Carpinteria Valley

Water District

June 30, 2016 and 2015

Financial Statements

Bartlett, Pringle & Wolf, LLP
Certified Public Accountants and Consultants

CARPINTERIA VALLEY
WATER DISTRICT

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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 basic financial statements of the Carpinteria Valley Water District (the "District") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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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, 2016 and 2015, and the respective 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, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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 11, the California Public Employees' Retirement System Schedule of Carpinteria Valley Water District's Proportionate Share of the Net Pension Liability on page 47, the California Public Employees' Retirement System Schedule of Carpinteria Valley Water District's Contributions on page 48, and the Other Post-Employment Benefits (OPEB) Plan Schedule of Funding Progress on page 49, 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.

Bartlett, Pringle + Wolf, LLP

Santa Barbara, California
December 14, 2016

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the years ended June 30, 2016 and 2015. 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 between the two 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

- For the year ending June 30, 2016, the assets of the District exceeded its liabilities by $28,359,477. Of this amount, referred to as net position, 42.02% or $11,915,793 is unrestricted and may be used for the Districts operating expenses, ongoing obligations and future capital projects. The remaining net position is invested in capital assets, $15,976,746 or 56.34%, or reserved for debt service payments and reserves, $466,938 or 1.65%.
- At the end of fiscal year 2016, the District's net position increased by $704,490 or 2.55% from the prior year.
- For the year ended June 30, 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 72 (GASB 72), Fair Value Measurement and Application, Statement No.73 (GASB 73), Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, and Statement No. 76 (GASB 76), The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Refer to Note 6 for a discussion of the District's defined benefit pension plan and to Note 2 for a discussion of cash and investments. A detailed discussion of the implementation of new accounting pronouncements appears in Note 1 item P.
- For the year ended June 30, 2015, the District adopted two new statements of financial accounting standards issued by GASB related to pension activity: Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The significant impact of GASB 68 is the required reporting of the unfunded net pension liability on the District's statement of net position. In order to implement GASB 68, a prior year adjustment of $(3,018,287) was made to the District's July 1, 2014 net position. Refer to Note 6 for a discussion of the District's defined benefit pension plan.

FINANCIAL POSITION

The District's overall financial position continues to be strong and provides sufficient liquidity to support stable, ongoing operations. There are no restrictions, commitments or other limitations that would significantly affect the availability of fund resources for future use. Capital assets have continued to increase as new connections and investments continue to be made to upgrade and replace necessary infrastructure and facilities.

TOTAL NET POSITION

	June 30, 2016	June 30, 2015	June 30, 2014*	% Change FYE 2016 and 2015	% Change FYE 2015 and 2014
Current and other assets	$ 18,370,817	$ 20,427,712	$ 19,315,299		
Capital assets, net of depreciation	42,337,765	42,861,969	43,838,197	-1.22%	-2.23%
Total Assets	60,708,582	63,289,681	63,153,496	-4.08%	0.22%
Deferred outflows of resources	893,439	787,918	484,681	13.39%	62.56%
Current liabilities	2,875,055	2,409,042	2,798,854	19.34%	-13.93%
Long term liabilities	3,290,270	3,294,900	412,300	-0.14%	699.15%
Long term debt	26,794,814	30,195,043	30,893,184	-11.26%	-2.26%
Total Liabilities	32,960,139	35,898,985	34,104,338	-8.19%	5.26%
Deferred inflows of resources	282,405	523,627	-	-46.07%	100.00%
Net investment in capital assets	15,976,746	13,423,794	13,770,276	19.02%	-2.52%
Restricted net position	466,938	3,017,358	2,963,713	-84.52%	1.81%
Unrestricted	11,915,793	11,213,835	12,799,850	6.26%	-12.39%
Total Net Position	$ 28,359,477	$ 27,654,987	$ 29,533,839	2.55%	-6.36%

** Certain reclassifications have been made to the June 30, 2014 balances in order to conform to current year presentation.*

Analysis of changes in Total Net Position from June 30, 2015 to June 30, 2016:

For the twelve months ended June 30, 2016, the District's total net position increased by $704,490 or 2.55% from the prior year. The amount of net position invested in capital assets, net of related debt, was increased by $2,552,952 (or 19.02%) primarily as a result of capital asset additions, such as additions to the transmission, distribution and metered services infrastructure, exceeding current year depreciation expense, as well as a decrease in capital-related debt arising from a current year bond refunding (Note 5). Restricted net position decreased $(2,550,420) or (84.52)% primarily due to decreased bond reserve funds arising from a current year bond refunding (Note 5). Unrestricted net position, the amount which may be used to meet the District's ongoing obligations, including future capital investments, increased by $701,958 or 6.26%.

Analysis of changes in Total Net Position from June 30, 2014 to June 30, 2015:

For the twelve months ended June 30, 2015, the District's total net position decreased by $(1,878,852) or (6.36)% from the prior year. The decrease of $(346,482) or (2.52)% in net investment in capital assets consisted primarily of principal repayments during the year. The decrease in unrestricted net assets of $(1,586,015) was primarily the result of operating income, net non-operating income and capital contributions of $1,139,435 offset by a GASB 68 prior year adjustment to the District's July 1, 2014 net position of $(3,018,287). Refer to Note 6 for a discussion of the District's defined benefit pension plan.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2016	June 30, 2015	June 30, 2014*	% Change FYE 2016 and 2015	% Change FYE 2015 and 2014
Operating revenues	$ 12,418,906	$ 11,208,421	$ 12,135,216	10.80%	-7.64%
Operating expenses	11,713,422	10,566,506	10,536,310	10.85%	0.29%
Operating income	705,484	641,915	1,598,906	9.90%	-59.85%
Settlement proceeds	-	1,061,958	-	-100.00%	100.00%
Grant revenue	561,073	-	24,790	100.00%	-100.00%
Interest and investment income	40,132	24,178	26,484	65.99%	-8.71%
Interest expense	(907,548)	(759,393)	(774,035)	19.51%	-1.89%
Net non-operating income (expense)	(306,343)	326,743	(722,761)	-193.76%	-145.21%
Excess (deficiency) before capital contributions	399,141	968,658	876,145		
Capital contributions	305,349	170,777	29,272	78.80%	483.41%
Change in net position	704,490	1,139,435	905,417	-38.17%	25.85%
Net position, beginning of year, as previously stated	27,654,987	29,533,839	28,628,422	-6.36%	3.16%
Effect of prior period adjustment	-	(3,018,287)	-	100.00%	-100.00%
Net position, beginning of year	27,654,987	26,515,552	28,628,422	4.30%	-7.38%
Net position, end of year	$ 28,359,477	$ 27,654,987	$ 29,533,839	2.55%	-6.36%

