CARPINTERIA VALLEY WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

CARPINTERIA VALLEY WATER DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

FINANCIAL SECTION

BROWN ARMSTRONG
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE
23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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 (District) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. The June 30, 2017, summarized comparative information has been derived from the 2017 financial statements and is included for additional analysis only. The financial statements as of June 30, 2017, were audited by other auditors, whose report dated December 6, 2017, expressed an unmodified opinion on those financial statements.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the California Public Employees' Retirement System – Schedule of the District's Proportionate Share of the Net Pension Liability on page 43, the California Public Employees' Retirement System – Schedule of Contributions on page 44, and the Other Post-Employment Benefits (OPEB) Plan – Schedule of Changes in Net OPEB Liability and Related Ratios on page 45 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 24, 2019

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2018. 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, 2018, the assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by $24,448,069. Of this amount, referred to as net position, 56% or $13,641,973 is unrestricted and may be used for the District's operating expenses, ongoing obligations and future capital projects. The remaining net position is invested in capital assets, $9,257,196 or 38%, or reserved for debt service payments and reserves, $1,548,900 or 6%.

- At the end of fiscal year 2018, the District's net position decreased by $(5,347,416) or (18)% from the prior year. This decrease is primarily due to the change in net position for the fiscal year ended June 30, 2018, in the amount of $(38,136), and to $(5,309,280) of prior period adjustments as discussed below and in Note 13.

Adopted Financial Accounting Standards

During the year ended June 30, 2018, the District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and Statement No. 87, Leases. Refer to Note 7 for a discussion of the District's Other Postemployment Benefit (OPEB) plan. Refer to Note 9 for a discussion of the District's leases. A detailed discussion of the implementation of new accounting pronouncements appears in Note 1.

GASB 75 and GASB 87 specify retroactive implementation by restating financial statements, if practical, for all prior periods presented. Due to a change in auditors for fiscal year ended June 30, 2018, the prior year statements are presented for comparison only and are not restated. To enhance readability, this analysis also does not restate prior year condensed and comparative financial information. Refer to Note 13 for a discussion of the prior period adjustment.

Prior Period Adjustments

Prior period adjustments were recorded for adoption of GASB statements 75 and 87 as discussed above. In addition, a prior period adjustment was posted to reflect to-date accreted interest on the Series 2010A Revenue (Capital Appreciation) Certificates of Participation (Series 2010A COPs). Refer to Note 5 for a discussion of the Series 2010A COPs and Note 13 for a discussion of the prior period adjustments.

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.

Condensed Statement of Net Position – *Analysis:*

	June 30, 2018	June 30, 2017	% Change FYE 2018 and 2017
Assets:			
Current and other assets	$ 21,616,771	$ 19,761,043	9%
Capital assets, net of depreciation	46,157,241	40,990,917	13%
Total assets	67,774,012	60,751,960	12%
Deferred outflows of resources:	1,540,796	1,470,739	5%
Liabilities:			
Current liabilities	3,925,327	2,701,299	45%
Long-term liabilities	4,398,987	3,837,966	15%
Long-term debt	36,424,500	25,722,815	42%
Total liabilities	44,748,814	32,262,080	39%
Deferred inflows of resources:	117,925	165,134	-29%
Net position:			
Net investment in capital assets	9,257,196	15,661,654	-41%
Restricted net position	1,548,900	1,228,519	26%
Unrestricted	13,641,973	12,905,312	6%
Total net position	$ 24,448,069	$ 29,795,485	-18%

Analysis of changes in Total Net Position from June 30, 2017 to June 30, 2018:

For the twelve months ended June 30, 2018, the District's total net position decreased by $(5,347,416) or (18)% from the prior year. The amount of net position invested in capital assets, net of related debt, decreased by $(6,404,458) or (41)% primarily due to the effects of the prior period and current fiscal year accreted interest accrual on Series 2010A COPs in the amount of $5,798,641 (Notes 5 and 13), as well as current year depreciation exceeding capital asset additions, such as additions to the transmission, distribution and metered services infrastructure (Note 4). Restricted net position increased $320,381 or 26% primarily due to increases in bond principal payments and bond reserve funds (Note 5). Unrestricted net position, the amount which may be used to meet the District's ongoing obligations, including future capital investments, increased by $736,661 or 6%.

Capital Assets

At June 30, 2018, the District had $46,157,241 invested in net capital assets, including construction in progress. This amount represents an increase of $5,166,324 or 13% over the prior year. See Note 4 for a summary of the capital assets by asset type.

- Capital expenditures in the fiscal year ended June 30, 2018 included 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. Large expenditures included replacing a lateral water line that was destroyed during the January 2018 debris flows and replacing over 4,000 large and small meters as part of an advanced metering infrastructure implementation.

Long-Term Liabilities

At the end of the current fiscal year, the District had long term debt outstanding of $36,424,500 which is a net $10,701,684 or 42% increase over the fiscal year ended June 30, 2017. See Note 5 for additional detailed information about the District's long-term debt.

- In the fiscal year ended June 30, 2018, principal payments on long term debt were $1,023,176.

Condensed Statement of Net Position – *Analysis:* (Continued)

- In the fiscal year ended June 30, 2018, long term debt was increased by $6,468,856 arising from a master lease agreement to fund the cost of the advanced metering infrastructure and installation of solar systems at several District locations.
- In the fiscal year ended June 30, 2018, long term debt was increased by $5,798,641 due to the prior period and current fiscal year accrual of accreted interest on the Series 2010A COPs. See Note 13 for a discussion of the prior period adjustment.

Condensed Statement of Revenues, Expenses, and Changes in Net Position – *Analysis:*

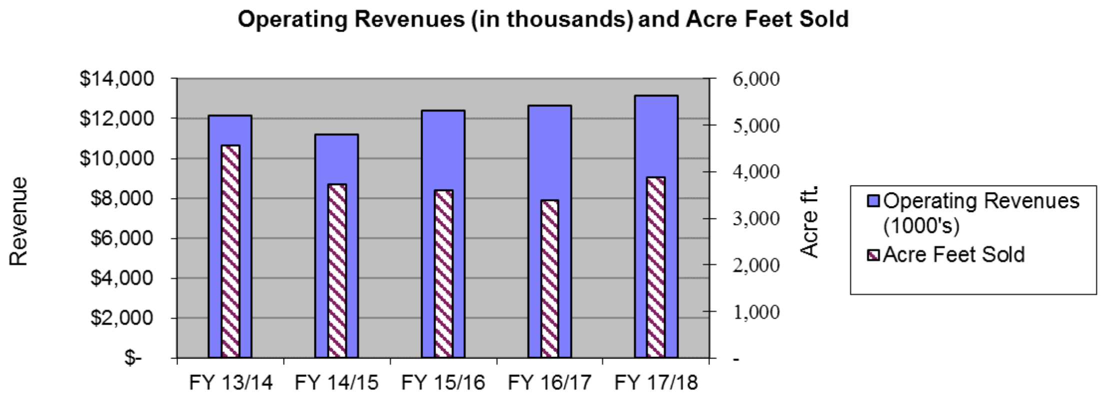
	June 30, 2018	June 30, 2017	% Change FYE 2018 and 2017
Operating revenues	$ 13,162,286	$ 12,651,107	4%
Operating expenses	11,862,188	10,823,002	10%
Operating income	1,300,098	1,828,105	-29%
Interest and investment income	151,304	75,150	101%
Interest expense	(1,378,462)	(523,377)	163%
Net non-operating income (expense)	(1,227,158)	(448,227)	174%
Excess before capital contributions	72,940	1,379,878	
Capital contributions	14,072	56,130	-75%
Infrequent and unusual income	43,747	-	-100%
Infrequent and unusual expenses	(168,895)	-	-100%
Change in net position	(38,136)	1,436,008	-103%
Net position, beginning of year, as previously stated	29,795,485	28,359,477	5%
Effect of prior period adjustment	(5,309,280)	-	0%
Net position, beginning of year	24,486,205	28,359,477	-14%
Net position, end of year	$ 24,448,069	$ 29,795,485	-18%

