CARPINTERIA VALLEY WATER DISTRICT

June 30, 2014 and 2013

FINANCIAL STATEMENTS

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

CARPINTERIA VALLEY
WATER DISTRICT

Table of Contents

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Carpinteria Valley Water District:

Report on the Financial Statements

We have audited the accompanying general purpose financial statements of the Carpinteria Valley Water District (the "District") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Carpinteria Valley Water District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1123 CHAPALA STREET • SANTA BARBARA, CA 93101 • TEL: (805) 963-7811 • FAX: (805) 564-2103 • WWW.BPW.COM

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Carpinteria Valley Water District, as of June 30, 2014 and 2013, and the respective changes in operations and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of a Matter

As discussed in Note 1 and Note 15 to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal years 2013 and 2014 due to the adoption of Governmental Accounting Standards Board's Statement No. 65, *"Items Previously Reporting as Assets and Liabilities"*. The adoption of this standard required retrospective application resulting in a $543,285 and $570,940 reduction of previously reported net position as of July 1, 2013 and 2012, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
November 18, 2014

Management’s discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL STATEMENTS

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

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

The statement of net position includes all the District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Net position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The statement of net position 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 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

During the year ended June 30, 2014, the District's total net position increased by $905,417. The District's operating revenues increased by $130,975 (or 1.1%) and operating expenses increased by $954,809 (or 9.9%). Net non-operating loss increased in the current year by $273,971 (or 61.1%).

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS

Net Position

The District's net position at June 30, 2014 totaled $29,533,839 compared with $28,628,422 at June 30, 2013. The change in net position can be attributed primarily to operating income of $1,598,906, non-operating expense of $722,761 and capital contributions of $29,272. The following is a summary of the District's statement of net position:

	June 30, 2014	(As Restated) June 30, 2013	(As Restated) June 30, 2012	% Change FYE 2014 and 2013	% Change FYE 2013 and 2012
Assets:					
Current assets	$ 15,407,491	$ 14,536,228	$ 13,945,223	5.99%	4.24%
Noncurrent assets:					
Restricted assets	3,907,808	3,990,929	5,504,542	-2.08%	-27.50%
Capital assets, net of depreciation	36,674,775	37,176,818	37,396,931	-1.35%	-0.59%
Capacity rights, net of amortization	6,998,505	7,277,992	5,698,872	-3.84%	27.71%
Intangible assets, net of amortization	164,917	178,054	191,189	-7.38%	-6.87%
Total Assets	63,153,496	63,160,021	62,736,757	-0.01%	0.67%
Deferred outflows of resources	484,681	515,124	537,539	-5.91%	-4.17%
Total Assets and Deferred Outflows	$ 63,638,177	$ 63,675,145	$ 63,274,296	-0.06%	0.63%
Liabilities:					
Current liabilities	$ 3,092,879	$ 3,374,336	$ 4,364,787	-8.34%	-22.69%
Long term liabilities	118,275	90,508	64,123	30.68%	41.15%
Long term debt	30,893,184	31,581,879	32,243,324	-2.18%	-2.05%
Total Liabilities	$ 34,104,338	$ 35,046,723	$ 36,672,234	-2.69%	-4.43%

The increase in current assets of $871,263 is primarily related to increases in cash and prepaid expenses at June 30, 2014. The decrease in restricted assets of $83,121 is primarily due to the use of restricted funds for debt service. The decrease in capital assets, net of related accumulated depreciation of $502,043 is a result of total current year improvements not exceeding current year depreciation expense.

The decrease in current liabilities of $281,457 is primarily related to a decrease in accounts payable at June 30, 2014. The decrease in long term debt of $688,695 is the result of principal repayments made during the year.

Net Position (Continued)

	June 30, 2014	(As Restated) June 30, 2013	(As Restated) June 30, 2012	% Change FYE 2014 and 2013	% Change FYE 2013 and 2012
Net Position:					
Net investment in capital assets	$ 6,122,173	$ 6,396,644	$ 7,952,900	-4.29%	-19.57%
Restricted net position	2,963,713	2,607,682	2,109,456	13.65%	23.62%
Unrestricted	20,447,953	19,624,096	16,539,706	4.20%	18.65%
Total Net Position	$ 29,533,839	$ 28,628,422	$ 26,602,062	3.16%	7.62%

The decrease of $274,471 in net investment in capital assets consists primarily of a decrease in unspent bond proceeds. The increase in restricted net position of $356,031 consists primarily of an increase in bond reserve funds. The decrease in net investment in capital assets when combined with the increases in restricted and unrestricted net position results in the current year overall increase in net position of $905,417.

Statement of Revenues, Expenses and Changes in Net Position

The District reported a change in net position of $905,417 for the year ended June 30, 2014, a decrease of $1,120,943 when compared to the year ended June 30, 2013. This decrease results from a decrease in operating income of $823,834, primarily due to drought related expenses, and an increase in non-operating expense of $273,971, primarily due to decreases in grant revenue.

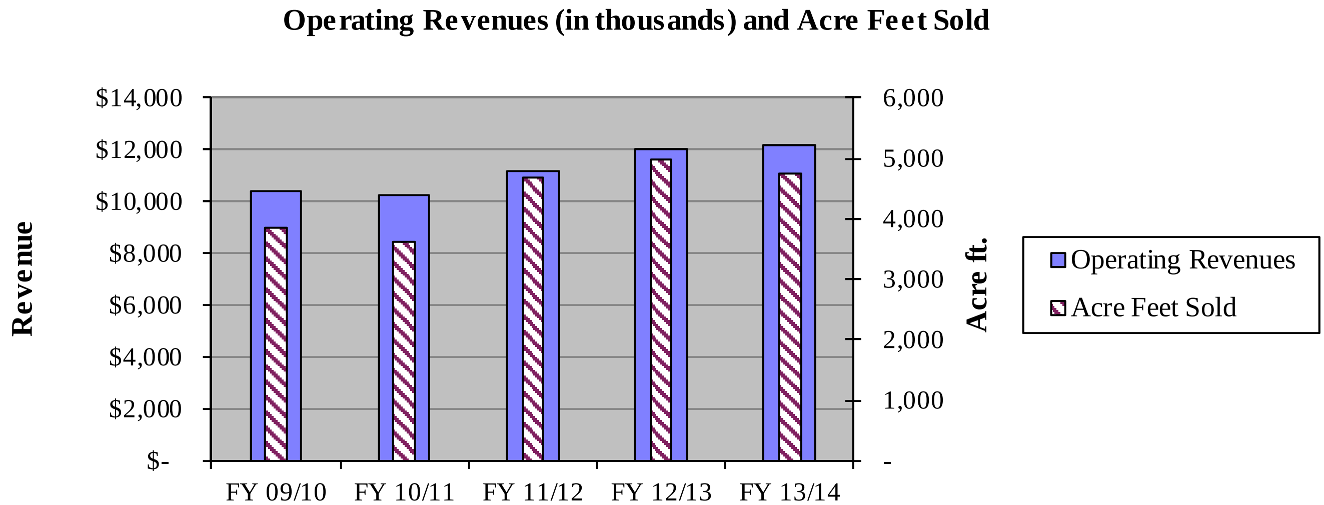
As required by GASB 34, capital contributions are presented as a component of Change in Net Position on the Statement of Revenues, Expenses and Changes in Net Position.

Detailed schedules of operating revenues, operating expenses, and non-operating revenues and expenses, for the last five years including discussion of the significant trends and variances are as follows:

Operating Revenues

	(As Restated) FY 09/10	**(As Restated) FY 10/11**	**(As Restated) FY 11/12**	**(As Restated) FY 12/13**	**FY 13/14**
Water Sales	$ 10,089,936	$ 9,840,891	$ 10,353,227	$ 10,798,634	$ 11,229,175
Capital Recovery Fees	112,454	77,787	496,558	855,845	613,972
Fire Protection	184,838	224,061	221,989	221,131	228,640
Other Operating Revenues	43,959	123,361	109,220	128,631	63,429
Total Operating Revenues	$ 10,431,187	$ 10,266,100	$ 11,180,994	$ 12,004,241	$ 12,135,216

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



In fiscal year 13/14, an increase in water rates resulted in an increase in water sales revenue of approximately $430,541. This increase in water sales revenue, combined with a decrease in capital cost recovery fees of $241,873 and a decrease in other operating revenues of $65,202, resulted in a net increase in operating revenues of $130,975.

