

CARPINTERIA VALLEY WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the Fiscal Years Ended

June 30, 2019 and 2018



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Carpinteria Valley Water District
Carpinteria, California

Comprehensive Annual Financial Report

**for the Fiscal Years Ended
June 30, 2019 and 2018**

Prepared by the Business Department of Carpinteria Valley Water District

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**Carpinteria Valley Water District
Comprehensive Annual Financial Report
for the Fiscal Years Ended June 30, 2019 and 2018**

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	i-ii
INTRODUCTORY SECTION	
Letter of Transmittal	1-6
Organizational Chart	7
Board of Directors	8
FINANCIAL SECTION	
Independent Auditor's Report	9-10
Management's Discussion and Analysis	11-19
Basic Financial Statements:	
Statements of Net Position	21-22
Statements of Revenues, Expenses, and Changes in Net Position	23
Statements of Cash Flows	24-25
Notes to Financial Statements	26-55
Required Supplementary Information (RSI):	
California Public Employees' Retirement System – Schedule of the District's Proportionate Share of the Net Pension Liability	56
California Public Employees' Retirement System – Schedule of Contributions	57
Other Post-Employment Benefits (OPEB) Plan – Schedule of Changes in Net OPEB Liability and Related Ratios	58

**Carpinteria Valley Water District
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2019 and 2018**

TABLE OF CONTENTS (continued)

	<u>Page</u>
STATISTICAL SECTION	
Statistical Section – Table of Contents	59
Changes in Net Position by Component – Last Ten Fiscal Years	60-61
Operating Revenues by Source – Last Ten Fiscal Years	62
Operating Expenses by Activity – Last Ten Fiscal Years	63
Operating Revenues and Expenses as Percent of Total – Last Ten Fiscal Years	64
Revenue Base – Last Ten Fiscal Years	65
Revenue Rates – Last Ten Fiscal Years	66
Accounts by Type – Last Ten Fiscal Years	67
Ratios of Outstanding Debt – Last Ten Fiscal Years	68
Debt Coverage – Last Ten Fiscal Years	69
Demographics and Economics Statistics – Last Ten Fiscal Years	70
Operating and Capacity Indicators – Last Ten Fiscal Years	71

INTRODUCTORY SECTION

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Carpinteria Valley Water District

1301 Santa Ynez Avenue • Carpinteria, CA 93013
Phone (805) 684-2816

BOARD OF DIRECTORS

Matthew Roberts
President
Shirley L. Johnson
Vice President
Korey L. Capozza
Polly Holcombe
Case Van Wingerden

GENERAL MANAGER

Robert McDonald, P.E. MPA

December 13, 2019

Board of Directors

Carpinteria Valley Water District

Introduction

It is our pleasure to submit this Comprehensive Annual Financial Report (CAFR) for the Carpinteria Valley Water District (District) for the fiscal years ended June 30, 2019 and 2018, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

This report contains the results of the financial statement audit for fiscal years 2019 and 2018, beginning on page 9. The auditor's opinion was unqualified. Some information you might expect to find in an introduction is presented in Management's Discussion and Analysis (MD&A) contained in the audited financial statements. This introduction and the MD&A are complementary reports which together are intended to provide a comprehensive view of the District's finances and operations.

District Structure and Leadership

The Carpinteria Valley Water District is a special district of the State of California (State) in the southern coastal portion of Santa Barbara County and includes the City of Carpinteria. The District, which covers approximately 11,300 acres, is bound on the south by the Pacific Ocean and on the north by the foothills of the Santa Ynez mountains. The District provides domestic water service through a total of 4,509 service connections to a population of about 15,500 inhabitants,

approximately 3,437 acres of orchards (typically citrus and avocado), and various nurseries and greenhouses.

The District is a single purpose enterprise supported solely by the revenue obtained from the customers it serves. It is governed by a five-member Board of Directors. Directors are elected by registered voters of the District to four-year terms with elections held in even numbered years. The Board establishes policy, sets water rates and charges, establishes an annual budget, approves contracts and labor agreements, and has the authority to adopt ordinances that have the force of law within the District.

Day-to-day management of the District is performed by a General Manager hired by the Board. The General Manager hires and manages a total of 19 employees who perform the administrative, business, engineering, and operations and maintenance functions of the District. As a public health and safety water utility the District provides 24/7 emergency service.

The Carpinteria County Water District was incorporated in 1941 as an area-wide organization to recharge valley wells after several dry years led to alarming drops in the water table. In 1949, voters elected to participate in the Cachuma Project to bring water from Lake Cachuma behind Bradbury Dam on the Santa Ynez River to the Carpinteria Valley. The Cachuma project was completed in 1953 and Carpinteria County Water District began receiving deliveries in 1954. In 1991 faced with a deep local drought, voters in the District elected to participate in the State Water Project and to pay for a share of the construction costs for facilities that would allow the importation of water from northern California via the State Water Project System into Lake Cachuma. In 1996, the District changed its name from Carpinteria County Water District to Carpinteria Valley Water District to clarify its governing authority under Section 30000 of the Water Code. And in 1997, the District adopted an AB3030 Groundwater Management Plan establishing its authority as the groundwater management agency for the Carpinteria Groundwater Basin. Today the District relies primarily on water from Lake Cachuma and local groundwater, and utilizes State Water as a back-up supply.

Local economy

Carpinteria Valley Water District provides water service to the City of Carpinteria and to unincorporated portions of the County of Santa Barbara. Carpinteria Valley has a diverse economy, including orchard agriculture and nurseries, a strong and growing tech and software services sector, and thriving tourism. In 2018, the latest year for which data is available, the Valley's median wages were lower than those of Santa Barbara county and much of the State, while the unemployment rate was slightly higher than Santa Barbara County's and lower than the State's average unemployment rate. Very little development of new housing and commercial space has occurred in the Valley in recent years, leading to very low vacancy rates and higher rents.

Long-term financial planning

The District has adopted a policy to hold funds in reserve to cover six months of operating expenditures, to fund unanticipated capital expenses, to mitigate volatility in revenues and to provide for emergency expenditures. The District is looking into opportunities to stabilize fluctuating water supply expenses related to drought. One method being analyzed is a water supply cost stabilization fund. The District has maintained a credit rating of AA- from Standard and Poors since 2008.

Major Initiatives

In 1999 the District adopted a Strategic and Capital Improvement Plan to address State and Federal drinking water standards and to ensure and enhance the reliability of the water system. The resulting Capital Improvement Plan included four large projects to address water quality and water reliability needs: the Carpinteria Reservoir Cover, the Ortega Reservoir Cover, the Headquarters Well and Filtration Plant and the Foothill Reservoir.

- (1) Carpinteria Reservoir Cover:** The Carpinteria Reservoir, located at elevation 360 feet above sea level in the eastern Carpinteria foothills, is a 14 million gallon concrete reservoir owned and built by the United States Bureau of Reclamation (USBR) as part of the Cachuma Project in the early 1950s. The District paid for the alteration of the Reservoir and installation of a protective aluminum roof cover to prevent contamination of treated drinking water and reduce the amount of disinfectant needed to maintain water quality. Completed in 2004, this project cost approximately \$6,400,000. This project was funded with a low interest State Revolving Fund (SRF) loan from the California State Board of Water Resources Control, Division of Drinking Water (DDW).

- (2) Ortega Reservoir Cover:** The Ortega Reservoir, located at elevation 454 feet above sea level in the hills behind Summerland, is a 20 million gallon concrete reservoir owned and built by the United States Bureau of Reclamation (USBR). Water stored in Ortega Reservoir is utilized by both the Carpinteria Valley Water District and the Montecito Water District. The protective aluminum roof cover provides the same benefits as the Carpinteria Reservoir protective roof. Completed in 2006, the District's 50% share of the project's cost was approximately \$10,700,000. This project was funded primarily with a low interest SRF loan from the DDW.

(3) Headquarters Well Facility: The Headquarters Well facility, which includes a well, an iron and manganese treatment plant, a building and electrical gear, was completed in 2004 and is capable of producing up to 2 million gallons of water per day. Water produced from this facility is typically stored in the Foothill reservoir for use in the Central Pressure Zone and can supply the majority of the District's customers within the City of Carpinteria. Additionally, this water can be blended with incoming Cachuma water using Foothill Reservoir booster pumps. Blending Cachuma surface water and District groundwater reduces the concentration of dissolved organic material that reacts with chlorine, and reduces potentially harmful disinfection by-products. This project cost approximately \$2,100,000 and was funded with a low interest loan from DDW and a \$125,000 grant from the California Department of Water Resources Local Groundwater Assistance program.

(4) Foothill Reservoir: The three million gallon Foothill Reservoir (an underground storage tank) was built in 2006 to increase the storage capacity within the District, to store groundwater from Headquarters well for blending and to reduce the District's reliance on imported surface water supplies. The Reservoir is situated at elevation 260 feet above sea level located within the foothills of Carpinteria. Its location permits gravity flow distribution of well and blended water to most all of the City of Carpinteria. As such, the Foothill Reservoir in conjunction with the use of local groundwater provides a substantial measure of independence from the Lake Cachuma South Coast Conduit (SCC) system, should it ever suffer a catastrophic failure. This project cost approximately \$11,700,000. District project costs were funded by proceeds from the January 2000 sale of Certificates of Participation (COPs).

Since the completion of the Capital Improvement Plan in 2007, three major additional capital projects have been constructed to increase the District's production capacity and further improve drinking water quality: the combined El Carro Well Replacement and Central Zone Pipeline Improvements projects, funded in large part by \$2 million of Proposition 50 grant funds, and the William B. Cater Water Treatment Plant Ozone and Pumping Upgrade project.

(1) El Carro Well Replacement: The El Carro Well, completed in 2010, is capable of producing up to 1.5 million gallons of water per day. Water produced from this well is also stored in the Foothill Reservoir producing the same water quality benefits highlighted in the discussion about Headquarters well. This well, as the second highest producer, also gives the District greater reliability in its groundwater production capability. This project cost approximately \$2,500,000. \$1,000,000 of this project was paid for by Proposition 50 grant funds.

(2) Central Zone Pipeline Improvements: The Central Zone Pipeline project was completed in 2012. The project consisted of a mile and a half of 12-inch diameter transmission main to convey water produced from El Carro Well to the Foothill Reservoir. The project also allows more flexibility for groundwater delivered to the District's Central Pressure Zone. This project cost approximately \$1,900,000. \$1,000,000 of this project was paid for by Proposition 50 grant funds.

(3) William B. Cater Water Treatment Plant Ozone and Pumping Upgrades: District water from the State Water Project and Lake Cachuma is treated at the City of Santa Barbara's Cater Water Treatment Plant. In order to reduce the concentration of dissolved organic matter and resulting disinfection byproducts, the City constructed an ozone pretreatment facility. This facility oxidizes organic matter in the raw surface water, augmenting the conventional treatment process to remove more organic matter from the water. Completed in 2013, the project also involved upgrading a pumping station that sends water from Cater to the Montecito and Carpinteria Water Districts. The District's share of the project's cost was approximately \$4,400,000. This project was funded by a low interest loan from the City of Santa Barbara.

Current capital expenditures continue to focus on capital assets related to water transmission and distribution, water production, water supply and water quality. As a result of drought-related reductions in State Water and Lake Cachuma allotments, the District has several projects in progress and planned that maintain and upgrade the capacity of existing wells. Transmission and distribution projects include replacing aging valves and pipelines, upgrading bridge pipelines and replacement and upgrades of pump station motors and generators. Development of additional water supplies is also a focus of the District. The District has developed a recycled water plan to investigate the feasibility of a local recycled water project that would provide up to 1,100 acre feet of water per year. The water produced from this project would be injected in to the groundwater basin for later use. Finally, the District is focusing on understanding better its water use and water loss to improve efficiency in operations. One project that will be instrumental is an advanced meter infrastructure which will allow the District to analyze water use at each meter in near real time, helping to eliminate leaks that go undetected for extended periods of time.

Due to the extended California-wide drought dramatically reducing both State and Cachuma water supplies, the District declared a Stage One Drought Emergency in February 2014, calling for voluntary 20 percent reduction in water usage to help ensure adequate water supplies. Due to continued drought conditions, in May 2015 the Board declared a Stage Two Drought Emergency calling for a 25 percent District wide reduction in overall water use. In June 2014, the Board held rate hearings to add a drought surcharge to water billing rates to offset drought-related expenditures. In May 2019, the Board reduced the drought condition level to Stage One. It is expected that the drought surcharge will be rescinded once the drought ends. In 2019 the District finalized a cost of service and water rates structure study and adjusted its water rates structure

based on study results. The changes did not substantially change the manner in which drought related expenditures are funded.

Awards and Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Business Office. We wish to thank all District departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board for their unfailing support for maintaining the highest standards of professionalism in their oversight of the District's finances.