As required by GASB Statement No. 34, capital contributions are presented as a component of Change in Net Position on the Statement of Revenues, Expenses and Changes in Net Position.

OPERATING REVENUES

	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Water Sales and Service Charges	$ 11,229,175	$ 10,799,713	$ 11,762,567	$ 12,165,739	$ 12,432,870
Capital Recovery Fees	613,972	134,208	276,212	107,766	104,343
Fire Protection	228,640	231,330	260,638	291,991	287,878
Other Operating Revenues	63,429	43,170	119,489	85,611	337,195
Total Operating Revenues	$ 12,135,216	$ 11,208,421	$ 12,418,906	$ 12,651,107	$ 13,162,286

Statement of Revenues, Expenses, and Changes in Net Position – *Analysis:* (Continued)



Analysis of Changes in Operating Revenues from June 30, 2017 to June 30, 2018:

During the fiscal year ended June 30, 2018, water sales increased by 478 acre feet, resulting in increased water sales revenue of approximately $464,381 partially offset by a decrease in service charges revenue of $(197,246). Other revenues increased $251,584 primarily due to receipt of unexpended Cachuma Operations and Maintenance Board fees of $207,823 and an insurance joint powers authority retrospective premium adjustment fund refund of $55,184. Total operating revenues increased $511,179 or 4%.

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, CCWA 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.

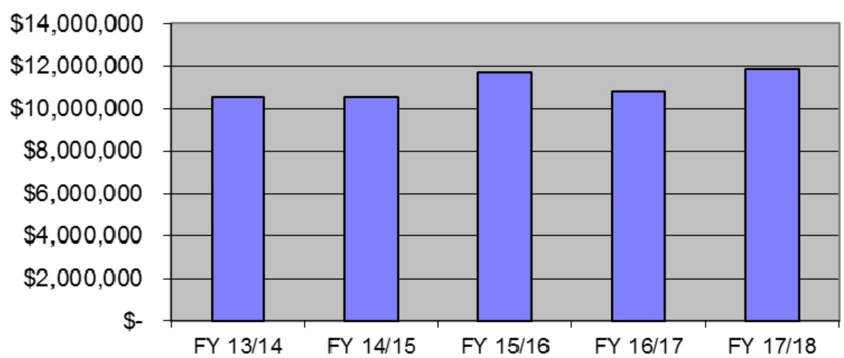
Depreciation and Amortization: Depreciation and amortization of District capital and intangible assets.

Overhead charged to Customers: Overhead on work orders.

Statement of Revenues, Expenses, and Changes in Net Position – *Analysis:* (Continued)

OPERATING EXPENSES

	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Cost of Purchased Water	$ 665,351	$ 475,919	$ 598,379	$ 465,456	$ 637,179
CCWA Source of Supply	3,066,986	3,140,228	3,419,318	3,140,328	3,137,008
Cachuma Operating Expense	541,839	483,741	1,255,112	652,983	550,238
Pumping Expense	287,174	459,277	466,868	412,739	368,111
Water Treatment	1,006,344	698,525	653,464	1,026,479	1,088,862
Transmission and Distribution	931,836	981,118	1,220,745	973,640	1,196,620
Customer Accounting and Service	75,315	39,676	63,729	49,083	37,088
General and Administrative	2,203,554	2,328,957	2,087,634	2,060,747	2,631,700
Depreciation and Amortization	1,814,851	2,014,314	2,040,171	2,076,141	2,226,888
Overhead Charged to Customers	(56,940)	(55,249)	(91,998)	(34,594)	(11,506)
Total Operating Expenses	$ 10,536,310	$ 10,566,506	$ 11,713,422	$ 10,823,002	$ 11,862,188



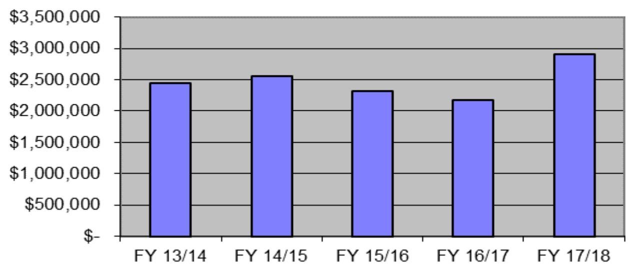
Analysis of Changes in Operating Expenses from June 30, 2017 to June 30, 2018:

- Overall operating expenses increased by approximately $1,036,186 or 10%.
- Cost of purchased water increased approximately $171,723 or 37% primarily due to increases in DWR and CCWA variable costs partially offset by reduced water purchase agreements with other water agencies.
- Cachuma operating expense decreased approximately $(102,745) or (16)% primarily due to the decommissioning of a drought-related barge facility, partially offset by increased COMB variable costs.
- Transmission and distribution costs increased approximately $222,980 or 23% primarily due to achieving full staffing levels and to increased meters and services expenses related to implementing digital meters across the entire meter system.
- General and administrative expenses increased approximately $570,953 or 28% primarily due to GASB Statement No. 68 related adjustments as discussed under Salaries and Benefits below.

Statement of Revenues, Expenses, and Changes in Net Position – *Analysis:* (Continued)

SALARIES AND BENEFITS

	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Salaries	$ 1,580,595	$ 1,706,343	$ 1,762,507	$ 1,581,048	$ 1,736,159
Social Security	112,202	127,141	130,554	116,431	129,171
Employee Retirement - CalPERS	293,436	299,473	25,971	88,359	619,792
Employee Group Insurance	429,537	382,180	358,019	359,155	391,084
Deferred Compensation	28,906	35,951	37,056	32,986	33,713
Total	$ 2,444,676	$ 2,551,088	$ 2,314,107	$ 2,177,979	$ 2,909,919



Analysis of Changes in Salaries and Benefits from June 30, 2017 to June 30, 2018:

Salaries and benefits expenses increased approximately $731,940 or 34% primarily due to a GASB Statement No. 68 related increase in unfunded pension liabilities of $303,821, an increase in employer retirement contribution rates, increased costs due to achieving full staffing levels, and a 2% cost of living adjustment.