Operating Expenses

DEFINITIONS:

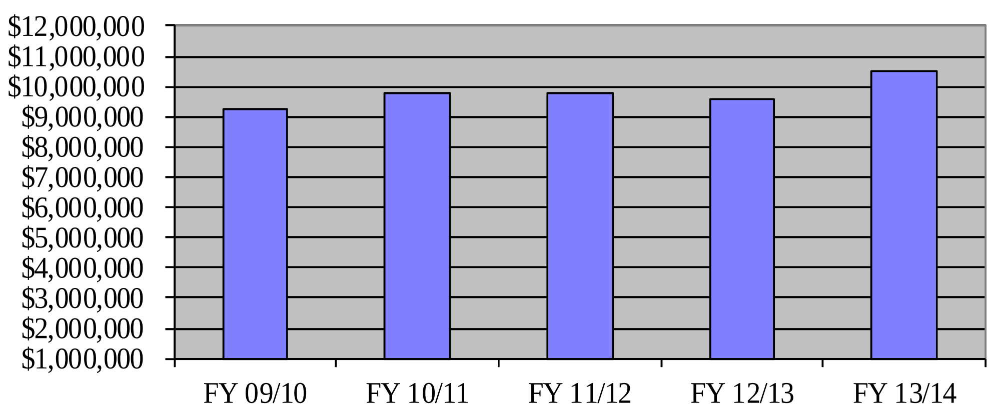
- Cost of Purchased Water: Water purchased from the Cachuma Project as well as Central Coast Water Authority (CCWA) and Department of Water Resources variable costs.
- CCWA Source of Supply: CCWA bond principal & interest, operating expenses and Department of Water Resources costs.
- Cachuma Operating Expense: COMB Operating, special projects, storm damage, and safety of dams (SOD).
- Pumping Expense: Maintenance of wells and pumping equipment as well as power and telephone for pumping.
- Water Treatment: Cater Treatment Plant, chlorination, AB3030, water quality and water tests.
- Transmission & Distribution: Maintenance of mains, hydrants and meters, engineering expenses, vehicle expenses, cross connection expenses and other miscellaneous.
- Customer Accounting and Service: Meter reading and customer orders, uncollectible accounts.
- General & Administrative: Salaries and benefits, legal expenses, administration utilities, water conservation, Cachuma Conservation Release Board cost share, auditor fees, public information.
- Depreciation and Amortization: Depreciation and amortization of District capital and intangible assets.
- Overhead charged to Customers: Overhead on work orders.

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

Operating Expenses

	(As Restated) FY 09/10	(As Restated) FY 10/11	(As Restated) FY 11/12	(As Restated) FY 12/13	FY 13/14
Cost of Purchased Water	$ 275,957	$ 414,717	$ 323,548	$ 354,603	$ 665,351
CCWA Source of Supply	2,840,261	2,971,245	2,978,486	2,812,371	3,066,986
Cachuma Operating Expense	250,930	304,882	409,972	498,379	541,839
Pumping Expense	265,566	249,027	285,050	225,971	287,174
Water Treatment	670,103	935,478	944,251	949,594	1,006,344
Transmission and Distribution	838,921	833,022	927,733	899,177	931,836
Customer Accounting and Service	80,866	61,542	67,025	47,448	75,315
General and Administrative	2,102,918	2,172,510	2,093,291	2,125,924	2,203,554
Depreciation and Amortization	1,965,498	1,837,803	1,776,991	1,691,401	1,814,851
Overhead Charged to Customers	(21,429)	(29,203)	(33,843)	(23,367)	(56,940)
Total Operating Expenses	$ 9,269,591	$ 9,751,023	$ 9,772,504	$ 9,581,501	$ 10,536,310

Operating Expenses



Overall operating expenses increased by $954,809 in 13/14 fiscal year as follows:

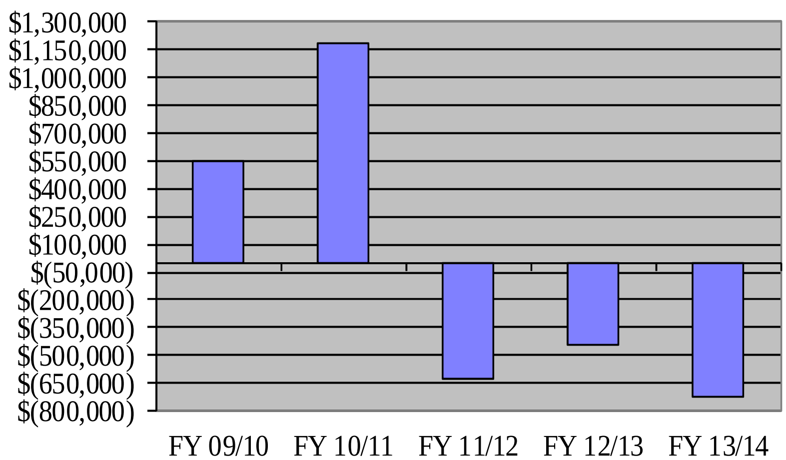
- An increase in cost of purchased water of $310,748 related to increases in CCWA and Department of Water Resources (DWR) variable costs.
- An increase in CCWA source of supply expenses of $254,615 was primarily a result of increased DWR costs and additional deliveries.
- An increase in depreciation and amortization expense of $123,450 due to depreciation on recently completed capital projects.
- An increase in general and administrative expenses of 4% or $77,630 related to increased insurance, facilities maintenance and water conservation expenses.

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

Non-operating Income

Non-operating revenues consist of investment income and grant revenue. Non-operating expenses consist of interest expense.

	(As Restated) FY 09/10	(As Restated) FY 10/11	(As Restated) FY 11/12	(As Restated) FY 12/13	FY 13/14
Non-operating Revenues:					
Investment income	$ 47,334	$ 55,294	$ 52,416	$ 33,394	$ 26,484
Grant revenue	-	1,913,241	54,761	255,105	24,790
Gain from litigation settlement	1,450,000	-	-	-	-
Total Non-operating Revenues	1,497,334	1,968,535	107,177	288,499	51,274
Non-operating Expenses:					
Interest Expense	943,470	782,159	730,862	737,289	774,035
Total Non-operating Expenses	943,470	782,159	730,862	737,289	774,035
Net Non-operating Income (loss)	$ 553,864	$ 1,186,376	$ (623,685)	$ (448,790)	$ (722,761)



Grant revenue and interest expense comprise the majority of net non-operating income. Grant income fluctuates based on availability of grant funds and the District's ability to successfully compete for grant funds.

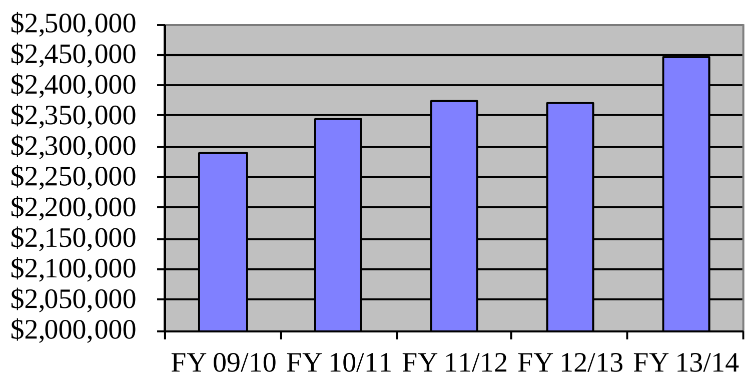
Interest expense decreased from FY 09/10 through FY 11/12 as a result of the issuance of 2010 Capital Appreciation Bonds and the related debt restructuring. Interest expense was consistent from FY 11/12 to FY 12/13. Interest expense increased from FY 12/13 to FY 13/14 due to a reduction in capitalized interest charged to construction in progress.

SALARIES AND BENEFITS

The following table summarizes the amounts expended for salaries and benefits for the last five years:

	(As Restated) FY 09/10	(As Restated) FY 10/11	(As Restated) FY 11/12	(As Restated) FY 12/13	FY 13/14
Salaries	$ 1,464,792	$ 1,452,182	$ 1,490,543	$ 1,495,950	$ 1,580,595
Social Security	110,589	105,768	108,716	112,610	112,202
Employee Retirement-PERS	367,575	369,332	364,177	320,802	293,436
Employee Group Insurance	319,273	393,344	385,181	412,792	429,537
Deferred Compensation	26,217	23,951	25,510	28,204	28,906
Total	$ 2,288,446	$ 2,344,577	$ 2,374,127	$ 2,370,358	$ 2,444,676

Salaries and Benefits



In FY 13/14, salaries and benefits expenses increased $74,318 from the prior year. Employee Retirement-PERS costs decreased $27,366 during the year due to the increase in the employee contribution rate. Employee Group Insurance increased by $16,745 as a result of employee plan changes. The salary increase of $84,645 includes an increase in field crew overtime/double-time, salary cost of living increases and filling two previously vacant positions.