Respectfully submitted,

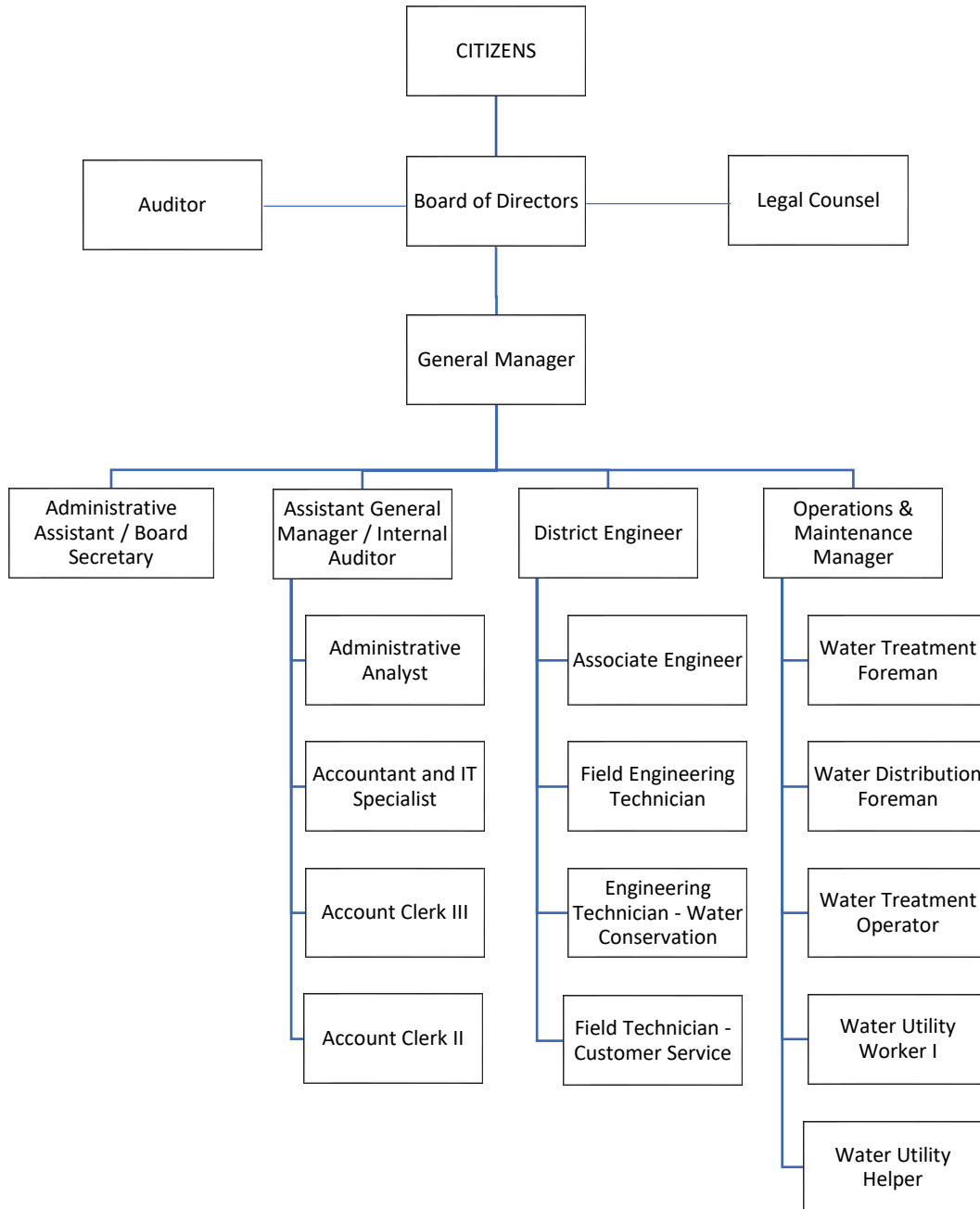


Robert Mc Donald
General Manager



Norma Rosales
Assistant General Manager

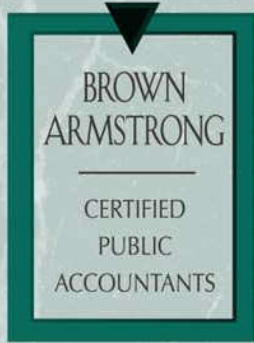
Carpinteria Valley Water District Organizational Chart as of June 30, 2019



**Carpinteria Valley Water District
Board of Directors as of June 30, 2019**

Board Member	Title	Date of Original Election or Appointment	Current Term
Matthew Roberts	President	Elected 1995	2018 - 2022
Shirley Johnson	Vice President	Elected 2018	2018 - 2022
Polly Holcombe	Director	Elected 2012	2016 - 2020
Case Van Wingerden	Director	Elected 2016	2016 - 2020
Korey Capozza	Director	Elected 2018	2018 - 2022

FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Carpinteria Valley Water District

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Carpinteria Valley Water District (District) as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

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

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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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the California Public Employees' Retirement System – Schedule of the District's Proportionate Share of the Net Pension Liability on page 47, the California Public Employees' Retirement System – Schedule of Contributions on page 48, and the Other Post-Employment Benefits (OPEB) Plan – Schedule of Changes in Net OPEB Liability and Related Ratios on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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 solely 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 the effectiveness of the District's 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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
December 10, 2019

**CARPINTERIA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

Management's discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL STATEMENTS

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

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Basic 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 for Debt Service
- 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
- Capital and related financing
- Investing
- Non-financing activities

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

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2019, the assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$24,226,526. Of this amount, referred to as net position, \$12,867,347, or 53%, is unrestricted and may be used for the District's operating expenses, ongoing obligations and future capital projects. The remaining net position is net investment in capital assets of \$9,621,800, or 40%, or restricted for debt service payments and reserves of \$1,737,379 or 7%. At June 30, 2018, unrestricted net position was \$13,641,973, or 56%, net investment in capital assets was \$9,257,196 or 38%, and restricted net position was \$1,548,900, or 6%.
- At the end of fiscal year 2019, the District's net position decreased by \$221,543, or 1%, from the prior year. This decrease is primarily due to an increase in operating revenue of \$881,652 or 6%, offset by an increase in operating expenses of \$1,239,105, increased non-operating expense of \$155,082 and decreased infrequent or unusual net expenses of \$237,462 as compared to the fiscal year ended June 30, 2018.

Adopted Financial Accounting Standards

During the fiscal 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 GASB 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 Statement No. 75 and GASB Statement No. 87 specify retroactive implementation by restating financial statements, if practical, for all periods presented. Refer to Note 13 for a discussion of the prior period adjustment.

During the fiscal year ended June 30, 2019, the District adopted two new statements of financial accounting standards issued by GASB: Statement No. 83, *Certain Asset Retirement Obligations*, and Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. There was no impact on the basic financial statements due to the implementation of these standards.

Prior Period Adjustments

Prior period adjustments were recorded during the fiscal year ended June 30, 2018 for adoption of GASB Statements No. 75 and No. 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.

No prior period adjustments were recorded during the fiscal year ended June 30, 2019.

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, 2019	June 30, 2018	June 30, 2017	% Change FYE 2019 and 2018	% Change FYE 2018 and 2017
Assets:					
Current and other assets	\$ 20,973,844	\$ 21,616,771	\$ 19,761,043	-3%	9%
Capital assets, net of depreciation	<u>46,786,792</u>	<u>46,157,241</u>	<u>40,990,917</u>	1.4%	13%
Total assets	67,760,636	67,774,012	60,751,960	0%	12%
Deferred outflows of resources:	1,513,981	1,540,796	1,470,739	-2%	5%
Liabilities:					
Current liabilities	4,186,788	3,570,981	2,701,299	17%	32%
Long-term liabilities	4,624,848	4,688,908	3,837,966	-1%	22%
Long-term debt	<u>35,781,418</u>	<u>36,488,925</u>	<u>25,722,815</u>	-2%	42%
Total liabilities	44,593,054	44,748,814	32,262,080	0%	39%
Deferred inflows of resources:	455,037	117,925	165,134	286%	-29%
Net position:					
Net investment in capital assets	9,621,800	9,257,196	15,661,654	4%	-41%
Restricted net position	1,737,379	1,548,900	1,228,519	12%	26%
Unrestricted	<u>12,867,347</u>	<u>13,641,973</u>	<u>12,905,312</u>	-6%	6%
Total net position	<u>\$ 24,226,526</u>	<u>\$ 24,448,069</u>	<u>\$ 29,795,485</u>	-1%	-18%

Analysis of changes in Total Net Position from June 30, 2018 to June 30, 2019:

For the twelve months ended June 30, 2019, the District's total net position decreased by \$221,543 or 1% from the prior year. The amount of net investment in capital assets, net of related debt, increased by \$364,604 or 4% primarily due to capital asset additions, such as additions to the transmission, distribution and metered services infrastructure, exceeding current year depreciation (Note 4). Restricted net position increased \$188,479 or 12% 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, decreased by \$774,626 or 6%.

Capital Assets

At June 30, 2019, the District had \$46,786,792 invested in net capital assets, including construction in progress. This amount represents an increase of \$629,551 or 1% 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, 2019 included maintenance and upgrades to the transmission, distribution and service infrastructure as well as maintenance and upgrades to water treatment equipment and tanks and reservoirs. Large expenditures included the installation of solar carports at District headquarters and the connection of a rehabilitated well to a water treatment facility.

Long-Term Liabilities

At the end of the current fiscal year, the District had long-term debt of \$35,781,418 which is a net decrease of \$707,507, or 2%, over the fiscal year ended June 30, 2018. See Note 5 for additional detailed information about the District's long-term debt.

- In the fiscal year ended June 30, 2019, principal payments on long-term debt were \$1,567,812 (Note 5).

Condensed Statement of Net Position – Analysis: (Continued)

- In the fiscal year ended June 30, 2018, long-term debt 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.

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

	June 30, 2019	June 30, 2018	June 30, 2017	% Change FYE 2019 and 2018	% Change FYE 2018 and 2017
Operating revenues	\$ 14,043,938	\$ 13,162,286	\$ 12,651,107	7%	4%
Operating expenses	<u>13,101,293</u>	<u>11,862,188</u>	<u>10,823,002</u>	10%	10%
Operating income	942,645	1,300,098	1,828,105	-27%	-29%
Interest and investment income	301,713	151,304	75,150	99%	101%
Interest expense	<u>(1,683,953)</u>	<u>(1,378,462)</u>	<u>(523,377)</u>	22%	163%
Net non-operating income (expense)	<u>(1,382,240)</u>	<u>(1,227,158)</u>	<u>(448,227)</u>	13%	174%
Excess before capital contributions	(439,595)	72,940	1,379,878	-703%	-95%
Capital contributions	105,738	14,072	56,130	651%	-75%
Infrequent and unusual income	112,314	43,747	-	-100%	0%
Infrequent and unusual expenses	<u>-</u>	<u>(168,895)</u>	<u>-</u>	-100%	0%
Change in net position	(221,543)	(38,136)	1,436,008	481%	-103%
Net position, beginning of year, as previously stated	24,448,069	29,795,485	28,359,477	-18%	5%
Effect of prior period adjustment	<u>-</u>	<u>(5,309,280)</u>	<u>-</u>	-100%	0%
Net position, beginning of year	<u>24,448,069</u>	<u>24,486,205</u>	<u>28,359,477</u>	0%	-14%
Net position, end of year	<u>\$ 24,226,526</u>	<u>\$ 24,448,069</u>	<u>\$ 29,795,485</u>	-1%	-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. Capital contributions consist of \$105,738 for the fiscal year ended June 30, 2019.

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

Operating Revenues

	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Water Sales and Service Charges	\$ 10,799,713	\$ 11,762,567	\$ 12,165,739	\$ 12,432,870	\$ 12,744,079
Capital Recovery Fees	134,208	276,212	107,766	104,343	715,610
Fire Protection	231,330	260,638	291,991	287,878	304,357
Other Operating Revenues	43,170	119,489	85,611	337,195	279,892
Total Operating Revenues	\$ 11,208,421	\$ 12,418,906	\$ 12,651,107	\$ 13,162,286	\$ 14,043,938

Definitions:

Water Sales and Service Charges: Water sales, based on the amount of water consumed, and service charges, based on meter location and size, type of service account and historical water consumption.

Capital Recover Fees: One-time fees paid to connect to the water distribution infrastructure.

Fire Protection: Revenue associated with providing service to private fire suppression systems.



Analysis of Changes in Operating Revenues from June 30, 2018 to June 30, 2019:

Water sales and service charge revenue increased \$311,209, or 3%, in the fiscal year ended June 30, 2019, despite a decrease in water sales by 460 acre feet or 12%, due to rate structure modifications. Capital recovery fees increased \$611,267, or 586%, primarily due to a residential development project and an increase in the number of fire service installation projects. Other operating revenues decreased \$57,303, or 17%, primarily due to decreases in returned Cachuma Operations and Maintenance Board unexpended funds and insurance joint powers authority retrospective premium adjustment fund refunds. Total operating revenues increased \$881,652, or 6%.