Non-Operating Income and Expenses

Analysis of changes in Non-Operating Income (Expenses) from June 30, 2017 to June 30, 2018:

Non-operating expenses of approximately $1,352,306 consisted primarily of interest expense of $1,378,462 partially offset by $151,304 of interest revenue.

Capital contributions of approximately $14,072 consisted entirely of customer-funded extensions to water mains and to water service line installations and upgrades.

Infrequent and unusual expenses of approximately $125,148 arose from the Thomas Fire of December 2017 and the subsequent debris flows in January 2018. Expenses of approximately $168,895 were partially offset by insurance claim proceeds of $43,747.

BASIC FINANCIAL STATEMENTS

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 12,394,603	$ 11,020,218
Restricted - cash and cash equivalents	1,771,915	1,753,504
Accounts receivable - water sales and services, net	1,255,170	1,464,231
Accounts receivable - other	562,834	338,386
Water-in-storage inventory	116,146	142,164
Materials and meters	192,176	113,588
Prepaid expenses	3,933,832	3,616,692
Deposits with CCWA	930,001	924,579
Total Current Assets	21,156,677	19,373,362
NON-CURRENT ASSETS		
Restricted cash and investments	460,094	387,681
CAPITAL ASSETS		
Property and equipment	64,393,067	58,729,636
Less: accumulated depreciation	(25,202,444)	(23,703,844)
Construction in process	1,780,291	440,157
Capacity rights, net of amortization	5,010,334	5,399,460
Capital leases, net of amortization	63,621	-
Intangible assets, net of amortization	112,372	125,508
Net Capital Assets	46,157,241	40,990,917
Total Non-Current Assets	46,617,335	41,378,598
Total Assets	67,774,012	60,751,960
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension cost	1,098,320	1,013,555
Deferred OPEB	18,774	-
Deferred loss on refunding	423,702	457,184
Total Deferred Outflows of Resources	1,540,796	1,470,739

See accompanying notes to the basic financial statements.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2018
(WITH COMPARATIVE TOTALS)

	2018	2017
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,103,582	996,100
Customer deposits	181,251	162,284
Interest payable	268,198	277,094
Advances for construction	499,214	231,373
Current portion of long-term debt	1,518,736	1,034,448
Total Current Liabilities	3,570,981	2,701,299
NON-CURRENT LIABILITIES		
Long-term liabilities		
Compensated absences payable	371,239	324,142
Capital Leases	64,426	-
Cater Treatment Plan Expansion Project financing agreement	1,405,615	1,602,891
Department of Water Resources loan contracts	5,643,478	6,083,749
Revenue Certificates of Participation Series 2010A	14,274,485	8,475,844
Revenue Bonds 2016A	8,860,309	9,560,331
Siemens Master Lease purchase agreement	6,240,612	-
Net pension liability	3,672,110	3,300,879
Net OPEB liability	645,559	-
Non-current portion of post-retirement health benefits payable	-	212,945
Total Non-Current Liabilities	41,177,833	29,560,781
Total Liabilities	44,748,814	32,262,080
DEFERRED INFLOWS OF RESOURCES		
Deferred pension cost	117,925	165,134
Total liabilities and deferred inflows of resources	44,866,739	32,427,214
NET POSITION		
Net investment in capital assets	9,257,196	15,661,654
Restricted for debt service	1,548,900	1,228,519
Unrestricted	13,641,973	12,905,312
Total Net Position	$ 24,448,069	$ 29,795,485

See accompanying notes to the basic financial statements.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS)

	2018	2017
OPERATING REVENUES		
Water sales	$ 12,432,870	$ 12,165,739
Capital recovery fees	104,343	107,766
Fire protection	287,878	291,991
Other revenues	337,195	85,611
Total operating revenues	13,162,286	12,651,107
OPERATING EXPENSES		
CCWA source of supply	3,137,008	3,140,328
Cost of purchased water	637,179	465,456
Cachuma operating expense	550,238	652,983
Pumping expense	368,111	412,739
Water treatment	1,088,862	1,026,479
Transmission and distribution	1,196,620	973,640
Customer accounting and service	37,088	49,083
General and administrative	2,631,700	2,060,747
Amortization	610,803	583,158
Depreciation	1,616,085	1,492,983
Overhead charged to customers	(11,506)	(34,594)
Total operating expenses	11,862,188	10,823,002
Operating income	1,300,098	1,828,105
NON-OPERATING REVENUE (EXPENSE)		
Investment income	151,304	75,150
Interest expense	(1,378,462)	(523,377)
Infrequent or unusual expenses, net	(125,148)	-
Total non-operating revenue (expense), net	(1,352,306)	(448,227)
Net income before capital contributions	(52,208)	1,379,878
CAPITAL CONTRIBUTIONS		
Capital contributions	14,072	56,130
Total capital contributions	14,072	56,130
INCREASE/(DECREASE) IN NET POSITION	(38,136)	1,436,008
NET POSITION, BEGINNING OF YEAR	29,795,485	28,359,477
Prior period adjustment	(5,309,280)	-
ADJUSTED NET POSITION	24,486,205	28,359,477
NET POSITION, END OF YEAR	$ 24,448,069	$ 29,795,485

See accompanying notes to the basic financial statements.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 13,141,477	$ 12,578,430
Cash payments to suppliers for goods and services	(8,399,322)	(7,618,864)
Cash payments to employees for services	(1,088,583)	(1,709,112)
Net cash provided by operating activities	3,653,572	3,250,454
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issurance of long-term debt	6,468,656	-
Repayments of long-term debt	(1,023,176)	(964,075)
Interest payments	(477,959)	(442,207)
Capital assets purchased	(6,997,885)	(650,732)
Investment in water facilities	(187,168)	(36,142)
Infrequent and unusual expenses	(125,148)	-
Net cash provided by investing activities	(2,342,680)	(2,093,156)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	3,013	1,871
Interest received	151,304	75,150
Net cash provided by investing activities	154,317	77,021
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,465,209	1,234,364
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,161,403	11,927,039
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,626,612	$ 13,161,403
Reconciliation of cash and cash equivalents to statement of net position:		
Unrestricted cash and cash equivalents	$ 12,394,603	$ 11,020,218
Restricted cash and investments - current	1,771,915	1,753,504
Restricted cash and investments - non-current	460,094	387,681
Total Cash and Cash Equivalents	$ 14,626,612	$ 13,161,403

See accompanying notes to the basic financial statements.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ 1,300,098	$ 1,828,105
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,515,249	1,492,983
Amortization	597,518	583,158
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(15,387)	(53,968)
Inventories	(52,570)	216,319
Prepaid expenses	(317,140)	(313,097)
Deposit with CCWA	(5,422)	(5,116)
Deferred outflows of resources	(103,539)	(610,782)
Increase (decrease) in liabilities:		
Accounts payable	107,482	(333,226)
Customer Deposits	18,967	(31,594)
Compensated absences	(11,052)	72,062
OPEB benefits payable	27,505	33,303
Deferred inflows of resources	(47,209)	(117,271)
Net pension	371,231	471,577
Advances for construction	267,841	18,001
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,653,572	$ 3,250,454
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Capital Contributions	$ 14,072	$ 56,130
Disposition of Assets	$ 678	$ 2,805
Capitalized Interest on Capital Asset Additions	$ 11,661	$ 11,838
Accretion of Interest on 2010A Capital Appreciation Bonds	$ 875,917	$ -

See accompanying notes to the basic financial statements.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 of accounting; 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 non-current) 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.

