Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108
A Public Service Agency
Phone: (805) 969-4200
www.montsan.org

AGENDA

For the Special Meeting of the Finance Committee on:

Monday, August 10, 2026

The special meeting of the Finance Oversight Committee will begin at **2:00 p.m. on August 10, 2026** in the District's Board Room at 1042 Monte Cristo Lane.

The public may attend the meeting in person or participate remotely via Zoom using the following virtual meeting details:

By visiting: **https://us02web.zoom.us/j/83547919264**
Or by calling: 1-669-900-6833
Meeting ID: 835 4791 9264

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1. **CALL TO ORDER/ROLL CALL**

2. **PUBLIC COMMENT**
   Public comment is **limited to 3 minutes,** can only be on agendized topics, and is at the discretion of the Committee Chair. For further instructions, please see Instructions for Public Comment on the District's website.

3. **NEW BUSINESS**

   A. **AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2024-25 PRESENTED BY BARTLETT, PRINGLE, & WOLFF (PAGE 3)**
   It is recommended that the Committee:
      i) Receive a presentation from John Britton, CPA of Bartlett, Pringle & Wolff (BPW), LLP regarding the Montecito Sanitary Districts' 2024-25 Financial Statements Audit Report and Letter of Required Communication.

   B. **JULY PAYABLES (PAGE 81)**
   The Committee will review the payables for the period July 1, 2026 through July 31, 2026.

C. FISCAL YEAR 2025-26 UNAUDITED QUARTERLY FINANCIAL REPORTS (PAGE 84)

The Committee will review and discuss the following unaudited FY 2025-26 financial reports for the quarter ended June 30, 2026:

i) Quarterly Financial Summary Memo
ii) Quarterly Cash and Investments Holdings
iii) Quarterly Operations and Maintenance Expenditure Status Report
iv) Quarterly Capital Improvement Projects Expenditure Status Report
v) Quarterly Investment Certification

4. ITEMS FOR THE NEXT COMMITTEE AGENDA

5. ADJOURNMENT

The Americans with Disabilities Act provides that no qualified individual with a disability shall be excluded from participation in, or denied the benefits of, the Districts' programs, services or activities because of any disability. If you need special assistance to participate in this meeting, please contact the District Office at 805-969-4200. Notification at least twenty-four (24) hours prior to the meeting will enable the District to make appropriate arrangements.

This agenda was posted on the District website, and at the Montecito Sanitary District Bulletin Board in accordance with the requirements of the Brown Act.

Attested by:

Stephen Williams
Business and Administrative Manager/Clerk of the Board

BARTLETT, PRINGLE & WOLF, LLP

Montecito Sanitary District Financial Statement Audit For the year ended June 30, 2025

John Britton, Partner

Michael Shaner, Manager

Presentation Overview

1. Required Communications
   - -Significant estimates in the financial statements
   - -Audit entries
   - -Internal control recommendations

2. Independent Auditor's Report

3. Overview of Financial Statements

Required Communications

1. A letter of required communications was provided to the District prior to the audit. The letter covered certain aspects of the audit including, independence, planning, the concept of materiality, and audit risks in the planning phase.
2. There were no new accounting standards that impacted the District in the current year, nor have there been any changes in existing significant accounting policies during the current year.
3. We did not identify any significant unusual transactions.
4. There were no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Significant Estimates in the Financial Statements

1. Depreciation: Calculated on a straight-line basis over the expected useful life of each asset.
   (A) We evaluated the consistency and reasonableness of useful lives for current year additions.
   (B) We also performed a reasonableness calculation over depreciation expense.

2. Net OPEB liability: Calculated by an actuary in accordance with the parameters of GASB 75, based on census data provided to the actuary by the District.
   (A) We reviewed the validity of the underlying inputs.
   (B) We recalculated the mathematical accuracy and evaluated the reasonableness of the components of the changes in the net OPEB obligation, OPEB expense, and related deferred inflows and outflows.

Significant Estimates in the Financial Statements

3. Net pension liability: Estimate of the proportionate share of the collective net pension liability. Underlying information was calculated by independent actuary, CalPERS in accordance with GASB 68.

   (A) We evaluated current year changes identified by CalPERS at the Miscellaneous Pool level and recalculated the impact to each Plan.

   (B) We compared payroll costs per the general ledger to the underlying payroll data submitted to the actuary. Underlying payroll costs are a significant component of the calculation of the net pension liability.

Audit Adjustments

Audit adjustments that were recorded after the initial trial balance was received related to fiscal year ended June 30, 2025 have been provided and approved management and are reflected in the financial statements.

Internal Control Matters

A letter of internal control findings and recommendations was provided.

<u>Independent Auditor's Report</u>

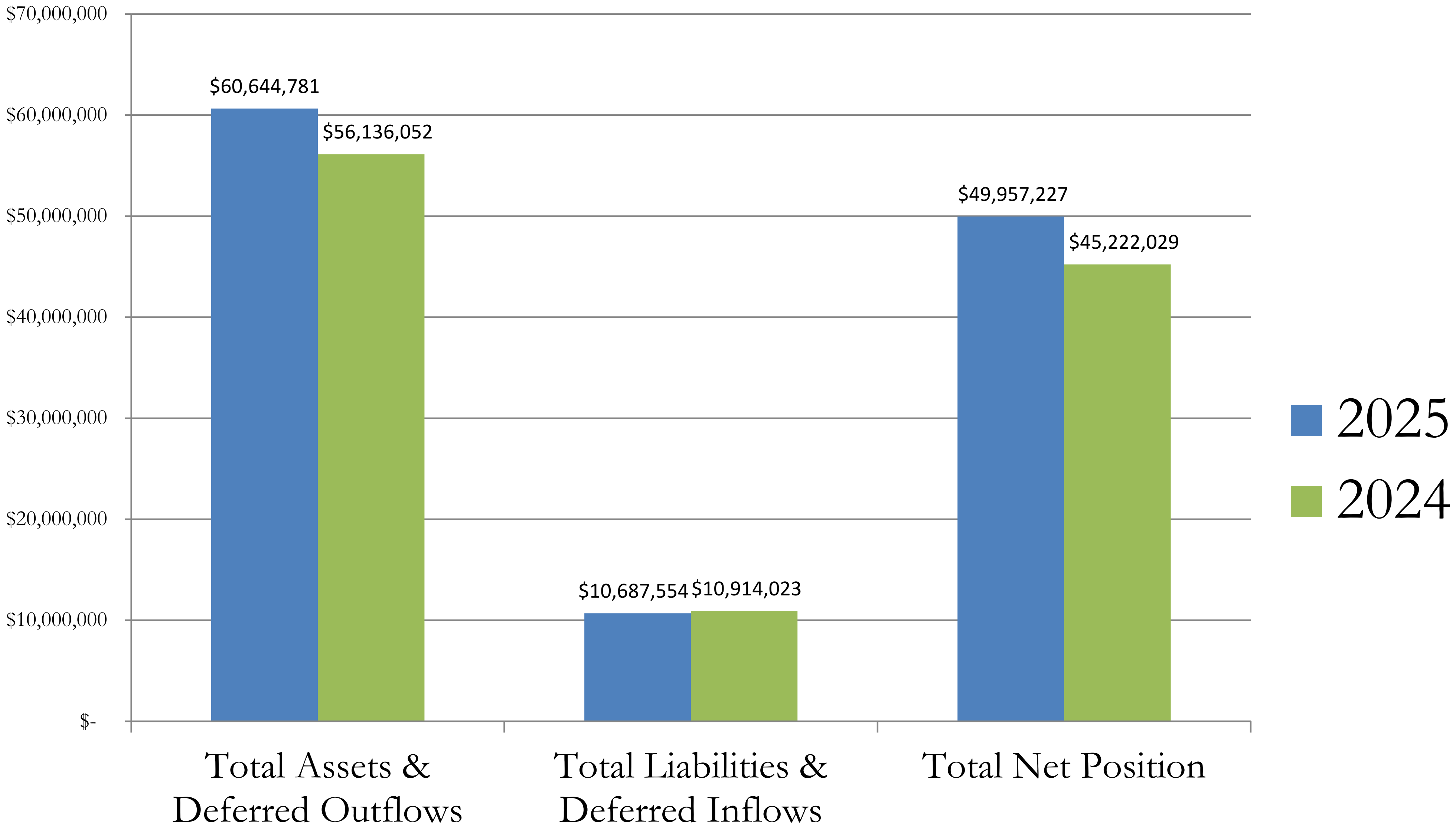
Unmodified Opinion (Clean Opinion)

In our opinion, the financial statements present fairly, **in all material respects**, the financial position of the District and respective changes in financial position and cash flows the years ended June 30, 2025 and 2024 in accordance with accounting principles generally accepted in the United States of America.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. The audit is planned and performed to obtain reasonable assurance (not absolute) about whether the financial statements as a whole are free from **material** misstatement.

We considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion.

Year-End Snapshot
June 30, 2025 and 2024



Statement of Net Position Highlights

	2025	2024
ASSETS		
Current Assets:		
Cash and investments (Note 2 and 3)	$ 20,059,265	$ 19,918,300
Receivables	1,565,011	139,012
Prepaid expenses	118,316	118,316
Total current assets	21,742,592	20,175,628
Capital Assets:		
Depreciable:		
Plant and equipment	64,105,527	60,789,231
Less accumulated depreciation	(28,736,453)	(27,544,054)
	35,369,074	33,245,177
Non-depreciable:		
Construction in progress	2,226,969	1,126,977
Land and improvements	106,500	106,500
Net capital assets (Note 2 and 4)	37,702,543	34,478,654
Total Assets	59,445,135	54,654,282
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions (Note 8)	1,085,795	1,314,739
Deferred postemployment health care benefits (Note 9)	113,851	167,031
Total deferred outflows of resources	1,199,646	1,481,770
Total Assets and Deferred Outflows of Resources	$ 60,644,781	$ 56,136,052

1. Cash and investments saw a net increase of approximately $140K from prior year.
2. Receivables increased $1.4M, primarily due to FEMA reimbursement.
3. Net capital assets increased $3.2M, primarily due to Plant & Equipment and CIP.
4. Total deferred outflows decreased $282K.

Statement of Net Position Highlights

	2025	2024
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 913,672	$ 186,303
Accrued salaries and benefits	44,855	49,089
Accrued interest	100,734	278,528
Customer deposits	356,778	312,334
Current portion of long-term debt (Note 6)	735,000	710,000
Total current liabilities	2,151,039	1,536,254
Long-Term Liabilities:		
Compensated absences payable (Note 5)	333,528	217,333
Long-term debt, net of current portion (Note 6)	4,605,441	5,414,529
Net pension liability (Note 8)	3,149,303	3,157,186
Postemployment health care benefits liability (Note 9)	269,097	279,003
Total long-term liabilities	8,357,369	9,068,051
Total Liabilities	10,508,408	10,604,305
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions (Note 8)	76,685	125,386
Deferred postemployment health care benefits (Note 9)	61,460	135,131
Deferred gain on refunding debt	41,001	49,201
Total deferred inflows of resources	179,146	309,718
Total Liabilities and Deferred Inflows of Resources	10,687,554	10,914,023
NET POSITION		
Net investment in capital assets	32,321,101	28,304,924
Unrestricted, designated for retirement benefits obligation	199,474	188,790
Unrestricted, designated for capital replacement	3,155,244	3,939,545
Unrestricted, designated for reserves	2,250,000	2,250,000
Unrestricted, designated for recycled water	-	994,706
Unrestricted	12,031,408	9,544,064
Total Net Position	$ 49,957,227	$ 45,222,029

4. Total liabilities decreased $96K.

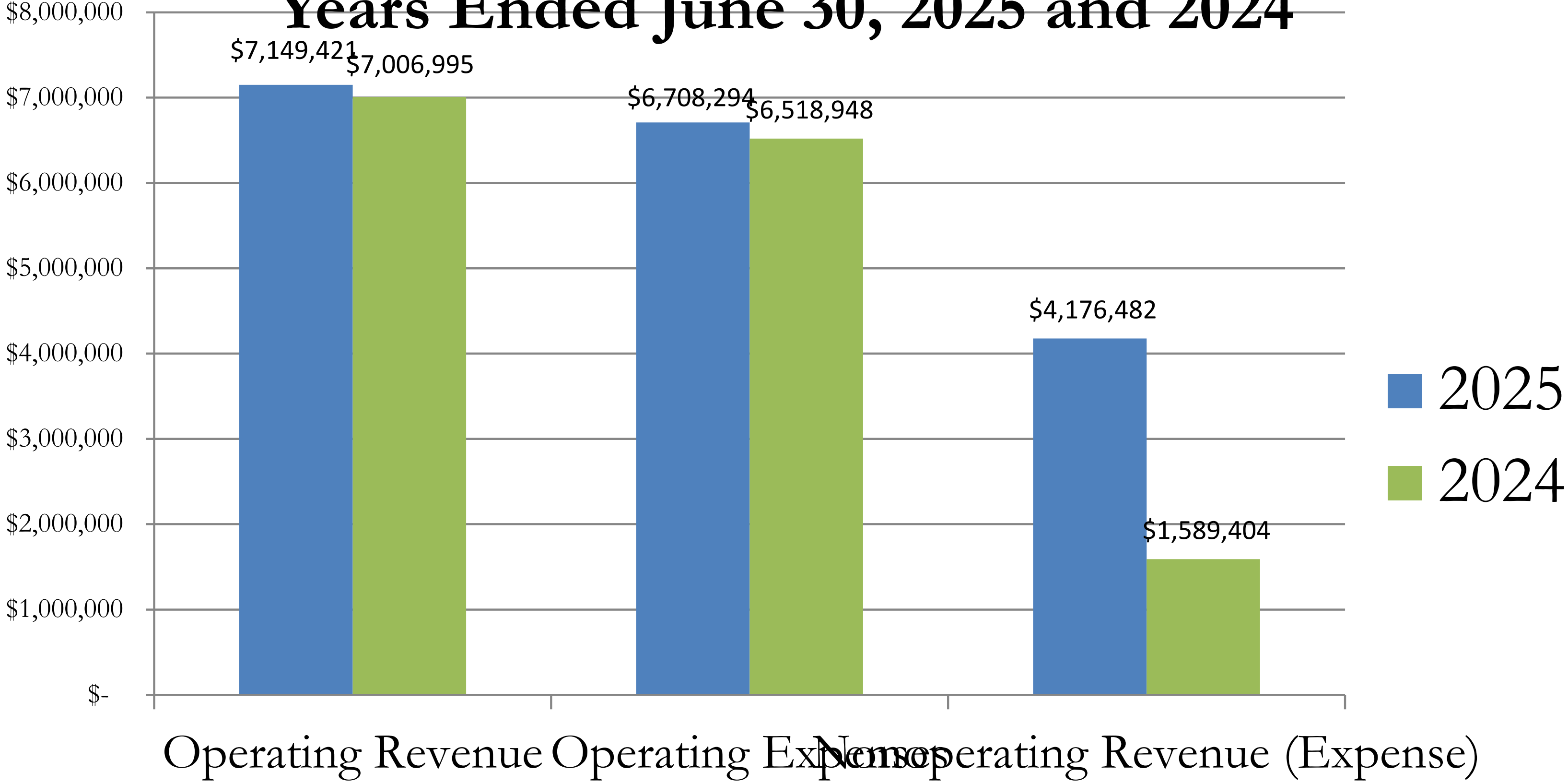
- Current liabilities increased $614K, primarily due to an increase in A/P offset by decrease in accrued interest.
- Long-term debt decreased $710K, primarily due to the decrease in the revenue bonds long-term debt.