Condensed 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 charge revenue of \$197,250. 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.

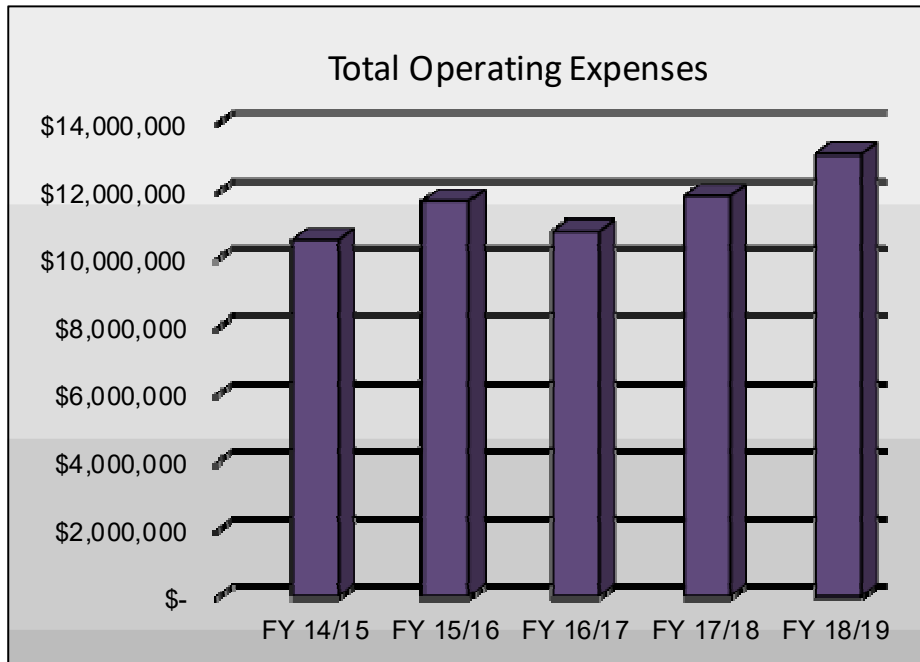
Depreciation and Amortization: Depreciation and amortization of District capital and intangible assets.

Overhead Charged to Customers: Overhead on work orders.

OPERATING EXPENSES

	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Cost of Purchased Water	\$ 475,919	\$ 598,379	\$ 465,456	\$ 637,179	\$ 1,163,838
CCWA Source of Supply	3,140,228	3,419,318	3,140,328	3,137,008	3,253,634
Cachuma Operating Expense	483,741	1,255,112	652,983	550,238	825,505
Pumping Expense	459,277	466,868	412,739	368,111	386,990
Water Treatment	698,525	653,464	1,026,479	1,088,862	1,227,394
Transmission and Distribution	981,118	1,220,745	973,640	1,196,620	1,236,637
Customer Accounting and Service	39,676	63,729	49,083	37,088	56,131
General and Administrative	2,328,957	2,087,634	2,060,747	2,631,700	2,575,356
Depreciation and Amortization	2,014,314	2,040,171	2,076,141	2,226,888	2,422,099
Overhead Charged to Customers	(55,249)	(91,998)	(34,594)	(11,506)	(46,291)
Total Operating Expenses	\$ 10,566,506	\$ 11,713,422	\$ 10,823,002	\$ 11,862,188	\$ 13,101,293

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



Analysis of Changes in Operating Expenses from June 30, 2018 to June 30, 2019:

- Overall operating expenses increased by \$1,239,105, or 10%.
- Cost of purchased water increased \$526,659, or 83%, primarily due to increases in water purchased via exchange agreements and increased DWR variable costs.
- Cachuma operating expense increased \$275,267, or 50%, primarily due to retroactive increases in Bureau of Reclamation operating costs of \$231,300.
- Water Treatment costs increased \$138,532, or 13%, primarily due to Cater Treatment Plant increased per acre foot costs and to an increase in professional services related to groundwater studies.
- Depreciation costs increased \$195,211, or 9%, primarily due to capital asset additions placed in service during the fiscal year.

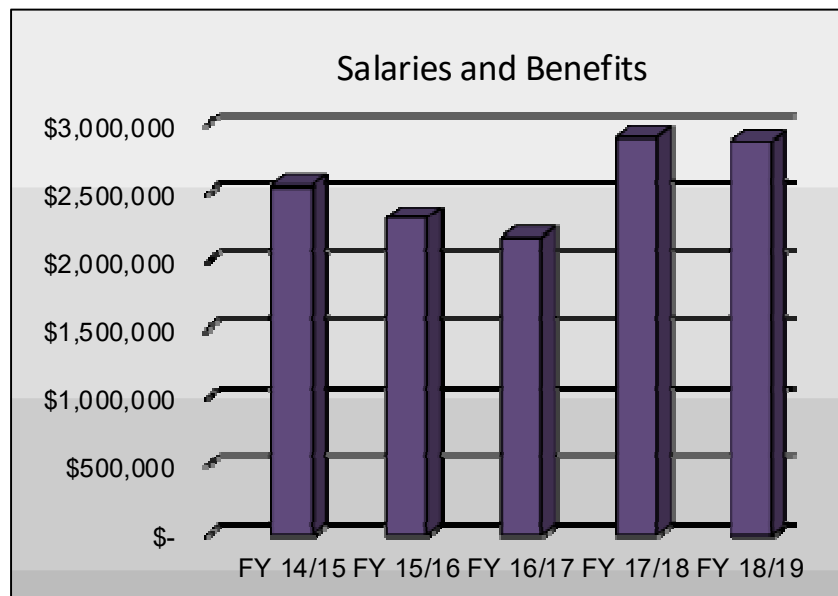
Condensed Statement of Revenues, Expenses, and Changes in Net Position – Analysis:
(Continued)

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

- Overall operating expenses increased by \$1,036,186, or 10%.
- Cost of purchased water increased \$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 \$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 by \$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 \$570,953, or 28%, primarily due to GASB Statement No. 68 related adjustments as discusses under Salaries and Benefits below.

SALARIES AND BENEFITS

	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Salaries	\$ 1,706,343	\$ 1,762,507	\$ 1,581,048	\$ 1,736,159	\$ 1,827,308
Social Security	127,141	130,554	116,431	129,171	132,540
Employee Retirement - CalPERS	299,473	25,971	88,359	619,792	505,685
Employee Group Insurance	382,180	358,019	359,155	391,084	377,233
Deferred Compensation	35,951	37,056	32,986	33,713	34,558
Total	\$ 2,551,088	\$ 2,314,107	\$ 2,177,979	\$ 2,909,919	\$ 2,877,324



Analysis of Changes in Salaries and Benefits from June 30, 2018 to June 30, 2019:

Salaries and benefits expenses decreased \$26,436, or 1%, primarily due to a GASB Statement No. 68 related decrease in unfunded pension liabilities of \$131,219 offset by an increase in employer retirement contribution rates and a 3.33% cost of living adjustment.

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

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

Salaries and benefits expenses increased \$745,281, 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, 2018 to June 30, 2019:

Non-operating expenses of \$1,382,240 consisted primarily of interest expense of \$1,683,953 partially offset by \$301,713 of interest revenue.

Capital contributions of \$105,738 consisted entirely of customer-funded extensions to water service line installations and upgrades and fire hydrant installations.

Infrequent and unusual income of \$112,314 arose from FEMA reimbursements for damages from the Thomas Fire of December 2017 and the subsequent debris flows in January 2018.

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

Non-operating expenses of \$1,227,158 consisted primarily of interest expense of \$1,378,462 partially offset by \$151,304 of interest revenue.

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

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

BASIC FINANCIAL STATEMENTS

**CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,129,201	\$ 12,394,603
Restricted - cash and cash equivalents	1,233,414	1,771,915
Accounts receivable - water sales and services, net	1,423,036	1,255,170
Accounts receivable - other	208,738	562,834
Materials and meters	152,578	116,146
Water-in-storage inventory	349,416	192,176
Prepaid expenses	4,027,587	3,933,832
Deposits with CCWA	945,909	930,001
	20,469,879	21,156,677
NON-CURRENT ASSETS		
Restricted cash and investments	503,965	460,094
	503,965	460,094
CAPITAL ASSETS		
Property and equipment	65,315,789	63,359,060
Less: accumulated depreciation	(26,960,165)	(25,202,445)
Land and land improvements	1,034,008	1,034,008
Construction in process	2,352,250	1,780,291
Capacity rights, net of amortization	4,608,777	5,010,334
Capital leases, net of amortization	336,897	63,621
Intangible assets, net of amortization	99,236	112,372
	46,786,792	46,157,241
Total Non-Current Assets	47,290,757	46,617,335
Total Assets	67,760,636	67,774,012
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension cost	1,106,000	1,098,320
Deferred OPEB	17,761	18,774
Deferred loss on refunding	390,220	423,702
	1,513,981	1,540,796

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION (Continued)
JUNE 30, 2019 AND 2018**

	2019	2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,295,344	1,103,582
Customer deposits	166,397	181,251
Interest payable	282,300	268,198
Advances for construction	598,698	499,214
Current portion of long-term debt	1,844,049	1,518,736
Total Current Liabilities	4,186,788	3,570,981
NON-CURRENT LIABILITIES		
Long-term liabilities		
Compensated absences payable	402,265	371,239
Capital Leases	297,721	64,426
Cater Treatment Plan Expansion Project financing agreement	1,203,511	1,405,615
Department of Water Resources loan contracts	5,192,072	5,643,478
Revenue Certificates of Participation Series 2010A	15,207,718	14,274,485
Revenue Bonds 2016A	8,010,287	8,860,309
Siemens Master Lease purchase agreement	5,870,109	6,240,612
Net pension liability	3,540,891	3,672,110
Net OPEB liability	681,692	645,559
Total Non-Current Liabilities	40,406,266	41,177,833
Total Liabilities	44,593,054	44,748,814
DEFERRED INFLOWS OF RESOURCES		
Deferred pension cost	330,168	117,925
Deferred other	124,869	-
Total Deferred Inflows of Resources	455,037	117,925
Total Liabilities and Deferred Inflows of Resources	45,048,091	44,866,739
NET POSITION		
Net investment in capital assets	9,621,800	9,257,196
Restricted for debt service	1,737,379	1,548,900
Unrestricted	12,867,347	13,641,973
Total Net Position	\$ 24,226,526	\$ 24,448,069

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
OPERATING REVENUES		
Water sales	\$ 12,744,079	\$ 12,432,870
Capital recovery fees	715,610	104,343
Fire protection	304,357	287,878
Other revenues	279,892	337,195
	<u>14,043,938</u>	<u>13,162,286</u>
OPERATING EXPENSES		
CCWA source of supply	3,253,634	3,137,008
Cost of purchased water	1,163,838	637,179
Cachuma operating expense	825,505	550,238
Pumping expense	386,990	368,111
Water treatment	1,227,394	1,088,862
Transmission and distribution	1,236,637	1,196,620
Customer accounting and service	56,131	37,088
General and administrative	2,575,356	2,631,700
Amortization	614,385	610,803
Depreciation	1,807,714	1,616,085
Overhead charged to customers	(46,291)	(11,506)
	<u>13,101,293</u>	<u>11,862,188</u>
Operating income	<u>942,645</u>	<u>1,300,098</u>
NON-OPERATING REVENUE (EXPENSE)		
Investment income	301,713	151,304
Interest expense	(1,683,953)	(1,378,462)
	<u>(1,382,240)</u>	<u>(1,227,158)</u>
Total non-operating revenue (expense), net		
	<u>(439,595)</u>	<u>72,940</u>
CAPITAL CONTRIBUTIONS		
Capital contributions	105,738	14,072
	<u>105,738</u>	<u>14,072</u>
Total capital contributions		
	<u>105,738</u>	<u>14,072</u>
INFREQUENT INCOME (EXPENSE)		
Infrequent or unusual income/(expenses), net	112,314	(125,148)
	<u>112,314</u>	<u>(125,148)</u>
Total infrequent income (expense)		
	<u>112,314</u>	<u>(125,148)</u>
DECREASE IN NET POSITION	(221,543)	(38,136)
NET POSITION, BEGINNING OF YEAR	24,448,069	29,795,485
Prior period adjustment	-	(5,309,280)
	<u>24,448,069</u>	<u>24,486,205</u>
ADJUSTED NET POSITION		
	<u>24,448,069</u>	<u>24,486,205</u>
NET POSITION, END OF YEAR	<u>\$ 24,226,526</u>	<u>\$ 24,448,069</u>