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.

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.

Inventories

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

Restricted Assets

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 acquisition 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

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.

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 expenses and reserves needed for operation of District facilities.

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.

Net Position

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

Net investment in capital assets 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 its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Concentration of Credit Risk

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

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.

Prepaid Expenses

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

Infrequent and Unusual Expenses

The District's properties, such as metering infrastructure and reservoir control equipment, were damaged or destroyed during the December 2017 Thomas Fire. Ash and air quality mitigations were required in the fire's aftermath. In January 2018 heavy rains caused debris flows from the hillsides denuded by the fire. These debris flows damaged or destroyed water transmission infrastructure. The District received $43,747 of disaster relief funds from California's Office of Emergency Service and the Federal Emergency Management Agency for repairs and mitigations necessitated by both disasters. Net infrequent and unusual expenses as of June 30, 2018, were $125,148.

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 the 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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the accrual basis of accounting. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Implementation of New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements were implemented in the current financial statements:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit 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. The provisions of this statement have been adopted for the fiscal year ended June 30, 2018, and are reflected in Note 7.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Implementation of New Accounting Pronouncements (Continued)

GASB Statement No. 87 – *Leases.* This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement have been adopted for the fiscal year ended June 30, 2018, and are reflected in Note 9.

GASB Statement No. 85 – *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [OPEB]). The requirements of this statement have been adopted for the fiscal year ended June 30, 2018. There was no impact on the financial statements due to the implementation of this statement.

Future GASB Statements

The GASB statements listed below will be implemented in future financial statements:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for the reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District has not fully judged the effect of implementation of GASB Statement No. 83 as of the date of the basic financial statements.

GASB Statement No. 84 – *Fiduciary Activities*. The requirements for this statement are effective for fiscal years beginning after December 15, 2018. The District has not fully judged the effect of implementation of GASB Statement No. 84 as of the date of the basic financial statements.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The requirements of this statement are effective for periods beginning after June 15, 2018. The District has not fully judged the effect of implementation of GASB Statement No. 88 as of the date of the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this statement are effective for periods beginning after December 15, 2019. The District has not fully judged the effect of implementation of GASB Statement No. 89 as of the date of the basic financial statements.

GASB Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.* The requirements of this statement are effective for periods beginning after December 15, 2018. The District has not fully judged the effect of implementation of GASB Statement No. 90 as of the date of the basic financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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

Cash and investments as of June 30 consist of the following:

	2018	2017
Cash on in banks and in hand	$ 3,300,091	$ 2,021,628
Cash with fiscal agent	757,944	684,063
Local Agency Investment Fund	10,568,577	10,254,619
Local Agency Investment Fund - Certificates of Participation	-	201,093
Total cash and investments	$ 14,626,612	$ 13,161,403

Investments Authorized by the California Government Code and 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 $250,000. 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, 2018.

	Remaining Maturity (in Months)					
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	25 to 60 Months	More than 60 Months
Cash with fiscal agent	$ 757,944	$ 757,944	$ -	$ -	$ -	$ -
Local Agency Investment Fund	10,568,577	10,568,577	-	-	-	-
Total	$ 11,326,521	$ 11,326,521	$ -	$ -	$ -	$ -

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 or the District's investment policy, and the actual rating as of June 30, 2018, for each investment type.

				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	AAA	AA-	BB-
Cash with fiscal agent	$ 757,944	Not rated	$ -	$ 757,944	$ -	$ -
Local Agency Investment Fund	10,568,577	Not rated	10,568,577	-	-	-
Total	$ 11,326,521		$ 10,568,577	$ 757,944	$ -	$ -

NOTE 2 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

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, 2018 and 2017.

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consisted of the following at June 30, 2018 and 2017:

	2018	2017
Restricted for capital improvements	$ 683,109	$ 711,573
Restricted for capital improvements from the Certificates of Participation	-	201,093
Restricted for debt service payments	1,548,900	1,228,519
Total restricted assets	$ 2,232,009	$ 2,141,185
Restricted cash and investments - current	$ 1,771,915	$ 1,753,504
Restricted cash and investments - non-current	460,094	387,681
	$ 2,232,009	$ 2,141,185

NOTE 4 – CAPITAL ASSETS

A schedules of changes in capital assets, as well as depreciation and amortization, for the fiscal year ended June 30, 2018, is shown below:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital Assets, Non-Depreciable:					
Land and land improvements	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction-in-process	440,157	1,844,809	(84,438)	(420,237)	1,780,291
Total Capital Assets, Non-Depreciable	1,474,165	1,844,809	(84,438)	(420,237)	2,814,299
Depreciable Capital Assets:					
Buildings	831,988	25,501	(17,886)	32,345	871,948
Improvements other than buildings	463,569	-	(5,543)	-	458,026
Furnishings, machinery, and equipment	1,874,265	-	(48,351)	45,545	1,871,459
Transmission and distribution system	7,874,672	11,661	(101,412)	148,939	7,933,860
Wells and water treatment infrastructure	12,278,034	-	(36,083)	73,287	12,315,238
Water storage infrastructure	29,648,138	-	-	-	29,648,138
Water delivery infrastructure	4,724,962	5,415,308	-	120,121	10,260,391
Capacity rights	12,982,519	187,168	-	-	13,169,687
Capital leases	-	63,621	-	-	63,621
Intangible assets	362,336	-	-	-	362,336
Total Depreciable Capital Assets	71,040,483	5,703,259	(209,275)	420,237	76,954,704
Total Capital Assets	72,514,648	7,548,068	(293,713)	-	79,769,003
Capital Assets Accumulated Depreciation:					
Buildings	(785,947)	-	5,620	-	(780,327)
Improvements other than buildings	(192,371)	(18,021)	-	-	(210,392)
Furnishings, machinery, and equipment	(1,751,098)	(37,322)	48,350	-	(1,740,070)
Transmission and distribution system	(4,866,088)	(235,084)	-	-	(5,101,172)
Wells and water treatment infrastructure	(4,705,590)	(345,940)	-	-	(5,051,530)
Water storage infrastructure	(8,574,479)	(813,492)	-	-	(9,387,971)
Water delivery infrastructure	(2,828,271)	(102,712)	-	-	(2,930,983)
Capacity rights	(7,583,059)	(576,294)	-	-	(8,159,353)
Intangible assets	(236,828)	(13,136)	-	-	(249,964)
Total Accumulated Depreciation/Amortization	(31,523,731)	(2,142,001)	53,970	-	(33,611,762)
Capital Assets, Net	$ 40,990,917	$ 3,561,258	$ (155,305)	$ -	$ 46,157,241