5. Deferred inflows decreased $130K, related to changes in OPEB and pensions.

6. Total net position increased $4.7M.

- Largest component is net position investment in capital assets.
- Remaining balance of net position is unrestricted, about 32% is board designated.

Revenue and Expense Comparison Years Ended June 30, 2025 and 2024



- Operating revenue of $7.15 million in 2025 is an increase of $142K over prior year.
- Operating expenses of $6.7 million in 2025 is an increase of $189K over prior year.
- Nonoperating revenue (expense) increased $2.59M from prior year, primarily due to grant revenue and reimbursements, offset by interest expense.

Statement of Revenue, Expenses and Changes in Net Position

	2025	2024
Operating Revenues:		
Service charges	$ 6,632,613	$ 6,644,349
Connection fees	369,141	293,049
Other services	147,667	69,597
Total operating revenues	7,149,421	7,006,995
Operating Expenses:		
Sewage collection	2,402,049	2,248,906
Sewage treatment	2,542,505	2,692,823
Sewage disposal	77,857	64,789
Administrative	1,685,883	1,512,430
Total operating expenses	6,708,294	6,518,948
Income from operations	441,127	488,047
Nonoperating Revenue:		
Investment income	863,427	833,108
Property taxes	834,280	790,618
Other income	2,592,187	107,490
Interest expense	(113,412)	(141,812)
Total nonoperating revenue	4,176,482	1,589,404
Excess of revenue over expenses	4,617,609	2,077,451
Capital contributions		
Contributed subsurface lines	117,589	102,396
Total capital contributions	117,589	102,396
Change in net position	4,735,198	2,179,847
Net position, beginning of year	45,222,029	43,042,182
Net position, end of year	$ 49,957,227	$ 45,222,029

1. Operating revenue was $7.15M. Service revenue comprised 93% of operating revenue (95% in PY).
2. Total operating expenses increased $189K.
3. Nonoperating revenue (expense) increased $2.59M, and was a net revenue of $4.18M for 2025.
4. Capital contributions for 2025 were $118K.

Questions?

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

DRAFT

MONTECITO SANITARY DISTRICT

June 30, 2025 and 2024

FINANCIAL STATEMENTS

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

MONTECITO SANITARY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Montecito Sanitary District:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Montecito Sanitary District (the District) as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the California Public Employees' Retirement System Schedule of Montecito Sanitary District's Proportionate Share of the Net Pension Liability on page 45, the California Public Employees' Retirement System Schedule of Montecito Sanitary District's Contributions on page 46, and the Other Postemployment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios on page 47 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Montecito Sanitary District's basic financial statements. The Schedule of Operating Expenses – By Department on pages 49 through 50 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses – By Department is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of board of directors on page 48 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Santa Barbara, California
August 7, 2026

This Management's Discussion and Analysis (MD&A) is a key element of the District's annual audited financial statements that are prepared in accordance with the Governmental Accounting Standards Board Statement No. 34 (GASB 34). The purpose of the MD&A is to provide an overview of the District's financial condition and to highlight important changes and activities with fiscal implications that occurred during the fiscal years (FY) June 30, 2024-2025 and June 30, 2023-2024. We encourage readers to consider the information presented here in conjunction with the District's financial statements and related notes, which follow this section.

District Overview

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

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

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

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

The District currently serves 3,090 residential properties and 42 commercial/institutional properties.

Management and Governance

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

The District employs a General Manager as the chief executive. The General Manager reports directly to the Board of Directors and is responsible for the overall operation and administration of the District. The District's Management Staff also includes a District Administrator who is the chief administrator, an Operations Manager, an Engineering Manager and a Lab and Pretreatment Manager. The District had 18 full-time authorized positions in FY June 30, 2024-2025 and 18 in FY June 30, 2023-2024.

Financial Statements

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

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

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

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

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

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

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

- Operations
- Noncapital financing
- Capital and related financing
- Investing

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

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

Financial Highlights

- The District's net position increased 10.47% or $4,735,198 to $49,957,227 in fiscal year June 30, 2024-2025. In the prior year, the District's net position increased 5.06% or $2,179,847 to $45,222,029.

- The District's operating revenues increased by 2.03% and operating expenses increased by 2.90% in fiscal year June 30, 2024-2025. In the prior year, operating revenues increased by 2.96% and operating expenses increased by 14.61%.

Financial Analysis of the District

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

	June 30, 2025	June 30, 2024	June 30, 2023	% Change FY 2024-2025 and 2023-2024	% Change FY 2023-2024 and 2022-2023
Assets:					
Current assets	$ 21,742,592	$ 20,175,628	$ 19,552,540	7.77%	3.19%
Noncurrent assets:					
Capital assets	37,702,543	34,478,654	33,434,059	9.35%	3.12%
Total Assets	59,445,135	54,654,282	52,986,599	8.77%	3.15%
Deferred Outflows of Resources:					
Deferred pensions	1,085,795	1,314,739	1,346,078	-17.41%	-2.33%
Deferred OPEB	113,851	167,031	228,338	-31.84%	-26.85%
Total Deferred Outflows	1,199,646	1,481,770	1,574,416	-19.04%	-5.88%
Liabilities:					
Current liabilities	2,151,039	1,536,254	1,377,854	40.02%	11.50%
Long term liabilities	8,357,369	9,068,051	9,725,876	-7.84%	-6.76%
Total Liabilities	10,508,408	10,604,305	11,103,730	-0.90%	-4.50%
Deferred Inflows of Resources:					
Deferred pensions	76,685	125,386	149,877	-38.84%	-16.34%
Deferred OPEB	61,460	135,131	207,825	-54.52%	-34.98%
Deferred gain on refunding debt	41,001	49,201	57,401	-16.67%	-14.29%
Total Deferred Inflows	179,146	309,718	415,103	-42.16%	-25.39%
Net Position:					
Net investment in capital assets	32,321,101	28,304,924	26,507,285	14.19%	6.78%
Unrestricted	17,636,126	16,917,105	16,534,897	4.25%	2.31%
Total Net Position	$ 49,957,227	$ 45,222,029	$ 43,042,182	10.47%	5.06%

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

The following is a summary of the District's statement of revenues, expense and changes in net position for the years ended June 30, 2025 and 2024:

	Fiscal Year Ended June 30, 2025	Fiscal Year Ended June 30, 2024	Fiscal Year Ended June 30, 2023	% Change FY 2024-2025 and 2023-2024	% Change FY 2023-2024 and 2022-2023
Operating revenues	$ 7,149,421	$ 7,006,995	$ 6,805,832	2.03%	2.96%
Operating expenses	6,708,294	6,518,948	5,688,021	2.90%	14.61%
Operating income	441,127	488,047	1,117,811	-9.61%	-56.34%
Nonoperating revenue	4,289,894	1,731,216	1,095,597	147.80%	58.02%
Nonoperating expense	113,412	141,812	169,212	-20.03%	-16.19%
Non-operating income	4,176,482	1,589,404	926,385	162.77%	-71.57%
Excess of revenue over expenses	4,617,609	2,077,451	2,044,196	122.27%	1.63%
Capital contributions	117,589	102,396	19,504	14.84%	425.00%
Change in net position	4,735,198	2,179,847	2,063,700	117.23%	5.63%
Net position, beginning of year	45,222,029	43,042,182	40,978,482	5.06%	5.04%
Net position, end of year	$ 49,957,227	$ 45,222,029	$ 43,042,182	10.47%	5.06%

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

	Fiscal Year Ended June 30, 2025	Fiscal Year Ended June 30, 2024	Fiscal Year Ended June 30, 2023
Nonoperating Revenue:			
Investment income	$ 863,427	$ 833,108	$ 337,780
Property taxes	834,280	790,618	748,625
Other income	2,562,687	107,490	9,192
Gain on sale of assets	29,500	-	-
Nonoperating Expense:			
Interest expense	(113,412)	(141,812)	(169,212)
Total nonoperating revenue	$ 4,176,482	$ 1,589,404	$ 926,385

FY 2023 to 2025 Nonoperating expense includes Interest expense (Bond/Debt Service interest payments).

Sources of Revenue

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

Revenue Category	2024-2025	2023-2024	2022-2023	% Change FY 2024-2025 and 2023-2024	% Change FY 2023-2024 and 2022-2023
Service charges	$ 6,632,613	$ 6,644,349	$ 6,525,589	-0.18%	1.82%
Connection fees	369,141	293,049	234,212	25.97%	25.12%
Other services	147,667	69,597	46,031	112.17%	51.20%
Operating revenue	7,149,421	7,006,995	6,805,832	2.03%	2.96%
Investment income (loss)	863,427	833,108	337,780	3.64%	146.64%
Property taxes	834,280	790,618	748,625	5.52%	5.61%
Grant revenue and reimbursements	2,564,750	219,930	19,840	1066.17%	1008.52%
Nonoperating revenue	4,262,457	1,843,656	1,106,245	131.20%	66.66%
Total revenue	$ 11,411,878	$ 8,850,651	$ 7,912,077	28.94%	11.86%

Sewer Service Charge (SSC)

The major source of revenue for the District is its annual Sewer Service Charges (SSC). The Fiscal Year June 30, 2024-2025 sewer service charges revenue decreased by approximately $12,000 from the prior Fiscal Year June 30, 2023-2024. The District’s total annual SSC revenue for Fiscal Year June 30, 2024-2025 was $6,632,613, which amounted to approximately 66.7% of the total revenues and 92.8% of the total operating revenue. The District’s total annual SSC revenue for Fiscal Year June 30, 2023-2024 was $6,644,349, which amounted to approximately 75.1% of the total revenues and 94.8% of the total operating revenue.

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

Future Rate Increases

On May 9, 2016 the Board of Directors approved a 3-year planned rate increase structure for sewer service charges that went into effect beginning in Fiscal Year June 30, 2016-2017 and ran through Fiscal Year June 30, 2018-2019. On October 9, 2017 the Board of Directors approved to amend the fee schedule. All rate increases were validated and approved by following the procedures and requirements of Proposition 218. The District plans on completing a rate study during Fiscal Year 2025-26 for implementation in Fiscal Year 2026-27.

Connection Fees

The connection fees collected on District permits are charges for connection to the District's sanitary sewer system necessary to recoup prior infrastructure costs incurred to provide service. Connection fees collected for the Fiscal Year June 30, 2024-2025 and Fiscal Year June 30, 2023-2024 were $369,141 and $293,049, respectively. The increase in connection fees received is attributed to a 36% increase in development activity in Fiscal Year 2024-25 compared to Fiscal Year 2023-24.

Investment Income

The District's current approved investment policy, states that it shall be the policy of the District to invest funds, with maximum security through diversification and prudence, in a manner which will provide the highest investment return, while meeting the daily cash flow demands of the entity and conforming to all statutes governing the investments of District funds.

In keeping with that policy, the District Board chose to expand the investment vehicles it participated in to take advantage of the high interest rate environment in Fiscal Year 2024-25. The District shifted a portion of its funds from its two main investment vehicles, the Santa Barbara County Investment Pool and the Local Agency Investment Fund (LAIF), to a Charles Schwab Treasury fund and an account with California CLASS. Both of these investment vehicles offer one-day liquidity, so the District has the same ability to meet operational needs as its previous main investment vehicles.

The Santa Barbara County Pool consists of Sewer Service Charges, Property Tax Income, and Interest. District practice has been to draw from the Santa Barbara County Pool for operating funds.

Interest revenues received within Fiscal Year June 30, 2024-2025 from the two investment pools was $863,427.

Property Tax

The District receives one half of 1% of the total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area, whether or not they are a customer of the District. The property tax revenue is inclusive of secure, unsecured, unitary, and supplemental property taxes. In Fiscal Year June 30, 2024-2025 this property tax revenue amounted to $834,280.

Operating Expenses

The District's operating expenses (not including depreciation) for Fiscal Year June 30, 2024-2025 were $5,515,895 and for FY June 30, 2023-2024 were $5,288,050. This is an overall increase in Fiscal Year 2024-25 of 4.3%. compared to 19.8% in Fiscal Year 2023-24. Depreciation expense for FY June 30, 2024-2025 was $1,192,399 and for FY June 30, 2023-2024 was $1,230,898.