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 14,355,037	\$ 13,141,477
Cash payments to suppliers for goods and services	(7,795,401)	(6,834,682)
Cash payments to employees for services	(2,756,878)	(2,653,223)
	3,802,758	3,653,572
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	6,468,656
Repayments of long-term debt	(1,567,812)	(1,023,176)
Interest payments	(736,618)	(477,959)
Capital assets purchased	(2,724,962)	(6,997,885)
Investment in water facilities	33,482	(187,168)
Infrequent and unusual expenses	112,314	(125,148)
	(4,883,596)	(2,342,680)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	19,093	3,013
Interest received	301,713	151,304
	320,806	154,317
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(760,032)	1,465,209
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,626,612	13,161,403
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,866,580	\$ 14,626,612
Reconciliation of cash and cash equivalents to statement of net position:		
Unrestricted cash and cash equivalents	\$ 12,129,201	\$ 12,394,603
Restricted cash and investments - current	1,233,414	1,771,915
Restricted cash and investments - non-current	503,965	460,094
	\$ 13,866,580	\$ 14,626,612
TOTAL CASH AND CASH EQUIVALENTS	\$ 13,866,580	\$ 14,626,612

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 942,645	\$ 1,300,098
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,807,714	1,515,249
Amortization	607,637	597,518
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	186,230	(15,387)
Inventories	(193,672)	(52,570)
Prepaid expenses	(93,755)	(317,140)
Deposit with CCWA	(15,908)	(5,422)
Deferred outflows of resources	(6,667)	(103,539)
Increase (decrease) in liabilities:		
Accounts payable	191,762	107,482
Customer deposits	(14,854)	18,967
Compensated absences	50,116	(11,052)
OPEB benefits payable	36,133	27,505
Deferred inflows of resources	337,112	(47,209)
Net pension	(131,219)	371,231
Advances for construction	99,484	267,841
	\$ 3,802,758	\$ 3,653,572
NET CASH PROVIDED BY OPERATING ACTIVITIES		
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Capital Contributions	\$ 105,738	\$ 14,072
Disposition of Assets	\$ 15,523	\$ 678
Capitalized Interest on Capital Asset Additions	\$ 70,519	\$ 11,661
Accretion of Interest on 2010A Capital Appreciation Bonds	\$ 933,233	\$ 875,917

See accompanying notes to the basic financial statements.

**CARPINTERIA VALLEY WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

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 (the Board) 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, 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.

Restricted net position exists 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 \$112,317 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 income/expenses as of June 30, 2019 and 2018, were \$112,314 and \$(125,148), respectively.

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. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for the reporting periods beginning after June 15, 2018. There was no impact on the basic financial statements due to the implementation of this statement.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Implementation of New Accounting Pronouncements (Continued)

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. There was no impact on the basic 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. 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. 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.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for periods beginning after December 15, 2020. The District has not fully judged the effect of implementation of GASB Statement No. 91 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.

Changes in Presentation of Comparative Statements

Certain amounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Cash on in banks and in hand	\$ 2,326,589	\$ 3,300,091
Cash with fiscal agent	932,750	757,944
Local Agency Investment Fund (LAIF)	<u>10,607,241</u>	<u>10,568,577</u>
Total cash and investments	<u>\$ 13,866,580</u>	<u>\$ 14,626,612</u>

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 Federal Deposit Insurance Corporation (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, 2019 and 2018.

2019		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	\$ 932,750	\$ 932,750	\$ -	\$ -	\$ -	\$ -
Local Agency Investment Fund	10,607,241	10,607,241	-	-	-	-
Total	\$ 11,539,991	\$ 11,539,991	\$ -	\$ -	\$ -	\$ -

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, 2019 and 2018, for each investment type.

2019		Rating as of Fiscal Year End				
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	AAA	AA-	BB-
Cash with fiscal agent	\$ 932,750	Not rated	\$ -	\$ 932,750	\$ -	\$ -
Local Agency Investment Fund	10,607,241	Not rated	10,607,241	-	-	-
Total	\$ 11,539,991		\$ 10,607,241	\$ 932,750	\$ -	\$ -

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

2018 Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year End		
				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	\$ -	\$ -

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 FDIC 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 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, 2019 and 2018.

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted for capital improvements	\$ 590	\$ 683,109
Restricted for debt service payments	<u>1,736,789</u>	<u>1,548,900</u>
Total restricted assets	<u>\$ 1,737,379</u>	<u>\$ 2,232,009</u>
Restricted cash and investments - current	\$ 1,233,414	\$ 1,771,915
Restricted cash and investments - non-current	<u>503,965</u>	<u>460,094</u>
Total restricted assets	<u>\$ 1,737,379</u>	<u>\$ 2,232,009</u>

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets, as well as depreciation and amortization, for the fiscal year ended June 30, 2019, is shown below:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Capital Assets, Non-Depreciable:					
Land and land improvements	\$ 1,034,008	\$ -	\$ -	\$ -	\$ 1,034,008
Construction-in-process	<u>1,780,291</u>	<u>2,457,537</u>	<u>-</u>	<u>(1,885,578)</u>	<u>2,352,250</u>
Total Capital Assets, Non-Depreciable	<u>2,814,299</u>	<u>2,457,537</u>	<u>-</u>	<u>(1,885,578)</u>	<u>3,386,258</u>
Depreciable Capital Assets:					
Buildings	871,948	-	-	929,238	1,801,186
Improvements other than buildings	458,026	-	-	-	458,026
Furnishings, machinery, and equipment	1,871,459	-	(42,854)	95,402	1,924,007
Transmission and distribution system	7,933,860	97,859	-	388,105	8,419,824
Wells and water treatment infrastructure	12,315,238	-	(26,234)	376,290	12,665,294
Water storage infrastructure	29,648,138	-	-	96,543	29,744,681
Water delivery infrastructure	10,260,391	42,380	-	-	10,302,771
Capacity rights	13,169,687	170,053	-	-	13,339,740
Capital leases	63,621	296,166	-	-	359,787
Intangible assets	<u>362,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,336</u>
Total Depreciable Capital Assets	<u>76,954,704</u>	<u>606,458</u>	<u>(69,088)</u>	<u>1,885,578</u>	<u>79,377,652</u>
Capital Assets Accumulated Depreciation/Amortization:					
Buildings	(780,327)	(26,536)	-	-	(806,863)
Improvements other than buildings	(210,392)	(29,295)	-	-	(239,687)
Furnishings, machinery, and equipment	(1,740,070)	(45,125)	42,854	-	(1,742,341)
Transmission and distribution system	(5,101,172)	(146,213)	-	-	(5,247,385)
Wells and water treatment infrastructure	(5,051,530)	(375,746)	7,141	-	(5,420,135)
Water storage infrastructure	(9,387,971)	(819,904)	-	-	(10,207,875)
Water delivery infrastructure	(2,930,983)	(364,896)	-	-	(3,295,879)
Capacity rights	(8,159,353)	(571,610)	-	-	(8,730,963)
Capital leases	-	(22,890)	-	-	(22,890)
Intangible assets	<u>(249,964)</u>	<u>(13,136)</u>	<u>-</u>	<u>-</u>	<u>(263,100)</u>
Total Accumulated Depreciation/Amortization	<u>(33,611,762)</u>	<u>(2,415,351)</u>	<u>49,995</u>	<u>-</u>	<u>(35,977,118)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 43,342,942</u>	<u>\$ (1,808,893)</u>	<u>\$ (19,093)</u>	<u>\$ 1,885,578</u>	<u>\$ 43,400,534</u>
Capital Assets, Net	<u>\$ 46,157,241</u>	<u>\$ 648,644</u>	<u>\$ (19,093)</u>	<u>\$ -</u>	<u>\$ 46,786,792</u>

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation and amortization expense for the fiscal year ended June 30, 2019, was \$2,415,351.

A schedule 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
Capital Assets Accumulated					
Depreciation/Amortization:					
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)
Total Capital Assets, Being Depreciated, Net	\$ 39,516,752	\$ 3,561,258	\$ (155,305)	\$ 420,237	\$ 43,342,942
Capital Assets, Net	\$ 40,990,917	\$ 5,406,067	\$ (239,743)	\$ -	\$ 46,157,241

Depreciation and amortization expense for the fiscal year ended June 30, 2018, was \$2,142,001.

NOTE 5 – LONG-TERM DEBT

Long-term debt of the District for the fiscal years ended June 30, 2019 and 2018, are as follows:

	Balance June 30, 2018	Additions	Retirements/ Amortizations	Balance June 30, 2019	Due Within One Year
Series 2010A Certificates of Participation	\$ 8,475,844	\$ -	\$ -	\$ 8,475,844	\$ -
Accreted Interest	5,798,641	933,233	-	6,731,874	-
Total Series 2010A Certificates of Participation	14,274,485	933,233	-	15,207,718	-
Series 2016A Refunding Revenue Bonds	8,060,000	-	(600,000)	7,460,000	750,000
Unamortized Bond Premium	1,500,331	-	(100,022)	1,400,309	100,022
Total Series 2016A Refunding Revenue Bonds	9,560,331	-	(700,022)	8,860,309	850,022
Department of Water Resources Loan Contracts	6,083,749	-	(440,271)	5,643,478	451,406
Cater Treatment Plant Financing Agreement	1,504,849	-	(199,675)	1,305,174	101,663
Siemens Master Lease Purchase Agreement	6,468,656	-	(227,844)	6,240,812	370,703
Compensated Absences	422,404	290,149	(240,033)	472,520	70,255
Long-Term Debt	<u>\$ 38,314,474</u>	<u>\$ 1,223,382</u>	<u>\$ (1,807,845)</u>	<u>\$ 37,730,011</u>	<u>\$ 1,844,049</u>
	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	<u>\$ 32,004,129</u>	<u>\$ 7,573,858</u>	<u>\$ (1,263,513)</u>	<u>\$ 38,314,474</u>	<u>\$ 1,518,682</u>

NOTE 5 – LONG-TERM DEBT (Continued)

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.

Prior to the maturity date, the 2010A COPs will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. At June 30, 2019, \$6,731,874 in accreted interest has been accrued and included in long-term debt for the 2010A COPs.

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, 2019 and 2018, there was \$0 of defeased Series 2006A Refunded Certificates outstanding, to be paid from escrow funds.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	439,912	440,088	880,000
2024	424,342	485,658	910,000
2025-2029	2,831,582	4,968,418	7,800,000
2030-2034	3,418,381	10,291,619	13,710,000
2035-2036	<u>1,361,627</u>	<u>5,848,373</u>	<u>7,210,000</u>
	<u>\$ 8,475,844</u>	<u>\$ 22,034,156</u>	<u>\$ 30,510,000</u>

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.

NOTE 5 – LONG-TERM DEBT (Continued)

Revenues of Certificates of Participation and Bonds (Continued)

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:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	480,000	238,750	718,750
2025-2029	2,575,000	810,875	3,385,875
2030-2033	<u>1,960,000</u>	<u>186,000</u>	<u>2,146,000</u>
	<u>\$ 7,460,000</u>	<u>\$ 2,448,500</u>	<u>\$ 9,908,500</u>

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:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	498,832	91,588	590,420
2025-2029	2,689,892	262,205	2,952,097
2030-2033	<u>579,472</u>	<u>10,945</u>	<u>590,417</u>
	<u>\$ 5,643,478</u>	<u>\$ 851,133</u>	<u>\$ 6,494,611</u>

NOTE 5 – LONG-TERM DEBT (Continued)

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.

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

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 101,663	\$ 30,610	\$ 132,273
2021	207,056	25,597	232,653
2022	212,132	20,456	232,588
2023	217,337	15,186	232,523
2024	222,674	9,783	232,457
2025-2028	<u>344,312</u>	<u>4,242</u>	<u>348,554</u>
	<u>\$ 1,305,174</u>	<u>\$ 105,874</u>	<u>\$ 1,411,048</u>

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%.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 370,703	\$ 167,974	\$ 538,677
2021	381,013	157,664	538,677
2022	391,610	147,068	538,678
2023	402,500	136,178	538,678
2024	413,693	124,984	538,677
2024-2029	2,247,576	445,810	2,693,386
2030-2033	<u>2,033,717</u>	<u>120,992</u>	<u>2,154,709</u>
	<u>\$ 6,240,812</u>	<u>\$ 1,300,670</u>	<u>\$ 7,541,482</u>

NOTE 5 – LONG-TERM DEBT (Continued)

Siemens Master Lease Purchase Agreement (Continued)

As of June 30, 2019, the meter replacement phase of the project was 98% complete, the LED lighting retrofit and solar carport phases of the project were 100% complete, and the connected grid routers and phase 2 engineering component was 50% complete.