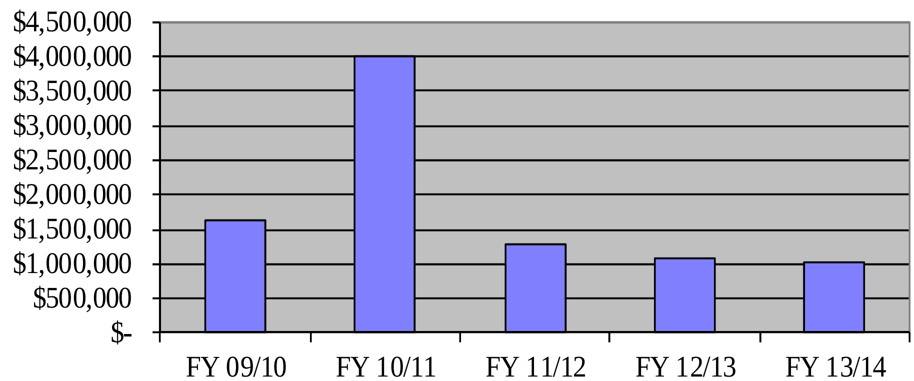
CAPITAL ASSETS

At June 30, 2014 the District had $36,674,775 invested in net capital assets, including construction in progress. This amount represents a decrease of $502,043 or 1.4% over the prior year. See Note 5 for a summary of the capital assets by asset type.

Capital expenditures for the last five fiscal years were as follows:

	(As Restated) FY 09/10	(As Restated) FY 10/11	(As Restated) FY 11/12	(As Restated) FY 12/13	FY 13/14
Capital Expenditures	$ 1,622,782	$ 3,998,369	$ 1,289,799	$ 1,071,945	$ 1,020,186

Capital Expenditures



The increase in capital expenditures in FY 10/11 was related to the El Carro Well Rehabilitation project, the Central Zone Main project, land purchase, and litigation costs associated with the Ortega Reservoir Cover Project. The decrease in capital expenditures in FY 11/12 was due to the El Carro Well Rehabilitation project and the Central Zone Main project winding down. The decrease in FY 12/13 was due to the completion of major projects in prior years. FY 13/14 was consistent with the prior year.

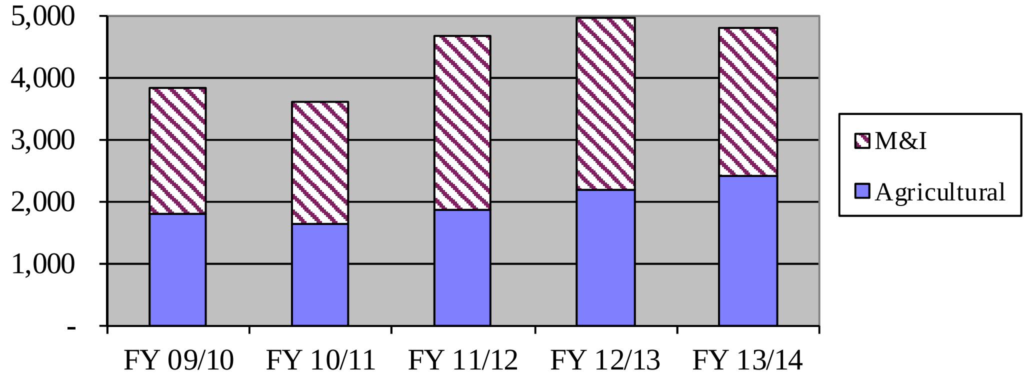
WATER SOLD AND SOURCE OF WATER SUPPLY

The following tables show how much water the District has sold over the past five fiscal years, and provides information regarding the source of the District's water. One acre foot (AF) is equal to 325,900 gallons.

WATER SOLD AND SOURCE OF WATER SUPPLY (Continued)

Water Sold (AF)

Fiscal Year	Residential	Commercial	Public Authority	Industrial	Agricultural	Total
FY 09/10	1,452	349	149	79	1,796	3,825
FY 10/11	1,407	356	135	71	1,633	3,602
FY 11/12	2,213	354	144	86	1,865	4,662
FY 12/13	2,175	381	151	89	2,163	4,959
FY 13/14	1,522	383	170	287	2,419	4,781



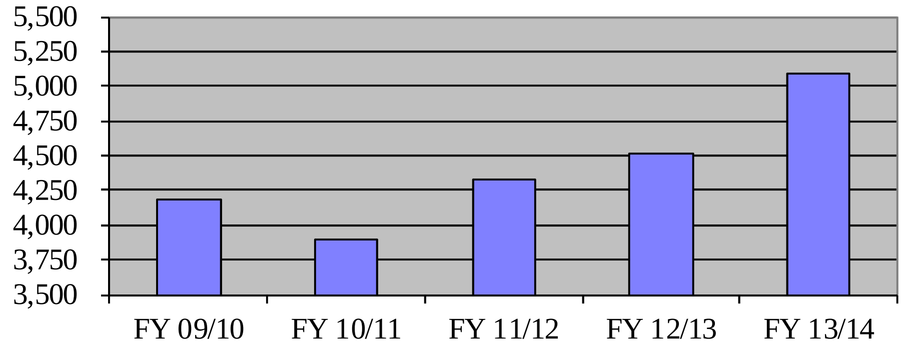
A combination of conservation and cooler conditions throughout the year contributed to the decrease in water sales in FY 10/11. The increase in FY 11/12 is attributed to dryer conditions which resulted in increased irrigation demand as well as the sale of 800 AF of water to neighboring water agencies. The increase in FY 12/13 is primarily due to the 680 AF of water sales to neighboring water agencies as well as an increase in demand of 277 AF. The decrease in FY 13/14 reflects a decrease in water sales to neighboring water agencies.

Source of Water Supply (AF)

Fiscal Year	Groundwater	State Water	Cachuma Project	Total
FY 09/10	1,307	-	2,876	4,183
FY 10/11	797	-	3,100	3,897
FY 11/12	1,174	-	3,149	4,323
FY 12/13	864	-	3,648	4,512
FY 13/14	754	846	3,490	5,090

WATER SOLD AND SOURCE OF WATER SUPPLY (Continued)

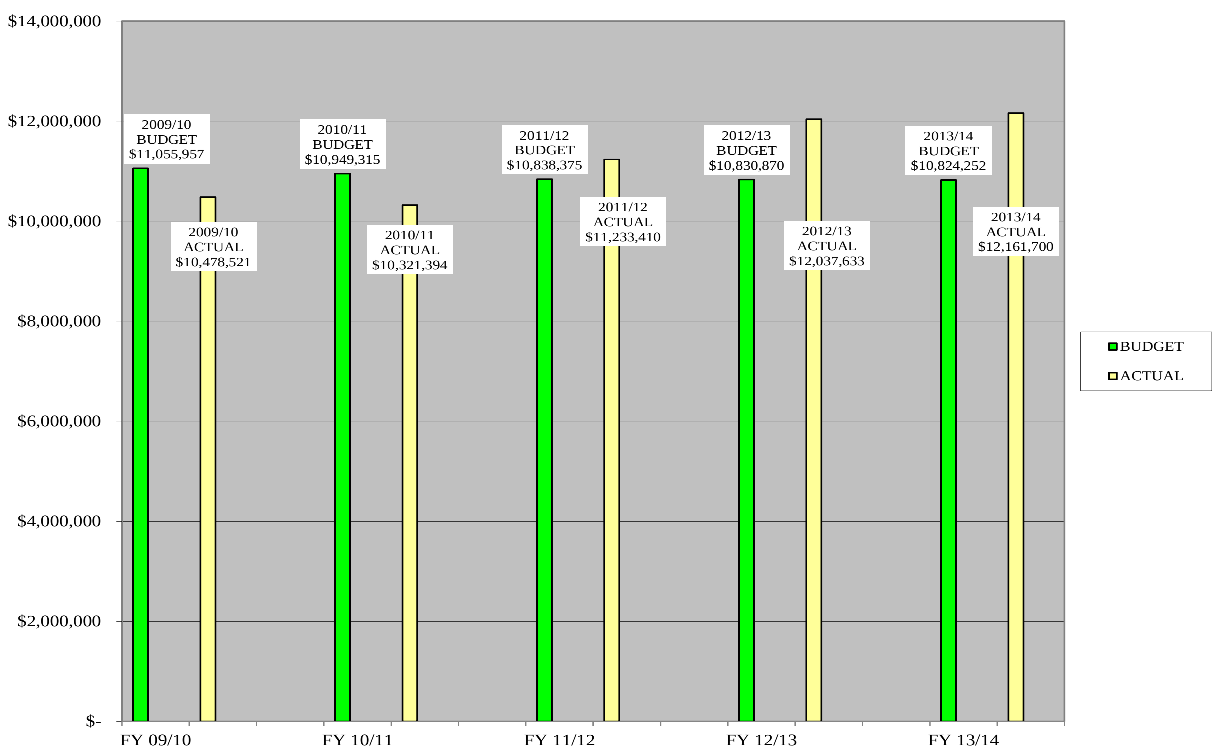
Source of Water Supply (AF)



Sources of water supply include groundwater, Lake Cachuma and State Water. The FY 13/14 increase includes State Water deliveries of 846 AF.