Expenditure increases or decreases in fiscal year June 30, 2024-2025 versus fiscal year June 30, 2023-2024 were as follows:

Expense Category	Expenses FY 2024-2025	Expenses FY 2023-2024	Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	$ 3,693,669	$ 3,200,614	$ 493,055	15.4%	FY 24-25 Increase primarily due to the addition of 1 FTE compared to 23-24, a higher Unfunded Actuarial Liability CalPERS Payment, inceased medical benefits expenditures as a result of labor negotiations, and typical increases to FICA/CalPERS based on employees moving up their pay grade/scale
Pooled Liability and Other CSRMA Insurance Programs	164,406	85,600	78,806	92.1%	FY 24-25 increase primarily due to significant increasese in the District's General Liability and Property Insurance premiums
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	849,742	1,104,403	(254,661)	-23.1%	FY24-25 Decrease primarily due to one-time roof repair costs ($122,329), unanticipated Lift Station Parts needs ($31,411), increased WWTP Maintenance Materials ($29,054), increased electrical services work ($35,128) and fence/tree removal costs ($26,500) in FY23-24
Utilities, Telephone, Fuel and Oil	294,885	303,007	(8,122)	-2.7%	Immaterial difference from FY 2023-24
Research & Monitoring	31,409	34,700	(3,291)	-9.5%	Immaterial difference from FY 2023-24
Office Expenses, Special Projects, and Misc. Administrative Costs	55,624	86,581	(30,957)	-35.8%	FY 24-25 Decrease due to one time tree removal costs in FY 23-24 not needed in FY 24-25
Professional Services, Administrative Fees, and Memberships	374,722	422,450	(47,728)	-11.3%	FY24-25 Decrease a result of one time expenditures incurred in 2023-24 (Salary Study costs of $31,850 and Recruitment costs of $20,000)
Training, Safety and Travel Expenses	51,438	50,695	743	1.5%	Immaterial difference from FY 2023-24
Subtotals	**5,515,895**	**5,288,050**	**227,845**	**4.3%**	
Depreciation	1,192,399	1,230,898	(38,499)	-3.1%	FY24-25 Decrease due to several high cost assets in the Treatment plant hitting the end of their depreciable life
Totals	**$ 6,708,294**	**$ 6,518,948**	**$ 189,346**	**2.9%**	

Expenditure increases or decreases in fiscal year June 30, 2023-2024 versus fiscal year June 30, 2022-2023 were as follows:

Expense Category	Expenses FY 2023-2024	Expenses FY 2022-2023	FY 2023-2024 Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	$ 3,200,614	$ 2,531,857	$ 668,757	26.4%	FY 23-24 Increase due to implementation of retroactive (Represented) and current COLA for staff coupled with increased GASB 68 Pension costs
Pooled Liability and Other CSRMA Insurance Programs	85,600	114,149	(28,549)	-25.0%	FY 23-24 decrease due to a premium decrease in the District's CSRMA Pooled Liability policy
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	1,104,403	970,306	134,097	13.8%	FY23-24 Increase primarily due to increased contracted service related to SCADA implementation and salary study services
Utilities, Telephone, Fuel and Oil	303,007	286,971	16,036	5.6%	FY23-24 Increase primarily due to minor service rate increases
Research & Monitoring	34,700	28,713	5,987	20.9%	Immaterial difference from FY 2022-23
Office Expenses, Special Projects, and Misc. Administrative Costs	86,581	86,047	534	0.6%	Immaterial difference from FY 2022-23
Professional Services, Administrative Fees, and Memberships	422,450	348,511	73,939	21.2%	FY23-24 Increase primarily due to increased computer software costs and asset management services
Training, Safety and Travel Expenses	50,695	48,348	2,347	4.9%	Immaterial difference from FY 2022-23
Subtotals	**5,288,050**	**4,414,902**	**873,148**	**19.8%**	
Depreciation	1,230,898	1,273,119	(42,221)	-3.3%	FY23-24 Decrease due to several high cost assets in the Treatment plant hitting the end of their depreciable life
Totals	**$ 6,518,948**	**$ 5,688,021**	**$ 830,927**	**14.6%**	

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

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

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

The 2007 COPs used for capital improvement projects became eligible for "Current Refunding" after the initial call date in April 2017. In January 2017 the District engaged Fieldman, Rolapp & Associates, independent financial advisors, to analyze the opportunity for refunding the 2007 COPs. The analysis showed the District could decrease the maturity term by seven years, remove the requirement for a reserve fund, and take advantage of lower interest rates, resulting in savings of approximately $4 million. In May 2017 the District refunded the COPs by using $1,121,862 available cash, $957,824 COP reserve funds, and issuing new 2017 Sewer Refunding Revenue Bonds in the amount of $10,020,000 (see Note 6). During the fiscal year ending June 30, 2025, the District made principal payments totaling $710,000 against the debt. As of June 30, 2025, the remaining principal balance was $4,970,000 and unamortized premium balance was $370,441.

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

Annual Depreciation Funding

On May 26, 2009, the Board authorized the creation of a separate fund for depreciation. Effective July 1, 2009, the County Auditor-Controller's office established a fund titled Montecito Sanitary Capital Replacement Fund and as of June 30, 2025 there was $3,155,244 in this fund. Annually the Board considers contributing to this fund. Typically, the annual amount contributed is based on the prior fiscal year's annual depreciation expense. The District may withdraw monies from the Capital Replacement Fund at any time to fund capital projects or to meet any operational needs of the District.

Annual Audited Financial Statements

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

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

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

Contacting the District's Financial Management

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

MONTECITO SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current Assets:		
Cash and investments (Note 2 and 3)	$ 20,059,265	$ 19,918,300
Receivables	1,565,011	139,012
Prepaid expenses	118,316	118,316
Total current assets	21,742,592	20,175,628
Capital Assets:		
Depreciable:		
Plant and equipment	64,105,527	60,789,231
Less accumulated depreciation	(28,736,453)	(27,544,054)
	35,369,074	33,245,177
Non-depreciable:		
Construction in progress	2,226,969	1,126,977
Land and improvements	106,500	106,500
Net capital assets (Note 2 and 4)	37,702,543	34,478,654
Total Assets	59,445,135	54,654,282
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions (Note 8)	1,085,795	1,314,739
Deferred postemployment health care benefits (Note 9)	113,851	167,031
Total deferred outflows of resources	1,199,646	1,481,770
Total Assets and Deferred Outflows of Resources	$ 60,644,781	$ 56,136,052

See accompanying notes

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MONTECITO SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2025 and 2024

	2025	2024
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 913,672	$ 186,303
Accrued salaries and benefits	44,855	49,089
Accrued interest	100,734	278,528
Customer deposits	356,778	312,334
Current portion of long-term debt (Note 6)	735,000	710,000
Total current liabilities	2,151,039	1,536,254
Long-Term Liabilities:		
Compensated absences payable (Note 5)	333,528	217,333
Long-term debt, net of current portion (Note 6)	4,605,441	5,414,529
Net pension liability (Note 8)	3,149,303	3,157,186
Postemployment health care benefits liability (Note 9)	269,097	279,003
Total long-term liabilities	8,357,369	9,068,051
Total Liabilities	10,508,408	10,604,305
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions (Note 8)	76,685	125,386
Deferred postemployment health care benefits (Note 9)	61,460	135,131
Deferred gain on refunding debt	41,001	49,201
Total deferred inflows of resources	179,146	309,718
Total Liabilities and Deferred Inflows of Resources	10,687,554	10,914,023
NET POSITION		
Net investment in capital assets	32,321,101	28,304,924
Unrestricted, designated for retirement benefits obligation	199,474	188,790
Unrestricted, designated for capital replacement	3,155,244	3,939,545
Unrestricted, designated for reserves	2,250,000	2,250,000
Unrestricted, designated for recycled water	-	994,706
Unrestricted	12,031,408	9,544,064
Total Net Position	$ 49,957,227	$ 45,222,029

See accompanying notes

MONTECITO SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues:		
Service charges	$ 6,632,613	$ 6,644,349
Connection fees	369,141	293,049
Other services	147,667	69,597
Total operating revenues	7,149,421	7,006,995
Operating Expenses:		
Sewage collection	2,402,049	2,248,906
Sewage treatment	2,542,505	2,692,823
Sewage disposal	77,857	64,789
Administrative	1,685,883	1,512,430
Total operating expenses	6,708,294	6,518,948
Income from operations	441,127	488,047
Nonoperating Revenue:		
Investment income	863,427	833,108
Property taxes	834,280	790,618
Other income	2,592,187	107,490
Interest expense	(113,412)	(141,812)
Total nonoperating revenue	4,176,482	1,589,404
Excess of revenue over expenses	4,617,609	2,077,451
Capital contributions		
Contributed subsurface lines	117,589	102,396
Total capital contributions	117,589	102,396
Change in net position	4,735,198	2,179,847
Net position, beginning of year	45,222,029	43,042,182
Net position, end of year	$ 49,957,227	$ 45,222,029

See accompanying notes

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MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Cash received from customers	$ 5,731,274	$ 7,053,727
Cash payments to vendors for goods and services	(1,272,651)	(2,077,724)
Cash payments for employees services and benefits	(3,439,745)	(3,059,348)
Net cash provided by operating activities	1,018,878	1,916,655
Cash Flows from Noncapital Financing Activities:		
Property taxes	834,280	790,618
Other	2,592,187	107,490
Net cash provided by noncapital financing activities	3,426,467	898,108
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(4,416,288)	(2,275,493)
Interest payments	(195,700)	(224,101)
Extension reimbursements	117,589	102,396
Principal payments on long term debt	(710,000)	(685,000)
Net cash used by capital and related financing activities	(5,204,399)	(3,082,198)
Cash Flows from Investing Activities:		
Investment income received	900,019	806,359
Net cash provided by investing activities	900,019	806,359
Net increase in cash and investments	140,965	538,924
Cash and investments – beginning of year	19,918,300	19,379,376
Cash and investments – end of year	$ 20,059,265	$ 19,918,300

See accompanying notes

MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 441,127	$ 488,047
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,192,399	1,230,898
Change in assets and liabilities:		
Accounts receivable	(1,462,591)	430
Prepaid expenses	-	(57,845)
Deferred outflows	282,124	92,646
Accounts payable	727,369	81,252
Accrued salaries and benefits	(4,234)	19,541
Accrued interest	(177,794)	(13,695)
Customer deposits	44,444	46,302
Compensated absences	116,195	26,923
Net pension liability	(7,883)	118,298
Postemployment health care benefits	(9,906)	(18,957)
Deferred inflows	(122,372)	(97,185)
Net cash provided by operating activities	$ 1,018,878	$ 1,916,655

See accompanying notes

Note 1 – Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

Accounting Policies

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

Accounting Basis

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

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

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

Budget

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Receivables

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

Property, Plant and Equipment

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

Depreciation

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

Accumulated Vacation, Compensated Time Off and Sick Leave

Accumulated unpaid employee vacation, compensated time off, and sick leave benefits are recognized as liabilities of the District. The District adopted GASB 101 guidance in the fiscal year ended June 30, 2025.

Deferred Outflows and Inflows of Resources

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

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

Net Position

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

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

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

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

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

Revenue Recognition – Property Taxes and Services Charges

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition – Property Taxes and Services Charges (Continued)

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

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

Property Tax Administration Fees – The State of California FY 1990-1991 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Tax Levies – are limited to 1% of full value which results in a tax rate of $1.00 per $100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as they exist at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Connection Fees

Connection fees are one-time capacity charges imposed at the time a structure is connected to the District's system, or an existing connection is expanded or increased. These funds are restricted and may be used to finance the expansion or upgrade of existing facilities that will benefit new customers including collection system improvements and treatment system upgrades. There are no unspent connection fees held at June 30, 2025 and 2024.

Annual Appropriations Limit

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Grant Receivable and Revenue

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

Use of Estimates

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

Pensions

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

Postemployment Benefits Other Than Pensions (OPEB)

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

Note 2 – Summary of Significant Accounting Policies (Continued)

Recent Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board statements listed below were implemented during the year ended June 30, 2025:

Statement No. 101	*"Compensated Absences"*	The requirements of this statement were effective for periods beginning after December 15, 2023. (FY 24/25)
Statement No. 102	*"Certain Risk Disclosures"*	The requirements of this Statement were effective for fiscal years beginning after June 15, 2024. (FY24/25)

The adoption of these statements did not have a material impact on the District.

Future Governmental Accounting Standards Board (GASB) Pronouncements

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

Statement No. 103	*"Financial Reporting Model Improvements"*	The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. (FY25/26)
Statement No. 104	*"Disclosure of Certain Capital Assets"*	The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. (FY25/26)

Note 3 – Cash and Investments

Cash and investments are classified in the accompanying financial statements at June 30, 2025 and 2024 as follows:

	June 30, 2025	June 30, 2024
Unrestricted:		
Cash and investments, undesignated	$ 6,816,439	$ 14,794,759
Cash and investments designated for reserves	9,871,190	-
Cash designated for reserves	16,918	500
Cash designated for retirement benefits	199,474	188,790
Cash designated for capital replacement	3,155,244	3,939,545
Cash designated for recycled water	-	994,706
Total cash and investments	$ 20,059,265	$ 19,918,300

Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2025 and 2024 consist of the following:

	June 30, 2025	June 30, 2024
Cash on hand	$ 250	$ 250
Deposits held with financial institutions	347,862	3,820,127
Cash with fiscal agent	832,850	822,050
Local Agency Investment Fund	16,918	500
Santa Barbara County Investment Pool	8,990,195	15,275,373
California CLASS Investment Pool	4,027,189	-
Investments held with a financial institution	5,844,001	-
Total cash and investments	$ 20,059,265	$ 19,918,300

Investments Authorized by the District's Investment Policy

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

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

Investments

The District participates in LAIF, the Santa Barbara County Investment Pool, the California CLASS Investment Pool and holds investments at Charles Schwab. LAIF, the Santa Barbara County Investment Pool and the California CLASS Investment Pool are regulated by the California Government Code.

Note 3 – Cash and Investments (Continued)

Investments (Continued)

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

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

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

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District did not have any investments that are considered highly sensitive to changes in interest rates at June 30, 2025 and 2024.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2025 and 2024.

	June 30, 2025				
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	$ 16,918	$ 16,918	$ -	$ -	$ -
Santa Barbara County Investment Pool	8,990,195	8,990,195	-	-	-
California CLASS Investment Pool	4,027,189	4,027,189	-	-	-
Money market mutual fund	5,844,001	5,844,001	-	-	-
Total Investments	$ 18,878,303	$ 18,878,303	$ -	$ -	$ -

	June 30, 2024				
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	$ 500	$ 500	$ -	$ -	$ -
Santa Barbara County Investment Pool	15,275,373	15,275,373	-	-	-
Total Investments	$ 15,275,873	$ 15,275,873	$ -	$ -	$ -

Note 3 – Cash and Investments (Continued)

Concentration of Credit Risk

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of June 30, 2025 and 2024 for each investment type.

	June 30, 2025					
		Minimum	Exempt			
	Carrying	Legal	From	Rating as of Fiscal Year End		
Investment Type	Amount	Rating	Disclosure	AAA	AA	Not Rated
Local Agency Investment Fund	$ 16,918	N/A	$ 16,918	$ -	$ -	$ -
Santa Barbara County Investment Pool	8,990,195	N/A	8,990,195	-	-	-
California CLASS Investment Pool	4,027,189	N/A	4,027,189	-	-	-
Money market mutual fund	5,844,001	N/A	5,844,001	-	-	-
Total Investments	$ 18,878,303		$ 18,878,303	$ -	$ -	$ -

	June 30, 2024					
		Minimum	Exempt			
	Carrying	Legal	From	Rating as of Fiscal Year End		
Investment Type	Amount	Rating	Disclosure	AAA	AA	Not Rated
Local Agency Investment Fund	$ 500	N/A	$ 500	$ -	$ -	$ -
Santa Barbara County Investment Pool	15,275,373	N/A	15,275,373	-	-	-
Total Investments	$ 15,275,873		$ 15,275,873	$ -	$ -	$ -

Note 3 – Cash and Investments (Continued)

Fair Value of Investments

The following investments are recognized at fair value at June 30, 2025 and 2024, respectively.

