CARPINTERIA VALLEY WATER DISTRICT

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019

CARPINTERIA VALLEY WATER DISTRICT
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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BROWN ARMSTRONG
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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, 2020 and 2019, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United Stated, 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.

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, 2020 and 2019, 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 50, the California Public Employees' Retirement System – Schedule of Contributions on page 51, and the Other Post-Employment Benefits (OPEB) Plan – Schedule of Changes in Net OPEB Liability and Related Ratios on page 52 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 9, 2020, 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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 9, 2020

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, 2020 and 2019. 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, 2020, the assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by $23,556,797. Of this amount, referred to as net position, $11,651,489, or 49%, 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 $9,799,381, or 42%, or restricted for debt service payments and reserves of $2,105,927 or 9%. At June 30, 2019, unrestricted net position was $12,867,347, or 53%, net investment in capital assets was $9,621,800 or 40%, and restricted net position was $1,737,379, or 7%.

- At the end of fiscal year 2020, the District's net position decreased by $669,729, or 3%, from the prior year. This decrease is primarily due to a decrease in operating revenue of $58,125 or less than 1%, an increase in operating expenses of $22,217, an increase of non-operating expense of $248,011, a decrease in capital contributions of $36,238, and decreased infrequent or unusual net expenses of $83,595 as compared to the fiscal year ended June 30, 2019.

Adopted Financial Accounting Standards

During the fiscal year ended June 30, 2019, the District adopted two new statements of financial accounting standards issued by Governmental Accounting Standards Board (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.

During the fiscal year ended June 30, 2020, the District adopted one new statement of financial accounting standards issued by GASB: Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. There was no impact on the basic financial statements due to the implementation of this standards.

No prior period adjustments were recorded during the fiscal years ended June 30, 2020 and 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, 2020	June 30, 2019	June 30, 2018	% Change FYE 2020 and 2019	% Change FYE 2019 and 2018
Assets:					
Current and other assets	$ 39,365,198	$ 20,973,844	$ 21,616,771	88%	-3%
Capital assets, net of depreciation	45,919,581	46,786,792	46,157,241	-1.9%	1.4%
Total assets	85,284,779	67,760,636	67,774,012	26%	0%
Deferred outflows of resources:	5,147,932	1,513,981	1,540,796	240%	-2%
Liabilities:					
Current liabilities	5,223,109	4,249,210	3,570,981	23%	19%
Long-term liabilities	4,888,199	4,624,848	4,688,908	6%	-1%
Long-term debt	56,352,158	35,718,996	36,488,925	58%	-2%
Total liabilities	66,463,466	44,593,054	44,748,814	49%	0%
Deferred inflows of resources:	412,448	455,037	117,925	-9%	286%
Net position:					
Net investment in capital assets	9,799,381	9,621,800	9,257,196	2%	4%
Restricted net position	2,105,927	1,737,379	1,548,900	21%	12%
Unrestricted	11,651,489	12,867,347	13,641,973	-9%	-6%
Total net position	$ 23,556,797	$ 24,226,526	$ 24,448,069	-3%	-1%

Analysis of Changes in Total Net Position from June 30, 2019 to June 30, 2020:

For the twelve months ended June 30, 2020, the District's total net position decreased by $669,729 or 3% from the prior year. The amount of net investment in capital assets, net of related debt, increased by $177,581 or 2% primarily due to an increase in long-term debt related to refunding bonds (Note 5). Restricted net position increased $368,548, or 21%, primarily due to unexpended refunding bonds proceeds (Note 5). Unrestricted net position, the amount which may be used to meet the District's ongoing obligations, including future capital investments, decreased by $1,215,858 or 9%.

Capital Assets

At June 30, 2020, the District had $45,919,581 invested in net capital assets, including construction in progress. This amount represents a decrease of $867,211 or 2% 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, 2020, 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 projects related to CalTrans overpass water lines and planning for an advanced water purification plant, as well as the construction of a sentry well to monitor for saltwater intrusion into the District's groundwater basins.

Long-Term Liabilities

At the end of the current fiscal year, the District had long-term debt of $56,352,158 which is a net increase of $20,633,162, or 58%, over the fiscal year ended June 30, 2019, primarily due to refunding bonds proceeds received prior to June 30, 2020, but used to pay down long-term debt after June 30, 2020. See Note 5 for additional detailed information about the District's long-term debt.