BUDGET TO ACTUAL INFORMATION

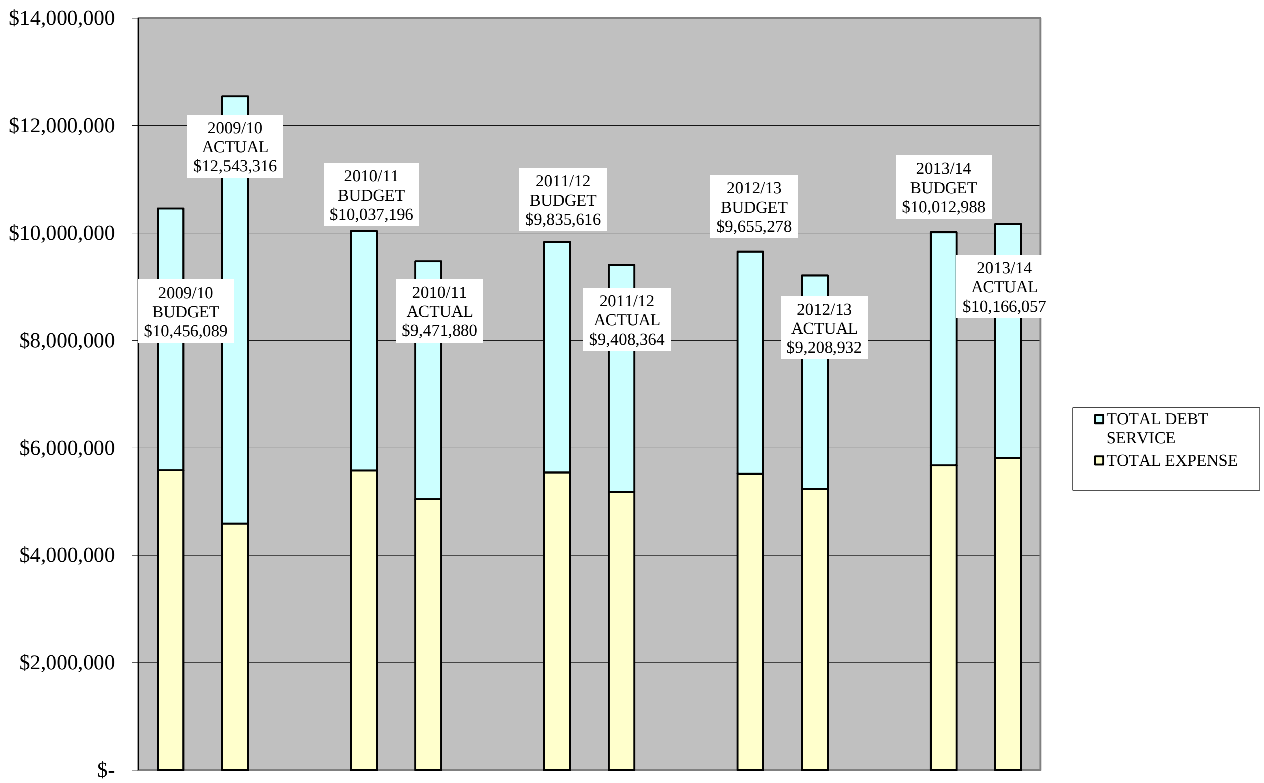
The following table compares total annual revenues to budgeted amounts for the last five fiscal years:



For FY 12/13 through FY 13/14 annual revenues were greater than budgeted revenues primarily due to higher than expected water sales revenue arising from extreme drought conditions.

BUDGET TO ACTUAL INFORMATION (Continued)

The following table compares total annual expenses and debt service payments to budgeted amounts for the last five fiscal years:



FY 09/10 actual annual expenses and debt service payments were approximately $2,087,227 higher than budgeted due primarily to the unbudgeted principal reduction on a State Revolving Fund loan, the proceeds for which came from the issuance of the Refunding Revenue (Capital Appreciation) Certificates of Participation, Series 2010A in March of 2010. For FY 10/11 through FY 12/13, actual annual expenses and debt service payments were approximately 5% under budgeted amount. In FY 13/14, actual annual expenses and debt service payments were approximately 1% over budgeted amount.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2014 and 2013

	2014	(As Restated) 2013
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 9,551,671	$ 8,589,431
Accounts receivable:		
Water sales	1,068,398	1,158,638
Other	172,458	294,618
Grant receivable	-	55,105
Annexation fees receivable	19,022	-
Inventories:		
Materials and meters	106,930	122,387
Water in storage	96,251	137,646
Prepaid expenses	3,470,626	3,257,358
Deposits with CCWA	922,135	921,045
Total current assets	15,407,491	14,536,228
Restricted Assets:		
Cash with fiscal agent:		
Restricted for debt service	2,963,713	2,607,682
Restricted for capital improvements	794	794
Certificates of Participation	198,587	198,098
Restricted for capital improvements	744,714	1,184,355
Total restricted assets	3,907,808	3,990,929
Long-term Assets:		
Property and equipment	55,654,217	54,551,746
Less: accumulated depreciation	(19,418,716)	(17,976,971)
Construction in progress	439,274	602,043
Capacity rights, net of amortization	6,998,505	7,277,992
Intangible assets, net of amortization	164,917	178,054
Net long-term assets	43,838,197	44,632,864
Total assets	63,153,496	63,160,021
Deferred Outflow of Resources:		
Deferred loss on refunding (Note 15)	484,681	515,124
Total assets and deferred outflows of resources	63,638,177	63,675,145

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2014 and 2013

	2014	(As Restated) 2013
LIABILITIES:		
Current Liabilities:		
Accounts payable	$ 783,507	$ 1,437,826
Customer deposits	124,428	98,944
Interest payable	346,627	353,610
Advances for construction	896,905	604,763
Compensated absences payable	337,899	297,651
Current portion of long term debt	603,513	581,542
Total current liabilities	3,092,879	3,374,336
Long-term Liabilities:		
Revenue Certificates of Participation Series 2006A	8,367,049	8,478,210
Revenue Certificates of Participation Series 2010A	8,475,844	8,475,844
Department of Water Resources loan contracts	11,883,372	12,281,785
Cater Treatment Plant Expansion Project financing agreement	2,166,919	2,346,040
Non-current portion of post-retirement health benefits payable	118,275	90,508
Total long-term liabilities	31,011,459	31,672,387
Total liabilities	34,104,338	35,046,723
NET POSITION:		
Net investment in capital assets	6,122,173	6,396,644
Restricted	2,963,713	2,607,682
Unrestricted	20,447,953	19,624,096
Total net position	$ 29,533,839	$ 28,628,422

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2014 and 2013

	2014	(As Restated) 2013
Operating Revenues:		
Water sales	$ 11,229,175	$ 10,798,634
Capital recovery fees	613,972	855,845
Fire protection	228,640	221,131
Other revenue	63,429	128,631
Total operating revenues	12,135,216	12,004,241
Operating Expenses:		
CCWA source of supply	3,066,986	2,812,371
Cost of purchased water	665,351	354,603
Cachuma operating expense	541,839	498,379
Pumping expense	287,174	225,971
Water treatment	1,006,344	949,594
Transmission and distribution	931,836	899,177
Customer accounting and service	75,315	47,448
General and administrative	2,203,554	2,125,924
Amortization	350,517	350,516
Depreciation	1,464,334	1,340,885
Overhead charged to customers	(56,940)	(23,367)
Total operating expenses	10,536,310	9,581,501
Operating income	1,598,906	2,422,740
Non-operating Revenues (Expenses):		
Grant revenue	24,790	255,105
Investment income	26,484	33,394
Interest expense	(774,035)	(737,289)
Net non-operating income (expense)	(722,761)	(448,790)
Income before contributions	876,145	1,973,950
Capital Contributions	29,272	52,410
Change in net position	905,417	2,026,360
Net position, beginning of year, as previously stated	-	27,173,002
Effect of prior period adjustments (Note 15)	-	(570,940)
Net position, beginning of year	28,628,422	26,602,062
Net position at end of year	$ 29,533,839	$ 28,628,422