	June 30, 2025	June 30, 2024
Local Agency Investment Fund	$ 16,918	$ 500
Santa Barbara County Investment Pool	8,990,195	15,275,373
California CLASS Investment Pool	4,027,189	-
Money market mutual fund	5,844,001	-
Total Investments	$ 18,878,303	$ 15,275,873

Note 4 – Schedule of Capital Assets

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2025, is shown below:

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Subsurface Lines	$34,805,040	$ -	$ -	$ -	$34,805,040
Collection Facilities	10,069,308	-	-	2,803,332	12,872,640
Treatment Facilities	14,802,961	-	-	512,964	15,315,925
Disposal Facilities	532,466	-	-	-	532,466
Administrative Facilities	579,456	-	-	-	579,456
	60,789,231	-	-	3,316,296	64,105,527
Accumulated Depreciation	(27,544,054)	(1,192,399)	-	-	(28,736,453)
	33,245,177	(1,192,399)	-	3,316,296	35,369,074
Construction in Progress	1,126,977	4,416,288	-	(3,316,296)	2,226,969
Land and Improvements	106,500	-	-	-	106,500
Net capital assets	$34,478,654	$3,223,889	$ -	$ -	$37,702,543

Note 4 – Schedule of Capital Assets (Continued)

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2024, is shown below:

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Subsurface Lines	$32,645,718	$ -	$ -	$2,159,322	$34,805,040
Collection Facilities	10,022,967	-	-	46,341	10,069,308
Treatment Facilities	14,571,299	-	-	231,662	14,802,961
Disposal Facilities	532,466	-	-	-	532,466
Administrative Facilities	398,064	-	-	181,392	579,456
	58,170,514	-	-	2,618,717	60,789,231
Accumulated Depreciation	(26,313,156)	(1,230,898)	-	-	(27,544,054)
	31,857,358	(1,230,898)	-	2,618,717	33,245,177
Construction in Progress	1,470,201	2,377,889	(102,396)	(2,618,717)	1,126,977
Land and Improvements	106,500	-	-	-	106,500
Net capital assets	$33,434,059	$1,146,991	$ (102,396)	$ -	$34,478,654

Note 5 – Compensated Absences

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

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

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

Note 5 – Compensated Absences (Continued)

In accordance with accounting principles generally accepted in the United States of America, the liability is reflected on the statement of net position and the current fiscal year allocation has been expensed.

Changes in accrued compensated absences during 2025 were as follows:

Balance as of June 30, 2024	$ 217,333
Net increase in accrued compensated absences during 2025	116,195
Balance as of June 30, 2025	$ 333,528

Note 6 – Long-Term Debt

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

	Balance June 30, 2024	Additions	Retirements/ Amortization	Balance June 30, 2025
2017 Sewer Refunding Revenue Bonds	$ 5,680,000	$ -	$ (710,000)	$ 4,970,000
Unamortized premiums	444,529	-	(74,088)	370,441
Total 2017 Sewer Refunding Revenue Bonds	6,124,529	-	(784,088)	5,340,441
Current portion of long-term debt	710,000			735,000
Net long-term debt	$ 5,414,529	$ -	$ (784,088)	$ 4,605,441

CSDA Finance Corporation Certificates of Participation 2007 Series UU

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

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

Note 6 – Long-Term Debt (Continued)

2017 Sewer Refunding Revenue Bonds

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

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

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

Fiscal Year	Principal	Interest	Total
FY 2025-2026	$ 735,000	$ 177,325	$ 912,325
FY 2026-2027	775,000	139,575	914,575
FY 2027-2028	820,000	99,700	919,700
FY 2028-2029	855,000	66,375	921,375
FY 2029-2030	880,000	40,350	920,350
FY 2030-2031	905,000	13,575	918,575
Total	$ 4,970,000	$ 536,900	$ 5,506,900

Debt service payments in any one fiscal year will not exceed $921,375.

Note 7 – Deferred Compensation Plan

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

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

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plans

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

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

The Plans' provisions and benefits in effect at June 30, 2025 and 2024 are summarized as follows:

	For the Year Ended June 30, 2025		For the Year Ended June 30, 2024	
	Miscellaneous Plan		Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.75%	7.00%	6.75%
Required employer contribution rates	12.52%	7.87%	12.47%	7.68%

Note 8 – Defined Benefit Pension Plan (Continued)

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

The District's contribution to the Plan for the years ended June 30, 2025 and 2024 were $457,220 and $396,967, respectively. Of the total contributions made for the years ended June 30, 2025 and 2024, $244,826 and $205,297, respectively, were required contributions for the unfunded liability.

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

The District's net pension liability for all Plans is measured as the proportionate share of the net pension liability. As of June 30, 2025 and 2024, the District reported a liability of $3,149,303 and $3,157,186, respectively, for its proportionate shares of the net pension liability of all Plans. The net pension liability of all of the Plans is measured as of June 30, 2024, 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, 2023 rolled forward to June 30, 2024 using standard update procedures.

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for all Plans with an actuarial valuation date of June 30, 2023 and 2022 (and measurement date of June 30, 2024 and 2023, respectively) were as follows:

For the Year Ended June 30, 2025

	Miscellaneous
Proportion - June 30, 2024	0.06314%
Proportion - June 30, 2025	0.06511%
Change - Increase (Decrease)	0.00198%

For the Year Ended June 30, 2024

	Miscellaneous
Proportion - June 30, 2023	0.06494%
Proportion - June 30, 2024	0.06314%
Change - Increase (Decrease)	-0.00180%

Note 8 – Defined Benefit Pension Plan (Continued)

For the years ended June 30, 2025 and 2024, the District recognized pension expense of $629,580 and $522,743, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2025		June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 457,220	$ -	$ 396,967	$ -
Differences between actual and expected experience	272,286	(10,624)	161,286	(25,019)
Changes in assumptions	80,944	-	190,614	-
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	87,153	(66,061)	47,805	(100,367)
Net differences between projected and actual earnings on plan investments	188,192	-	518,067	-
	$ 1,085,795	$ (76,685)	$ 1,314,739	$ (125,386)

Employer contributions of $457,220 reported at June 30, 2025 as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. During the fiscal year ended June 30, 2025, $396,967 of employer contributions that was reported in deferred outflows of resources at June 30, 2024 was recognized as a reduction to the net pension liability.

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

Year Ended June 30:	Amount
2026	$ 175,178
2027	416,167
2028	22,675
2029	(62,130)
2030	-
Thereafter	-
	$ 551,890

Note 8 – Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2025	For the Year Ended June 30, 2024
	Miscellaneous	Miscellaneous
Valuation Date	30-Jun-23	30-Jun-22
Measurement Date	30-Jun-24	30-Jun-23
Actual Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll Growth	2.30%	2.30%
Projected Salary Increase	Varies by entry age and service (1)	Varies by entry age and service (1)
Investment Rate of Return	6.90%	6.90%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2021 experience study report (based on CalPERS demographic date from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumption – Deferred inflows and outflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods. During the measurement periods ended June 30, 2024 and 2023 there were no changes of assumptions.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for the measurement periods ending June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made a statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, for measurement dates of June 30, 2024 and 2023, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Note 8 – Defined Benefit Pension Plan (Continued)

The table below reflects the expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

	June 30, 2025 Measurement Date - June 30, 2024			June 30, 2024 Measurement Date - June 30, 2023	
Asset Class	Net Strategic Allocation	Real Return Years 1 -10(a)	Asset Class	Net Strategic Allocation	Real Return Years 1 -10(a)
Global Equity - Cap-weighted	30.00%	4.54%	Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%	Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%	Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%	Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%	Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%	Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%	High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%	Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%	Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%	Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%	Leverage	-5.00%	-0.59%

(a) An expected inflation of 2.3% used for this period.
Figures are based on the 2021-22 Asset Liability Management study.

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

For the Year Ended June 30, 2025			For the Year Ended June 30, 2024		
Miscellaneous			Miscellaneous		
1% Decrease		5.90%	1% Decrease		5.90%
Net Pension Liability	$	4,693,591	Net Pension Liability	$	4,631,311
Current Discount Rate		6.90%	Current Discount Rate		6.90%
Net Pension Liability	$	3,149,303	Net Pension Liability	$	3,157,186
1% Increase		7.90%	1% Increase		7.90%
Net Pension Liability	$	1,878,128	Net Pension Liability	$	1,943,856

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

Note 9 – Postemployment Health Care Benefits

Plan Description

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

Employees Covered

As of the June 30, 2024 actuarial valuation, current and former employees that were covered by the benefit terms under the OPEB Plan are displayed in the table below:

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and its board of directors. The required contribution is based on projected pay-as-you-go financing requirements. Currently, the District has $199,474 of designated net position set aside to be used to fund the postemployment health care obligation, and plans to set aside $15,000 each July until adequate funds have been established. The District pays 100% of costs on behalf of the eligible participants.

Note 9 – Postemployment Health Care Benefits (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	OPEB Plan
Actual Cost Method	Entry-Age Actuarial Cost Method in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2024	3.93%
Measurement Date - 2023	3.65%
Inflation	2.50%
Salary Increases (1)	2.75%
Investment Rate of Return	
Measurement Date - 2024	3.93%
Measurement Date - 2023	3.65%
Mortality	2025 CalPERS Active Mortality for Miscellaneous Employees; 2025 CalPERS Retiree Mortality for Miscellaneous Employees
Pre-Retirement Turnover	2025 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	4% per year

(1) Benefits are not dependent upon salary

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93%. The projection of cash flows used to determine the discount rate assumed that District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Assumption Changes

The discount rate was increased from 3.65% to 3.93% for the measurement period ending June 30, 2024. The discount rate was increased from 3.54% to 3.65% for the measurement period ending June 30, 2023.

Note 9 – Postemployment Health Care Benefits (Continued)

Changes in the Net OPEB Liability

The District accrued the net OPEB liability of $269,097 and $279,003 as of June 30, 2025 and 2024, which is included on the Statement of Net Position. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation for plan benefits for the years ended June 30, 2025 and 2024:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2024 *(Measurement Date June 30, 2023)*	$ 279,003	$ -	279,003
Changes Recognized for the Measurement Period:			
Service cost	3,771	-	3,771
Interest on Total OPEB Liability	9,657	-	9,657
Contributions - Employer	-	31,693	(31,693)
Changes in Assumptions	1,540	-	1,540
Experience Gains/Losses	6,819	-	6,819
Benefit Payments & Refunds	(31,693)	(31,693)	-
Net Changes	(9,906)	-	(9,906)
Balance at June 30, 2025 *(Measurement Date June 30, 2024)*	$ 269,097	$ -	$ 269,097

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, 2024.

Net OPEB Liability		
1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
$ 276,493	$ 269,097	$ 261,519

Note 9 – Postemployment Health Care Benefits (Continued)

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2024.

Net OPEB Liability		
Trend 1% Lower (3.0%)	Valuation Trend (4.0%)	Trend 1% Higher (5.0%)
$ 257,785	$ 269,097	$ 281,111

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

For the fiscal year ended June 30, 2025 and 2024 , the District recognized OPEB expense of $(18,629) and $(13,043), respectively.

As of the fiscal year ended June 30, 2025 and 2024 , the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	June 30, 2025		June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 21,538	$ -	$ 19,494	$ -
Differences between expected and actual experience	54,093	55,371	84,942	121,832
Changes in assumptions	38,220	6,089	62,595	13,299
Total	$ 113,851	$ 61,460	$ 167,031	$ 135,131

Note 9 – Postemployment Health Care Benefits (Continued)

At June 30, 2025, the District reported deferred outflows of resources of $21,538 related to contributions made subsequent to the measurement date. This will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026.

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

Fiscal Year Ended June 30:	Amount
2026	$ 5,485
2027	25,809
2028	(441)
2029	-
2030	-
Thereafter	-
	$ 30,853

Note 10 – Risk Management

Insurance

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

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

Note 11 – Commitments and Contingencies

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

At its June 19, 2024 Regular Board Meeting the District authorized the General Manager to negotiate a contract with Stantec to prepare engineering design documents for the Channel Drive Sewer Force Main Improvements Project. That contract was negotiated and entered into in the amount of $306,500 on August 1, 2024. As of June 30, 2025, approximately $74,000 has been incurred related to this contract.

Note 11 – Commitments and Contingencies (Continued)

At its December 18, 2024 Regular Board Meeting the District authorized the General Manager to award a contract to Stantec Consulting Services in the amount of $235,000 to prepare engineering planning documents for the District's Wastewater Collection System Master Plan. As of June 30, 2025, approximately $72,000 has been incurred related to this contract.

At its December 18, 2024 Regular Board Meeting the District authorized the General Manager to award a contract to Stantec Consulting Services in the amount of $235,000 to prepare engineering planning documents for the Septic-to-Sewer Strategic Plan. As of June 30, 2025, approximately $52,000 has been incurred related to this contract.

Note 12 – District Consolidation

On March 28, 2025, at a special board meeting, the District took a vote on consolidation with the Montecito Water District and the motion passed with three directors voting yay, and two directors voting nay. As of June 30, 2025 the consolidation with the Montecito Water District remains a topic of conversation within both District's board of directors, however no formal efforts towards consolidation have been made.

Note 13 – Subsequent Events

Subsequent events have been evaluated through August 7, 2026, the date that the financial statements were available to be issued.

At its July 9, 2025 Regular Board Meeting the District authorized the General Manager to execute a contract with Rincon Consultants to provide required restoration services at the District's Federal Emergency Management Agency (FEMA) Projects in the amount of $299,515.

At its July 23, 2025 Regular Board Meeting the District awarded a contract to Blois Construction for utility potholing work on behalf of the Channel Drive Sewer Force Main Improvements Project in the amount of $73,211.

At its September 10, 2025 Regular Board Meeting the District approved a contract with Southland Industries to perform an Investment Grade Audit (IGA) as the first phase of development of a comprehensive plan upgrade project in the amount of $1,675,230.

At its November 12, 2025 Regular Board Meeting the District approved a contract with Insituform Technologies, LLC for construction services of the District's 2025 Sewer Main Cured-In-Place Protective (CIPP) Lining Project in the amount of $1,760,613.