** Certain reclassifications have been made to the June 30, 2014 balances in order to conform to current year presentation.*

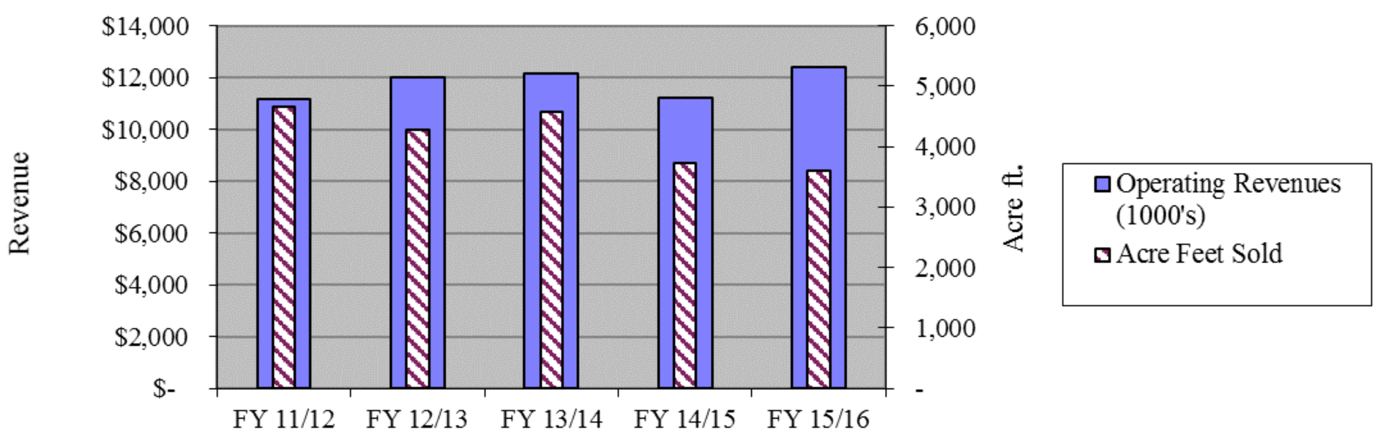
As required by GASB 34, capital contributions are presented as a component of Change in Net Position on the Statement of Revenues, Expenses and Changes in Net Position.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (CONTINUED)

Operating Revenues

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Water Sales	$ 10,353,227	$ 10,798,634	$ 11,229,175	$ 10,799,713	$ 11,762,567
Capital Recovery Fees	496,558	855,845	613,972	134,208	276,212
Fire Protection	221,989	221,131	228,640	231,330	260,638
Other Operating Revenues	109,220	128,631	63,429	43,170	119,489
Total Operating Revenues	$ 11,180,994	$ 12,004,241	$ 12,135,216	$ 11,208,421	$ 12,418,906

Operating Revenues (in thousands) and Acre Feet Sold



Analysis of changes in Operating Revenues from June 30, 2015 to June 30, 2016:

During the fiscal year ended June 30, 2016, drought-related water rate increases offset the drought-related decrease in water consumption, resulting in increased water sales revenue of approximately $962,854. This increase in water sales revenue, combined with increases in capital cost recovery fees (up $142,004), fire protection fees (up $29,308) and other operating revenues (up $76,319), resulted in a net increase in operating revenues of $1,210,485.

Analysis of changes in Operating Revenues from June 30, 2014 to June 30, 2015:

During the fiscal year ended June 30, 2015, a drought-related increase in water rates was offset by a drought-related decrease in water usage, resulting in a decrease in water sales revenue of approximately $(429,462). This decrease in water sales revenue, combined with a decrease in capital cost recovery fees of $(479,764) and a combined decrease in other operating and fire protection revenues of $(17,569), resulted in a net decrease in operating revenues of $(926,795).

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (CONTINUED)

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 (DWR) variable costs.

CCWA Source of Supply: CCWA bond principal, interest and operating expenses, and DWR fixed costs.

Cachuma Operating Expense: Cachuma Operations and Maintenance Board (COMB) operating expenses, special projects, storm damage, barge operation and safety of dam (SOD) expenses.

Pumping Expense: Maintenance of wells and pumping equipment as well as power and telephone for pumping.

Water Treatment: Cater Treatment Plant, chlorination, AB3030 groundwater management plan updates, and water quality and water testing expenses.

Transmission & Distribution: Maintenance of mains, hydrants and meters, engineering expenses, vehicle maintenance, cross connection expenses and other miscellaneous expenses.

Customer Accounting and Service: Meter reading and customer service orders, and uncollectible accounts.

General & Administrative: Salaries and benefits, legal expenses, administration, utilities, water conservation, Cachuma Conservation Release Board cost share, auditor fees and public information.

Depreciation and Amortization: Depreciation and amortization of District capital and intangible assets.

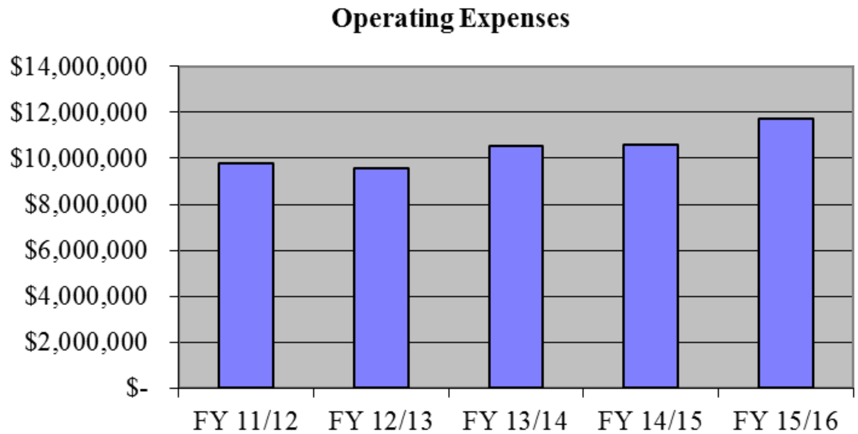
Overhead charged to Customers: Overhead on work orders.