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	Buildings	886,000
Connected Grid Routers & Phase 2 Eng.	N/A (Work in Process)	155,920
Total Master Lease Purchased Assets		<u>\$ 6,468,656</u>

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, 2019, 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, 2018, 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 fiscal years ended June 30, 2019 and 2018, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan	
	June 30, 2019	June 30, 2018
Contributions - Employer	\$ 429,354	\$ 379,661

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, 2019 and 2018, 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	
	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Miscellaneous	\$ 3,540,891	\$ 3,672,110

For the fiscal year ended June 30, 2019, the net pension liability of all of the Plans is measured as of June 30, 2018, 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, 2017, rolled forward to June 30, 2018, 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 fiscal 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.

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, 2018 and 2017, was as follows:

	<u>Fiscal Year Ended June 30, 2019</u>		<u>Fiscal Year Ended June 30, 2018</u>
	<u>Miscellaneous</u>		<u>Miscellaneous</u>
Proportion - June 30, 2018	0.09315%	Proportion - June 30, 2017	0.09502%
Proportion - June 30, 2019	<u>0.09395%</u>	Proportion - June 30, 2018	<u>0.09315%</u>
Change - Increase (Decrease)	<u><u>-0.00080%</u></u>	Change - Increase (Decrease)	<u><u>0.00187%</u></u>

For the fiscal years ended June 30, 2019 and 2018, the District recognized pension expense of \$476,471 and \$595,505, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 429,354	\$ -	\$ 379,661	\$ -
Differences Between Actual and Expected Experience	135,858	(46,232)	3,833	(54,915)
Changes in Assumptions	403,671	(98,932)	475,588	(36,264)
Change in Employer's Proportion and Differences between Projected and Actual Earnings	119,612	(185,004)	131,679	(26,746)
Net Differences Between Projected and Actual Earnings on Plan Investments	<u>17,505</u>	<u>-</u>	<u>107,558</u>	<u>-</u>
Total	<u><u>\$ 1,106,000</u></u>	<u><u>\$ (330,168)</u></u>	<u><u>\$ 1,098,319</u></u>	<u><u>\$ (117,925)</u></u>

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

During the fiscal year ended June 30, 2018, \$379,661 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, 2019, \$429,354 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:

Fiscal Year Ending June 30,		
2020	\$	336,529
2021		184,885
2022		(143,087)
2023		(31,849)
Thereafter		<u>-</u>
Total	\$	<u>346,478</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Fiscal Year Ended June 30, 2019</u>	<u>Fiscal Year Ended June 30, 2018</u>
	<u>Miscellaneous</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service ⁽¹⁾	Varies by Entry Age and Service ⁽¹⁾
Investment Rate of Return	7.15% ⁽²⁾	7.15% ⁽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 2.50% until Purchasing PowerProtection Allowance Floor on Purchasing Power applies, 2.50% thereafter.	Contract cost of living adjustment up to 2.75% until Purchasing PowerProtection 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, 2018 and 2017 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 fiscal year ended June 30, 2019, 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.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2019 and 2018, respectively.

Asset Class	June 30, 2019			June 30, 2018		
	Net Strategic Allocation	Real Return Years 1 - 10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾	Net Strategic Allocation	Real Return Years 1 - 10 ⁽³⁾	Real Return Years 11+ ⁽⁴⁾
Global Equity	50.00%	4.80%	5.98%	47.00%	4.90%	5.38%
Global Fixed Income	28.00%	1.00%	2.62%	19.00%	0.80%	2.27%
Inflation Sensitive	0.00%	0.77%	1.81%	6.00%	0.60%	1.39%
Private Equity	8.00%	6.30%	7.23%	12.00%	6.60%	6.63%
Real Estate	13.00%	3.75%	4.93%	11.00%	2.80%	5.21%
Infrastructure and Forestland	0.00%	0.00%	0.00%	3.00%	3.90%	5.36%
Liquidity	1.00%	0.00%	-0.92%	2.00%	-0.40%	-0.90%

⁽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 Fiscal Year Ended June 30, 2019		Miscellaneous Plan Fiscal Year Ended June 30, 2018	
1% Decrease	6.15%	1% Decrease	6.15%
Net Pension Liability	\$ 5,158,591	Net Pension Liability	\$ 5,239,784
Current Discount Rate	7.15%	Current Discount Rate	7.15%
Net Pension Liability	\$ 3,540,891	Net Pension Liability	\$ 3,672,110
1% Increase	8.15%	1% Increase	8.15%
Net Pension Liability	\$ 2,205,507	Net Pension Liability	\$ 2,373,735

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, 2018, the following employees were covered by the benefit terms:

Actives and Terminated Vesteds Fully Eligible to Retire	-
Actives and Terminated Vesteds Not Yet Fully Eligible to Retire	18
Retirees	<u>7</u>
Total	<u><u>25</u></u>

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District Board. These contributions are neither mandated nor guaranteed. The District has retained the right to unilaterally modify its payment for retiree health care benefits. For the fiscal years ended June 30, 2019 and 2018, the District contributed \$21,317 and \$19,401, respectively. Employees are not required to contribute to the OPEB Plan.

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

Net OPEB Liability

At June 30, 2019 and 2018, the District reported a net OPEB liability of \$681,692 and \$645,559, respectively. The net OPEB liability was measured as of June 30, 2018, 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, 2019
Measurement 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.

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:

<u>Fiscal Year</u>	<u>Medical</u>	<u>Rx</u>	<u>Dental</u>	<u>Vision</u>
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%
2024+	5.00%	5.00%	5.00%	3.00%

D. Retiree Contributions Trend Rates: N/A.

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

Actuarial Assumptions (Continued)

E. Retirement Rates

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

Age	Service		
	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	0.064%	0.037%
45	0.080%	0.054%
50	0.116%	0.079%
55	0.172%	0.120%
60	0.255%	0.166%

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.

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

Actuarial Assumptions (Continued)

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 retiree's CalPERS benefit.	
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 65 with 20 years of service).

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.

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

Executive Summary

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, 2018.

Net OPEB Liability (NOL)	2019
A. Actives	\$ 410,317
B. Retirees, spouses, and beneficiaries	<u>271,375</u>
C. Total reported	<u>\$ 681,692</u>
Annual Covered Payroll	\$ 1,613,620
NOL as a Percent of Covered Payroll	42.2%
Fiscal Year 2018 Net OPEB Expense	\$ 60,713
Net OPEB Liability (NOL)	2018
A. Actives	\$ 388,568
B. Retirees, spouses, and beneficiaries	<u>256,991</u>
C. Total reported	<u>\$ 645,559</u>
Annual Covered Payroll	\$ 1,543,895
NOL as a Percent of Covered Payroll	41.8%
Fiscal Year 2018 Net OPEB Expense	\$ 57,450

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption were used to set the discount rate. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Changes in the Net OPEB Liability

2019

A. Net OPEB Obligation (NOO), Beginning of Prior Year		\$ 645,559
B. Fiscal Year 2018 OPEB Cost		
1. Annual Required Contribution	\$ 33,895	
2. Interest on Net OPEB Obligation (NOO)	23,555	
3. Adjustment to Annual Required Contribution	<u>-</u>	
4. Total Net OPEB Cost	\$ 57,450	
C. Employer Contributions	\$ 21,317	
D. Transition Amount*		<u>\$ -</u>
E. Net OPEB Liability/(Asset) (NOL) [(A) + (B) + (C) + (D)]		<u><u>\$ 681,692</u></u>

2018

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	<u>(6,789)</u>	
4. Total Net OPEB Cost	\$ 52,704	
C. Employer Contributions	\$ 19,401	
D. Transition Amount*		<u>\$ 393,812</u>
E. Net OPEB Liability/(Asset) (NOL) [(A) + (B) + (C) + (D)]		<u><u>\$ 645,559</u></u>

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

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate:

I. Change in Healthcare Trend Rate	2019
A. Change in TOL for a 1% Increase	
1. Dollar	\$ 43,314
2. Percent	6.4%
B. Change in TOL for a 1% Decrease	
1. Dollar	\$ (37,627)
2. Percent	-5.5%
II. Change in Discount Rate	
A. Change in TOL for a 1% Increase	
1. Dollar	\$ (78,728)
2. Percent	-11.5%
B. Change in TOL for a 1% Decrease	
1. Dollar	\$ 92,591
2. Percent	13.6%
I. Change in Healthcare Trend Rate	2018
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 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB**

For the fiscal years ended June 30, 2019 and 2018, the District recognized OPEB expense of \$60,713 and \$57,450, respectively. As of fiscal years ended June 30, 2019 and 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions Subsequent to Measurement Date	\$ 17,761	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>-</u>	<u>-</u>
Total	<u>\$ 17,761</u>	<u>\$ -</u>
2018	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB Contributions Subsequent to Measurement Date	\$ 18,774	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>-</u>	<u>-</u>
Total	<u>\$ 18,774</u>	<u>\$ -</u>

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 fiscal years ended June 30, 2019 and 2018, were \$34,558 and \$33,713, 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, 2019.

<u>Leased Asset</u>	<u>Acquisition Fiscal Year</u>	<u>Present Value of Lease Payments at Lease Inception</u>	<u>Implied Interest</u>	<u>Amount Representing Interest</u>	<u>Total Lease Payments At Inception</u>	<u>Remaining Lease Payments as of June 30, 2019</u>
Mail Equipment	FY 2016	17,549	3%	1,438	18,987	7,489
Fleet Vehicles	FY 2018	44,889	3%	3,356	48,245	35,693
Copier	FY 2019	42,316	3%	3,281	45,597	41,367
Fleet Vehicles	FY 2019	262,466	3%	16,813	279,280	213,172

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 Cachuma Project Authority (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 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 \$61,888 and \$61,398 to ACWA/JPIA for property and liability insurance, and \$20,240 and \$28,588 for workers' compensation during the fiscal years ended June 30, 2019 and 2018, 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 CCWA 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 has 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:

<u>Fiscal Year Ending June 30,</u>	<u>Fixed Costs</u>	<u>Variable Costs</u>	<u>Debt Service</u>	<u>Total</u>
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
2024	-	-	-	-
Thereafter (through 2035)	<u>34,192,848</u>	<u>-</u>	<u>-</u>	<u>34,192,848</u>
Total	<u>\$ 44,421,217</u>	<u>\$ 2,926,352</u>	<u>\$ 3,128,742</u>	<u>\$ 50,476,311</u>

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 fiscal year ended June 30, 2015. As of June 30, 2019 and 2018, the District's portion of the expenditures incurred amounted to approximately \$4,328,338 and \$4,328,000, respectively.

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 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:

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 28,649
2021	28,649
2022	28,649
2023	28,649
2024	28,649
Thereafter	<u>322,598</u>
Total	<u>\$ 465,843</u>

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 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, 2018, 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.

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 26,206
2021	26,770
2022	27,346
2023	27,935
2024	-
2025-2029	-
2030-2033	-
	<hr/>
Total	<u>\$ 108,257</u>

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

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 10, 2019, the date that the basic 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, 2019
LAST 10 YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability	0.03675%	0.03703%	0.03815%	0.04122%	0.04535%
Proportionate Share of the Net Position Liability	\$ 3,540,891	\$ 3,672,110	\$ 3,300,879	\$ 2,829,302	\$ 2,822,007
Covered-Employee Payroll	\$ 1,783,980	\$ 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	198.48%	221.47%	203.01%	174.52%	174.96%
Plan's Fiduciary Net Position	\$ 8,418,045	\$ 7,725,265	\$ 7,151,600	\$ 7,278,661	\$ 7,148,327
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.39%	67.78%	68.42%	72.01%	75.96%

* Fiscal year 2015 was the 1st year of implementation; therefore, only five 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, 2019
LAST 10 YEARS***

	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	\$ 429,354	\$ 349,270	\$ 344,835	\$ 329,792	\$ 281,838
Contributions in Relation to the Actuarially Determined Contributions	<u>429,354</u>	<u>349,270</u>	<u>344,835</u>	<u>329,792</u>	<u>281,838</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,783,980	\$ 1,658,060	\$ 1,475,024	\$ 1,627,135	\$ 1,557,019
Contributions as a Percentage of Covered-Employee Payroll	24.07%	21.06%	23.38%	20.27%	18.10%

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

Valuation Date July 1, 2017

Fiscal Year Ending June 30, 2019

Measurement 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.

**CARPINTERIA VALLEY WATER DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2019
LAST 10 YEARS***

Valuation Date: June 30, 2017
Measurement Period: June 30, 2018

	Fiscal Year Ended 2019	Fiscal Year Ended 2018
A. Total OPEB Liability, Beginning of Year	\$ 645,559	\$ 179,642
B. Fiduciary Net Position, Beginning of Year	-	-
C. Net OPEB Liability, Beginning of Year	645,559	179,642
1. Service Cost	33,895	45,515
2. Interest Cost	23,555	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	57,450	485,318
9. Employer Contributions	-	19,401
10. Employee Contributions	-	-
11. Benefit Payments	21,317	-
E. Total OPEB Liability, End of Year	681,692	645,559
F. Fiduciary Net Position, End of Year	-	-
G. Net OPEB Liability, End of Year	<u>\$ 681,692</u>	<u>\$ 645,559</u>
H. Annual Covered Payroll	\$ 1,613,620	\$ 1,543,895
I. Net OPEB Liability as % of Annual Covered Payroll	42.25%	41.80%

* Fiscal year 2018 was the 1st year of implementation; therefore, only two years are shown.