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	2014	(As Restated) 2013
Cash Flows from Operating Activities:		
Cash received from customers	$ 12,619,646	$ 11,938,214
Cash payments to suppliers for goods and services	(7,942,200)	(7,659,466)
Cash payments to employees for services	(1,521,974)	(1,302,981)
Net cash and cash equivalents provided by operating activities	3,155,472	2,975,767
Cash Flows from Noncapital Financing Activities:		
Net increase in customer deposits	25,484	2,462
Net cash and cash equivalents provided by noncapital financing activities	25,484	2,462
Cash Flows from Capital and Related Financing Activities:		
Repayments of long-term debt	(670,563)	(648,606)
Interest payments	(760,891)	(776,381)
Capital assets purchased	(918,867)	(1,007,371)
Investment in water facilities	(57,895)	(1,916,503)
Grant revenue	79,895	200,000
Net cash and cash equivalents used by capital and related financing activities	(2,328,321)	(4,148,861)
Cash Flows from Investing Activities:		
Interest received	26,484	33,394
Net cash and cash equivalents provided by investing activities	26,484	33,394
Increase (decrease) in cash and cash equivalents	879,119	(1,137,238)
Cash and cash equivalents, beginning of year	12,580,360	13,717,598
Cash and cash equivalents, end of year	$ 13,459,479	$ 12,580,360

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2014 and 2013

Cash and cash equivalents are reported in the balance sheet as follows:

	2014	(As Restated) 2013
Unrestricted cash and cash equivalents	$ 9,551,671	$ 8,589,431
Cash with fiscal agent, restricted for debt service	2,963,713	2,607,682
Cash with fiscal agent, restricted for capital improvements	794	794
Restricted for capital improvements	744,714	1,184,355
Certificates of Participation	198,587	198,098
	$ 13,459,479	$ 12,580,360

Supplemental Schedule of Noncash Investing and Financing Activities:

Property in the amount of $29,272 and $52,410 was contributed by developers during the years ended June 30, 2014 and 2013, respectively.

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

A) Reporting Entity

The Carpinteria Valley Water District (the "District") (formerly known as Carpinteria County Water District) was incorporated on February 13, 1941 under authority of the California County Water Districts Act. By contract dated April 17, 1953, the District entered into an agreement with the U.S. Bureau of Reclamation for the construction of a distribution system to serve approximately 96% of the District, thereby creating Improvement District #1. The District is governed by a Board of Directors consisting of five members elected from voters of the District.

B) Accounting Basis

The District reports its activities as an enterprise fund, which is used to account for operations where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses are recognized on the accrual basis, as such, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

An enterprise fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity 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. The principal operating revenues of the District are charges to customers for water sales. Operating expenses of the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C) Cash and Cash Equivalents

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

D) Basis for Recording Accounts Receivable and Allowance for Doubtful Accounts

The District grants credit to its customers, substantially all of whom are residents and businesses in Carpinteria, California. The District charges doubtful accounts arising from water receivables to bad debt expense when it is probable that the accounts will be uncollectible.

E) Inventories

The District's inventories are recorded at cost on the first-in, first-out basis.

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

F) Restricted Assets

These assets consist of cash and other monetary assets restricted by outside parties for various purposes.

G) Long Term Assets

Property, plant and equipment and intangible assets are valued at cost. Donated property is valued at estimated fair value on the date donated. The assets, excluding land, are depreciated using the straight line method over estimated useful lives.

Estimated useful lives are:	
Transmission and distribution lines, wells	30 years
Buildings, fire hydrants, meters and service connections, tanks and reservoirs	25 years
Water treatment facilities, general equipment and tools	20 years
Corrosion control equipment	15 years
Pumping equipment	10 years
Office and automotive equipment	5 years
Intangible assets	10-30 years

H) Interest Costs

Applicable interest charges incurred during construction of new facilities are capitalized as one of the elements of cost and are amortized over the asset's estimated useful life. All other interest costs are expensed as incurred.

I) Intangible Assets

Intangible assets consist of contract renegotiation costs and bond issuance costs. These costs are being amortized over a period ranging from 10 to 30 years.

J) Budgetary Procedures

The District prepares an annual budget which includes estimates of its principal sources of revenue to be received during the fiscal year, as well as estimated expenditures and reserves needed for operation of District facilities.

K) Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and sick leave are recorded when benefits are earned. Cash payment of unused vacation and sick leave is available to those qualified employees when retired or terminated.

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

L) Concentration of Credit Risk

The District grants credit to its customers, substantially all of whom are residents and businesses of the Carpinteria Valley.

M) Construction Advances

Construction advances represent deposits received in advance of construction, which are refundable if the applicable construction does not take place. Construction advances are transferred to contributed capital when the applicable construction is completed.

N) Implementation of New Accounting Pronouncements

For the year ended June 30, 2014, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*—an amendment of Concept Statement No. 4, Elements of Financial Statements. This statement amends or supersedes accounting and financial reporting standards to reclassify certain items that were previously reported as assets and liabilities and recognizes them as deferred outflows of resources or deferred inflows of resources. Due to the implementation of this statement, debt issuance costs were eliminated and are recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The cumulative impact of the implementation of GASB 65 was a decrease of $543,285 and $570,940 on beginning net position for fiscal year ends June 30, 2013 and 2012, respectively, which is the amount of unamortized debt issuance costs. Additionally, the implementation resulted in a reclassification of the deferred loss on refunding of debt from a liability to a deferred outflow of resources in the amount of $484,681 and $515,124 as of June 30, 2014 and 2013, respectively.

The GASB Statements listed below will be implemented in future financial statements and will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

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

N) Implementation of New Accounting Pronouncements (Continued)

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The District is currently evaluating the revised Statement and has not yet determined the impact on its financial statements.

O) Deferred Outflows/Inflows of Resources

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources are required to be presented separately after assets on the statement of net position. As a result of GASB 65, *Items Previously Reported as Assets and Liabilities,* the District's deferred loss on refunding, which resulted from the difference in the carrying value of the refunded debt and its reacquisition price, was reclassified from a liability to a deferred outflow. See Note 15 for additional information.

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position. The District does not have any type of these items as of June 30, 2014 and 2013.

P) Net Position

Net position represents the difference between assets and liabilities and is classified into three components.

Net investment in capital assets, consists of capital assets, net of accumulated depreciation, 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.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the District's policy to first apply restricted resources when expenses are incurred for purposes for which both restricted and unrestricted resources are available.

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

Q) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Investments

Investments are carried at fair value as determined by the external investment pool sponsor. On June 30, 2014 and 2013, the District had the following cash and investments on hand:

	2014	2013
Cash in banks and on hand	$ 2,422,022	$ 2,771,145
Cash with fiscal agent	2,964,507	2,608,476
Local Agency Investment Fund	7,874,363	7,002,641
Local Agency Investment Fund- Certificates of Participation	198,587	198,098
Total cash and investments	$ 13,459,479	$ 12,580,360

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The District's investment policy generally limits deposits to the previous FDIC determined limit of $100,000. This limitation does not apply to LAIF or amounts held with fiscal agents. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk or credit risk. Investments in LAIF are not rated by a national rating agency.

Disclosures Relating to Interest Rate Risk

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

Note 2 - Cash and Investments (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2014:

Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Investments with fiscal agent	$ 2,964,507	$ 2,964,507	$ -	$ -	$ -
Local Agency Investment Fund	7,874,363	7,874,363			
Local Agency Investment Fund- Certificates of Participation	198,587	198,587			
Total	$ 11,037,457	$ 11,037,457	$ -	$ -	$ -

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, 2014 for each investment type.

	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Investments with fiscal agent	$ 2,964,507	N/A	$ -	$ 2,964,507	$ -	$ -
Local Agency Investment Fund	7,874,363	N/A	7,874,363			
Local Agency Investment Fund- Certificates of Participation	198,587	N/A	198,587			
Total	$ 11,037,457		$ 8,072,950	$ 2,964,507	$ -	$ -

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 (other than investments guaranteed by the U.S. Government or investments in external investment pools).