OPERATING EXPENSES

	FY 11/12*	FY 12/13*	FY 13/14	FY 14/15	FY 15/16
Cost of Purchased Water	$ 323,548	$ 354,603	$ 665,351	$ 475,919	$ 598,379
CCWA Source of Supply	2,978,486	2,812,371	3,066,986	3,140,228	3,419,318
Cachuma Operating Expense	409,972	498,379	541,839	483,741	1,255,112
Pumping Expense	285,050	225,971	287,174	459,277	466,868
Water Treatment	944,251	949,594	1,006,344	698,525	653,464
Transmission and Distribution	927,733	899,177	931,836	981,118	1,220,745
Customer Accounting and Service	67,025	47,448	75,315	39,676	63,729
General and Administrative	2,093,291	2,125,924	2,203,554	2,328,957	2,087,634
Depreciation and Amortization	1,776,991	1,691,401	1,814,851	2,014,314	2,040,171
Overhead Charged to Customers	(33,843)	(23,367)	(56,940)	(55,249)	(91,998)
Total Operating Expenses	$ 9,772,504	$ 9,581,501	$ 10,536,310	$ 10,566,506	$ 11,713,422

* Operating expenses reflect GASB 65 implementation for the fiscal years ending June 30, 2013 and 2012.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (CONTINUED)



Analysis of changes in Operating Expenses from June 30, 2015 to June 30, 2016:

- Overall operating expenses increased by $1,146,916 or 10.85%.
- CCWA source of supply costs increased $279,090 or 8.89% primarily due to increased Department of Water Resources (DWR) variable costs associated with increased water delivery requests.
- Cachuma operating expense, primarily due to the installation and operation of a drought-related barge facility, increased $771,371 or 159.46%.
- Transmission and distribution costs increased $239,627 or 24.42% primarily due to costs associated with drafting an Agricultural Water Management Plan, an Urban Water Management Plan update and a recycled water feasibility study.
- General and administrative costs decreased $(241,323) or (10.36)% primarily due to a decreases in compensated absences and employee retirement expenses partially offset by a cost of living increase, professional services related to a water rate structure study, and labor negotiation expenses.

Analysis of changes in Operating Expenses from June 30, 2014 to June 30, 2015:

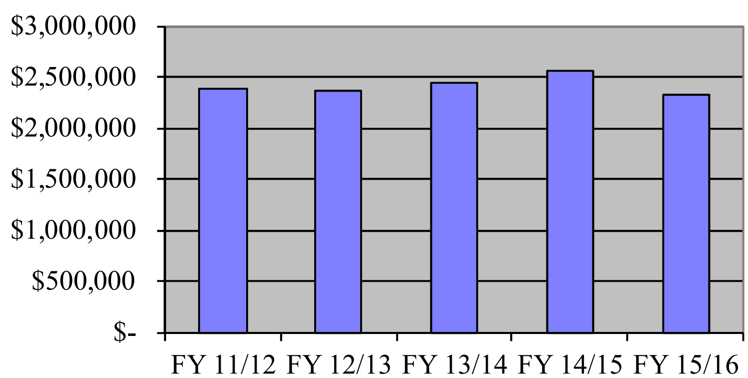
- Overall operating expenses increased $30,196 or 0.29%.
- Costs of purchased water decreased $(189,432) related to a reduction in water deliveries from Lake Cachuma partially offset by increases in CCWA and DWR variable costs.
- Pumping costs increased $172,103 primarily due to replacing Lake Cachuma deliveries with increased groundwater production.
- Water treatment costs decreased $(307,819) primarily due to decreased Lake Cachuma deliveries.
- Depreciation and amortization increased $199,463 primarily due to the completion of the Cater Treatment Plant Ozone and Booster Pump project and the resultant amortization of construction costs.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (CONTINUED)

Salaries and Benefits

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Salaries	$ 1,490,543	$ 1,495,950	$ 1,580,595	$ 1,706,343	$ 1,762,507
Social Security	108,716	112,610	112,202	127,141	130,554
Employee Retirement-PERS	364,177	320,802	293,436	299,473	25,971
Employee Group Insurance	385,181	412,792	429,537	382,180	358,019
Deferred Compensation	25,510	28,204	28,906	35,951	37,056
Total	$ 2,374,127	$ 2,370,358	$ 2,444,676	$ 2,551,088	$ 2,314,107

Salaries and Benefits



Analysis of changes in Salaries and Benefits from June 30, 2015 to June 30, 2016:

Salaries and benefits expenses, specifically Employee Retirement, decreased $(236,981) primarily due to pension accounting adjustments required by GASB 68 (Note 6). This decrease offset the increase associated with a cost of living increase.

Analysis of changes in Salaries and Benefits from June 30, 2014 to June 30, 2015:

Salaries and benefits expenses increased $106,412, primarily due to a salary increase associated with a cost of living increase and the filling one of two previously vacant positions, partially offset by a decrease in employee group insurance as a result of employee plan changes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - (CONTINUED)

Non-Operating Income (Expenses) and Capital Contributions

Analysis of changes in Non-Operating Revenue (Expenses) and Capital Contributions from June 30, 2015 to June 30, 2016:

Non-operating expenses of $306,343 consisted primarily of interest expense of $907,548 partially offset by $561,073 of grant revenues related to the Lake Cachuma emergency pumping barge project and a recycled water feasibility study. Capital contributions of $305,349 included customer-funded extensions to water mains and to water service line installations and upgrades.

Analysis of changes in Non-Operating Revenue (Expenses) and Capital Contributions from June 30, 2014 to June 30, 2015:

Non-operating income of $326,743 arose primarily from litigation proceeds of $1,061,958 partially offset by interest expense of $759,393. Capital contributions of $170,777 included customer-funded fire hydrant installation and water service line installations and upgrades.

CAPITAL ASSETS

At June 30, 2016 the District had $42,337,765 invested in net capital assets, including construction in progress. This amount represents a decrease of $(524,204) or (1.22)% over the prior year, arising from capital expenditures of $1,525,424 offset by depreciation and amortization. See Note 4 for a summary of the capital assets by asset type.

- Capital expenditures in the fiscal year ended June 30, 2016 included primarily maintenance and upgrades to the transmission, distribution and service infrastructure as well as upgrades and rehabilitations to wells that support the District's drought-related increased reliance on groundwater production.
- Capital expenditures in the fiscal year ended June 30, 2015 included primarily maintenance and upgrades to the transmission, distribution and service infrastructure as well as upgrades and rehabilitations to wells and pumping systems that support the District's drought-related increased reliance on groundwater production.

LONG-TERM LIABILITIES

At the end of the current fiscal year, the District had long term debt outstanding (excluding current portion) of $26,794,814, which is a $(3,400,229) or (11.26)% decrease over the fiscal year ended June 30, 2015. See Note 5 for additional detailed information about the District's long-term debt.