On April 22, 2026, at a Regular Board Meeting, the District took a vote on a MOU towards collaboration with the Montecito Water District but the motion did not pass with two directors voting yay, and two directors voting nay.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	As of June 30,									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Valuation date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.0260%	0.0253%	0.0263%	0.0274%	0.0234%	0.0226%	0.0217%	0.0214%	0.0208%	0.0190%
Proportionate share of the net pension liability	$ 3,149,303	$ 3,157,186	$ 3,038,888	$ 1,483,020	$ 2,541,896	$ 2,317,190	$ 2,094,365	$ 2,122,293	$ 1,801,193	$ 1,307,464
Covered payroll	$ 2,004,757	$ 1,805,089	$ 1,691,839	$ 1,754,587	$ 1,899,486	$ 1,854,359	$ 1,729,391	$ 1,669,379	$ 1,534,968	$ 1,450,789
Proportionate share of the net pension liability as percentage of covered payroll	157.09%	174.90%	179.62%	84.52%	133.82%	124.96%	121.10%	127.13%	117.34%	90.12%
Plan fiduciary net position as a percentage of the total pension liability	72.48%	71.03%	72.96%	85.96%	74.89%	76.07%	77.09%	75.88%	77.39%	82.57%

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, 2024 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.

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

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

	As of June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	$ 457,220	$ 396,967	$ 380,867	$ 351,901	$ 330,274	$ 316,708	$ 271,498	$ 227,170	$ 207,913	$ 181,148
Contributions in relation to the actuarially determined contributions	$ 457,220	$ 396,967	$ 380,867	$ 351,901	$ 330,274	$ 316,708	$ 271,498	$ 227,170	$ 207,913	$ 181,148
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	$ 2,204,069	$ 2,004,757	$ 1,805,089	$ 1,691,839	$ 1,754,587	$ 1,899,486	$ 1,854,359	$ 1,729,391	$ 1,669,379	$ 1,534,968
Contributions as a percentage of covered payroll	20.74%	19.80%	21.10%	20.80%	18.82%	16.67%	14.64%	13.14%	12.45%	11.80%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2024-2025 were derived from the June 30, 2022 funding valuation report.

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	$ 3,771	$ 3,753	$ 12,328	$ 11,910	$ 12,060	$ 9,315	$ 9,066	$ 8,823
Interest on the total OPEB liability	9,657	10,056	12,387	12,949	7,963	7,008	7,686	7,668
Experience gain/losses	6,819	-	(246,741)	-	223,364	10,132	-	-
Assumption changes	1,540	(1,567)	(26,582)	(7,089)	139,371	29,554	(3,900)	-
Benefit payments	(31,693)	(31,199)	(41,891)	(32,379)	(1,752)	(27,416)	(34,210)	(32,894)
Net change in total OPEB liability	(9,906)	(18,957)	(290,499)	(14,609)	381,006	28,593	(21,358)	(16,403)
Total OPEB liability - beginning	279,003	297,960	588,459	603,068	222,062	193,469	214,827	231,230
Total OPEB liability - ending (a)	$ 269,097	$ 279,003	$ 297,960	$ 588,459	$ 603,068	$ 222,062	$ 193,469	$ 214,827
Fiduciary Net Position								
Employer contributions	$ 31,693	$ 31,199	$ 41,891	$ 32,379	$ 1,752	$ 20,936	$ 34,210	$ 32,894
Net investment income	-	-	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-	-	-
Benefit payments	(31,693)	(31,199)	(41,891)	(32,379)	(1,752)	(20,936)	(34,210)	(32,894)
Net change in fiduciary net position	-	-	-	-	-	-	-	-
Total fiduciary net position- beginning	-	-	-	-	-	-	-	-
Total fiduciary net position - ending (b)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB asset - ending (a) - (b)	$ 269,097	$ 279,003	$ 297,960	$ 588,459	$ 603,068	$ 222,062	$ 193,469	$ 214,827
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	$ 120,515	$ 115,665	$ 111,388	$ 296,004	$ 426,005	$ 408,782	$ 397,821	$ 384,664
Net OPEB liability as a percentage of covered-employee payroll	223.29%	241.22%	267.50%	198.80%	141.56%	54.32%	48.63%	55.85%
Measurement date	06/30/24	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17
Valuation date	06/30/23	06/30/22	06/30/22	06/30/20	06/30/20	06/30/18	06/30/17	06/30/17

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

OTHER INFORMATION

MONTECITO SANITARY DISTRICT

BOARD OF DIRECTORS

NAME	POSITION	TERM EXPIRES
Rock Rockenbach	President	December 2026
John C. Ohlmann	Vice President	December 2028
Dorinne Lee Johnson	Treasurer	December 2028
Woody Barrett	Secretary	December 2026
John Murphy	Director	December 2026

SUPPLEMENTARY INFORMATION

MONTECITO SANITARY DISTRICT
STATEMENT OF OPERATING EXPENSES - BY DEPARTMENT
For the Fiscal Year Ended June 30, 2025

	Collection	Treatment	Disposal	Administrative	2025	2024
Salaries and Benefits:						
Salaries	$ 732,007	$ 834,628	$ -	$ 803,532	$ 2,370,167	$ 2,085,979
Stand-by pay	23,700	27,600	-	-	51,300	53,550
Overtime	9,507	14,949	-	-	24,456	20,766
Retirement contribution	236,470	233,411	-	222,318	692,199	581,902
Payroll tax	58,754	58,517	-	60,521	177,792	161,083
Group insurance	108,023	153,899	-	115,833	377,755	297,334
Total Salaries and Benefits	1,168,461	1,323,004	-	1,202,204	3,693,669	3,200,614
Supplies and Services:						
Insurance	63,363	85,238	-	15,805	164,406	85,600
Maintenance	59,758	427,036	-	8,152	494,946	713,502
Operating supplies	5,180	6,535	-	4,573	16,288	11,109
Office supplies	2,233	1,584	-	9,462	13,279	13,084
Memberships	1,195	4,606	-	39,864	45,665	24,492
Employee/Community goodwill	-	-	-	2,090	2,090	4,888
Miscellaneous	-	5,556	-	711	6,267	40,060
Office expense	-	-	-	1,275	1,275	718
Legal services	-	-	-	80,486	80,486	67,427
Consulting services	-	-	-	30,961	30,961	38,186
NPDES permit expenses	-	47,780	-	-	47,780	79,168
Other professional services	14,083	-	-	117,669	131,752	185,175
Administrative fees	12,456	2,181	-	23,441	38,078	28,002
Research and monitoring	-	31,409	-	-	31,409	34,700
Contract services	151,355	23,265	74,545	32,894	282,059	305,192
Publications and notices	-	-	-	2,713	2,713	1,583
Minor equipment purchases	22,033	4,487	-	29,929	56,449	74,600
Training and safety	9,102	14,555	-	8,400	32,057	29,834
Travel and meeting costs	670	8,489	-	10,222	19,381	20,861
Fuel and oil	13,267	3,888	-	-	17,155	21,689
Utilities and telephone	58,977	194,348	-	24,405	277,730	281,318
Special projects	-	-	-	30,000	30,000	26,248
Depreciation	819,916	358,544	3,312	10,627	1,192,399	1,230,898
Total Supplies and Services	1,233,588	1,219,501	77,857	483,679	3,014,625	3,318,334
Totals, June 30, 2025	$ 2,402,049	$ 2,542,505	$ 77,857	$ 1,685,883	$ 6,708,294	
Totals, June 30, 2024	$ 2,248,906	$ 2,692,823	$ 64,789	$ 1,512,430		$ 6,518,948

MONTECITO SANITARY DISTRICT
STATEMENT OF OPERATING EXPENSES - BY DEPARTMENT
For the Fiscal Year Ended June 30, 2024

	Collection	Treatment	Disposal	Administrative	2024	2023
Salaries and Benefits:						
Salaries	$ 662,304	$ 728,641	$ -	$ 695,034	$ 2,085,979	$ 1,962,503
Stand-by pay	25,650	27,900	-	-	53,550	38,985
Overtime	15,317	5,449	-	-	20,766	3,345
Retirement contribution	201,957	194,572	-	185,373	581,902	60,313
Payroll tax	57,664	51,114	-	52,305	161,083	147,411
Group insurance	87,484	123,404	-	86,446	297,334	319,300
Total Salaries and Benefits	1,050,376	1,131,080	-	1,019,158	3,200,614	2,531,857
Supplies and Services:						
Insurance	27,344	50,060	-	8,196	85,600	114,149
Maintenance	90,258	611,831	-	11,413	713,502	687,430
Operating supplies	5,097	5,769	-	243	11,109	10,561
Office supplies	2,441	1,671	-	8,972	13,084	14,623
Memberships	2,103	2,349	-	20,040	24,492	52,121
Employee/Community goodwill	500	-	-	4,388	4,888	1,347
Miscellaneous	-	38,246	-	1,814	40,060	37,755
Office expense	-	-	-	718	718	994
Legal services	-	-	-	67,427	67,427	119,247
Consulting services	-	-	-	38,186	38,186	28,806
NPDES permit expenses	-	79,168	-	-	79,168	41,149
Other professional services	14,346	-	-	170,829	185,175	78,894
Administrative fees	4,995	2,209	-	20,798	28,002	28,294
Research and monitoring	-	34,700	-	-	34,700	28,713
Contract services	163,777	54,912	61,477	25,026	305,192	222,685
Publications and notices	-	-	-	1,583	1,583	3,068
Minor equipment purchases	33,830	6,119	-	34,651	74,600	49,630
Training and safety	7,568	14,117	-	8,149	29,834	38,908
Travel and meeting costs	3,357	6,398	-	11,106	20,861	9,440
Fuel and oil	13,787	7,693	-	209	21,689	22,991
Utilities and telephone	61,523	197,146	-	22,649	281,318	263,980
Special projects	-	-	-	26,248	26,248	28,260
Depreciation	767,604	449,355	3,312	10,627	1,230,898	1,273,119
Total Supplies and Services	1,198,530	1,561,743	64,789	493,272	3,318,334	3,156,164
Totals, June 30, 2024	$ 2,248,906	$ 2,692,823	$ 64,789	$ 1,512,430	$ 6,518,948	
Totals, June 30, 2023	$ 1,943,518	$ 2,436,548	$ 77,048	$ 1,230,907		$ 5,688,021

August 7, 2026

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

To the Board of Directors:

We are pleased to present this letter related to our audit of the financial statements of the Montecito Sanitary District (the District) for the year ended June 30, 2025. This letter is to inform the Board of Directors about significant matters related to the conduct of the annual audit, so that it can appropriately discharge its oversight responsibility and we can comply with our professional responsibilities.

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated September 22, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

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

We previously issued a separate communication dated September 22, 2025 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

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

Preferability of Accounting Policies and Practices

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

Adoption of, or Change in, Accounting Policies

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

Significant Accounting Policies

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

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

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

<u>Depreciation</u>

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

<u>Other Post-Employment Benefits</u>

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

<u>Net Pension Liability</u>

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

Audit Adjustments and Uncorrected Misstatements

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

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

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

Other Information Included in Annual Reports

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

Observations About the Audit Process

Disagreements with Management

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

Consultations with Other Accountants

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

Significant Issues Discussed with Management

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

Significant Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Significant Matters That Required Consultation

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

Shared Responsibilities: AICPA Independence

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

Our Responsibilities

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

The District's Responsibilities

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

Internal Control Matters

We have separately communicated any internal control matters identified during our audit of the financial statements in a separate letter dated August 7, 2026.

Significant Written Communications Between Management and Our Firm

In conjunction with the audit of the financial statements, we have been provided a letter of certain representations from management dated August 7, 2026.

Conclusion

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

Very truly yours,

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

DRAFT

Year End: June 30, 2025
Journal Entries: Adjusting
Date: 7/1/2024 To 6/30/2025

Prepared by 1st Reviewer 2nd Reviewer **8010**

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	6/30/2025	DEF PENSION OUTFLOW:GENRL	1975-00	6367			-228,944.00		
1	6/30/2025	NET PENSION LIABILIT:GENRL	2750-00	6367		7,883.00			
1	6/30/2025	DEF PENSION INFLOWS:GENRL	2775-00	6367		48,701.00			
1	6/30/2025	PERS CONTRIBUTION: ADMIN	6400-10	6367		55,424.00			
1	6/30/2025	PERS CONTRIBUTION: COLL	6400-20	6367		58,660.00			
1	6/30/2025	PERS CONTRIBUTION: TREAT	6400-40	6367		58,276.00			
		To record GASB 68 adjustment calculated by District but not posted							
2	6/30/2025	DEF OPEB OUTFLOWS:GENRL	1985-00	6352			-53,180.00		
2	6/30/2025	RETIREE MEDICAL LIABILITY	2210-00	6352		9,906.00			
2	6/30/2025	DEF OPEB INFLOWS:GENRL	2776-00	6352		73,671.00			
2	6/30/2025	RETIREE MEDICAL BENE:ADMIN	6605-10	6352			-8,859.00		
2	6/30/2025	RETIREE MEDICAL BENE:COLL	6605-20	6352			-21,538.00		
		To record GASB 74/75 OPEB adjustment calculated by District but not posted.							
3	6/30/2025	COUNTY - FMV ADJUSTMENT	1111-00	5012		211,328.00			
3	6/30/2025	COUNTY - FMV ADJ	1111-01	5012		88,844.00			
3	6/30/2025	COUNTY - FMV ADJ	1111-02	5012		4,845.00			
3	6/30/2025	GASB 31 ADJUSTMENT	5750-00	5012			-305,017.00		
		GASB 31 FMV adjustment							Factual
4	6/30/2025	LONG TERM ACCRUED VAC/SICK	2600-00	6212			-55,296.00		
4	6/30/2025	REGULAR SALARIES: ADMIN	6100-10	6212		11,911.00			
4	6/30/2025	REGULAR SALARIES: COLL	6100-20	6212		18,526.00			
4	6/30/2025	REGULAR SALARIES: TREAT	6100-40	6212		24,859.00			
		GASB 101 adjusting journal entry to reconcile balance to adjsuted schedule.							Factual
						672,834.00	**-672,834.00**		

Net Income (Loss) ##

8/4/2026
2:44 PM

August 7, 2026

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

To the Board of Directors:

In planning and performing our audit of the financial statements of the Montecito Sanitary District as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A control deficiency is a deficiency in internal control that we determined did not constitute a significant deficiency or a material weakness.

Status of Prior Year Comments

The following comments were communicated to you in the prior year letter dated August 15, 2025.

Material Weakness

Missing or Incorrect Accruals

Original Comment

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

Current Year Status

During the current year audit, we did not note any accounts with missing or incorrect accruals.