- In the fiscal year ended June 30, 2020, principal payments on long-term debt were $2,175,290 exclusive of debt retirement (Note 5).

- In the fiscal year ended June 30, 2019, long-term debt decreased by $769,929.

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

	June 30, 2020	June 30, 2019	June 30, 2018	% Change FYE 2020 and 2019	% Change FYE 2019 and 2018
Operating revenues	$ 13,985,813	$ 14,043,938	$ 13,162,286	-0.4%	6.7%
Operating expenses	13,123,510	13,101,293	11,862,188	0.2%	10.4%
Operating income	862,303	942,645	1,300,098	-8.5%	-27.5%
Interest and investment income	295,230	301,713	151,304	-2.1%	99.4%
Interest expense	(1,925,481)	(1,683,953)	(1,378,462)	14.3%	22.2%
Net non-operating income (expense)	(1,630,251)	(1,382,240)	(1,227,158)	17.9%	12.6%
Excess before capital contributions	(767,948)	(439,595)	72,940	74.7%	-702.7%
Capital contributions	69,500	105,738	14,072	-34.3%	651.4%
Infrequent and unusual income	28,719	112,314	43,747	-74.4%	-100.0%
Infrequent and unusual expenses	-	-	(168,895)	0.0%	-100.0%
Change in net position	(669,729)	(221,543)	(38,136)	202.3%	480.9%
Net position, beginning of year, as previously stated	24,226,526	24,448,069	29,795,485	-0.9%	-17.9%
Effect of prior period adjustment	-	-	(5,309,280)	0.0%	-100.0%
Net position, beginning of year	24,226,526	24,448,069	24,486,205	-0.9%	-0.2%
Net position, end of year	$ 23,556,797	$ 24,226,526	$ 24,448,069	-2.8%	-0.9%

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 $69,500 for the fiscal year ended June 30, 2020.

Operating Revenues

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Water Sales and Service Charges	$ 11,762,567	$ 12,165,739	$ 12,432,870	$ 12,744,079	$ 13,331,513
Capital Recovery Fees	276,212	107,766	104,343	715,610	162,058
Fire Protection	260,638	291,991	287,878	304,357	350,605
Other Operating Revenues	119,489	85,611	337,195	279,892	141,637
Total Operating Revenues	$ 12,418,906	$ 12,651,107	$ 13,162,286	$ 14,043,938	$ 13,985,813

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.

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

<u>Analysis of Changes in Operating Revenues from June 30, 2019 to June 30, 2020:</u>

Water sales and service charge revenue increased $587,434, or 5%, in the fiscal year ended June 30, 2020, due to an increase in water sales by 374 acre feet or 11%, as well as rate structure modifications. Capital recovery fees decreased $553,552, or 77%, primarily due to a decrease in residential development projects over the prior year. Other operating revenues decreased $138,255, or 49%, 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 decreased $58,125, or less than 1%.

<u>Analysis of Changes in Operating Revenues from June 30, 2018 to June 30, 2019:</u>

Water sales and service charge revenue increased $311,209 or 3% in 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 7%.

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

<u>Operating Expenses</u>

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.

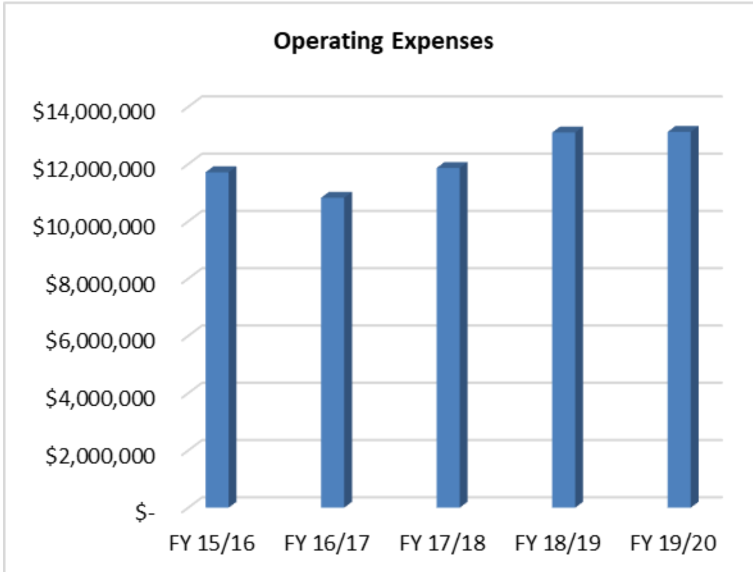
Depreciation and Amortization: Depreciation and amortization of District capital and intangible assets.