- In the fiscal year ending June 30, 2016, the issuance of Series 2016A Refunding Revenue bonds were used to refund the Series 2006A Refunding Revenue Certificates of Participation bonds as well as payoff a portion of the State Revolving Fund SRF99CX125 note payable. Additionally, a portion of the State Revolving Fund SRF99CX125 note payable was repaid with funds contributed by the District. Principal payments on remaining long term debt were $594,207.
- In the fiscal year ended June 30, 2015, principal payments on long-term debt were $694,706.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 10,548,577	$ 9,860,006
Restricted cash and investments	1,089,369	1,622,043
Accounts receivable:		
Water sales	1,367,848	1,181,491
Other	380,801	363,834
Annexation fees receivable	-	49,338
Inventories:		
Materials and meters	122,328	126,482
Water in storage	349,743	306,233
Prepaid expenses	3,303,595	3,688,800
Deposits with CCWA	919,463	921,553
Total current assets	18,081,724	18,119,780
Non-Current Assets:		
Restricted cash and investments	289,093	2,307,932
Capital Assets:		
Property and equipment	57,797,521	56,791,259
Less: accumulated depreciation	(22,274,441)	(20,871,861)
Construction in progress	742,701	292,216
Capacity rights, net of amortization	5,933,340	6,487,261
Intangible assets, net of amortization	138,644	163,094
Net capital assets	42,337,765	42,861,969
Total non-current assets	42,626,858	45,169,901
Total assets	60,708,582	63,289,681
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pensions	402,773	332,879
Deferred loss on refunding	490,666	455,039
Total deferred outflows of resources	893,439	787,918
Total assets and deferred outflows of resources	$ 61,602,021	64,077,599

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2016 and 2015

	2016	2015
LIABILITIES:		
Current Liabilities:		
Accounts payable	$ 1,329,326	$ 997,115
Customer deposits	193,833	129,721
Interest payable	141,225	339,320
Advances for construction	213,372	282,811
Current portion of long term debt	997,299	660,075
Total current liabilities	2,875,055	2,409,042
Long-Term Liabilities:		
Revenue Certificates of Participation Series 2006A	-	8,260,888
Revenue Certificates of Participation Series 2010A	8,475,844	8,475,844
Revenue Bonds 2016A	10,010,353	-
Department of Water Resources loan contracts	6,513,161	11,474,883
Compensated absences payable	281,326	324,861
Net pension liability	2,829,302	2,822,007
Cater Treatment Plant Expansion Project financing agreement	1,795,456	1,983,428
Non-current portion of post-retirement health benefits payable	179,642	148,032
Total long-term liabilities	30,085,084	33,489,943
DEFERRED INFLOWS OF RESOURCES:		
Deferred pensions	282,405	523,627
Total liabilities and deferred inflows of resources	33,242,544	36,422,612
NET POSITION:		
Net investment in capital assets	15,976,746	13,423,794
Restricted for debt service	466,938	3,017,358
Unrestricted	11,915,793	11,213,835
Total net position	$ 28,359,477	$ 27,654,987

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2016 and 2015

	2016	2015
Operating Revenues:		
Water sales	$ 11,762,567	$ 10,799,713
Capital recovery fees	276,212	134,208
Fire protection	260,638	231,330
Other revenue	119,489	43,170
Total operating revenues	12,418,906	11,208,421
Operating Expenses:		
CCWA source of supply	3,419,318	3,140,228
Cost of purchased water	598,379	475,919
Cachuma operating expense	1,255,112	483,741
Pumping expense	466,868	459,277
Water treatment	653,464	698,525
Transmission and distribution	1,220,745	981,118
Customer accounting and service	63,729	39,676
General and administrative	2,087,634	2,328,957
Amortization	582,580	559,316
Depreciation	1,457,591	1,454,998
Overhead charged to customers	(91,998)	(55,249)
Total operating expenses	11,713,422	10,566,506
Operating income	705,484	641,915
Non-operating Income (Expenses):		
Grant revenue	561,073	-
Gain from litigation settlement	-	1,061,958
Investment income	40,132	24,178
Interest expense	(907,548)	(759,393)
Net non-operating income (loss)	(306,343)	326,743
Income before contributions	399,141	968,658
Capital contributions	305,349	170,777
Change in net position	704,490	1,139,435
Net position, beginning of year	27,654,987	26,515,552
Net position, end of year	$ 28,359,477	$ 27,654,987

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Cash received from customers	$ 12,205,837	$ 10,286,120
Cash payments to suppliers for goods and services	(7,246,890)	(7,128,840)
Cash payments to employees for services	(2,084,428)	(1,596,978)
Net cash and cash equivalents provided by operating activities	2,874,519	1,560,302
Cash Flows from Noncapital Financing Activities:		
Net increase in customer deposits	64,112	5,293
Proceeds from litigation settlement	-	1,061,958
Net cash and cash equivalents provided by noncapital financing activities	64,112	1,067,251
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of long-term debt	10,478,989	-
Repayments of long-term debt	(13,577,109)	(694,705)
Interest payments	(1,099,692)	(742,348)
Capital assets purchased	(1,200,758)	(837,927)
Investment in water facilities	(4,208)	(46,249)
Net cash and cash equivalents used by capital and related financing activities	(4,841,705)	(2,321,229)
Cash Flows from Investing Activities:		
Interest received	40,132	24,178
Net cash and cash equivalents provided by investing activities	40,132	24,178
Increase (decrease) in cash and cash equivalents	(1,862,942)	330,502
Cash and cash equivalents, beginning of year	13,789,981	13,459,479
Cash and cash equivalents, end of year	$ 11,927,039	$ 13,789,981

Cash and cash equivalents are reported in the Statement of Net Position as follows:

	2016	2015
Unrestricted cash and cash equivalents	$ 10,548,577	$ 9,860,006
Restricted cash and investments - current	1,089,369	1,622,043
Restricted cash and investments - non-current	289,093	2,307,932
	$ 11,927,039	$ 13,789,981

See accompanying notes

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
For the years ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Operating income	$ 705,484	$ 641,915
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,457,591	1,454,998
Amortization	582,580	559,316
(Increase) decrease in:		
Accounts receivable	(153,986)	(334,785)
Inventories	(39,356)	(229,534)
Prepaid expenses	385,205	(218,174)
Deposit with CCWA	2,090	582
Loss on disposal of assets	8,268	25,996
Deferred outflows of resources	(69,894)	(332,879)
Increase (decrease) in:		
Accounts payable	332,211	213,608
Compensated absences payable	(63,918)	36,249
Accrued post retirement benefit	31,610	29,757
Deferred inflows of resources	(241,222)	523,627
Net pension liability	7,295	(196,280)
Advances for construction	(69,439)	(614,094)
Net cash and cash equivalents provided by operating activities	$ 2,874,519	$ 1,560,302

Supplemental Schedule of Noncash Investing and Financing Activities:

Property in the amount of $305,349 and $170,777 was contributed by developers during the years ended June 30, 2016 and 2015, respectively.