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk

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

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

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

Investment in State Investment Pool

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

Note 3 - Restricted Assets

Restricted assets consisted of the following at June 30, 2014 and 2013:

	2014	2013
Restricted for capital improvements	$ 745,508	$ 1,185,149
Restricted for capital improvements from the Certificates of Participation	198,587	198,098
Restricted for debt service payments	2,963,713	2,607,682
Total restricted assets	$ 3,907,808	$ 3,990,929

Note 4 - Intangible Assets

The District's intangible assets as of June 30, 2014 and 2013 consisted of:

	2014	(As Restated) 2013
Contract renegotiation costs:		
Cachuma Project Authority, net of accumulated amortization of $181,012 and $169,699	$ 135,760	$ 147,074
Deferred expenses:		
Bureau of Reclamation Title Transfer, net of accumulated amortization of $16,407 and $14,584	29,157	30,980
	$ 164,917	$ 178,054

Estimated amortization expense is as follows for the five fiscal years ending June 30:

2015	$ 13,136
2016	13,136
2017	13,136
2018	13,136
2019	13,136
Thereafter	99,237
	$ 164,917

Note 5 - Property and Equipment

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2014, is shown below:

	Balance June 30, 2013	Additions	Disposals	Transfers	Balance June 30, 2014
Capital assets, non-depreciable:					
Land and land rights	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction in progress	602,043	879,506		(1,042,275)	439,274
Total capital assets, non-depreciable	1,636,051	879,506	-	(1,042,275)	1,473,282
Capital assets, depreciable/amortizable:					
Pumping equipment	652,318			15,886	668,204
Transportation & distribution equipment	5,213,893			186,809	5,400,702
Meters & services	3,043,971	66,376		90,027	3,200,374
Hydrants	880,804				880,804
Corrosion control	45,885				45,885
Administration building	534,616			2,472	537,088
Maintenance center	281,460				281,460
Office equipment & furniture	830,544	1,500			832,044
Automotive equipment	555,954		(22,589)	1,421	534,786
Other equipment & tools	490,989	8,878		5,511	505,378
Wells	5,935,842	6,031		578,886	6,520,759
Tanks and reservoirs	437,522			40,043	477,565
Water treatment equipment	1,063,256			121,220	1,184,476
Facilities/grounds equipment	332,732				332,732
Distribution system	1,333,951				1,333,951
Storage tank	11,692,334				11,692,334
Headquarters well	3,108,971				3,108,971
Reservoir covers	17,082,696				17,082,696
Capacity rights	12,838,024	57,895			12,895,919
Total capital assets, depreciable/amortizable	66,355,762	140,680	(22,589)	1,042,275	67,516,128
Accumulated depreciation	(17,976,971)	(1,464,334)	22,589	-	(19,418,716)
Accumulated amortization	(5,560,032)	(337,382)	-	-	(5,897,414)
Net capital assets	$ 44,454,810	$ (781,530)	$ -	$ -	$ 43,673,280

Note 5 - Property and Equipment (Continued)

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2013, is shown below:

	Balance June 30, 2012	Additions	Disposals	Transfers	Balance June 30, 2013
Capital assets, non-depreciable:					
Land and land rights	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction in progress	4,249,371	1,015,221		(4,662,549)	602,043
Total capital assets, non-depreciable	5,283,379	1,015,221	-	(4,662,549)	1,636,051
Capital assets, depreciable/amortizable:					
Pumping equipment	595,021			57,297	652,318
Transmission & distribution equipment	5,039,016	24,732		150,145	5,213,893
Meters & services	2,854,811	56,374		132,786	3,043,971
Hydrants	880,804				880,804
Corrosion control	45,885				45,885
Administration building	521,226	13,390			534,616
Maintenance center	281,460				281,460
Office equipment & furniture	818,907	5,763		5,874	830,544
Automotive equipment	500,812			55,142	555,954
Other equipment & tools	488,802			2,187	490,989
Wells	1,698,452	1,373		4,236,017	5,935,842
Tanks and reservoirs	420,713			16,809	437,522
Water treatment equipment	1,063,256				1,063,256
Facilities/grounds equipment	332,732				332,732
Distribution system	1,333,951				1,333,951
Storage tank	11,686,042			6,292	11,692,334
Headquarters well	3,108,971				3,108,971
Reservoir covers	17,078,777	3,919			17,082,696
Capacity rights	10,921,521	1,916,503			12,838,024
Total capital assets, depreciable/amortizable	59,671,159	2,022,054	-	4,662,549	66,355,762
Accumulated depreciation	(16,636,086)	(1,340,885)	-	-	(17,976,971)
Accumulated amortization	(5,222,649)	(337,383)	-	-	(5,560,032)
Net capital assets	$ 43,095,803	$ 1,359,007	$ -	$ -	$ 44,454,810

Note 6 - Long-Term Debt

Long-term debt of the District is as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Series 2006A Certificates of Participation	$ 8,660,000	$ -	$ (105,000)	$ 8,555,000
Unamortized bond discount	(76,790)		3,839	(72,951)
Total Series 2006A Certificates of Participation	8,583,210	-	(101,161)	8,482,049
Series 2010A Certificates of Participation	8,475,844			8,475,844
Total Series 2006A Certificates of Participation	8,475,844	-	-	8,475,844
Department of Water Resources Loan Contracts	12,670,371		(388,586)	12,281,785
Cater Treatment Plant Financing Agreement	2,433,996		(176,977)	2,257,019
Long-term debt	$ 32,163,421	$ -	$ (666,724)	$ 31,496,697

A) Revenue Certificates of Participation

Series 2006A:

In June 2006, the District issued the Refunding Revenue Certificates of Participation, Series 2006A ("2006A COPs") in the amount of $10,025,000 with interest rates ranging from 3.625% to 4.50%. The Certificates were executed and delivered to refund the $9,015,000 outstanding aggregate principal amount of Series 2000 Revenue Certificates of Participation, and to pay for the costs to reconstruct the existing El Carro well.

In accordance with District's refunding plan, $8,835,290 was deposited with an escrow agent to provide for payment when due of all interest with respect to the 2000 Refunded Certificates on and prior to July 1, 2010 and to pay the prepayment price on July 1, 2010 of the 2000 Refunded Certificates maturing after July 1, 2010. On July 1, 2010 the final payment from the escrow account was made. The refunding resulted in an economic gain of approximately $883,000 and decreased total debt service payments by approximately $772,000, excluding amounts related to servicing of the $1,000,000 to be applied to El Carro well.

Note 6 - Long-Term Debt (Continued)

A) Revenue Certificates of Participation (Continued)

Series 2010A:

In March 2010, the District issued the Refunding Revenue (Capital Appreciation) Certificates of Participation, Series 2010A ("2010A COPs") in the amount of $8,475,844 with interest rates ranging from 5.75% to 6.86%. The Certificates were executed and delivered 1) to refund a portion of the outstanding aggregate principal amount of the 2006A COPs, constituting a portion of the 2006A COPs maturing on July 1, 2010 and each July 1 thereafter through July 1, 2015, inclusive, 2) to refund a portion of the District's obligations under the Safe Drinking Water State Revolving Fund Contract #SRF99CX125 maturing on July 1, 2010 and each January and July 1 thereafter through July 1, 2017, inclusive, and 3) to fund certain improvements to the City of Santa Barbara's Cater Water Treatment Plant which serves the District.

In accordance with District's refunding plan, $1,079,808 was deposited with an escrow agent to provide for payment when due (through July 2015) of all principal and interest with respect to the 2006A Refunded Certificates. The total payments made on the 2006A Refunded Certificates from escrow funds will be $1,000,000 in principal and $142,800 in interest. The refunding resulted in increased total debt service payments from $1,142,800 to $3,300,000, including only amounts related to the 2006A Refunded Certificates. This increased cash flow created an economic loss of approximately $133,052 when discounted at the 2010A COPs' effective interest rate of 6.61769%. At June 30, 2014 there was $440,000 of defeased Series 2006A Refunded Certificates outstanding, to be paid from escrow funds.

Total annual requirements to amortize the Series 2006A COPs are as follows:

Fiscal Year End	Principal	Interest	Total
2015	$ 115,000	$ 382,288	$ 497,288
2016	110,000	377,788	487,788
2017	355,000	367,600	722,600
2018	370,000	351,288	721,288
2019	385,000	334,781	719,781
2020-2024	2,190,000	1,403,106	3,593,106
2025-2029	2,710,000	858,444	3,568,444
2030-2033	2,320,000	206,044	2,526,044
	$ 8,555,000	$ 4,281,339	$ 12,836,339

Note 6 - Long-Term Debt (Continued)

A) Revenue Certificates of Participation (Continued)

Total annual requirements to amortize the Series 2010A COPs are as follows:

Fiscal Year End	Principal	Interest	Total
2015	$ -	$ -	$ -
2016			
2017			
2018			
2019			
2020-2024	864,254	925,746	1,790,000
2025-2029	2,831,582	4,973,417	7,804,999
2030-2034	3,418,381	10,286,619	13,705,000
2035-2036	1,361,627	5,848,374	7,210,001
	$ 8,475,844	$ 22,034,156	$ 30,510,000

B) Safe Drinking Water State Revolving Fund Contracts

Contract # SRF99CX125:

The Safe Drinking Water State Revolving Fund Contract was issued February 9, 2004. The purpose of the loan was to assist in financing various capital improvements which will enable the District to meet certain safe drinking water standards. The contract provides for a 20 year loan bearing an interest rate of approximately 2.5%. The District will be required to maintain a reserve fund equal to two semi-annual loan payments during the first ten years of the repayment period. The loan requires semi-annual payments of interest and principal due on January 1 and July 1 of each year commencing after the completion of the projects.