NOTE 4 – CAPITAL ASSETS (Continued)

A schedules of changes in capital assets, as well as depreciation and amortization, for the fiscal year ended June 30, 2017, is shown below:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital Assets, Non-Depreciable:					
Land and land improvements	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction-in-process	742,701	601,572	(25,552)	(878,564)	440,157
Total Capital Assets, Non-Depreciable	1,776,709	601,572	(25,552)	(878,564)	1,474,165
Depreciable Capital Assets:					
Buildings	831,988	-	-	-	831,988
Improvements other than buildings	460,392	3,177	-	-	463,569
Furnishings, machinery, and equipment	1,882,579	32,205	(63,580)	23,061	1,874,265
Transmission and distribution system	7,600,599	9,633	-	264,440	7,874,672
Wells and water treatment infrastructure	11,759,940	20,430	-	497,664	12,278,034
Water storage infrastructure	29,642,949	5,189	-	-	29,648,138
Water delivery infrastructure	4,585,066	46,497	-	93,399	4,724,962
Capacity rights	12,946,377	36,142	-	-	12,982,519
Intangible assets	362,336	-	-	-	362,336
Total Depreciable Capital Assets	70,072,226	153,273	(63,580)	878,564	71,040,483
Total Capital Assets	71,848,935	754,845	(89,132)	-	72,514,648
Capital Assets Accumulated Depreciation:					
Buildings	(775,717)	(10,230)	-	-	(785,947)
Improvements other than buildings	(166,807)	(25,564)	-	-	(192,371)
Furnishings, machinery, and equipment	(1,779,650)	(35,028)	63,580	-	(1,751,098)
Transmission and distribution system	(4,731,923)	(134,165)	-	-	(4,866,088)
Wells and water treatment infrastructure	(4,331,345)	(374,245)	-	-	(4,705,590)
Water storage infrastructure	(7,759,940)	(814,539)	-	-	(8,574,479)
Water delivery infrastructure	(2,729,059)	(99,212)	-	-	(2,828,271)
Capacity rights	(7,013,037)	(570,022)	-	-	(7,583,059)
Intangible assets	(223,692)	(13,136)	-	-	(236,828)
Total Accumulated Depreciation/Amortization	(29,511,170)	(2,076,141)	63,580	-	(31,523,731)
Total Depreciable Capital Assets, Net	$ 42,337,765	$ (1,321,296)	$ (25,552)	$ -	$ 40,990,917

NOTE 5 – LONG-TERM DEBT

Long-term debt of the District is as follows:

	Balance June 30, 2017	Additions	Retirements/ Amortizations	Balance June 30, 2018	Due Within One Year
Series 2010A Certificates of Participation	$ 8,475,844		$ -	$ 8,475,844	$ -
Accreted Interest	4,922,724	875,917		5,798,641	-
Total Series 2010A Certificates of Participation	13,398,568	875,917	-	14,274,485	-
Series 2016A Refunding Revenue Bonds	8,410,000	-	(350,000)	8,060,000	600,000
Unamortized Bond Premium	1,600,353	-	(100,022)	1,500,331	100,022
Total Series 2016A Refunding Revenue Bonds	10,010,353	-	(450,022)	9,560,331	700,022
Department of Water Resources Loan Contracts	6,513,161	-	(429,412)	6,083,749	440,217
Cater Treatment Plant Financing Agreement	1,699,755	-	(194,906)	1,504,849	99,234
Siemens Master Lease Purchase Agreement	-	6,468,656	-	6,468,656	228,044
Compensated Absences	382,292	229,285	(189,173)	422,404	51,165
Long-Term Debt	$ 32,004,129	$ 7,573,858	$ (1,263,513)	$ 38,314,474	$ 1,518,682

Revenues of Certificates of Participation and Bonds

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, 2018 and 2017, there was $0 of defeased Series 2006A Refunded Certificates outstanding, to be paid from escrow funds.

NOTE 5 – LONG-TERM DEBT (Continued)

Revenues of Certificates of Participation and Bonds (Continued)

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

Fiscal Year End	Principal	Interest	Total
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	441,433	438,567	880,000
2024-2028	2,529,266	3,915,734	6,445,000
2029-2033	3,457,586	9,287,414	12,745,000
2034-2036	2,047,559	8,392,441	10,440,000
	$ 8,475,844	$ 22,034,156	$ 30,510,000

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
2019	$ 600,000	$ 374,500	$ 974,500
2020	750,000	350,500	1,100,500
2021	800,000	315,500	1,115,500
2022	435,000	284,625	719,625
2023	460,000	262,250	722,250
2024-2028	2,545,000	938,875	3,483,875
2029-2033	2,470,000	296,750	2,766,750
	$ 8,060,000	$ 2,823,000	$ 10,883,000

NOTE 5 – LONG-TERM DEBT (Continued)

Safe Drinking Water State Revolving Fund Contracts

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. The 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.

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
2019	$ 440,271	$ 150,148	$ 590,419
2020	451,406	139,013	590,419
2021	462,822	127,597	590,419
2022	474,527	115,893	590,420
2023	486,527	103,892	590,419
2024-2028	2,623,543	328,554	2,952,097
2029-2033	1,144,654	36,184	1,180,838
	$ 6,083,750	$ 1,001,281	$ 7,085,031

Cater Treatment Plant Expansion Project Financing Agreement

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

NOTE 5 – LONG-TERM DEBT (Continued)

Cater Treatment Plant Expansion Project Financing Agreement (Continued)

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

Fiscal Year End	Principal	Interest	Total
2019	$ 197,275	$ 37,899	$ 235,174
2020	202,105	33,070	235,175
2021	207,056	28,119	235,175
2022	212,132	23,043	235,175
2023	217,337	17,838	235,175
2024-2028	566,986	20,951	587,937
	$ 1,602,891	$ 160,920	$ 1,763,811

Siemens Master Lease Purchase Agreement

The District entered into a master lease agreement with Siemens Financial Services, Inc., on August 2, 2017, in the amount of $6,468,856 to finance the replacement of all installed mechanical water meters with digital meters and the attendant remote reading and reporting infrastructure, installation of a solar carport and solar panels on a reservoir, and retrofit of all headquarter buildings with LED lights. The projected benefits of increased revenue collection due to more accurate meters and savings in electrical costs due to solar panel and LED lighting installations are projected to offset the total lease costs over the life of the lease. The District entered into a performance contracting agreement with Siemens Industry, Inc., to guarantee the projected cost savings. The lease payment period is fifteen years, commencing August 2018, with an annual amount of $538,677 paid quarterly and an interest rate of 2.7525%.

