925,300.00	-463,166.13	462,133.87	50.06 %
Net Financial Impact	-723,310.00	-333,306.26	390,003.74	46.08 %

Cash Balances (Real-Time)

As of January 31, 2023

As of: 1/31/2023
Accounting Period: OPEN

Selection Criteria: Fund = 5215,5216, 5217

Layout Options: Summarized By = Fund; Page Break At = Fund

Fund	1/1/2023 Beginning Balance	Month-To-Date Cash Receipts (+)	Month-To-Date Treasury Credits (+)	Month-To-Date Warrants and Wire Transfers (-)	Month-To-Date Treasury Debits (-)	1/31/2023 Ending Balance
5215 -- SummerInd San Dist Running Exp	922,213.28	2,633.00	790,271.78	0.00	823,187.41	891,930.65
5216 -- Summerland San Cap Facilities	222,479.22	0.00	785.96	0.00	0.00	223,265.18
5217 -- SummerInd San Dist-Capital Rep	1,167,547.94	0.00	4,105.84	0.00	6,500.00	1,165,153.78
Total Report	2,312,240.44	2,633.00	795,163.58	0.00	829,687.41	2,280,349.61

SUMMERLAND SANITARY DISTRICT

Regular Board of Directors Meeting February 9, 2023

Operations Manager Report

OPERATIONS AND FACILITY MAINTENANCE:

- Daily water meter readings being performed by staff.
- On January 23, 2023, the monthly Self-Monitoring Report (SMR) for December 2022 was submitted to the California Regional Water Quality Control Board (RWQCB) in CIWQS, an automated online program, with no violations.
- On January 24, 2023, the Annual Wastewater/Recycled Water Volumetric Monitoring Report was submitted to the GeoTracker reporting system.
- On January 25, 2023, the Annual SMR/DMR Report for 2022 was submitted to the RWQCB in CIWQS.
- Also on January 25, the Annual Biosolids Monitoring Report was submitted to the RWQCB in CIWQS.
- Staff operated the belt press, for rainstorm preparation, as well as for routine biosolids production.
- Staff completed weekly grounds maintenance and landscape work including mowing, weed whacking, blowing, edging, and raking. Grounds are watered weekly during dry months with reclaimed water.
- The Backflow Prevention Device at the SSD potable water meter received the annual testing, service, and recertification.
- Staff attended and participated in safety training on the topic of Defensive Driving in Wet Weather. Required staff also received Ethics Training, Brown Act Instruction, and Anti-Harassment Training.
- All staff members received instruction on Fire Safety and Hands-on Fire Extinguisher practice.
- The outfall pipe marker buoy and chain that washed one mile down the beach during heavy surf conditions were retrieved by plant staff. Salty Dog Dive Service is refurbishing the buoy and will be reinstalling it in the correct location.
- Digester Mixing Pump #1 troubleshooting was done with the assistance of the Taft Electric Technician to determine why the unit was intermittently tripping the breaker. The cause of the motor overloads was determined to be rag binding on the pump shaft behind the impeller, with no apparent damage to the pump or motor.

COLLECTION SYSTEM / LIFT STATIONS:

- Staff continued monthly FOG (Fats, Oils, and Grease) inspections at restaurants in town. All restaurants inspected were in compliance.
- Staff made periodic rounds of the collection system to check for any problems, primarily checking the hot spot manholes to ensure proper flow activity.
- Scheduled line jetting was performed on potential hot spots. In-house training on the hydro-jetting equipment also took place at the same time.
- Staff conducted daily rounds at all lift stations to check for proper operation including checking each lift station's emergency generator, filling generators with fuel if necessary, and performing maintenance. On January 19, 2023, SCE had a scheduled power outage that affected Lift Station #3. The ATS switched power to the backup generator, which powered the station for the duration of the outage.
- On January 23, 2023, the Monthly No Sanitary Sewer Overflow (SSO) Certification was submitted to the RWQCB in CIWQS.

SUMMERLAND SANITARY DISTRICT

**Regular Board of Directors Meeting February 9, 2023
District Administrative Manager Report**

Administration Tasks Completed (Out of the Ordinary)

- Completed year-end payroll reporting and the distribution of W-9s.
- Worked with L+T Municipal Consultants to prepare the upcoming expected work schedule for the Rate Study, phase 2.
- Requested water usage data from Montecito Water District from June 2021 through December 2022 and compiled the information to the existing water usage database to be used for the rate study phase two.
- Attended the 2023 Annual Labor Law Seminar and the Worker's Compensation Online Seminar.
- Completed the submittal of the Financial Transaction Report for the State Controller.
- Completed and posted the CAL/OSHA form 300 & 300A.
- Received information from the County of Santa Barbara, Office of Auditor-Controller that the current Financial Information System will be replaced by "Workday" a new Enterprise Resource Planning (ERP) system starting August 1, 2023 (phase 1). All agencies that use FIN will receive information and training sessions for the transition.

Scheduled days off:

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