Contract # SRF99CX121:

The Safe Drinking Water State Revolving Fund Contract was issued March 19, 2004. The purpose of the loan was to assist in financing various capital improvements which will enable the District to meet certain safe drinking water standards. The contract provides for a 20 year loan bearing an interest rate of approximately 2.5%. This loan was issued to both this District and the Montecito Water District in order to finance the capital improvements to the Ortega Reservoir. Each District will be legally liable for half of the joint loan proceeds. Carpinteria Valley Water District's portion of the principal balance was $9,236,658, and requires semi-annual payments of interest and principal due on January 1 and July 1 of each year commencing in July 2010. Interest payments during the construction period were due semi-annually based on the funds disbursed. The District will be required to maintain a reserve fund equal to two semi-annual loan payments during the first ten years of the repayment period.

Note 6 - Long-Term Debt (Continued)

B) Safe Drinking Water State Revolving Fund Contracts (Continued)

The annual estimated requirements to amortize the Safe Drinking Water State Revolving Fund Contract #SRF99CX125 are as follows:

Fiscal Year End	Principal	Interest	Total
2015	$ -	114,172	$ 114,172
2016		114,172	114,172
2017		114,172	114,172
2018	374,918	109,907	484,825
2019	418,210	102,139	520,349
2020-2024	2,255,148	346,593	2,601,741
2025-2027	1,494,626	66,419	1,561,045
Total	$ 4,542,902	$ 967,574	$ 5,510,476

The annual estimated requirements for the District to amortize the Safe Drinking Water State Revolving Fund Contract #SRF99CX121 are as follows:

Fiscal Year End	Principal	Interest	Total
2015	$ 398,413	$ 192,006	$ 590,419
2016	408,489	181,930	590,419
2017	418,820	171,599	590,419
2018	429,411	161,008	590,419
2019	440,271	150,148	590,419
2020-2024	2,374,113	577,983	2,952,096
2025-2029	2,689,892	262,205	2,952,097
2030	579,474	10,945	590,419
Total	$ 7,738,883	$ 1,707,824	$ 9,446,707

C) Cater Treatment Plant Expansion Project Financing Agreement

The District entered into a financing agreement with the City of Santa Barbara dated February 27, 2002, which requires the District to pay twenty percent of a loan obligation between the City of Santa Barbara and the California Drinking Water State Revolving Fund. The loan proceeds were used to finance certain improvements to the Cater Treatment Plant in order to meet new water quality standards imposed on public agencies. The loan provides for a 20 year loan amortization maturing on July 1, 2025, bearing an interest rate of approximately 2.5%. The improvements were completed in January 2005 and the District's portion of the loan in the amount of $3,580,170 was recorded on the statement of net position at June 30, 2005.

Note 6 - Long-Term Debt (Continued)

C) Cater Treatment Plant Expansion Project Financing Agreement (Continued)

The District is required to make semi-annual payments of interest and principal in the amount of $114,425 payable to the City of Santa Barbara on December 15th and June 15th each year.

The annual requirements to amortize the Cater Treatment Plant Expansion financing agreement are as follows:

Fiscal Year End	Principal	Interest	Total
2015	$ 90,100	$ 27,487	$ 117,587
2016	183,491	51,684	235,175
2107	187,972	47,203	235,175
2018	192,566	42,609	235,175
2019	197,275	37,899	235,174
2020-2024	1,061,302	114,571	1,175,873
2025-2026	344,313	8,450	352,763
Total	$ 2,257,019	$ 329,903	$ 2,586,922

Note 7 - Supplemental Schedule of the Statement of Cash Flows

The following is a reconciliation of operating income to net cash provided by operating activities:

	2014	**(As Restated) 2013**
Cash Flows from Operating Activities:		
Operating income	$ 1,598,906	$ 2,422,740
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,464,334	1,340,885
Amortization	350,517	350,516
(Increase) decrease in:		
Accounts receivable	193,383	158,391
Inventories	56,852	2,480
Prepaid expenses	(213,268)	(324,582)
Deposit with CCWA	(1,090)	4,184
Increase (decrease) in:		
Accounts payable	(654,319)	(820,894)
Compensated absences payable	40,248	44,264
Accrued post retirement benefit	27,767	26,385
Advances for construction	292,142	(228,602)
Net cash and cash equivalents provided by operating activities	$ 3,155,472	$ 2,975,767

Note 8 - Defined Benefit Pension Plan

The District contributes to the California Public Employee's Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and local ordinance. Copies of PERS' annual financial report may be obtained from its Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 7% of their covered salary, excluding the first $133.33 per month since the employees are also covered by Social Security. The District makes a portion of the employee required contribution on their behalf based on hire date. The District is required to contribute at an actuarially determined rate: the rate was 19.537% of covered salaries for the year ended June 30, 2014.

The contribution requirements of plan members and the District are established and may be amended by PERS. The District's contribution for the years ended June 30, 2014 and 2013 was $299,870 and $320,802, respectively.

Annual Pension Cost:

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period.

Note 8 - Defined Benefit Pension Plan (Continued)

If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Retirement Plan – Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	260,226	100%	-
06/30/13	234,615	100%	-
06/30/14	259,530	100%	-

Required Supplementary Information

The schedule for funding progress below represents the recent history of the risk pool's actuarial value of assets accrued liability, their relationship, and the relationship of the unfunded liability.

	(A)	(B)	(C)	(D)	(E)	(F)
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability (A) - (B)	Funded Ratio (B)/(A)	Annual Covered Payroll	UL as a % of Payroll (C)/(E)
6/30/2010	$ 3,309,064,934	$ 2,946,408,106	$362,656,828	89.0%	$ 748,401,352	48.5%
6/30/2011	$ 3,619,835,876	$ 3,203,214,899	$416,620,977	88.5%	$ 759,263,518	54.9%
6/30/2012	$ 4,175,139,166	$ 3,686,598,343	$488,540,823	88.3%	$ 757,045,663	64.5%

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the District's plan. The District's required contributions are increased by the amortization of this side fund. The District's side fund as of the June 30, 2012 valuation was ($1,324,950) and the remaining amortization period was 11 years at a rate of 7.50%.

Note 9 - Post-Employment Health Care Benefits

Plan Description

The District provides retiree medical, dental, vision, and prescription drug coverage to current and future eligible retirees and their spouse. Under the Plan, retired employees who attain age 60 with at least 20 years of service are eligible to receive benefits. Spouses may be covered with certain limitations.

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and its board of directors. The required contribution is based on projected pay-as-you-go financing requirements.

The District pays 100% of the premium for pre-65 retirees, and contributes up to 5% of a retiree's PERS benefit toward the cost of medical coverage for post-65 retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation for plan benefits:

Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual required contribution	$ 45,748
Annual OPEB cost (expense)	45,748
Contributions made	(17,981)
Increase in net OPEB	27,767
Net OPEB obligation - beginning of year	90,508
Net OPEB obligation - end of year	$ 118,275

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/12	$40,640	45%	$ 64,123
06/30/13	$43,673	40%	$ 90,508
06/30/14	$45,748	39%	$ 118,275

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

Funded Status and Funding Progress

As of June 30, 2014, based on the last valuation performed the actuarial accrued liability for benefits was $525,049, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,557,756, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 34%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented on the following page, and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Amortization Period for UAAL	Open period of 30.0 years
Actuarial Assumptions	
Rate of return on investments	4.00%
Expected rate of return on plan assets	7.50%
Payroll growth	3.00%
Inflation	2.75%
Healthcare cost trend rate	5.00%-7.00%

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

Required Supplementary Information

The schedule for funding progress below represents the recent history of the actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability.