Significant Deficiency

Accrued Compensated Balances

Original Comment

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

Current Year Status

During the current audit, it was noted that the District implemented procedures to accurately track and accrue compensated absences, however, we recorded an audit entry in the amount of $39,000 to adjust the general ledger to agree with the schedule of compensated absences.

Control Deficiencies

Internal Control Review Procedures

Original Comment

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

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

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Current Year Status

- During our review of internal control procedures, we noted that the accounts payable aging did not tie out to the trial balance. This issue indicates a lack of review procedures were being performed. Proper review is a critical component of the internal control environment. We continue to suggest that procedures be implemented to ensure proper review takes place when required.

- During our review of the District's Excel schedules which are used to track and calculate balances that tie out to the trial balance, we noted an error and omission in a schedule which indicates a lack of review. In reviewing the accrued vacation and sick schedule, BPW noted a discrepancy in the calculation of the vacation and sick time accrual. Proper review is a critical component of the internal control environment. We continue to recommend the completed schedules be reviewed by a person independent of the preparation function to strengthen oversight and ensure accuracy and completeness.

Conclusion

This communication is intended solely for the information and use of the Board of Directors, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties. This letter does not affect our report dated August 7, 2026 on the financial statements of the Montecito Sanitary District.

Very truly yours,

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

Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108
A Public Service Agency
Phone: (805) 969-4200
www.montsan.org

BOARD LIST OF PAYABLES – JULY 2026

CHECK DATE	**SUMMARY & TYPE**	**BATCH TOTAL**
07/17/2026	ACCOUNTS PAYABLE	231,923.71
	Subtotal	**$ 231,923.71**
07/17/2026	CAPITAL IMPROVEMENT PROJECTS	1,372,861.71
	Subtotal	**$ 1,372,861.71**
07/09/2026	PAYROLL	115,243.41
07/23/2026	PAYROLL	118,400.23
	Subtotal	**$ 233,652.64**
	TOTAL	**$ 1,838,438.06**

*All Invoices were reviewed and approved by Department Managers
**All Invoices and Payments were reviewed and approved and checks signed by the General Manager
Board Treasurer, Dorinne Johnson, approved all payables ***prior to check mailing

Check History Report

MONTECITO SANITARY DISTRICT (MSD)

Sorted By Check Number

Activity From: 6/9/2026

Bank Code: **B OPERATING CASH (MBT)**

Check Number	Check Date	Vendor Name	Check Amount	Payment Description
31081	7/17/26	ABBOTT'S CUSTOM	200.00	UNITS 1 & 3 CTC INSPECTION
31082	7/17/26	AMAZON CAPITAL SERVICES	3,040.75	MISC OPS & OFFICE SUPPLIES, GLOVES, GRATE, METER, 4TH OF JULY DECORATIONS
31083	7/17/26	AT&T MOBILITY	47.48	STANDBY CELL - JUNE
31084	7/17/26	AUTOZONE, INC	32.31	UNIT 5 FUSES
31085	7/17/26	BIG GREEN CLEANING COMPANY	425.88	TP, ROLL TOWELS, TRASH LINERS
31086	7/17/26	CINTAS CORPORATION #684	550.27	UNIFORMS, TOWELS, FLOOR MATS
31087	7/17/26	COLANTUONO, HIGHSMTIH &	11,346.00	GENERAL COUNSEL SVCS THRU 6/30/26
31088	7/17/26	CONVERGED	1,560.00	IT ASSISTANCE
31089	7/17/26	DAL POZZO TIRE CORP	30.00	UNIT 4 TIRE REPAIR
31090	7/17/26	ENGEL & GRAY, INC	7,155.34	BIOSOLIDS DISPOSAL
31091	7/17/26	FISHER SCIENTIFIC	738.71	LAB CHEM- SULFURIC ACID
31092	7/17/26	GLS COMPANIES	10,480.00	PLANT LANDSCAPE MAINT, TRIMMING & MAINT ALONG
31093	7/17/26	GRAINGER	133.36	RADIAL BALL BEARINGS
31094	7/17/26	JACOB GREEN & ASSOCIATES	1,140.00	BOARD BYLAWS & POLICIES
31095	7/17/26	MARBORG INDUSTRIES	863.55	TRASH & RECYCLING PICKUP
31096	7/17/26	MONTECITO BANK & TRUST	2,128.48	
31097	7/17/26	MCCORMIX CORP	510.67	VEHICLE FUEL
31098	7/17/26	MCMASTER-CARR SUPPLY	48.89	BELT PRESS SPRINGS
31099	7/17/26	MOUNTAIN SPRING WATER	193.00	DRINKING WATER & COOLER
31100	7/17/26	MONTECITO WATER DISTRICT	1,233.54	WATER USAGE - JUNE
31101	7/17/26	O'CONNOR PEST CONTROL WEST	633.97	PEST CONTROL, RODENT CONTROL - PLANT, MAINT BLDG
31102	7/17/26	PITNEY BOWES GLOBAL FINANCIAL	143.84	POSTAGE METER
31103	7/17/26	PLUMBERS DEPOT, INC	300.14	HIGH PRESSURE FLOW CONTROL VALVE
31104	7/17/26	PURETEC INDUSTRIAL WATER	102.96	WATER SOFTENER & TANK
31105	7/17/26	QUINN COMPANY	2,471.42	MAIN PLANT GENERATOR BATTERY
31106	7/17/26	ROBERT D. NIEHAUS, INC	1,920.00	PROP 218 HRG, DEVLPMT OF FEE MODEL
31107	7/17/26	RINCON CONSULTANTS, INC	4,796.41	PROTECTIVE MEASURES RESTORATION
31108	7/17/26	ROJAS COMMUNICATIONS	3,717.50	PR CONSULTING SVCS- JUNE
31109	7/17/26	SOUTHERN CALIFORNIA EDISON	23,474.92	ELECTRIC CHARGES- JUNE
31110	7/17/26	SPEX CERTIPREP LLC	254.29	MULTI-ANALYTE SOLIDS
31111	7/17/26	STAPLES	47.79	COPY PAPER
31112	7/17/26	BRYCE SWETEK	1,335.00	REIMB FOR WEFTEC CONF REGIST
31113	7/17/26	TAFT ELECTRIC COMPANY	1,250.00	TROUBLESHOOT & REPLACE PLC @ LIFT STN, VFD, REWIRE
31114	7/17/26	UNIVAR SOLUTIONS	2,192.60	SOD BISULFITE
31115	7/17/26	MIGUEL VILLAFANA	419.96	ANNUAL BOOT ALLOWANCE REIMB, LA-1 RENEWAL
31116	7/17/26	VERIZON BUSINESS	280.25	IPAD TABLETS 5/18-6/17/26
31117	7/17/26	WEBSOFT DEVELOPERS, INC.	22,425.97	MOBILE MMS SUBSCRIPTION - ANNUAL PAYMENT
31118	7/17/26	XYLEM WATER SOLUTIONS USA	1,798.90	BONNYMEDE LS COVER, SUCTION
31119	7/17/26	ACWA/JPIA	38,090.27	MEDICAL/DENTAL/VISION PREMIUMS - JULY
31120	7/17/26	AG ENTERPRISES, INC	520.00	BACKFLOW TESTING
31121	7/17/26	ALLIANT INSURANCE SERVICES	1,034.00	26-27 ACIP COMM CRIME RENEWAL
31122	7/17/26	AT&T MOBILITY	78.83	STANDBY CELL PHONE - JULY

31123	7/17/26	BIG GREEN CLEANING COMPANY	2,754.00	JANITORIAL SERVICES- JULY
31124	7/17/26	BOYD & ASSOCIATES	798.00	FIRE & BURGLAR ALARM MONITORING
31125	7/17/26	CALIFORNIA ASSOCIATION OF	3,500.00	ANNUAL CONF REGISTRATION (4)
31126	7/17/26	CINTAS CORPORATION #684	274.01	UNIFORMS, TOWELS, FLOOR MATS
31127	7/17/26	CLEAN WATER SOCAL	1,919.00	MEMBERSHIP RENEWAL - POTW AGENCY
31128	7/17/26	CONVERGED	52,079.40	CONTRACT BASE SVCS, BACKUP, 365
31129	7/17/26	CWEA MEMBERSHIP	123.00	F. X. HERNANDEZ CSM GRADE 2 RENEWAL
31130	7/17/26	DATCO SERVICES CORPORATION	161.25	QUARTERLY SERVICES JULY-SEPT 2026
31131	7/17/26	DAKOTA DAUENHAUER	435.00	ECI-1 AND MT-1 RENEWAL FEES
31132	7/17/26	FISHER SCIENTIFIC	198.62	LAB SUPPLIES- AC GLOVES, CHLORAMINE
31133	7/17/26	GRAINGER	14.23	V-BELTS
31134	7/17/26	HERNANDEZ, GERARDO	199.00	CONF REGISTRATION- TRI STATE SEMINAR
31135	7/17/26	KIMBALL MIDWEST	292.58	DRILL BITS, FITTINGS, CONNECTORS
31136	7/17/26	MCCORMIX CORP	917.98	VEHICLE FUEL
31137	7/17/26	NOEE ORTIZ	1,196.28	TRAVEL REIMB 7/07-7/10/26
31138	7/17/26	POLYDYNE, INC	4,832.59	POLYMER FOR BELT PRESS
31139	7/17/26	PURETEC INDUSTRIAL WATER	87.67	WATER SOFTENER & TANK
31140	7/17/26	SOCAL GAS	186.31	NATURAL GAS- ADMIN, MAINT BLDG
31141	7/17/26	TRINITY ALTERNATIVE POWER	4,240.00	AUTO TRANSFER SWITCH ANNUAL MAINT (7)
31142	7/17/26	UNIVAR SOLUTIONS	3,691.34	SOD HYPOCHLORITE
31143	7/17/26	UNDERGROUND SERVICE ALERT	285.20	128 NEW TICKETS
31144	7/17/26	ZWORLD GIS	2,280.00	GIS PROGRAM SUPPORT
31145	7/17/26	HENRY, STEVE OR DENICE	976.00	RE-ISSUE CHECK 30983 - UPDATE PAYEE
31146	7/17/26	MICHAEL PARDO	1,335.00	REIMB FOR WEFTEC CONF REGIST
		BANK B TOTAL	**$ 231,923.71**	

Bank Code: **G CIP CASH (MBT)**

Check Number	Check Date	Vendor Name	Check Amount	Payment Description
1666	6/30/26	AMAZON CAPITAL SERVICES	763.23	C016 - MATS, LIGHTS, SWITCHES
1667	6/30/26	INSITUFORM TECHNOLOGIES,	1,324,661.47	C003- PROGRESS PYMT 2, CHNG ORDER 1
1668	6/30/26	PHOENIX CIVIL ENGINEERING	3,369.00	L001 - PROFESSIONAL SERVICES ($1,365.00) C003 - PROFESSIONAL SERVICES ($2,004.00)
1669	6/30/26	STANTEC CONSULTING SERVICES INC.	42,228.51	L001 - ENV DOC. SURVEY, CONTRACT DOC ($29,544.51) C001 - COLLECTION SYSTEM MASTER PLAN TECH MEMO ($12,684.00)
1670	6/30/26	WATER SYSTEMS CONSULTING, INC.	1,839.50	S001- PROJECT MANAGEMENT
		BANK G TOTAL	**$ 1,372,861.71**	

MONTECITO SANITARY DISTRICT

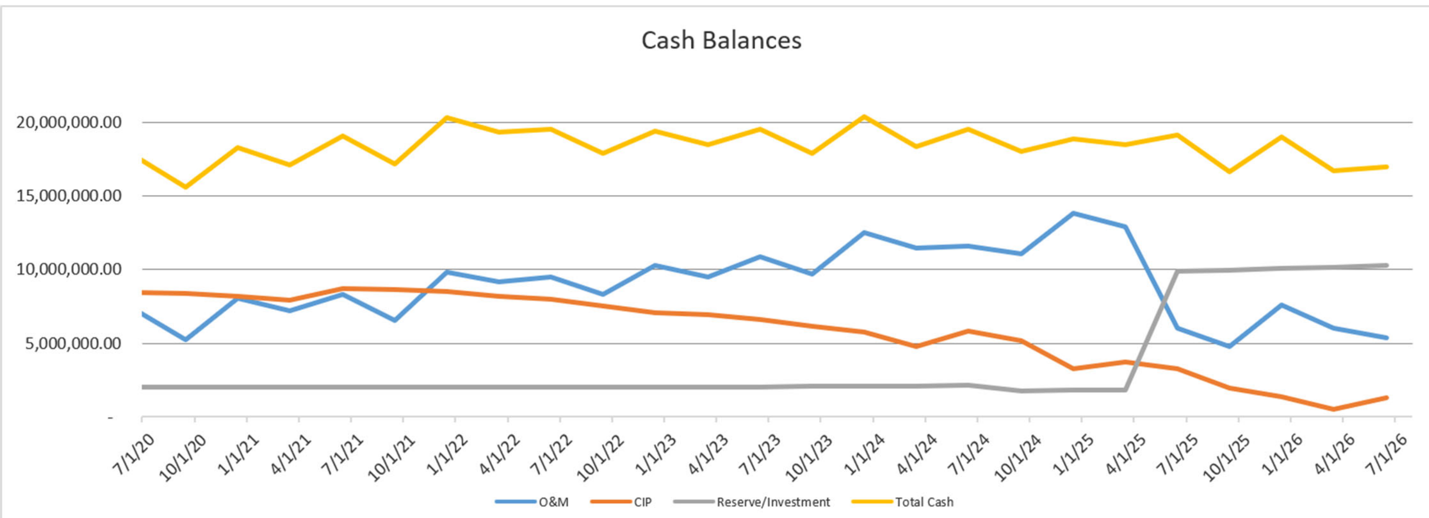
Fiscal Year 2025-26 Unaudited Quarterly Financial Summary Memo

For the Quarter Ended 6/30/2026

FINANCIAL HEALTH AND CASH POSITIONS

As of **March 31, 2026** the District continues to maintain a healthy financial position. Its cash balances are sufficient to cover both its short and long-term obligations as well as keep the District above its adopted **$2.25M** adopted reserve fund policy target. Total cash position of the District ended the quarter at **$16,715,053**, a decrease of **$2,305,892** when compared to the prior quarter. This decrease was anticipated due to the timing of the District's revenue receipts from the County Tax Roll coupled with the anticipated capital improvement projects outlay.