Fiscal Year End	Principal	Interest	Total
2019	$ 228,044	$ 310,633	$ 538,677
2020	370,703	167,974	538,677
2021	381,013	157,664	538,677
2022	391,610	147,067	538,677
2023	402,500	136,177	538,677
2024-2028	2,186,762	506,625	2,693,387
2029-2033	2,508,224	185,164	2,693,388
	$ 6,468,856	$ 1,611,304	$ 8,080,160

As of June 30, 2018, the meter replacement phase of the project was 90% complete and the LED lighting retrofit phase of the project was 100% complete. The solar replacement project was still in process at June 30, 2018.

Lease Element	Capital Asset Class	Amount
Meter replacement	Transmission and Distribution Infrastructure	$ 5,401,236
Lighting Retrofit	Buildings	25,500
Solar Carport and Solar Reservoir Panels	N/A (Work in Process)	1,041,920
Total Master Lease Purchased Assets		$ 6,468,656

NOTE 6 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Descriptions – All qualified employees are eligible to participate in the 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. 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 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, 2018, are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2018		
	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
Retirement age 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%	7.00%	6.3%
Required employer contribution rates	8.9%	8.40%	6.6%

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2017		
	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
Retirement age 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%	7.00%	6.3%
Required employer contribution rates	8.9%	8.40%	6.6%

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 all 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.

For the years ended June 30, 2018 and 2017, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan	
	June 30, 2018	June 30, 2017
Contributions - Employer	$ 379,661	$ 329,972

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

The District's net pension liability for all Plans is measured as the proportionate share of the net pension liability. As of June 30, 2018 and 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of the Net Pension Liability	
	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
Miscellaneous	$ 3,672,110	$ 3,300,879

For the year ended June 30, 2018, the net pension liability of all of the Plans is measured as of June 30, 2017, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2017, the net pension liability of all of the Plans is measured as of June 30, 2016, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures.

The District's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for all Plans with an actuarial valuation date of June 30, 2017 and 2016, was as follows:

For the Year Ended June 30, 2018		For the Year Ended June 30, 2017	
	Miscellaneous		Miscellaneous
Proportion - June 30, 2017	0.09502%	Proportion - June 30, 2016	0.10313%
Proportion - June 30, 2018	0.09315%	Proportion - June 30, 2017	0.09502%
Change - Increase (Decrease)	0.00187%	Change - Increase (Decrease)	-0.08110%

For the years ended June 30, 2018 and 2017, the District recognized pension expense of $595,505 and $88,359, respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 379,661	$ -	$ 344,835	$ -
Differences Between Actual and Expected Experience	3,833	(54,915)	9,150	-
Changes in Assumptions	475,588	(36,264)	-	(112,289)
Change in Employer's Proportion and Ddifferences between Projected and Actual Earnings	131,679	(26,746)	75,141	(52,845)
Net Differences Between Projected and Actual Earnings on Plan Investments	107,558	-	584,429	-
Total	$ 1,098,319	$ (117,925)	$ 1,013,555	$ (165,134)

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.

During the fiscal year ended June 30, 2017, $344,835 in deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability. During the fiscal year ended June 30, 2018, $379,661 in deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Year Ended June 30,	
2019	$ 154,506
2020	313,094
2021	196,994
2022	(63,859)
Thereafter	-
Total	$ 600,735

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2018 Miscellaneous	For the Year Ended June 30, 2017 Miscellaneous
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	2.75%	3.0%
Projected Salary Increase	Varies by Entry Age and Service (1)	Varies by Entry Age and Service (1)
Investment Rate of Return	7.15% (2)	7.65% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.75% until Purchasing PowerProtection Allowance Floor on Purchasing Power applies, 2.75% thereafter.	Contract cost of living adjustment 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 for the June 30, 2017 and 2016 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.

Discount Rate – For the year ended June 30, 2018, the discount rate used to measure the total pension liability was 7.15 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 (PERF), including PERF C. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

In determining the long-term expected rate of return, 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 tables below reflect the long-term expected real rate of return by asset class at June 30, 2018 and 2017, respectively.

	June 30, 2018			June 30, 2017		
Asset Class	Net Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)	Net Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.00%	4.90%	5.38%	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.80%	2.27%	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.60%	1.39%	6.00%	0.45%	3.36%
Private Equity	12.00%	6.60%	6.63%	10.00%	6.83%	6.95%
Real Estate	11.00%	2.80%	5.21%	10.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	3.90%	5.36%	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.40%	-0.90%	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) 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, 2018		Miscellaneous Plan For the Year Ended June 30, 2017	
1% Decrease	6.15%	1% Decrease	6.65%
Net Pension Liability	$ 5,239,784	Net Pension Liability	$ 4,708,108
Current Discount Rate	7.15%	Current Discount Rate	7.65%
Net Pension Liability	$ 3,672,110	Net Pension Liability	$ 3,300,879
1% Increase	8.15%	1% Increase	8.65%
Net Pension Liability	$ 2,373,735	Net Pension Liability	$ 2,137,874

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 and Eligibility

The District provides retiree medical, dental, vision, and prescription drug coverage to current and future eligible retirees under a single-employer plan. Under the plan, retired employees who attain age 60 with at least 20 years of service are eligible to receive benefits. Spouses may elect to continue coverage at their own expense.

Benefits Provided

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. Employees pay a portion of their monthly premium and the District contributes up to 5% of a retiree's CalPERS benefit toward the cost of medical coverage for post-65 retirees.

Employees Covered by Benefits

At the OPEB liability measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Actives and Terminated Vesteds Fully Eligible to Retire	0
Actives and Terminated Vesteds Not Yet Fully Eligible to Retire	18
Retirees	7
Total	25

Net OPEB Liability

At June 30, 2018, the District reported a net OPEB liability of $645,559. The net OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2017, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Fiscal Year Ending	June 30, 2018
Data Collection Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay – Under this cost method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Total OPEB Liability (TOL).
Changes Since Last Valuation	No significant changes have occurred since the last valuation.
Method Used to Determine the Actuarial Value of Assets	N/A.
Amortization Method	Closed, straight-line for average remaining service period.

NOTE 7 – <u>POST-EMPLOYMENT HEALTH CARE BENEFITS</u> (Continued)

Actuarial Assumptions

A. Investment Rate of Return

Selected (Discount Rate):

1. Expected Return on Plan Assets — 7.50% (if fully funded).
2. Expected Return on Employer's General Assets: — 3.71% (if pay-as-you-go).