See accompanying notes

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. The capitalization threshold for all capital asset purchases is $1,000. Donated property is valued at estimated fair value on the date donated. The assets, excluding land, are depreciated or amortized using the straight line method over estimated useful lives. Intangible assets consist of contract renegotiation costs and title transfers. The title transfers are being amortized over the life of the capital asset that was part of the transfer and the contract renegotiation costs are being amortized over the life of the contract.

Estimated useful lives are:

Buildings	30 years
Improvements other than buildings	25 years
Furnishings, machinery and equipment	5 years
Transmission and distribution infrastructure	30 years
Wells and water treatment infrastructure	30 years
Water storage infrastructure	30 years
Water delivery infrastructure	25 years
Intangible assets	25-30 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) 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.

J) 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)

K) 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:

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.

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) Prepaid expenses

Prepaid expenses consist primarily of State water debt service and operating expenses through the Central Coast Water Authority.

O) 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 Carpinteria Valley Water 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.

Note 1 - <u>Reporting Entity and Summary of Significant Accounting Policies</u> (Continued)

P) <u>Implementation of New Accounting Pronouncements</u>

For the year ended June 30, 2016, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncements:

Statement No. 72 *Fair Value Measurement and Application*. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

2. Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.

3. Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

The requirements of this Statement for pension plans that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement will identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

Note 1 - <u>Reporting Entity and Summary of Significant Accounting Policies</u> (Continued)

Q) <u>Future Governmental Accounting Standards Board (GASB) Statements</u>

GASB Statement 75 and 82 listed below will be implemented in future financial statements. The aforementioned future GASB statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statement 45 and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit other postemployment benefits (OPEB), this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

Statement No. 82 *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

R) <u>Use of Estimates</u>

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. As of June 30, 2016 and 2015, the District had the following cash and investments on hand:

	2016	2015
Cash in banks and on hand	$ 2,304,756	$ 2,075,296
Cash with fiscal agent	437,642	3,018,152
Local Agency Investment Fund	8,984,851	8,497,460
Local Agency Investment Fund- Certificates of Participation	199,790	199,073
Total cash and investments	$ 11,927,039	$ 13,789,981

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. 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, 2016.

Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Cash with fiscal agent	$ 437,642	$ 437,642	$ -	$ -	$ -
Local Agency Investment Fund	8,984,851	8,984,851			
Local Agency Investment Fund- Certificates of Participation	199,790	199,790			
Total	$ 9,622,283	$ 9,622,283	$ -	$ -	$ -

Note 2 - Cash and Investments (Continued)

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, 2016 for each investment type.

	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End AAA	Aa	Not Rated
Cash with fiscal agent	$ 437,642	N/A	$ -	$ 437,642	$ -	$ -
Local Agency Investment Fund	8,984,851	N/A	8,984,851			
Local Agency Investment Fund- Certificates of Participation	199,790	N/A	199,790			
Total	$ 9,622,283		$ 9,184,641	$ 437,642	$ -	$ -

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).

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.

Note 2 - 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).

Fair Value Measurements

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. The District has no investments that are measured at fair value as of June 30, 2016 and 2015.

Note 3 - Restricted Cash and Investments

Restricted cash and investments consisted of the following at June 30, 2016 and 2015:

	2016	2015
Restricted for capital improvements	$ 711,734	$ 713,544
Restricted for capital improvements from the Certificates of Participation	199,790	199,073
Restricted for debt service payments	466,938	3,017,358
Total restricted assets	$ 1,378,462	$ 3,929,975
Restricted cash and investments - current	$ 1,089,369	$ 1,622,043
Restricted cash and investments - non current	289,093	2,307,932
	$ 1,378,462	$ 3,929,975

Note 4 - Capital Assets

Schedules of changes in capital assets, as well as depreciation and amortization for the fiscal year ended June 30, 2016 are shown below:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets, non-depreciable:					
Land and land rights	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction in progress	292,216	1,140,743	-	(690,258)	742,701
Total capital assets, non-depreciable	1,326,224	1,140,743	-	(690,258)	1,776,709
Capital assets, depreciable/amortizable:					
Buildings	821,388	10,600	-	-	831,988
Improvements other than buildings	378,365	6,468	-	75,559	460,392
Furnishings, machinery and equipment	1,888,325	12,024	(46,345)	28,575	1,882,579
Transmission and distribution infrastructure	7,049,906	262,614	-	288,079	7,600,599
Wells and water treatment infrastructure	11,632,604	19,759	(6,483)	114,060	11,759,940
Water storage infrastructure	29,637,994	3,457	(11,640)	13,138	29,642,949
Water delivery infrastructure	4,348,669	65,550	-	170,847	4,585,066
Capacity rights	12,942,168	4,209	-	-	12,946,377
Intangible assets	362,336	-	-	-	362,336
Total capital assets, depreciable/amortizable	69,061,755	384,681	(64,468)	690,258	70,072,226
Total capital assets	70,387,979	1,525,424	(64,468)	-	71,848,935
Capital assets, accumulated depreciation/amortization:					
Buildings	(766,194)	(9,523)	-	-	(775,717)
Improvements other than buildings	(142,380)	(24,427)	-	-	(166,807)
Furnishings, machinery and equipment	(1,781,487)	(44,507)	46,344	-	(1,779,650)
Transmission and distribution infrastructure	(4,618,171)	(113,752)	-	-	(4,731,923)
Wells and water treatment infrastructure	(3,975,668)	(360,675)	4,998	-	(4,331,345)
Water storage infrastructure	(6,951,711)	(811,898)	3,669	-	(7,759,940)
Water delivery infrastructure	(2,636,250)	(92,809)	-	-	(2,729,059)
Capacity rights	(6,454,907)	(558,130)	-	-	(7,013,037)
Intangible assets	(199,242)	(24,450)	-	-	(223,692)
Total accumulated depreciation/amortization:	(27,526,010)	(2,040,171)	55,011	-	(29,511,170)
Net capital assets	$ 42,861,969	$ (514,747)	$ (9,457)	$ -	$ 42,337,765

Note 4 - Capital Assets (Continued)