Notes to the Schedule:

Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

STATISTICAL SECTION

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**CARINTERIA VALLEY WATER DISTRICT
STATISTICAL SECTION
UNAUDITED**

This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District’s overall financial health.

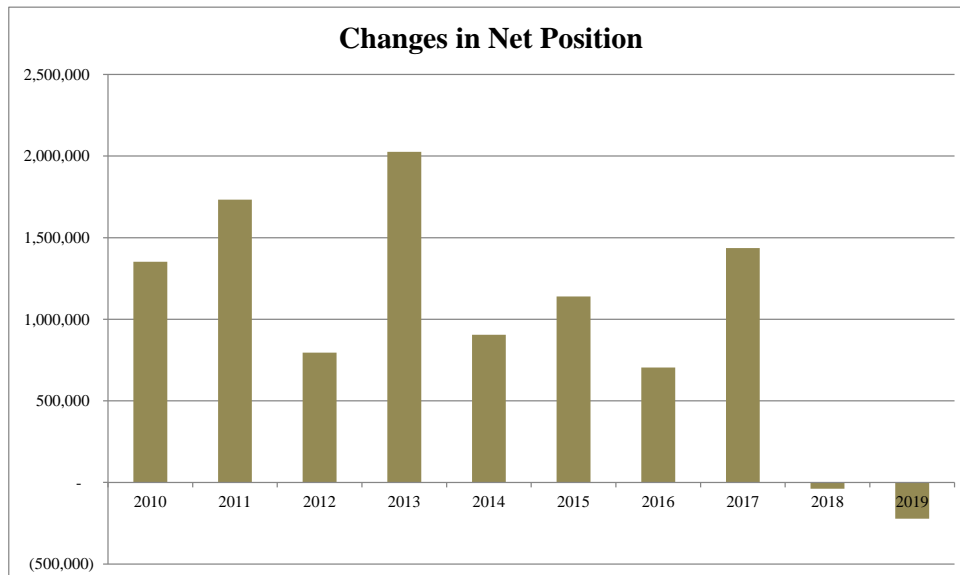
TABLE OF CONTENTS

	<u>Page</u>
Financial Trends	60-64
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	65-67
These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales.	
Debt Capacity	68-69
These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
Demographic Information	70
This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Operating Information	71
This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides.	

Carpinteria Valley Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years
Unaudited

Schedule 1

	Fiscal Year				
	2009-10 ¹	2010-11 ¹	2011-12 ¹	2012-13 ¹	2013-14
Changes in net position					
Operating revenues (see Schedule 2)	\$ 10,431,187	10,266,100	11,180,994	12,004,241	12,135,216
Operating expenses (see Schedule 3)	(7,304,093)	(7,913,220)	(7,995,513)	(7,890,100)	(8,721,459)
Depreciation and amortization	(1,965,499)	(1,837,807)	(1,776,993)	(1,691,401)	(1,814,851)
Operating income (loss)	1,161,595	515,073	1,408,488	2,422,740	1,598,906
Non-operating revenues (expenses)					
Gain from litigation settlement	1,450,000	-	-	-	-
Grant revenue	-	1,913,241	54,761	255,105	24,790
Debt issuance costs	(376,036)	-	-	-	-
Interest income	47,334	55,294	52,416	33,394	26,484
Interest expense	(943,470)	(782,159)	(730,862)	(737,289)	(774,035)
Infrquent or unusual revenues (expenses), net	-	-	-	-	-
Net non-operating revenues (expenses)	177,828	1,186,376	(623,685)	(448,790)	(722,761)
Excess (deficiency) before capital contributions	1,339,423	1,701,449	784,803	1,973,950	876,145
Capital contributions	12,995	31,095	11,274	52,410	29,272
Increase (decrease) in net position	\$ 1,352,418	1,732,544	796,077	2,026,360	905,417
Net assets by components					
Net Investment in capital assets	\$ 8,512,575	11,096,771	10,587,027	6,396,644	6,122,173
Restricted for debt service	1,405,686	1,632,053	2,109,456	2,607,682	2,963,713
Unrestricted	14,155,180	13,077,161	13,905,579	19,624,096	20,447,953
Total net assets	\$ 24,073,441	25,805,985	26,602,062	28,628,422	29,533,839



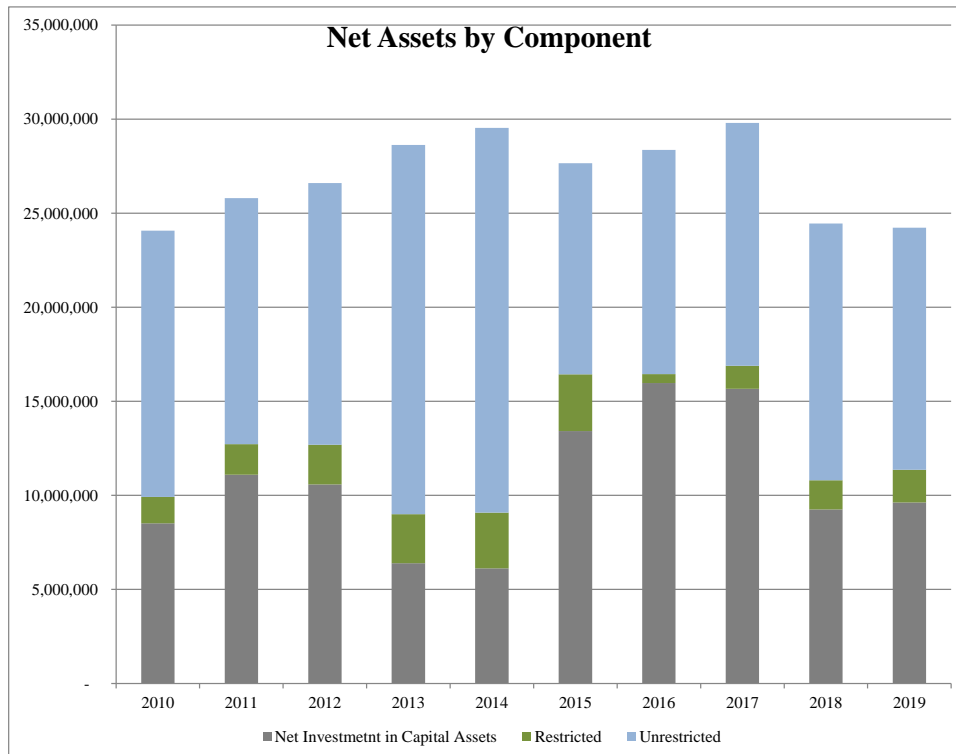
Source: Carpinteria Valley Water District Audited Financial Statements

1. Restated
2. Includes \$(3,018,287) prior period adjustment for implementation of GASB 68.
3. Includes prior period adjustments of \$(4,922,724) for accredited interest on certificates of participation, \$(385,708) for implementation of GASB 75 and \$(848) for implementation of GASB 87.

Schedule 1

(continued)

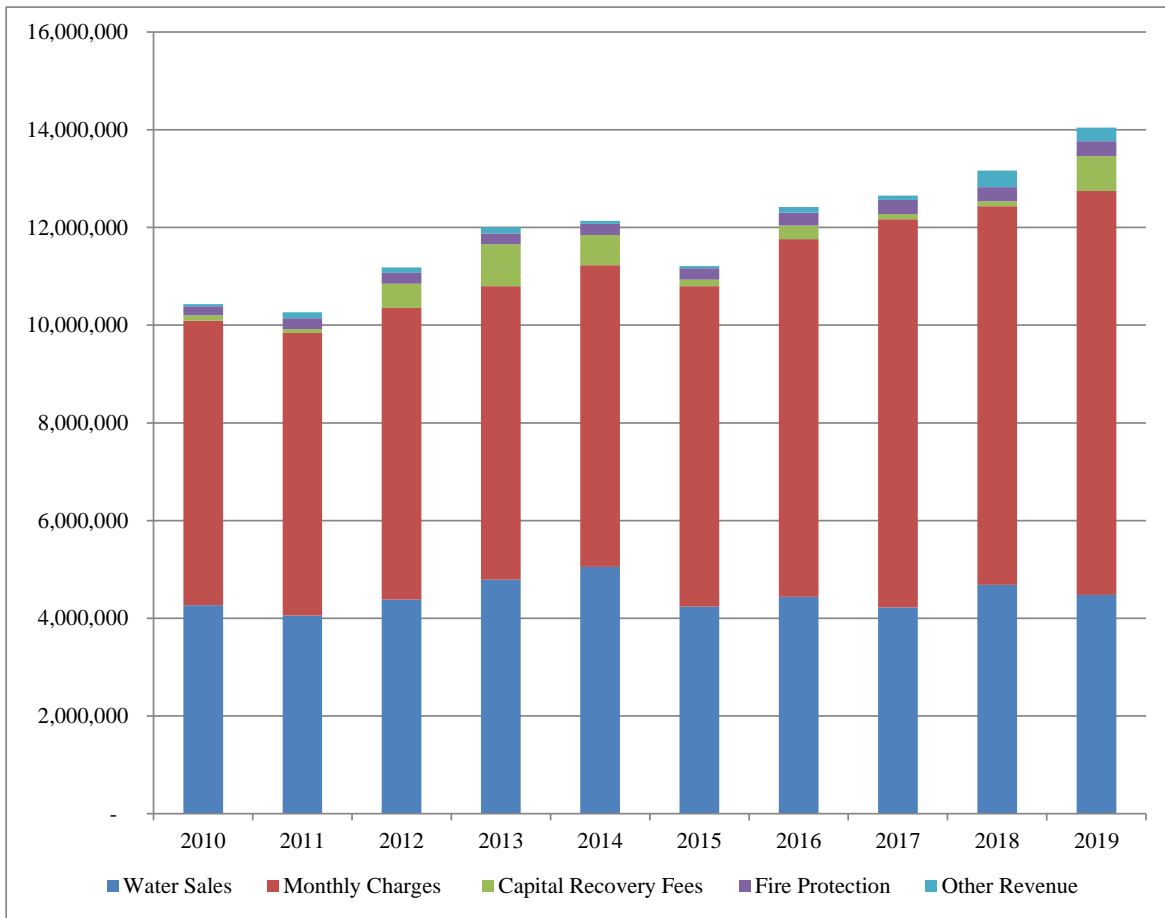
Fiscal Year				
2014-15	2015-16	2016-17	2017-18	2018-19
11,208,421	12,418,906	12,651,107	13,162,286	14,043,938
(8,552,192)	(9,673,251)	(8,746,862)	(9,635,300)	(10,679,194)
<u>(2,014,314)</u>	<u>(2,040,171)</u>	<u>(2,076,140)</u>	<u>(2,226,888)</u>	<u>(2,422,099)</u>
<u>641,915</u>	<u>705,484</u>	<u>1,828,105</u>	<u>1,300,098</u>	<u>942,645</u>
1,061,958	-	-	-	-
-	561,073	-	-	-
-	-	-	-	-
24,178	40,132	75,150	151,304	301,713
(759,393)	(907,548)	(523,377)	(1,378,462)	(1,683,953)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,148)</u>	<u>112,314</u>
<u>326,743</u>	<u>(306,343)</u>	<u>(448,227)</u>	<u>(1,352,306)</u>	<u>(1,269,926)</u>
968,658	399,141	1,379,878	(52,208)	(327,281)
<u>170,777</u>	<u>305,349</u>	<u>56,130</u>	<u>14,072</u>	<u>105,738</u>
<u>1,139,435</u>	<u>704,490</u>	<u>1,436,008</u>	<u>(38,136)</u>	<u>(221,543)</u>
13,423,794	15,976,746	15,661,654	9,257,196	9,621,800
3,017,358	466,938	1,228,519	1,548,900	1,737,379
<u>11,213,835</u>	<u>11,915,793</u>	<u>12,905,312</u>	<u>13,641,973</u>	<u>12,867,347</u>
<u>27,654,987</u> ²	<u>28,359,477</u>	<u>29,795,485</u>	<u>24,448,069</u> ³	<u>24,226,526</u>