The funded status of the plan as of June 30, 2014 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b -a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	-	471,449	471,449	0%	1,388,173	34%
7/1/2012	-	497,496	497,496	0%	1,468,334	34%
7/1/2012	-	525,049	525,049	0%	1,557,756	34%

Note 10 - Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participating employees to defer a portion of their salary until future years. The District matches employee contributions up to 2.5% of a contributing employee’s annual salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

On June 8, 1997 the District amended the plan in accordance with the provisions of IRC Section 457(g). On that date, assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribes that the District no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the District’s financial statements. Contributions to the Plan for the years ended June 30, 2014 and 2013 were $28,906 and $28,204 respectively.

Note 11 - Lease Obligations

The District has lease obligations for two of its well sites.

The High School Well lease, dated March 1, 1989 and amended April 23, 2008 is for a term of thirty years, terminating July 1, 2030. There are no lease payments associated with this lease. In return the District provides the School District with the Irrigation water rate for specific water accounts.

Note 11 - Lease Obligations (Continued)

During 2011, the District purchased a permanent easement from the City for the land that contains the El Carro Well. Prior to the purchase of the easement, the District had a lease with the City, dated November 16, 1990, for the useful life of the well. As "in-lieu of rent" for the first twenty year period, the District installed, at a cost of $40,085, water line and fire hydrant facilities to accommodate future development of the property adjoining the well site.

Note 12 - Cachuma Project Authority

This joint exercise of powers authority was created by the participating agencies for the purpose of renegotiating with the United States Bureau of Reclamation (USBR) the contract for the operation of the Cachuma reservoir. Through the authority, the agencies collectively issued revenue bonds to refinance certain obligations each agency had incurred to finance its share of the expansion of the shared Water Treatment Plant. The District's share of these revenue bonds is shown as a liability on the statement of net position.

The Cachuma Project Authority successfully renegotiated a contract with the USBR. The Authority, effective September 30, 1996 merged into the Cachuma Operations and Maintenance Board (COMB), which is responsible for all operational aspects of the Cachuma reservoir. All assets and liabilities of the Authority were transferred to COMB. The District continues to contribute its share of the operating expenses. The accumulated contract renegotiation costs are being amortized over the term of the new contract, which is twenty-five years.

Note 13 - Joint Powers Insurance Authority

The District participates in the property and liability program organized by the Association of California Water Agencies/Joint Powers Insurance Authority ("ACWA/JPIA"). ACWA/JPIA is a Joint Powers Authority created to provide a self-insurance program to water agencies in the State of California. The ACWA/JPIA is not a component unit of the District for financial reporting purposes, as explained below.

ACWA/JPIA provides liability, property and workers' compensation insurance for approximately 265 water agencies for losses in excess of the member districts' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA/JPIA is governed by a separate board comprised of members from participating districts. The board controls the operations of ACWA/JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member shares surpluses and deficiencies proportionately to its participation in ACWA/JPIA.

Based on financial information at September 30, 2013, ACWA/JPIA had total assets, liabilities and net position of $194,823,604, $100,307,836 and $94,515,768, respectively. The District paid premiums of $66,379 and $69,452 to ACWA/JPIA for property and liability insurance, and $59,021 and $25,189 for workers' compensation during the years ended June 30, 2014 and 2013, respectively.

Note 14 - Commitments and Contingencies

A) Central Coast Water Authority

In 1991, the voters of the District elected to participate in the State Water Project (SWP). As a result, the District joined in the formation of the Central Coast Water Authority (CCWA) in August 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation, and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each project participant, including the District, has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by:

1) requiring CCWA to sell, and the project participants to buy, a specified amount of water from CCWA ("take or pay"); and
2) assigning the Santa Barbara project participant's entitlement rights in the State Water project to CCWA.

Although the District does have an ongoing financial interest pursuant to the Water Supply Agreement between the District and CCWA, the District does not have an equity interest as defined by GASB Code Sec. J50.105.

Each project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities) debt service on CCWA bonds and all CCWA operating and administrative costs.

Each project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each project participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payment required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are approximately apportioned between the entities based upon each entity's allocation of State water entitlement. The Carpinteria Valley Water District share of the project, based upon number of acre-feet of water, is 10.487%.

Note 14 - Commitments and Contingencies (Continued)

A) Central Coast Water Authority (Continued)

Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold $177,120,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users within Santa Barbara County, and certain local improvements to the water systems of some of the participating purveyors.

In November 1996, CCWA sold $198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's $177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of $173,015,000 and Series B of $25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

In August 2006, CCWA issued the Series 2006A Refunding Revenue Bonds for $123,190,000 at a true interest cost of 4.24% to defease the 1996 Revenue Bonds. A portion of the bond proceeds together with other funds were placed into an escrow account invested in securities which will provide sufficient funds to pay the regularly scheduled principal of and interest on the refunded bonds on October 1, 2006, and to pay on October 3, 2006 the principal of and accrued interest to the date of redemption, and redemption premium, if any, on the refunded bonds maturing on and after October 1, 2006.

The Carpinteria Valley Water District estimated minimum State water payments for the next five fiscal years are summarized below:

Fiscal Year Ending June 30,	Fixed Costs	Variable Costs	Debt Service	Total
2015	$ 1,970,175	$ 212,974	$ 1,158,974	$ 3,342,123
2016	1,962,694	71,029	1,158,355	3,192,078
2017	1,987,387	70,104	1,157,270	3,214,761
2018	1,973,994	72,207	1,160,708	3,206,909
2019	1,910,075	74,374	1,155,532	3,139,981
Thereafter (through 2035)	34,228,543	-	3,469,635	37,698,178
Total	$ 44,032,868	$ 500,688	$ 9,260,474	$ 53,794,030

Note 14 - Commitments and Contingencies (Continued)

B) Bradbury Dam

The District, as a member of the Cachuma Operations and Maintenance Board (COMB), is responsible for a portion of costs associated with certain capital improvements to the Bradbury Dam. The improvements are required to meet certain earthquake and seismic safety standards imposed by public agencies. Pursuant the "Bradbury Dam SOD ACT Repayment Agreement", between COMB and the Bureau of Reclamation, the District will be required to make annual payments of $18,037 commencing October 2002 through 2015, annual payments of $28,649 commencing October 2016 through 2026 and annual payments of $10,612 commencing October 2027 through 2051 to finance the project.

The Districts future obligations are as follows:

2015	$	18,037
2016		18,037
2017		28,649
2018		28,649
2019		28,649
Thereafter		494,492

C) Cater Advanced Treatment Project

The City of Santa Barbara made improvements to the Cater Treatment Plant with a total estimated cost of approximately $20,000,000. The project was completed during 2014 and will begin amortization in the next fiscal year. As of the date of these financial statements, the District's portion of the expenditures incurred amounted to approximately $4,299,000.

D) Ortega Reservoir

The Ortega Reservoir has construction defects to its basin. Although the reservoir is not a capital asset of the District, the District, along with Montecito Water District, will be required to pay for the repairs, which may be significant. The total cost of the repairs cannot be estimated.

Note 15 - Prior Period Adjustment

Note 1 describes the GASB pronouncements the District is adopting for this and the prior fiscal years. There is a financial impact for the adoption of GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*.

Note 15 - Prior Period Adjustment (Continued)

Bond Issuance Costs

Implementation of GASB Statement 65 recognizes cost of issuance as an expense therefore the adoption of this statement resulted in the write off of the bond issuance costs as of the fiscal year ended June 30, 2012. The effect of this adjustment was to decrease July 1, 2012 net position by $570,940, decrease bond issuance costs of $543,285 at June 30, 2013 and decrease amortization by $27,655 for the year ended June 30, 2013.

Deferred Loss on Refunding

Implementation of GASB Statement 65 recognizes the loss on refunding of debt as a deferred outflow of resources therefore the adoption of this statement resulted in a change to total assets and liabilities as of the fiscal year ended June 30, 2013. Total assets and total liabilities were increased by $484,681 and $515,124 as of June 30, 2014 and 2013, respectively due to this reclassification.

The following table presents the effect of the prior period adjustment on the June 30, 2013 financial statement balances.

	(As Restated) 2013
Total assets, as previously stated	$ 63,703,306
Decrease in bond issuance costs	(543,285)
Total assets, restated	63,160,021
Increase in deferred loss on refunding	515,124
Total assets and deferred outflows of resources, restated	$ 63,675,145
Total liabilities, as previously stated	$ 34,531,599
Deferred loss on refunding	515,124
Total liabilities, restated	$ 35,046,723
Net position, beginning of the year, as previously stated	$ 27,173,002
Decrease in net position due to bond issuance cost	(570,940)
Net position, beginning of the year, restated	$ 26,602,062

Note 16 - Subsequent Events

Subsequent events have been evaluated through November 18, 2014, the date that the financial statements were available to be issued.