Schedules of changes in capital assets, as well as depreciation and amortization for the fiscal year ended June 30, 2015, are shown below:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets, non-depreciable:					
Land and land rights	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction in progress	439,274	735,000	-	(882,058)	292,216
Total capital assets, non-depreciable	1,473,282	735,000	-	(882,058)	1,326,224
Capital assets, depreciable/amortizable:					
Buildings	818,548	-	-	2,840	821,388
Improvements other than buildings	332,732	7,676	-	37,957	378,365
Furnishings, machinery and equipment	1,872,208	16,117	-	-	1,888,325
Transmission and distribution infrastructure	6,780,538	-	-	269,368	7,049,906
Wells and water treatment infrastructure	11,482,410	11,843	(27,835)	166,186	11,632,604
Water storage infrastructure	29,252,595	6,130	-	379,269	29,637,994
Water delivery infrastructure	4,081,178	241,053	-	26,438	4,348,669
Capacity rights	12,895,919	46,249	-	-	12,942,168
Intangible assets	362,336	-	-	-	362,336
Total capital assets, depreciable/amortizable	67,878,464	329,068	(27,835)	882,058	69,061,755
Total capital assets	69,351,746	1,064,068	(27,835)	-	70,387,979
Capital assets, accumulated depreciation/amortization:					
Buildings	(757,142)	(9,052)	-	-	(766,194)
Improvements other than buildings	(120,454)	(21,926)	-	-	(142,380)
Furnishings, machinery and equipment	(1,705,307)	(76,180)	-	-	(1,781,487)
Transmission and distribution infrastructure	(4,512,263)	(105,908)	-	-	(4,618,171)
Wells and water treatment infrastructure	(3,616,156)	(361,365)	1,853	-	(3,975,668)
Water storage infrastructure	(6,155,564)	(796,147)	-	-	(6,951,711)
Water delivery infrastructure	(2,551,830)	(84,420)	-	-	(2,636,250)
Capacity rights	(5,897,415)	(557,492)	-	-	(6,454,907)
Intangible assets	(197,418)	(1,824)	-	-	(199,242)
Total accumulated depreciation/amortization:	(25,513,549)	(2,014,314)	1,853	-	(27,526,010)
Net capital assets	$ 43,838,197	$ (950,246)	$ (25,982)	$ -	$ 42,861,969

Note 5 - Long-Term Debt

Long-term debt of the District is as follows:

	Balance June 30, 2015	Additions	(Retirements)/ Amortization	Balance June 30, 2016	Due Within One Year
Series 2006A Certificates of Participation	$ 8,440,000	$ -	$ (8,440,000)	$ -	$ -
Unamortized bond discount	(69,112)	-	69,112	-	-
Total Series 2006A Certificates of Participation	8,370,888	-	(8,370,888)	-	-
Series 2010A Certificates of Participation	8,475,844	-	-	8,475,844	-
Total Series 2010A Certificates of Participation	8,475,844	-	-	8,475,844	-
Series 2016A Refunding Revenue Bonds	-	8,765,000	-	8,765,000	355,000
Unamortized bond premium	-	1,713,989	(13,614)	1,700,375	100,022
Total Series 2016A Bonds	-	10,478,989	(13,614)	10,465,375	455,022
Department of Water Resources Loan Contracts	11,883,372	-	(4,951,391)	6,931,981	418,820
Cater Treatment Plant Financing Agreement	2,075,727	-	(185,718)	1,890,009	94,553
Compensated absences	374,148	218,525	(282,443)	310,230	28,904
Long-term debt	$ 31,179,979	$ 10,697,514	$(13,804,054)	$ 28,073,439	$ 997,299

A) Revenue Certificates of Participation and Bonds

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 5 - Long-Term Debt (Continued)

A) Revenue Certificates of Participation and Bonds (Continued)

In May 2016, the District issued the Refunding Revenue Bonds, Series 2016A and the entire outstanding aggregate principal amount and interest of the 2006A COPs was refunded.

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 was $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, 2016 and 2015, there was $0 and $230,000 of defeased Series 2006A Refunded Certificates outstanding, to be paid from escrow funds, respectively.

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

Fiscal Year End	Principal	Interest	Total
2017	$ -	$ -	$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	1,739,840	2,150,159	3,889,999
2027-2031	3,398,661	7,391,339	10,790,000
2032-2036	3,337,343	12,492,658	15,830,001
	$ 8,475,844	$ 22,034,156	$ 30,510,000

Note 5 - Long-Term Debt (Continued)

A) Revenue Certificates of Participation and Bonds (Continued)

Series 2016A:

In May 2016, the District issued the Refunding Revenue Bonds, Series 2016A ("2016A Bonds") with a principal amount of $8,765,000 and premium of $1,713,989 with interest rates ranging from 2% to 5%. The Bonds were executed and delivered 1) to refund the entire outstanding aggregate principal amount and interest of the 2006A COPs and 2) to refund a portion of the District's obligations under the Safe Drinking Water State Revolving Fund Contract #SRF99CX125. The remaining obligations under the Safe Drinking Water State Revolving Fund Contract #SRF99CX125 were repaid by funds contributed by the District.

The refunding resulted in decreased total debt service payments from $11,851,263 to $10,302,396. This decreased cash flow created an economic gain of approximately $1,344,787 when discounted at the 2016A Bonds' effective interest rate of 1.8115713%. Total annual requirements to amortize the Series 2016A Bonds are as follows:

Fiscal Year End	Principal	Interest	Total
2017	$ 355,000	$ 249,368	$ 604,368
2018	350,000	387,000	737,000
2019	600,000	374,500	974,500
2020	750,000	350,500	1,100,500
2021	800,000	315,500	1,115,500
2022-2026	2,400,000	1,188,500	3,588,500
2027-2031	2,640,000	550,000	3,190,000
2032-2036	870,000	44,000	914,000
	$ 8,765,000	$ 3,459,368	$ 12,224,368

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 would enable the District to meet certain safe drinking water standards. The contract provided for a 20 year loan bearing an interest rate of approximately 2.5%. The District was required to maintain a reserve fund equal to two semi-annual loan payments during the first ten years of the repayment period. The loan required semi-annual payments of interest and principal due on January 1 and July 1 of each year commencing after the completion of the projects. In May 2016, the 2016A Bonds were issued to refund a portion of the District's obligations under this contract. The remaining obligations were repaid by funds contributed by the District.