Below is a line graph detailing the District's cash position at each quarter for the past five years:



Below is a chart detailing the current cash balances the District maintains compared to last quarter. A detailed breakdown of each account is provided in **Attachment A - Quarterly Cash and Investments Holdings as of 3/31/2026**:

	Balance at 3/31/2026	Balance at 6/30/2026	Difference
Operations & Maintenance	$ 6,034,980	$ 5,363,973	$ (671,007)
Capital Improvement Projects	498,914	1,327,150	828,236
Investments/Reserves	10,181,159	10,272,570	91,411
Total Available Cash	$ 16,715,053	$ 16,963,693	$ 248,640

Table 1. Fiscal Year 2025-26 Cash Comparison – Current Quarter vs. Prior Quarter

REVENUES

For **Fiscal Year 2025-26**, the District budgeted approximately **$9.7M** in revenues between its two main revenue types: Operating and Non-operating revenue. The District receives approximately 96% of its revenues through two allocations from the County of Santa Barbara's Property Tax apportionment, which occurs in December and April of each year. Non-operating revenues were also budgeted significantly higher this year when compared to prior years due to reimbursements from FEMA/CalOES on the District's 2023 Emergency Projects that were completed last fiscal year.

Table 2 below shows the breakdown of revenue received through the period ending **March 31, 2026**.

OPERATIONS & MAINTENANCE BUDGET TO ACTUAL SUMMARY

OPERATING AND NONOPERATING REVENUES

	2025-26 Budget	2025-26 YTD Actuals	Difference
Operating Revenues			
Service Charges	$ 6,550,000	$ 6,504,207	$ (45,793)
Connection Fees	225,000	313,829	88,829
Other Services	55,000	110,278	55,278
Total Operating Revenues	$ 6,830,000	$ 6,928,314	$ 98,314
Nonoperating Revenues			
Property Taxes	$ 828,500	$ 881,262	$ 52,762
Reimbursements	$ 1,614,297	$ 25,301	
Interest Income	415,000	577,664	162,664
Total Nonoperating Revenues	$ 2,857,797	$ 1,484,228	$ (1,373,569)
Total Revenues	$ 9,687,797	$ 8,412,542	$ (1,275,255)

Table 2. Fiscal Year 2025-26 Budget to Actuals - Revenue

Operating and Non-operating Revenue Noteworthy Items:

Sewer Service Charges - The District's primary source of revenues comes from Sewer Service Charges. The District submitted all Sewer Service Charges to the County for inclusion on connected properties Property Tax bills in early July. This method saves a substantial amount of administrative time having to bill, collect, and reconcile over 3,000 sewer service bills to customers. Allocations are received in November and April of each Fiscal Year, with true-ups done in June. Total amount collected was $6,504,207.

- **Connection Fees –** The District has seen a higher number of connection fees in the current fiscal year, resulting in an $88,829 excess over what was anticipated. This increase was primarily due to Accessory Dwelling Unit connections as well as numerous property improvement connection true ups. Properties that connect this year will have their current fiscal year sewer service charges prorated and will be subsequently placed on the next fiscal years' tax roll.

- **Other Services –** The District collects various fees as it relates to inspection services, sewer availability inquiries, engineering review services, agreements, and administrative certifications. These fees appear higher than anticipated for the fiscal year primarily due to a higher number of development projects that required engineering review/agreements.

- **Property Tax –** The District's ½ of 1% Property Tax Revenue is collected in the same manner as the Sewer Service Charges. The County released an estimated property tax revenue figures in September and the District is expected to receive **$863,503** for the current fiscal year, and actuals came in at **$881,262**, which is **$52,762** higher than budgeted.

- **Interest Income –**The **Fiscal Year 2025-26** Interest Income budget was developed with the District's current investment holdings in mind coupled with dwindling cash balances as a result of CIP projects being worked on. During the prior fiscal year cash reserves were moved into higher interest/dividend yielding investment accounts with Charles Schwab and California CLASS resulting in higher earnings when compared to LAIF and the County Treasury. With the declining interest rate environment County interest earnings will continue to perform close to the Districts' holdings in California CLASS and Charles Schwab. Total interest/dividend earnings were **$577,664**.

- **Reimbursements –** In June of 2025 the District received notification from FEMA/CalOES that its 2023 Winter Storms Emergency Projects were approved and obligated. As a result the District is expected to receive approximately **$1.6M.** These are one-time monies and will be put back in the CIP account once received. Recent discussions with CalOES staff indicate that it is highly likely that reimbursement won't be received prior to the end of the fiscal year, mostly due to delays on the federal level in final review and check processing.

EXPENDITURES

The District's Operations and Maintenance expenditures came in at approximately **67%** of what was budgeted for the fiscal year. Table 3 below summarizes **Attachment B – Quarterly Operations & Maintenance Expenditure Status Report as of 6/30/2026** attached to this memo. Noteworthy line items from that attachment are highlighted below to detail the positive or negative differences between the budget and actuals.

	2025-26 Budget	2025-26 YTD Actuals	Difference	% of Budget
Operating Expenditures				
Salaries and Benefits	$ 3,778,172	$ 3,730,478	$ 47,694	99%
Insurance	157,500	166,194	(8,694)	106%
Maintenance & Repairs	196,500	155,413	41,087	79%
Goods & Supplies	148,000	157,710	(9,710)	107%
Professional Services	280,000	283,554	(3,554)	101%
Administrative Costs	539,400	283,645	255,755	53%
Plant & Lab Operating Costs	680,000	491,360	188,640	72%
Safety, Training, & Travel	92,570	103,238	(10,668)	112%
Utilities	321,500	313,928	7,572	98%
Total Operating Expenditures	**$ 6,193,642**	**$ 5,685,520**	**$ 508,122**	**92%**

Table 3. Fiscal Year 2025-26 Budget to Actuals - Expenditures

Operating Expenditures Noteworthy Items:

- **7090 – Insurance-General Liability -** Final payments for liability insurance came in during the quarter with no further payments anticipated. Costs came in approximately **$14,500** higher than budgeted.

- **7430 – Memberships –** While this line item appears to be trending higher than anticipated, staff expects to be in line with budget figures as most of the membership costs for the fiscal year have been paid. The vast majority of membership costs are for the following agencies: Association of California Water Agencies (**$19,510**), California Special Districts Association (**$9,665**), and the California

Association of Sanitation Agencies (**$10,330**). The remaining amounts are related to annual membership fees (**$251**) required for each of our Treatment Operators as required by our NPDES Permit.

- **7461 – Professional Services – Legal –** The District exceeded its budget by $45,760 for the fiscal year due to increased need for legal counsel services for the District.

- **7500 – Public Outreach –** This line item is trending higher due to unanticipated public outreach costs not known during the budget development process. These costs are from services provided by Rojas Public Affairs and cover website upgrades, public newsletter dissemination, customer survey creation and response monitoring, and assistance with the District's Proposition 218 noticing for its Sewer Rate Study.

- **7645 – NPDES Permit Requirement – Operations –** The District was under budget for this particular line item as a result of Phase III of the Climate Adaptation Plan being delayed. Phase II is pending approval from the State Water Resources Control Board and it is expected to be compete in the first quarter of Fiscal Year 2026-27, which the report was budgeted for.

- **7653 – Chemicals –** The District ended the year 24% under budget for chemicals as a result of decreased need in the fourth quarter of the year.

- **7763 – Electricity –** The District ended the year **$7,467 (3%)** over budget in electrical costs. This can be attributed to a combination of slightly higher rates as well as the need to utilize generators for some of the Treatment Plan Capital Projects undertaken during the year (2025 Sewer Main CIPP Lining).

CAPITAL IMPROVEMENTS PROJECTS

The District maintains separate Capital Improvement Project (CIP) accounts from its Operations and Maintenance funds. As of the end of the period the balance held in CIP accounts totals **$498,914**. In prior years the District has held a healthy CIP account balance as its CIP program wasn't being prioritized. The past two fiscal years have seen District CIP activity ramp up to address several maintenance needs, and as such those funds have been drawn upon. At the last quarterly financial report staff anticipated that the District's Operations and Maintenance fund would have to begin funding the capital improvement program, and that funding began near the end of the quarter with **$450,000** being transferred from the County Operations and Maintenance Fund to the Montecito Bank and Trust Capital Improvements Project Fund. This will continue during the fourth quarter of the fiscal year.

The CIP Budget passed for **Fiscal Year 2025-26** utilized estimates for the anticipated expenditures for CIP work including permitting, design, construction management, and all other costs associated with projects. The following table details the approved budget for the fiscal year and amount expended year-to-date by program.

Program	2025-26 Approved Budget	Project Expenditures Through 6/30/2026
Collections	$ 6,587,000	$ 5,365,987
Lift Stations	$ 1,575,000	$ 270,786
Treatment & Lab	$ 2,385,000	$ 337,544
Facilities	$ 600,000	$ -
Sewer Main Extens	$ 60,000	$ 117,239
Total	**$ 11,207,000**	**$ 6,091,556**

Table 4. Fiscal Year 2025-26 Budget to Actuals – Capital Improvement Program

During the fourth quarter the District spent **$2,832,716** on Capital Improvement Projects. Detailed below are some of the noteworthy capital expenditures for the quarter. A full detail of all CIP expenditures can be found at **Attachment C - Quarterly Capital Improvement Projects Expenditure Status Report as of 6/30/2026.**

- **C003 – 2025 Sewer Main CIPP Lining – Construction –** The District completed construction on its 2025 Sewer Main CIPP Lining project, expending **$2,266,855** in Construction, Construction Management, Observing, and UPPR Railroad Consulting services. The project in total came in under the budgeted amount.

- **T001 – Wastewater Treatment Plan Project – Design and Eng. –** Design work began on the WWTP Upgrade project with Southland Industries. The Destirct spent **$124,697** of its **$1,675,000** contract in the fourth quarter of the fiscal year. Design work will rollforward, and has been budgeted for, in **Fiscal Year 2026-27**. on the Channel Lift Station Improvement project, with $93,395 being spent during the current quarter. Construction is expected to begin during the fourth quarter.

2017 SEWER REFUNDING REVENUE BONDS – CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) FINANCE CORPORATION

In May 2017 the District refunded its 2007 Certificates of Participation (COP). The District will make two payments on its bond during Fiscal Year 2025-26 totaling **$912,325**. Of this total **$735,000** will be applied to principal and **$177,325** to interest. After all payments were made in **Fiscal Year 2025-26** the remaining bond debt is **$4,235,000** and is expected to be paid off by July 1, 2030. The current interest rate paid is **5%**.

ANNUAL DEPRECIATION FUNDING

Annually, the District's Operations & Maintenance account contributes to the Capital Replacement Fund and is based on the prior fiscal years' annual depreciation expense. The current year contribution will be **$1,192,399** and staff will make the transfer in June.

Attachments:

Attachment A – Quarterly Cash and Investments Holdings as of 6/30/2026
Attachment B – Quarterly Operations & Maintenance Expenditure Status Report as of 6/30/2026
Attachment C – Quarterly Capital Improvement Projects Expenditure Status Report as of 6/30/2026
Attachment D – Quarterly Investment Certification

MONTECITO SANITARY DISTRICT CASH AND INVESTMENTS HOLDINGS
FOR THE PERIOD ENDED 6/30/2026

		3/31/2026	Income	Interest	Transfers In	Transfers Out	Withdrawals	6/30/2026	Net Change	Comments
Sage Acct.	**Investment Accounts**									
1100-0000	Cash with LAIF	**17,476**		171				**17,647**	171	**Quarterly Interest (3.83%):** $183
1110-0000	Cash with County-Operating	**5,441,348**	3,240,871	56,276		(2,950,000)	(854,475)	**4,934,019**	(507,329)	**Property Tax/SSCs:** $4,044,576 **Quarterly Interest (3.5%):** $56,275.60 **Transfer to MBT O&M (04/15/26):** $400,000 **Transfer to MBT O&M (05/12/26):** $350,000 **Transfer to MBT O&M (06/02/26):** $350,000 **Transfer to County CIP (06/12/2026):** $1,850,000 **Withdrawals: Bond Payment (06/25/26):** $854,475
1110-0001	Cash with County - CIP	**159,792**		3,703	1,850,000	(1,750,000)		**263,495**	103,703	**Quarterly Interest (3.5%):** $3,703 **Transfer to MBT CIP (5/11/2026):** $750,000 **Transfer to MB CIP (6/2/2026):** $1,000,000
1110-0002	Cash with County-Retiree Medical	**202,060**		1,740				**203,800**	1,740	**Quarterly Interest (3.5%):** $1,709
1171-0000	Charles Schwab	**6,012,956**	52,871					**6,065,828**	52,871	**Dividends Earnings (3.73%):** $57,262
1172-0000	California CLASS	**4,150,727**	38,368					**4,189,095**	38,368	**Dividends Earnings (3.70%):** $41,542
Sage Acct.	**Cash Accounts**									
1125-0000	MBT Operating account	**272,280**	276,054		1,100,000		(1,541,858)	**106,476**	(165,804)	**Income:** connection, permit, & other fees **Transfers From County Oper:** $1,500,000 **Withdrawals:** O&M Expenses (A/P, Payroll)
1135-0000	MBT Capital Improvement	**439,121**			1,750,000		(1,125,467)	**1,063,655**	624,533	**Transfers From County CIP:** $1,150,000 **Withdrawals:** pmts on Capital Projects
1140-0000	MBT Revolving Fund	**534**						**534**	-	**Withdrawals:** payments on O&M expenses for checks needed immediately
1142-0000	MBT Insurance Reimbursement Acct	**118,508**		386				**118,894**	386	**Monthly Interest (1.63%):** $379
1120-0000	District Petty Cash	**250**						**250**	-	
	Total Cash & Investment	**16,715,053**	**3,608,164**	**62,276**	**4,700,000**	**(4,700,000)**	**(3,521,799)**	**16,963,693**	148,640	