B. Payroll Growth: 3.00%

C. Health Trend Rates:

Fiscal Year	Medical	Rx	Dental	Vision
2018-2019	7.00%	7.00%	5.00%	3.00%
2019-2020	6.50%	6.50%	5.00%	3.00%
2020-2021	6.00%	6.00%	5.00%	3.00%
2021-2022	5.50%	5.50%	5.00%	3.00%
2022-2023	5.00%	5.00%	5.00%	3.00%
2023+	5.00%	5.00%	5.00%	3.00%

D. Retiree Contributions Trend Rates: N/A.

E. Retirement Rates — CalPERS Matrix of service retirement assumption rates for public agency miscellaneous 2% at 55. Sample rates are:

	Service		
Age	20	25	30
60	12.60%	14.30%	16.90%
65	23.30%	26.60%	28.90%
70	23.90%	30.40%	33.00%

F. Pre-Retirement Mortality Table: — CalPERS Pre-Retirement Mortality Rates Public Agency Miscellaneous Table. Sample rates are:

Age	Male Rates	Female Rates
20	0.022%	0.007%
25	0.029%	0.011%
30	0.038%	0.016%
35	0.049%	0.027%
40	0.001%	0.037%
45	0.080%	0.054%
50	0.116%	0.079%
55	0.172%	0.120%
60	0.255%	0.166%

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Assumptions (Continued)

G. Post-Retirement Mortality Table: CalPERS Post-Retirement Mortality Rates Public Agency Miscellaneous Table. Sample rates are:

Age	Male Rates	Female Rates
60	0.671%	0.476%
65	0.928%	0.637%
70	1.339%	0.926%
75	2.316%	1.635%
80	3.977%	3.007%

H. Withdrawal Rates: CalPERS Termination Rates with Refund Public Agency Miscellaneous Table.

I. Disability Rates: None.

J. Participation: 100% of active participants are assumed to elect the health coverage.

K. Fiscal 2018 Annual Per Capita Claims Costs

	Age	PPO	HMO
	60-64	$10,195.80	$8,764.44
	65+	Varies based on specific retiree's CalPERS benefit.	
Medical	Age	AVHMO	KHMS
	60-64	$ 8,072.76	$6,461.16
	65+	Varies based on specific	
Dental	All	$ 404.64	
Vision	All	$ 222.72	

L. Administrative Expenses Implicit in insurance premium rates.

M. Retirement Marriage Assumptions: 85% are assumed to be married with husbands three years older than wives.

N. Medicare Eligibility: All participants are assumed to be Medicare eligible upon reaching age 65.

O. Full Attribution Age: Age at which retirement rate is 100% once eligibility has been fulfilled (Age 75 with 20 years of service).

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Assumptions (Continued)

P. Exposure to 40% Excise Tax:	The estimated number of relatively higher costing pre-65 retirees on benefit at any given time is very low relative to the estimated number of relatively lower costing post-65 retirees. The composite per capita costs are well below 2022 thresholds and appear not to exceed the respective levels for several decades. The potential tax effect of exceeding the threshold on a present value basis appears well below 1% of the liability and was considered immaterial in this instance.

Executive Summery

This report provides the Net OPEB Liability/(Asset) (NOL) and the Annual OPEB Cost that will be required under GASB Statement No. 75. The calculations are as of July 1, 2017.

Net OPEB Liability (NOL)		
A. Actives	$	388,568
B. Retirees, spouses, and beneficiaries	$	256,991
C. Total reported	$	645,559
Annual Covered Payroll	$	1,543,895
NOL as a Percent of Covered Payroll		41.8%
Fiscal Year 2018 Net OPEB Expense	$	57,450

Changes in the OPEB Liability

A. Net OPEB Obligation (NOO), Beginning of Prior Year			$	179,642
B. Fiscal Year 2017 OPEB Cost				
1. Annual Required Contribution	$	52,304		
2. Interest on Net OPEB Obligation (NOO)		7,189		
3. Adjustment to Annual Required Contribution		(6,789)		
4. Total Net OPEB Cost	$	52,704		
C. Employer Contributions	$	19,401		
D. Transition Amount*			$	393,812
E. Net OPEB Liability/(Asset) (NOL) [(A) + (B) - (C) + (D)]			$	645,559

* Aggregate balance sheet effect of transition to GASB Statement No. 75 accounting requirements.

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Sensitivity Analysis

GASB Statement No. 75 requires employers to show the effect of increasing or decreasing both the assumed annual health care trend rate and the discount rate by 1%. Both assumptions typically have a significant effect on the retiree medical amounts reported.

The following tables illustrate the effect of a 1% increase and a 1% decrease in the respective rates on the Total OPEB Liability.

		Fiscal Year 2017
I. Change in Healthcare Trend Rate		
A. Change in TOL for a 1% Increase		
1. Dollar	$	41,018
2. Percent		6.4%
B. Change in TOL for a 1% Decrease		
1. Dollar	$	(35,633)
2. Percent		-5.5%
II. Change in Discount Rate		
A. Change in TOL for a 1% Increase		
1. Dollar	$	(74,555)
2. Percent		-11.5%
B. Change in TOL for a 1% Decrease		
1. Dollar	$	87,683
2. Percent		13.6%

NOTE 8 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) 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 for employees employed by the District prior to April 1, 2016. The deferred compensation is not available to employees until termination, retirement, or death, except for loans against contributions for unforeseeable emergencies.

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 earnings 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. Employer matching contributions to the plan for the years ended June 30, 2018 and 2017, were $33,713 and $32,986, 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.

NOTE 9 – LEASE OBLIGATIONS (Continued)

During 2011, the District purchased a permanent easement from the City of Carpinteria (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, a water line and fire hydrant facilities to accommodate future development of the property adjoining the well site.

The District routinely leases equipment on an ongoing basis. In accordance with GASB Statement No. 87, *Leases*, lease agreements with terms greater than one year or that transfer ownership of the underlying asset are classified as leased assets, with a corresponding liability measured at the present value of payments to be made per lease terms. The following is a schedule showing the future minimum lease payments as of June 30, 2018.

Leased Asset	Acquisition Fiscal Year	Present Value of Lease Payments at Lease Inception	Implied Interest	Amount Representing Interest	Total Lease Payments At Inception	Remaining Lease Payments as of June 30, 2018
Copier	FY 2016	$ 22,407	3%	$ 1,148	$ 23,551	$ 9,210
Mail Equipment	FY 2016	17,549	3%	1,438	17,703	10,996
Fleet Vehicles	FY 2018	44,889	3%	3,356	48,245	43,695

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 Cachuma Project Authority (the 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. The Cachuma Master Contract will be renewed or extended in 2020.

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.

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.