Note 5 - Long-Term Debt (Continued)

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

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 is required to accumulate a reserve fund equal to two semi-annual loan payments during the first ten years of the repayment period. At minimum, half of the semi-annual reserve fund must be on deposit by the time the first ten semi-annual payments are made. Once the reserve fund is accumulated, the District must maintain the reserve fund at this level until the loan is repaid in full. During the last year of the contract, all reserve funds must be applied to the loan repayment.

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
2017	$ 418,820	$ 171,600	$ 590,420
2018	429,412	161,008	590,420
2019	440,271	150,148	590,419
2020	451,406	139,013	590,419
2021	462,822	127,597	590,419
2022-2026	2,495,714	456,383	2,952,097
2027-2030	2,233,536	128,140	2,361,676
Total	$ 6,931,981	$ 1,333,889	$ 8,265,870

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

Note 5 - Long-Term Debt (Continued)

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

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. 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
2017	$ 94,553	$ 23,034	$ 117,587
2018	192,566	42,609	235,175
2019	197,275	37,899	235,174
2020	202,105	33,070	235,175
2021	207,056	28,119	235,175
2022-2026	996,454	61,831	1,058,285
Total	$ 1,890,009	$ 226,562	$ 2,116,571

Note 6 - Defined Benefit Pension Plan

General Information about the Pension Plans

Plan Descriptions – All qualified employees are eligible to participate in Carpinteria Valley Water 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 was adopted. Any unused sick leave accumulates at the time of retirement will be converted to credited service at a rate of .004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits

Note 6 - Defined Benefit Pension Plan (Continued)

after 10 years of service. The system also provides for the Optional Settlement 2W Death 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, 2016 are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2016		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to February 10, 2011	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.0%	7.0%	6.3%
Required employer contribution rates	8.5%	8.0%	6.2%
for payment on all UAL amortization bases	15.9%	-0.1%	0.0%

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2015		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to February 10, 2011	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.9%	6.9%	6.3%
Required employer contribution rates	8.3%	7.8%	0.0%
for payment on all UAL amortization bases	12.8%	3.2%	0.0%

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. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Note 6 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2016, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan - For the Year Ended June 30 2016	
	Tiers 1 & 2	PEPRA
Contributions – employer	$ 270,904	$ 10,934

For the year ended June 30, 2015, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan - For the Year Ended June 30 2015	
	Tiers 1 & 2	PEPRA
Contributions – employer	$ 254,664	$ 5,067

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

As of June 30, 2016 and 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability	
	June 30, 2016	June 30, 2015
Miscellaneous Tiers 1 & 2	$ 2,829,302	$ 2,821,892
Miscellaneous PEPRA	-	115
Total Net Pension Liability	$ 2,829,302	$ 2,822,007

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for all Plans as of June 30, 2014 and 2015 was as follows:

	Miscellaneous Plan - For the Year Ended June 30 2016	
	Tiers 1 & 2	PEPRA
Proportion - June 30, 2014	0.11418%	0.00000%
Proportion - June 30, 2015	0.10313%	0.00000%
Change - Decrease	-0.01105%	0.00000%

Note 6 - Defined Benefit Pension Plan (Continued)

The District's proportionate share of the net pension liability for all Plans as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Plan - For the Year Ended June 30 2015	
	Tiers 1 & 2	PEPRA
Proportion - June 30, 2013	0.10012%	0.00000%
Proportion - June 30, 2014	0.11418%	0.00000%
Change - Increase	0.01406%	0.00000%

For the years ended June 30, 2016 and 2015, the District recognized pension expense of $25,971 and $299,473, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan - For the Year Ended June 30, 2016					
	Tiers 1 & 2		PEPRA		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 314,721	$ -	$ 15,071	$ -	$ 329,792	$ -
Differences between actual and expected experience	17,318	-	701	-	18,019	-
Changes in assumptions	-	(163,840)	-	(6,632)	-	(170,472)
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	52,824	(25,444)	2,138	(1,029)	54,962	(26,473)
Net differences between projected and actual earnings on plan investments	-	(82,136)	-	(3,324)	-	(85,460)
	$ 384,863	$ (271,420)	$ 17,910	$ (10,985)	$ 402,773	$ (282,405)

Note 6 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2016 and 2015, the District recognized pension expense of $25,971 and $299,473, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan - For the Year Ended June 30, 2015					
	Tiers 1 & 2		PEPRA		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 270,904	$ -	$ 10,934	$ -	$ 281,838	$ -
Differences between actual and expected experience	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	47,307	(31,664)	3,734	(955)	51,041	(32,619)
Net differences between projected and actual earnings on plan investments	-	(490,969)	-	(39)	-	(491,008)
	$ 318,211	$ (522,633)	$ 14,668	$ (994)	$ 332,879	$ (523,627)

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

$329,792 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. In the year ended June 30, 2015, $281,838 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Miscellaneous	
Year Ended June 30:	Tiers 1 & 2	PEPRA
2017	(102,667)	(4,156)
2018	(103,932)	(4,207)
2019	(99,667)	(4,033)
2020	104,988	4,250
2021	-	-
Thereafter	-	-
	$ (201,278)	$ (8,146)

Note 6 - Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015
	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2014
Actual Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies by entry age and service (1)	Varies by entry age and service (1)
Investment Rate of Return	7.50% (2)	7.50% (2)
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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment
(2) Net of pension plan investment and administrative expenses, including inflation

The actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can found on the CalPERS website.

Change of Assumption – According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. The discount rate was changed from 7.50 percent (net of administrative expense for measurement date June 30, 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense. Administrative expenses are assumed to be 15 basis points.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent for all Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for all plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

Note 6 - Defined Benefit Pension Plan (Continued)

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

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses. The CalPERS Board adopted a new target allocation effective July 1, 2014. This is the primary change that was reflected in the table below for the year ended June 30, 2016.

The tables below reflect the long-term expected real rate of return by asset class at June 30, 2016 and 2015, respectively.

	June 30, 2016		
Asset Class	Net Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

Note 6 - Defined Benefit Pension Plan (Continued)

	June 30, 2015		
Asset Class	Net Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

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

	Miscellaneous Plan For the Year Ended June 30, 2016		
	Tiers 1 & 2	PEPRA	Total
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	$ 4,744,950	$ -	$ 4,744,950
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	$ 2,829,302	$ -	$ 2,829,302
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	$ 1,247,726	$ -	$ 1,247,726

Note 6 - Defined Benefit Pension Plan (Continued)

	Miscellaneous Plan For the Year Ended June 30, 2015		
	Tiers 1 & 2	PEPRA	Total
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	$ 4,144,476	$ 206	$ 4,144,682
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	$ 2,821,892	$ 115	$ 2,822,007
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	$ 1,724,245	$ 40	$ 1,724,285

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

Note 7 - 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.