MONTECITO SANITARY DISTRICT OPERATIONS AND MAINTENANCE EXPENDITURE STATUS

FOR THE PERIOD ENDED 6/30/2026

		2025-26 BUDGET	2025-26 YTD ACTUALS	VARIANCE	% OF BUDGET
OPERATING EXPENDITURES					
SALARIES AND BENEFITS					
6100	STAFF SALARIES	$ 2,485,472	$ 2,383,209	$ 102,263	96%
6105	BOARD SALARIES	$ 45,000	$ 48,514	$ (3,514)	108%
6108	AUTO ALLOWANCE - GM	$ 3,600	$ 3,600	$ -	100%
6270	STANDBY PAY	$ 54,600	$ 48,450	$ 6,150	89%
6300	OVERTIME	$ 30,000	$ 18,095	$ 11,905	60%
6400	PERS CONTRIBUTION	$ 450,000	$ 500,781	$ (50,781)	111%
6410	EMPLOYEE BENEFITS	$ 69,000	$ 61,687	$ 7,313	89%
6500	FICA CONTRIBUTION	$ 145,000	$ 150,469	$ (5,469)	104%
6510	MEDICARE	$ 37,000	$ 36,134	$ 866	98%
6520	UNEMPLOYMENT TAX - STATE	$ 3,500	$ 2,872	$ 628	82%
6600	GROUP MEDICAL - ACWA	$ 310,000	$ 346,769	$ (36,769)	112%
6605	RETIREE MEDICAL BENEFITS	$ 24,000	$ 34,146	$ (10,146)	142%
6610	LIFE INSURANCE - ACWA	$ 6,500	$ 5,025	$ 1,475	77%
6615	DISABILITY INS - STANDARD	$ 26,000	$ 25,045	$ 955	96%
6620	WORKER'S COMPENSATION	$ 58,000	$ 41,339	$ 16,661	71%
6640	DENTAL INSURANCE - ACWA	$ 19,000	$ 15,670	$ 3,330	82%
6645	VISION INSURANCE - ACWA	$ -	$ 3,772	$ (3,772)	100%
6650	UNIFORM SERVICE - MISSION	$ 11,500	$ 4,901	$ 6,599	43%
	TOTAL SALARIES AND BENEFITS	$ 3,778,172	$ 3,730,478	$ 47,694	99%
SERVICES AND SUPPLIES					
7090	INS (GEN LIAB/AUTO/E&O) - CSRMA	$ 102,000	$ 116,643	$ (14,643)	**114%**
7091	PROPERTY INSURANCE	$ 42,000	$ 38,419	$ 3,581	91%
7093	INS (EMP DISHONESTY BOND) - CSRMA	$ 1,500	$ 2,019	$ (519)	135%
7094	INS (MOBILE EQUIP) - CSRMA	$ 12,000	$ 9,113	$ 2,887	76%
7110	EMPLOYEE PHYSICALS	$ 1,500	$ 2,125	$ (625)	142%
7121	PROPERTY MAINTENACE	$ 85,000	$ 71,224	$ 13,776	84%
7122	VEHICLE MAINTENANCE	$ 15,000	$ 13,159	$ 1,841	88%
7126	COLL - EQUIPMENT RENTAL	$ 1,000	$ -	$ 1,000	0%
7127	COLL - SAFETY EQUIPMENT/SUPPLIES	$ 5,000	$ 1,258	$ 3,742	25%
7129	LIFT STATION PARTS	$ 32,000	$ 35,505	$ (3,505)	111%
7133	VACCON EQUIPMENT & REPAIRS	$ 15,000	$ 7,558	$ 7,442	50%
7134	CCTV EQUIPMENT/REPAIRS	$ 15,000	$ 2,231	$ 12,769	15%
7136	COLL - MISC COLLECTION TOOLS	$ 10,000	$ 18,204	$ (8,204)	182%
7138	JETTER TRUCK EQUIP / REPAIRS	$ 7,000	$ 5,648	$ 1,352	81%
7150	MECHANICAL MAINTENANCE	$ 1,500	$ -	$ 1,500	0%
7200	GENERAL OPERATING SUPPLIES	$ 10,000	$ 18,981	$ (8,981)	190%
7201	DRINKING WATER	$ 2,500	$ 2,466	$ 34	99%
7202	GLOVES	$ 8,000	$ 1,793	$ 6,207	22%
7205	COMMUNITY & EMPLOYEE GOODWILL	$ 6,000	$ 7,319	$ (1,319)	122%
7220	MAILING/SHIPPING EXPENSES	$ 5,000	$ 3,515	$ 1,485	70%
7430	MEMBERSHIPS	$ 45,000	$ 43,504	$ 1,496	97%
7440	MISCELLANEOUS EXPENSES	$ 2,500	$ 205	$ 2,295	8%
7450	OFFICE EXPENSES	$ 15,000	$ 12,914	$ 2,086	86%
7452	SCANNING & SHREDDING	$ 10,000	$ -	$ 10,000	0%
7454	BOOKS/SUBSCRIPTIONS/STUDY GUIDES	$ 2,000	$ 351	$ 1,649	18%
7456	COMPUTER HARDWARE/SOFTWARE/LICENSING	$ 52,000	$ 66,661	$ (14,661)	128%
7461	PROFESSIONAL SERVICES/FEES - LEGAL	$ 75,000	$ 120,760	$ (45,760)	161%
7462	PROFESSIONAL FEES - ACCOUNTING	$ 40,000	$ 28,162	$ 11,838	70%
7463	PROF SERVICES - ENGINEERING	$ 75,000	$ 1,603	$ 73,398	2%
7464	PROFESSIONAL FEES - COMPUTER/GIS	$ 68,000	$ 82,225	$ (14,225)	121%
7466	PROF SERVICES - HUMAN RESOURCES	$ 12,000	$ 9,069	$ 2,931	76%
7500	PUBLIC OUTREACH	$ 10,000	$ 41,735	$ (31,735)	**417%**
7506	ADMINISTRATIVE FEES	$ 30,000	$ 35,567	$ (5,567)	119%
7508	COLLECTION/TREATMENT FINES	$ 10,000	$ -	$ 10,000	0%
7510	CONTRACTED SERVICES/LABOR	$ 69,100	$ 70,751	$ (1,651)	102%
7530	ADS/NOTICES FOR PUBLICATION	$ 3,000	$ 880	$ 2,120	29%
7610	FURNITURE/FIXTURES	$ 10,000	$ 981	$ 9,019	10%
7641	NPDES PERMIT EXPENSES-LAB	$ 10,000	$ 10,155	$ (155)	102%
7645	NPDES PERMIT REQUIREMENTS - OPERATIONS	$ 210,000	$ 28,753	$ 181,247	14%
7650	ELECTION EXPENSES	$ 500	$ -	$ 500	0%
7651	ANALYZER CHEMICALS	$ -	$ -	$ -	0%
7652	BIOSOLIDS DISPOSAL	$ 70,000	$ 69,009	$ 991	99%
7653	CHEMICALS	$ 300,000	$ 226,755	$ 73,245	76%
7654	GENERATOR SERVICE	$ 10,000	$ 5,907	$ 4,093	59%
7655	HAZARDOUS MATERIALS DISPOSAL	$ 2,000	$ 162	$ 1,838	8%

7656	PLANT EQUIPMENT RENTAL	$ 5,000	$ -	$ 5,000	0%
7657	PLANT MAINTENANCE MATERIALS	$ 75,000	$ 40,976	$ 34,024	55%
7658	PLANT MAINTENANCE PROJECTS	$ 5,000	$ -	$ 5,000	0%
7659	PLANT SAFETY EXPENSES	$ 5,000	$ 626	$ 4,374	13%
7661	POLYMER	$ 10,000	$ 4,833	$ 5,167	48%
7662	SMALL TOOLS/EQUIP	$ 4,000	$ 195	$ 3,805	5%
7670	SPECIAL PROJECTS	**$ 107,800**	$ 95,997	$ 11,803	89%
7671	ASSET MANAGEMENT	$ 140,000	$ 94,048	$ 45,952	67%
7675	COVID-19 EXPENSES	$ -	$ -	$ -	0%
7681	2023 WINTER STORM	$ 75,000	$ 35,803	$ 39,197	0%
7700	LAB CONSUMABLES-SMALL EQUIPMENT	$ 38,000	$ 40,069	$ (2,069)	105%
7702	LAB EQUIPMENT MAINTENANCE	$ 10,000	$ 2,459	$ 7,541	25%
7703	CONTRACT LAB ANALYSES	$ 10,000	$ 6,104	$ 3,896	61%
7704	Laboratory HVAC Maintenance	$ 6,000	$ 844	$ 5,156	14%
7722	BOARD TRAINING/CONF REGISTRATION	**$ 31,570**	$ 44,490	$ (12,920)	**141%**
7723	BOARD MEETINGS/TRAVEL EXPENSES	$ 5,000	$ 16,675	$ (11,675)	333%
7724	STAFF TRAINING/CONF REGISTRN	$ 18,000	$ 18,924	$ (924)	105%
7725	STAFF TRAVEL EXPENSES	$ 18,000	$ 11,358	$ 6,642	63%
7726	STAFF CERTIFICATIONS/LICENSES	$ 8,000	$ 6,183	$ 1,817	77%
7727	OSHA REQUIRED TRAINING	$ 5,000	$ 2,405	$ 2,595	48%
7728	SAFETY BOOT ALLOWANCE	$ 4,500	$ 3,045	$ 1,455	68%
7729	APPAREL AND UNIFORMS	$ 2,500	$ 2,633	$ (133)	105%
7731	LOCAL MEETING EXPENSES	$ 2,500	$ 157	$ 2,343	6%
7740	FUEL AND OIL	$ 25,000	$ 18,895	$ 6,105	76%
7761	WATER	$ 17,000	$ 14,588	$ 2,412	86%
7762	NATURAL GAS	$ 5,500	$ 2,508	$ 2,992	46%
7763	ELECTRICITY	$ 225,000	$ 232,467	$ (7,467)	103%
7766	TRASH / RECYCLING	$ 17,000	$ 10,463	$ 6,537	62%
7767	TELEPHONE - LOCAL/LD	$ 20,000	$ 22,259	$ (2,259)	111%
7768	TELEPHONE CELLULAR	$ 12,000	$ 12,747	$ (747)	106%
	TOTAL SERVICES AND SUPPLIES	$ 2,415,470	$ 1,955,042	$ 460,428	81%
	TOTAL OPERATING EXPENDITURES	**$ 6,193,642**	**$ 5,685,520**	**$ 508,122**	**92%**

Fiscal Year 2025-26 Capital Improvement Program (CIP)

Adopted by the Board at the June 11, 2025 Regular Meeting

Collections:

Project No.	Description	Estimated Project Cost	2025-26 Approved Budget	Project Expenditures Through 6/30/2026
C001	Collection System Master Plan	**$ 200,000**	$ 200,000	$ 175,663
C003	2025 Sewermain CIPP Lining - Design - **CARRYFORWARD**	**$ 150,000**	$ 10,000	40,723
C003	2025 2025 Sewermain CIPP Lining - Construction	**$ 3,000,000**	$ 3,000,000	2,327,305
C004	2026 Sewer Main CIPP Lining - Design	**$ 150,000**	$ 150,000	-
C005	Manhole Lining Project - **CARRYFORWARD**	**$ 2,549,155**	$ 1,800,000	2,079,351
C007	S. Jameson Relocation - Design	**$ 75,000**	$ 75,000	-
C007	S. Jameson Relocation - Construction	**$ 500,000**	$ 500,000	-
C013	Combination Cleaner - **CARRYFORWARD**	**$ 662,000**	$ 662,000	666,997
C015	Electric Vehicle Charging Station	**$ 15,000**	$ 15,000	-
C016	Electric Vehicle	**$ 65,000**	$ 65,000	45,724
CMAN	Manhole Adjustments	**$ 75,000**	$ 60,000	28,475
CEME	Collection O/M Emergencies	**Unknown**	$ 50,000	1,750
		Collections Subtotal	**$ 6,587,000**	**$ 5,365,987**

Lift Stations:

Project No.	Description	Estimated Project Cost	2025-26 Approved Budget	Project Expenditures Through 6/30/2026
L001	Channel Lift Station Improvement - Design	**$ 450,000**	$ 450,000	$ 249,323
L001	Channel Lift Station Improvement - Construction	**$ 1,000,000**	$ 1,000,000	1,983
L008	Channel Lift Station Generator	**$ 75,000**	$ 75,000	7,823
LEME	Lift Station Emergency Repairs	**Unknown**	$ 50,000	11,657
		Lift Stations Subtotal	**$ 1,575,000**	**$ 270,786**

Treatment & Laboratory:

Project No.	Description	Estimated Project Cost	2025-26 Approved Budget	Project Expenditures Through 6/30/2026
T001	Wastewater Treatment Plant Project - Design and Eng.	**$ 1,800,000**	$ 1,800,000	$ 275,641
T007	Treatment Carts	**$ 40,000**	$ 40,000	36,284
T017	Flow Meters - **CARRYFORWARD**	**$ 45,000**	$ 45,000	25,619
TEME	Treatment O/M Emergencies	**$ 500,000**	$ 500,000	-
		Treatment & Laboratory Subtotal	**$ 2,385,000**	**$ 337,544**

Facilities:

Project No.	Description	Estimated Project Cost	2025-26 Approved Budget	Project Expenditures Through 6/30/2026
F010	Monte Cristo Improvements - Design	**$ 100,000**	$ 100,000	$ -
F010	Monte Cristo Improvements - Construction	**$ 500,000**	$ 500,000	-
		Facilities Subtotal	**$ 600,000**	**$ -**

Sewer Main Extensions:

Project No.	Description	Estimated Project Cost	2025-26 Approved Budget	Project Expenditures Through 6/30/2026
S001	Septic to Sewer Strategic Plan	**$ 150,000**	$ 60,000	$ 117,239
		Sewer Main Extensions Subtotal	**$ 60,000**	**$ 117,239**

Program	2025-26 Approved Budget	Project Expenditures Through 6/30/2026
Collections	$ 6,587,000	$ 5,365,987
Lift Stations	$ 1,575,000	$ 270,786
Treatment & Lab	$ 2,385,000	$ 337,544
Facilities	$ 600,000	$ -
Sewer Main Extensio	$ 60,000	$ 117,239
Total	**$ 11,207,000**	**$ 6,091,556**

Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108
A Public Service Agency
Phone: (805) 969-4200
www.montsan.org

QUARTERLY CERTIFICATION STATEMENTS
FOR THE
MONTECITO SANITARY DISTRICT

in accordance with
RESOLUTION NO. 2013-883, MSD INVESTMENT POLICY

For the Quarter Ended

June 30, 2026

As Treasurer of the Montecito Sanitary District, I, **Dorinne Lee Johnson**, certify that:

(1) All investment actions executed since the last report have been made in full compliance with the Montecito Sanitary District Investment Policy;

(2) A complete and timely record of all investment transactions is maintained in the District office from reports supplied by LAIF, the Santa Barbara County Treasurer's office, Charles Schwab, and California CLASS; and

(3) The Montecito Sanitary District is able to meet its pool's expenditure requirements for the next six months.

Approved at the **08/12/2026** Regular Board Meeting

____
Dorinne L. Johnson, Board Treasurer
MONTECITO SANITARY DISTRICT