NOTE 11 – JOINT POWERS INSURANCE AUTHORITY (Continued)

Based on financial information at September 30, 2017, ACWA/JPIA had total assets, liabilities, and net position of $199,365,334, $123,871,469, and $75,322,674, respectively. Based on financial information at September 30, 2016, ACWA/JPIA had total assets, liabilities, and net position of $189,566,761, $121,474,323, and $68,703,617, respectively. The District paid premiums of $61,398 and $61,351 to ACWA/JPIA for property and liability insurance, and $28,588 and $14,591 for workers' compensation during the years ended June 30, 2018 and 2017, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Central Coast Water Authority

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

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

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

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

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

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

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Central Coast Water Authority (Continued)

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

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

In August 2006, CCWA issued the Series 2006A Refunding Revenue Bonds for $123,190,000 at a true interest cost of 4.24% to defease the 1996 Revenue Bonds. A portion of the bond proceeds together with other funds were placed into an escrow account invested in securities which will provide sufficient funds to pay the regularly scheduled principal of and interest on the refunded bonds on October 1, 2006, and to pay on October 3, 2006, the principal of and accrued interest to the date of redemption, and redemption premium, if any, on the refunded bonds maturing on and after October 1, 2006. On July 21, 2016 the 2006A Refunding Revenue Bonds were refunded. The District's estimated minimum State water payments are summarized below:

Fiscal Year Ending June 30,	Fixed Costs	Variable Costs	Debt Service	Total
2019	$ 2,565,979	$ 615,791	$ 1,038,717	$ 4,220,487
2020	2,622,188	686,462	1,044,310	4,352,960
2021	2,425,144	715,561	1,042,859	4,183,564
2022	2,498,416	746,121	1,041,573	4,286,110
2023	2,682,621	778,208	-	3,460,829
Thereafter (through 2035)	34,192,848	-	-	34,192,848
Total	$ 46,987,196	$ 3,542,143	$ 4,167,459	$ 54,696,798

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 year ended June 30, 2015. As of June 30, 2018 and 2017, the District's portion of the expenditures incurred amounted to approximately $4,328,000.

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.

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.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Bradbury Dam (Continued)

The District's future obligations are as follows:

Year Ended June 30:	Amount
2019	$ 28,649
2020	28,649
2021	28,649
2022	28,649
2023	28,649
Thereafter	351,247
Total	$ 494,492

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 were scheduled to mature on July 25, 2021, with quarterly interest payments. In the event that COMB was unable to make a payment, the District was required to make that payment up to its guarantee amount of $608,000. As a guarantor, the District was subject to certain financial covenants.

During the fiscal year, the lines of credit were converted to term loans and as of June 30, 2017, the District paid off its entire share of the revolving lines-of-credit in the amount of $495,846. The District no longer has a commitment.

Water Purchase Agreement

On May 16, 2018, the District entered into a Supplemental Water Purchase Program Participation Agreement in which the District purchased 1,333 acre feet of water for $426,560. As part of the agreement the district is obligated to return 333 acre feet of water over the next ten years and to pay the associated State Water Project transportation charges in effect at the time of the return.

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. The obligation was met by August 2017.

Siemens Master Lease Purchase Agreement

The District entered into a master lease agreement with Siemens Financial Services, Inc., on August 2, 2017, in the amount of $6,468,856 to finance the replacement of all installed mechanical water meters with digital meters with remote read and reporting capabilities, the installation of a solar carport and solar panels on a reservoir, and the replacement of all headquarter buildings with LED lights. The projected benefits of increased revenue collection due to more accurate meters and savings in electrical costs due to solar panel and LED lighting installations are projected to offset the total lease costs over the life of the lease. The District entered into a performance contracting agreement with Siemens Industry, Inc., to guarantee the projected cost savings.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Siemens Master Lease Purchase Agreement (Continued)

Under the performance contracting agreement, the District will pay annual fees to Siemens Industry, Inc., for measuring and verifying cost savings.

Year Ended June 30:	Amount
2019	$ 25,655
2020	26,206
2021	26,770
2022	27,346
2023	27,935
2024-2028	148,975
2029-2033	165,792
Total	$ 448,679

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the beginning net position to reflect the prior period costs related to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 87, *Leases,* and correction of error due to incorrect accounting for 2010A COP accreted interest in the prior year.

Net Position as of June 30, 2017	$ 29,795,485
Effects of GASB Statement No. 75	
Increase in Deferred Outflows of Resources	19,401
Increase in Net OPEB Liability	(405,109)
Effects of GASB Statement No. 87	
Increase in Net Capital Assets	29,419
Increase in Capital Leases	(30,267)
Correction of Prior Period Error for Recording 2010A COP Accreted Interest	
Increase in 2010A COP Accreted Interest	(4,922,724)
Net Position as of July 1, 2017	$ 24,486,205

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 24, 2019, 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
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2018
LAST 10 YEARS*

	2018	2017	2016	2015
Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability	0.03703%	0.03815%	0.04122%	0.04535%
Proportionate Share of the Net Position Liability	$ 3,672,110	$ 3,300,879	$ 2,829,302	$ 2,822,007
Covered-Employee Payroll	$ 1,658,060	$ 1,625,984	$ 1,621,204	$ 1,612,949
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	221.47%	203.01%	174.52%	174.96%
Plan's Fiduciary Net Position	$ 7,725,265	$ 7,151,600	$ 7,278,661	$ 7,148,327
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.78%	68.42%	72.01%	75.96%

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

Notes to Schedule:

Benefit changes: There have been no benefit changes.

CARPINTERIA VALLEY WATER DISTRICT
A COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2018
LAST 10 YEARS*

	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	$ 349,270	$ 344,835	$ 329,792	$ 281,838
Contributions in Relation to the Actuarially Determined Contributions	349,270	344,835	329,792	281,838
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 1,658,060	$ 1,475,024	$ 1,627,135	$ 1,557,019
Contributions as a Percentage of Covered-Employee Payroll	21.06%	23.38%	20.27%	18.10%

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

CARPINTERIA VALLEY WATER DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Valuation Date: June 30, 2016
Measurement Period: June 30, 2017

	Fiscal Year Ended 2018*
A. Total OPEB Liability, Beginning of Year	$ 179,642
B. Fiduciary Net Position, Beginning of Year	-
C. Net OPEB Liability, Beginning of Year	179,642
1. Service Cost	45,515
2. Interest Cost	7,189
3. Benefit Changes	432,614
4. Experience Differences	-
5. Assumption Changes	-
6. Plan Investment Income	-
7. Administrative Expenses	-
8. Other Expenses	-
D. Total OPEB Expense	485,318
9. Employer Contributions	19,401
10. Employee Contributions	-
11. Benefit Payments	-
E. Total OPEB Liability, End of Year	645,559
F. Fiduciary Net Position, End of Year	-
G. Net OPEB Liability, End of Year	$ 645,559
H. Annual Covered Payroll	$ 1,543,895
I. Net OPEB Liability as % of Annual Covered Payroll	41.80%

*GASB Statement No. 75 first effective for July 1, 2017.