**Carpinteria Valley Water District
Operating Revenues by Source
Last Ten Fiscal Years**

Schedule 2

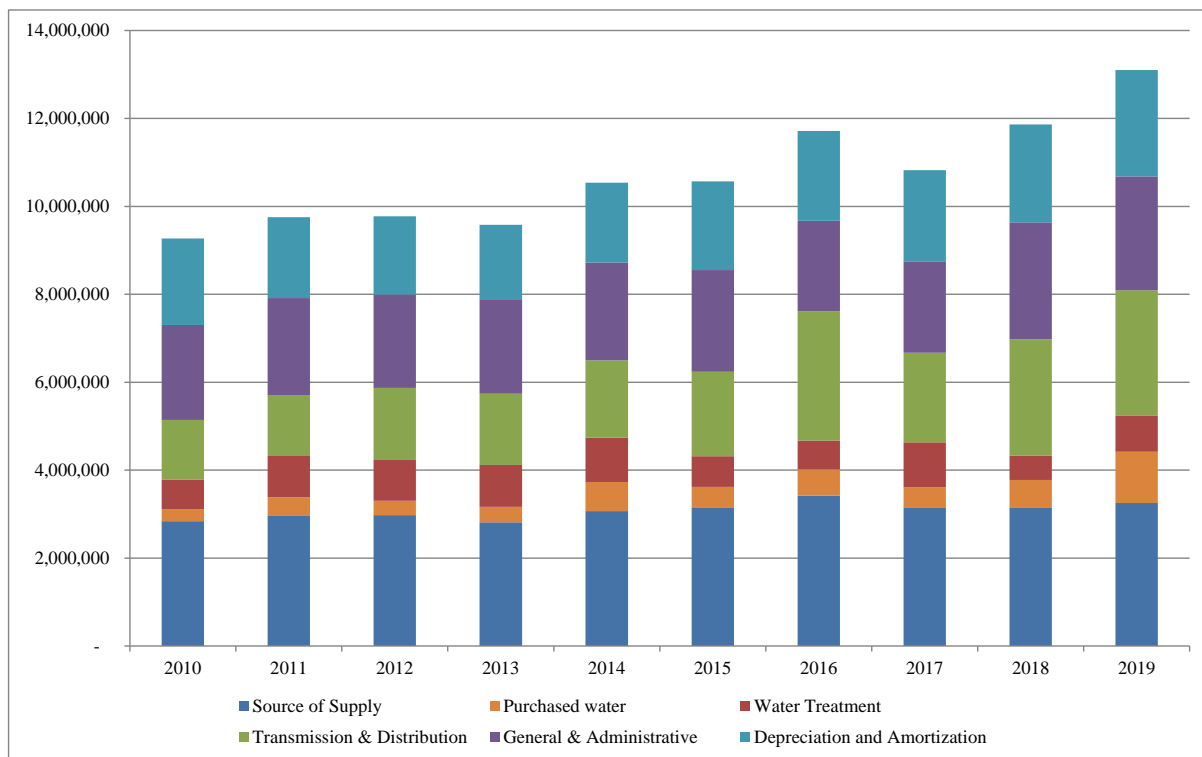
<u>Fiscal Year</u>	<u>Water Sales</u>	<u>Monthly Charges</u>	<u>Capital Recovery Fees</u>	<u>Fire Protection</u>	<u>Other Revenue</u>	<u>Total Operating Revenue</u>
2010	4,266,070	5,823,866	112,454	184,838	43,959	\$ 10,431,187
2011	4,052,622	5,788,269	77,787	224,061	123,361	10,266,100
2012	4,381,982	5,971,245	496,558	221,989	109,220	11,180,994
2013	4,789,302	6,009,332	855,845	221,131	128,631	12,004,241
2014	5,053,939	6,175,236	613,972	228,640	63,429	12,135,216
2015	4,240,727	6,558,986	134,208	231,330	43,170	11,208,421
2016	4,441,318	7,321,249	276,212	260,638	119,489	12,418,906
2017	4,220,286	7,945,453	107,766	291,991	85,611	12,651,107
2018	4,684,665	7,748,205	104,343	287,878	337,195	13,162,286
2019	4,479,130	8,264,949	715,610	304,357	279,892	14,043,938



**Carpinteria Valley Water District
Operating Expenses by Activity
Last Ten Fiscal Years**

Schedule 3

Fiscal Year	Source of Supply ¹	Purchased Water	Water Treatment	Transmission & Distribution	General & Administrative	Depreciation and Amortization ²	Total Operating Expenses
2010	2,840,261	275,957	670,103	1,355,417	2,162,355	1,965,499	\$ 9,269,592
2011	2,971,245	414,717	935,478	1,386,931	2,204,849	1,837,807	9,751,027
2012	2,978,486	323,548	944,251	1,622,755	2,126,473	1,776,993	9,772,506
2013	2,812,371	354,603	949,594	1,623,527	2,150,005	1,691,401	9,581,501
2014	3,066,986	665,351	1,006,344	1,760,849	2,221,929	1,814,851	10,536,310
2015	3,140,228	475,919	698,525	1,924,136	2,313,384	2,014,314	10,566,506
2016	3,419,318	598,379	653,464	2,942,725	2,059,365	2,040,171	11,713,422
2017	3,140,328	465,456	1,026,479	2,039,362	2,075,237	2,076,141	10,823,003
2018	3,137,008	637,179	550,238	2,653,593	2,657,282	2,226,888	11,862,188
2019	3,253,634	1,163,838	825,505	2,851,021	2,585,196	2,422,099	13,101,293



NOTES:

1. Source of supply includes debt service on State Water Project loans.
2. Fiscal years 2010 through 2013 restated.

Carpinteria Valley Water District
Operating Revenues and Expenses as Percent of Total
Last Ten Fiscal Years

Schedule 4

Operating Revenues as Percent of Total

Fiscal Year	Water Sales	Monthly Charge	Capital Recovery Fees	Fire Protection	Other Revenue	Total Operating Revenue
2010	40.9 %	55.8 %	1.1 %	1.8 %	0.4 %	100.0 %
2011	39.5	56.4	0.8	2.2	1.2	100.0
2012	39.2	53.4	4.4	2.0	1.0	100.0
2013	39.9	50.1	7.1	1.8	1.1	100.0
2014	41.6	50.9	5.1	1.9	0.5	100.0
2015	37.8	58.5	1.2	2.1	0.4	100.0
2016	35.8	59.0	2.2	2.1	1.0	100.0
2017	33.4	62.8	0.9	2.3	0.7	100.0
2018	35.6	58.9	0.8	2.2	2.6	100.0
2019	31.9	58.9	5.1	2.2	2.0	100.0

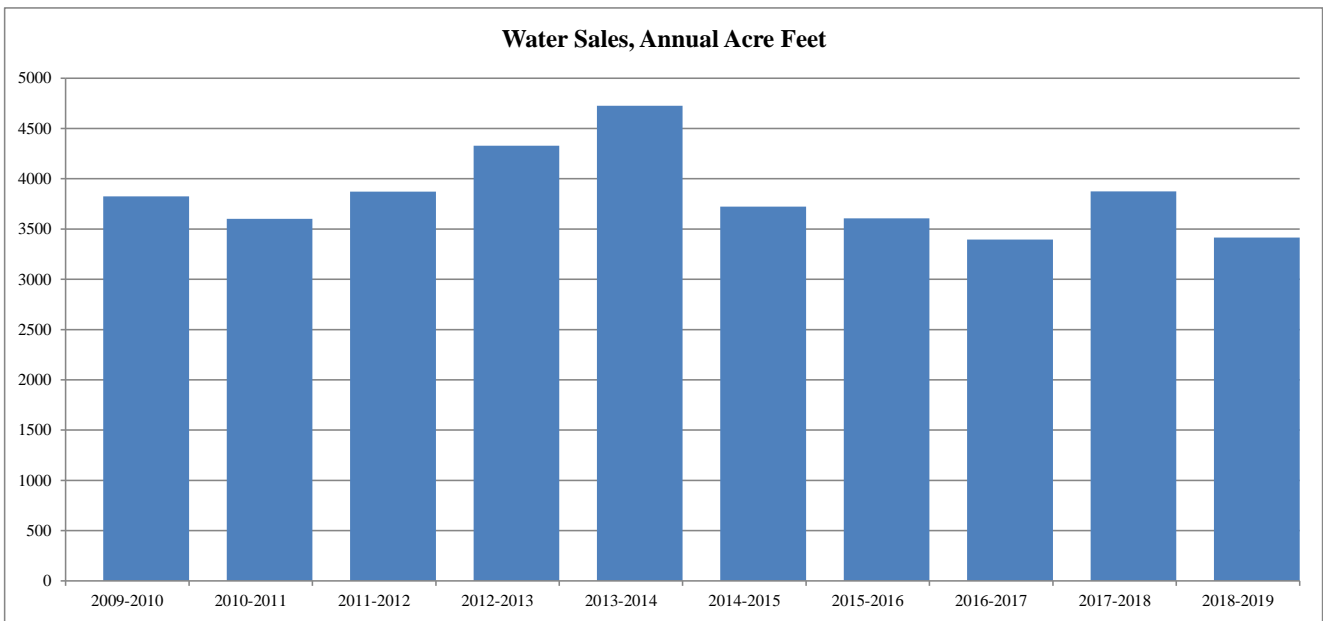
Operating Expenses by Activity as Percent of Total

Fiscal Year	Source of Supply	Purchased Water	Water Treatment	Transmission & Distribution	General & Administrative	Depreciation and Amortization	Total Operating Expenses
2010	30.6 %	3.0 %	7.2 %	14.6 %	23.3 %	21.2 %	100.0 %
2011	30.5	4.3	9.6	14.2	22.6	18.8	100.0
2012	30.5	3.3	9.7	16.6	21.8	18.2	100.0
2013	29.4	3.7	9.9	16.9	22.4	17.7	100.0
2014	29.1	6.3	9.6	16.7	21.1	17.2	100.0
2015	29.7	4.5	6.6	18.2	21.9	19.1	100.0
2016	29.2	5.1	5.6	25.1	17.6	17.4	100.0
2017	29.0	4.3	9.5	18.8	19.2	19.2	100.0
2018	26.4	5.4	4.6	22.4	22.4	18.8	100.0
2019	24.8	8.9	6.3	21.8	19.7	18.5	100.0

**Carpinteria Valley Water District
Revenue Base
Last Ten Fiscal Years**

Schedule 5

<u>Fiscal Year</u>	<u>Water Sales (acre feet)</u>
2009-2010	3,825
2010-2011	3,602
2011-2012	3,873
2012-2013	4,329
2013-2014	4,725
2014-2015	3,723
2015-2016	3,607
2016-2017	3,396
2017-2018	3,874
2018-2019	3,414



Source: *Carpinteria Valley Water District*

**Carpinteria Valley Water District
Revenue Rates
Last Ten Fiscal Years**

Schedule 6

	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 ⁵	2017-18	2018-19
Monthly Service Charges^{1,2}										
Meter Size										
5/8"	29.40	31.23	30.79	30.79	31.37	33.01	37.88	42.83	42.83	43.70
3/4"	29.40	31.23	30.79	30.79	31.37	33.01	37.88	42.83	42.83	43.70
1"	49.00	52.05	51.31	51.31	52.28	55.01	63.13	71.38	71.38	72.83
1 1/2"	98.00	104.10	102.60	102.60	104.55	110.00	126.25	142.75	142.75	145.65
2"	156.80	166.56	164.16	164.16	167.28	176.00	198.72	221.12	228.40	233.04
3"	313.60	333.12	328.32	328.32	334.56	352.00	404.00	456.80	456.80	466.08
4"	490.00	520.50	513.00	513.00	522.75	550.00	631.25	713.75	713.75	728.25
6"	980.00	1,041.00	1,026.00	1,026.00	1,045.50	1,100.00	1,262.50	1,427.50	1,427.50	1,456.50
Water Usage Charges (per HCF)³										
User Type										
Residential										
Base	3.11	3.00	3.00	3.00	3.05	3.22	3.80	4.33	4.33	4.39
Mid	3.85	3.85	3.85	3.85	3.92	4.15	4.95			
Peak	4.32	4.85	4.85	4.85	4.94	5.52	6.90	5.45	5.45	5.53
Commercial/Business										
Base	3.11	3.00	3.00	3.00	3.05	3.22	3.80	4.33	4.33	4.39
Mid	3.85	3.85	3.85	3.85	3.92	4.15	4.95			
Peak	4.32	4.85	4.85	4.85	4.94	5.52	6.90	5.45	5.45	5.53
Agricultural⁴										
Tier 1	1.74	1.70	1.70	1.70	1.72	1.86	2.32	2.61	2.61	2.64
Tier 2						1.92	2.65			3.25
Tier 3						1.99	2.90			