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.

Note 7 - Post-Employment Health Care Benefits (Continued)

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 years ended June 30, 2016 and 2015, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation for plan benefits:

	2016	2015
Annual required contribution	$ 49,950	$ 47,714
Interest on Net OPEB obligation	5,924	4,738
Adjustment to ARC	(5,660)	(4,526)
Annual OPEB cost	50,214	47,926
Contributions made	(18,604)	(18,169)
Increase in net OPEB	31,610	29,757
Net OPEB obligation - beginning of year	148,032	118,275
Net OPEB obligation - end of year	$ 179,642	$ 148,032

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 2016 and the three preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/14	$45,748	39%	$ 118,275
06/30/15	$47,926	38%	$ 148,032
06/30/16	$50,214	37%	$ 179,642

Funded Status and Funding Progress

As of June 30, 2016 and 2015, based on the last valuation performed the actuarial accrued liability for benefits was $585,388 and $554,270, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,604,488 and $1,557,756, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 36%.

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 within Required Supplementary Information 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.

Note 7 - Post-Employment Health Care Benefits (Continued)

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 8 - 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, 2016 and 2015 were $37,056 and $35,951, respectively.

Note 9 - 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.

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 10 - 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 11 - 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.

Note 11 - Joint Powers Insurance Authority (Continued)

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, 2015, ACWA/JPIA had total assets, liabilities and net position of $194,775,717, $113,620,777 and $80,933,818, respectively. Based on financial information at September 30, 2014, ACWA/JPIA had total assets, liabilities and net position of $195,584,006, $107,626,833 and $87,957,173, respectively. The District paid premiums of $65,557 and $64,955 to ACWA/JPIA for property and liability insurance, and $69,299 and $51,354 for workers' compensation during the years ended June 30, 2016 and 2015, respectively.

Note 12 - 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.

Note 12 - Commitments and Contingencies (Continued)

A) Central Coast Water Authority (Continued)

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%.

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.

Note 12 - Commitments and Contingencies (Continued)

A) Central Coast Water Authority (Continued)

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. On July 21, 2016 the 2006A Refunding Revenue Bonds were refunded.

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
2017	$ 1,986,457	$ 218,335	$ 1,159,102	$ 3,363,894
2018	2,004,770	405,448	1,160,708	3,570,926
2019	1,971,621	474,128	1,155,532	3,601,281
2020	1,971,189	491,345	1,154,611	3,617,145
2021	2,041,964	509,318	1,153,211	3,704,493
Thereafter (through 2035)	30,654,589	-	1,151,723	31,806,312
Total	$ 40,630,590	$ 2,098,574	$ 6,934,887	$ 49,664,051

B) 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 began amortization during the prior fiscal year. As of June 30, 2016 and 2015, the District's portion of the expenditures incurred amounted to approximately $4,328,000 and $4,326,000, respectively.

C) 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 12 - Commitments and Contingencies (Continued)

D) 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 District's future obligations are as follows:

Year Ended June 30:		
2017	$	28,649
2018		28,649
2019		28,649
2020		28,649
2021		28,649
Thereafter		437,194
Total	$	580,439

E) Emergency Drought Pumping Commitment

On July 25, 2014, the District guaranteed $608,000 of the seven year $3,200,000 line of credit of the Cachuma Operations and Maintenance Board (COMB), a legally separate entity in which the District is a member agency. On July 25, 2014, COMB secured a $2,000,000 non-revolving line-of-credit and a $1,200,000 revolving line-of-credit to finance an emergency pumping project resulting from current severe drought conditions. Both lines-of-credit mature on July 25, 2021, with quarterly interest payments. In the event that COMB is unable to make a payment, the District will be required to make that payment up to its guarantee amount of $608,000. As a guarantor, the District is subject to certain financial covenants. On August 19, 2016, the District paid off their share of the revolving lines-of-credit in the amount of $495,846.

F) Water Purchase Agreement

On April 14, 2016, the District entered into a Supplemental Water Purchase Program Participation Agreement in which the District purchased 1,000 acre-feet of water for $250,000. As part of the agreement the District is obligated to return 500 acre-feet over the next ten years.

Note 13 - Subsequent Events

Subsequent events have been evaluated through December 14, 2016, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CARPINTERIA VALLEY WATER DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CARPINTERIA VALLEY WATER DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Miscellaneous Tier 1		Miscellaneous Tier 2		Miscellaneous PEPRA	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Valuation date	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Measurement period	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.04119%	0.04518%	0.00003%	0.00017%	0.00000%	0.00000%
Proportionate share of the net pension liability	$ 2,827,078	$ 2,811,504	$ 2,224	$ 10,388	$ -	$ 115
Covered - employee payroll	$ 1,146,297	$ 1,231,136	$ 245,135	$ 334,143	$ 229,772	$ 47,670
Proportionate share of the net pension liability as a percentage of covered-employee payroll	246.63%	228.37%	0.91%	3.11%	0.00%	0.24%
Plan fiduciary net position as a percentage of the total plan pension liability	71.76%	71.63%	97.49%	83.03%	104.34%	83.14%

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, 2014 valuation date.

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

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

CARPINTERIA VALLEY WATER DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS*

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CARPINTERIA VALLEY WATER DISTRICT'S CONTRIBUTIONS

	Miscellaneous Tier 1		Miscellaneous Tier 2		Miscellaneous PEPRA	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 297,235	$ 244,218	$ 17,486	$ 26,686	$ 15,071	$ 10,934
Contributions in relation to the actuarially determined contributions	$ 297,235	$ 244,218	$ 17,486	$ 26,686	$ 15,071	$ 10,934
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,157,517	$ 1,146,297	$ 218,567	$ 245,135	$ 241,945	$ 229,722
Contributions as a percentage of covered-employee payroll	25.68%	21.30%	8.00%	10.89%	6.23%	4.76%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2015-16 were derived from the June 30, 2013 funding valuation report.

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

CARPINTERIA VALLEY WATER DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ending	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)
6/30/13	7/1/2012	-	$ 497,496	$ 497,496	0%	$1,468,334	34%
6/30/14	7/1/2012	-	525,049	525,049	0%	1,512,384	35%
6/30/15	7/1/2012	-	554,270	554,270	0%	1,557,756	36%
6/30/16	7/1/2012	-	585,388	585,388	0%	1,604,488	36%

Notes to Schedule:

This information is intended to help users assess the District's OPEB plan's status on a going-concern basis and assess progress made in accumulating assets to pay benefits when due.