Source: Carpinteria Valley Water District

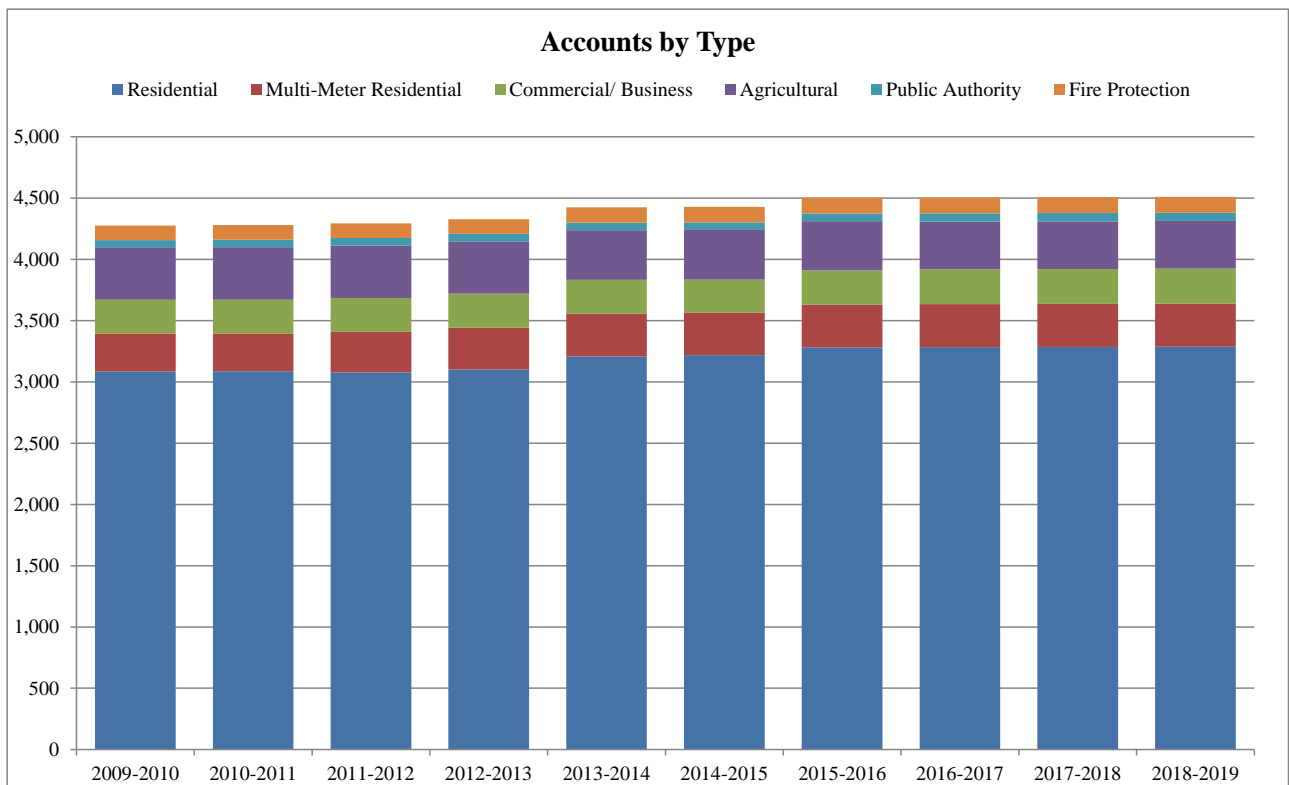
NOTES:

1. Excludes rates for Fire meters.
2. Monthly Service Charges include basic, State Water Project and drought charges, and exclude Capital Improvement Program (CIP) charges. CIP charges are calculated individually based on average usage history, and in fiscal year 2019 ranged from \$17.10 to \$285.00 per month.
3. Water Usage Charges include basic and drought charges.
4. Agricultural tiered rates were implemented 07/01/2014, rescinded 06/30/2016 and reimplemented 07/01/2018.

**Carpinteria Valley Water District
Accounts by Type
Last Ten Fiscal Years**

Schedule 7

Fiscal Year	Residential	Multi-Meter Residential ¹	Commercial/ Business	Agricultural	Public Authority	Fire Protection	Total Accounts
2009-2010	3,085	309	276	428	59	119	4,276
2010-2011	3,086	309	275	429	61	119	4,279
2011-2012	3,077	332	276	428	61	119	4,293
2012-2013	3,101	340	278	427	61	120	4,327
2013-2014	3,207	349	277	404	62	125	4,424
2014-2015	3,218	347	269	406	62	126	4,428
2015-2016	3,281	350	279	401	62	128	4,501
2016-2017	3,283	351	284	389	68	128	4,503
2017-2018	3,286	351	284	389	68	128	4,506
2018-2019	3,287	352	285	389	68	128	4,509



Source: Carpinteria Valley Water District

**Carpinteria Valley Water District
Ratios of Outstanding Debt
Last Ten Fiscal Years**

Schedule 8

Fiscal Year	Loans Payable	Bonds Payable	Notes Payable	Debt	Total	
					Per District Resident ¹	As a Share of Personal Income ²
2009-2010	16,702,455	17,600,844	-	34,303,299	2,214	5.36%
2010-2011	16,105,893	17,385,844	-	33,491,737	2,154	6.77%
2011-2012	15,652,974	17,235,844	-	32,888,818	2,108	6.53%
2012-2013	15,104,367	17,135,844	-	32,240,211	2,060	4.58%
2013-2014	14,538,804	17,030,844	-	31,569,648	2,010	4.22%
2014-2015	13,959,099	16,846,732	-	30,805,831	1,972	3.97%
2015-2016	8,821,990	18,941,219	-	27,763,209	1,775	3.50%
2016-2017	8,212,916	18,486,197	-	26,699,113	1,699	3.29%
2017-2018	14,057,456	22,334,458	-	36,391,914	2,333	6.36%
2018-2019	13,189,456	22,667,718	-	35,857,174	-	-

NOTE:

1. District population is interpolated from data reported by City of Carpinteria and is not available at the time of this report for fiscal year 2018-2019.

2. District personal income is interpolated from data reported by City of Carpinteria and is not available at the time of this report for fiscal year 2018-2019.

**Debt Coverage
Last Ten Fiscal Years**

Schedule 9

Fiscal Year	Operating Revenues	Operating Expenses¹	Net Available Revenues	Debt Service			Coverage Ratio
				Principal²	Interest	Total	
2009-2010	10,431,187	7,304,093	3,127,094	675,752	943,470	1,619,222	1.93
2010-2011	10,266,100	7,913,220	2,352,880	811,562	782,159	1,593,721	1.48
2011-2012	11,180,994	7,995,513	3,185,481	681,989	730,862	1,412,851	2.25
2012-2013	12,004,241	7,890,100	4,114,141	648,606	737,289	1,385,895	2.97
2013-2014	12,135,216	8,721,459	3,413,757	670,563	774,035	1,444,598	2.36
2014-2015	11,208,421	8,552,192	2,656,229	694,705	759,393	1,454,098	1.83
2015-2016	12,418,906	9,673,251	2,745,655	704,206	907,548	1,611,754	1.70
2016-2017	12,651,107	8,746,862	3,904,245	964,075	442,207	1,406,282	2.78
2017-2018	13,162,286	9,635,300	3,526,986	1,023,176	477,959	1,501,135	2.35
2018-2019	14,043,938	10,679,194	3,364,744	1,567,812	736,618	2,304,430	1.46

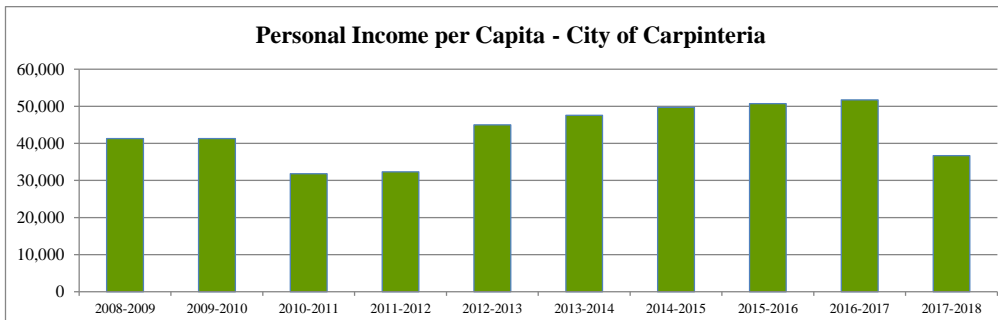
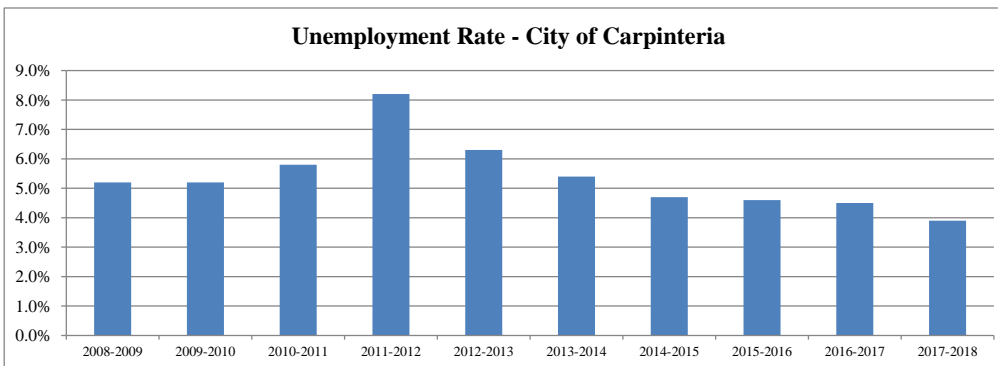
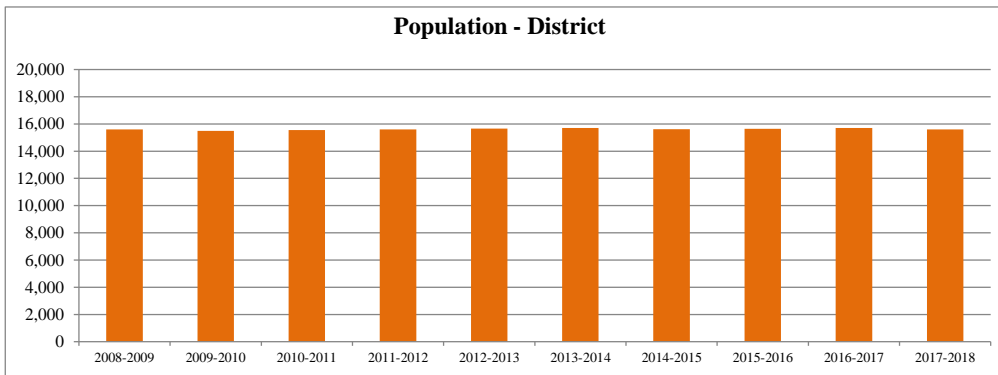
NOTES:

1. Operating expenses exclude depreciation and amortization.
2. Principal payments exclude payments associated with refinancing.

**Carpinteria Valley Water District
Demographics and Economics Statistics
Last Ten Fiscal Years**

Schedule 10

Fiscal Year	District	City of Carpinteria ³			
	Population ²	Population	Unemployment Rate	Personal Income (\$ millions)	Personal Income per Capita
2008-2009	15,597	14,409	5.2%	595.1	41,300
2009-2010	15,494	14,528	5.2%	600.0	41,300
2010-2011	15,547	14,103	5.8%	442.7	31,837
2011-2012	15,600	13,076	8.2%	422.4	32,302
2012-2013	15,653	13,099	6.3%	589.5	45,000
2013-2014	15,706	13,442	5.4%	639.8	47,600
2014-2015	15,619	13,547	4.7%	673.3	49,700
2015-2016	15,644	13,928	4.6%	706.1	50,694
2016-2017	15,711	13,950	4.5%	721.3	51,708
2017-2018 ¹	15,597	13,849	3.9%	508.1	36,690



NOTES:

1. The latest fiscal year for which data is available.
2. District population is estimated based on City of Carpinteria, census and American FactFinder data.
3. City of Carpinteria data is updated annually and is assumed to be representative of the District's conditions and experience.

**Carpinteria Valley Water District
Operating and Capacity Indicators
Last Ten Fiscal Years**

Schedule 11

	Fiscal Year									
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-2017	2017-18	2018-19
Number of Employees	18	18	19	19	20	19	19	20	18	18
Number of Accounts	4,276	4,279	4,293	4,327	4,424	4,428	4,501	4,503	4,506	4,509
Service Area (Acres)	11,288	11,288	11,288	11,288	11,288	11,288	11,288	11,288	11,288	11,288
Population Served ¹	15,494	15,547	15,600	15,653	15,706	15,619	15,644	15,711	15,597	
Miles of Pipeline	79.37	79.48	79.57	81.50	81.51	81.51	82.06	82.06	82.31	82.50
Number of Storage Tanks	4	4	4	4	4	4	4	4	4	4
Gallons of Storage Capacity (millions of gallons)	17.55	17.55	17.55	17.55	17.55	17.55	17.55	17.55	17.55	17.55
Number of Active Wells	2	2	3	3	3	3	3	3	3	3
Number of Treatment Plants	1	1	1	2	2	2	2	2	2	2

Source: Carpinteria Valley Water District

NOTE:

1. Data not available for Fiscal Year 2018-2019.