Overhead Charged to Customers: Overhead on work orders.

OPERATING EXPENSES

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Cost of Purchased Water	$ 598,379	$ 465,456	$ 637,179	$ 1,163,838	$ 510,007
CCWA Source of Supply	3,419,318	3,140,328	3,137,008	3,253,634	3,763,641
Cachuma Operating Expense	1,255,112	652,983	550,238	825,505	612,055
Pumping Expense	466,868	412,739	368,111	386,990	277,827
Water Treatment	653,464	1,026,479	1,088,862	1,227,394	1,317,448
Transmission and Distribution	1,220,745	973,640	1,196,620	1,236,637	1,227,081
Customer Accounting and Service	63,729	49,083	37,088	56,131	64,980
General and Administrative	2,087,634	2,060,747	2,631,700	2,575,356	2,906,470
Depreciation and Amortization	2,040,171	2,076,141	2,226,888	2,422,099	2,481,806
Overhead Charged to Customers	(91,998)	(34,594)	(11,506)	(46,291)	(37,805)
Total Operating Expenses	$ 11,713,422	$ 10,823,002	$ 11,862,188	$ 13,101,293	$ 13,123,510

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



<u>Analysis of Changes in Operating Expenses from June 30, 2019 to June 30, 2020:</u>

- Overall operating expenses increased by $22,217, or less than 1%.
- Cost of purchased water decreased $653,831, or 56%, primarily due to decreases in water purchased via exchange agreements and decreased DWR variable costs.
- CCWA Source of Supply increased $510,007 or 16% primarily due to increased DWR fixed costs.
- Cachuma operating expense decreased $213,450, or 26%, primarily due to decreases in COMB operating expenses.
- General and Administrative costs increased $331,114 or 13% primarily due to increases in employee retirement and insurance benefit expenses and to increases in professional services and vehicle fleet expenses.

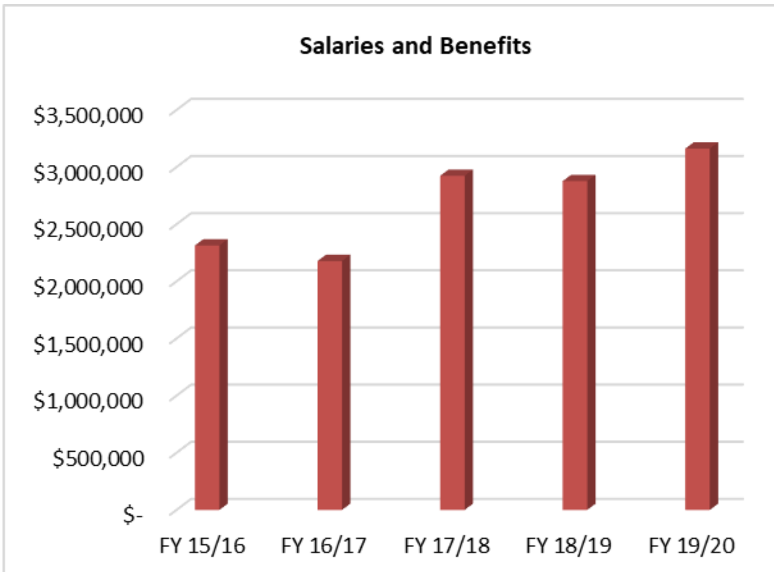
<u>Analysis of Changes in Operating Expenses from June 30, 2018 to June 30, 2019:</u>

- 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 Plan increased per acre foot costs and to 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)

SALARIES AND BENEFITS

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Salaries	$ 1,762,507	$ 1,581,048	$ 1,736,159	$ 1,827,308	$ 1,950,452
Social Security	130,554	116,431	129,171	132,540	143,743
Employee Retirement - CalPERS	25,971	88,359	619,792	505,685	561,893
Employee Group Insurance	358,019	359,155	391,084	377,233	478,991
Deferred Compensation	37,056	32,986	33,713	34,558	36,170
Total	$ 2,314,107	$ 2,177,979	$ 2,909,919	$ 2,877,324	$ 3,171,249



<u>Analysis of Changes in Salaries and Benefits from June 30, 2019 to June 30, 2020:</u>

Salaries and benefits expenses increased $293,925, or 10%, primarily due to a 3.33% cost of living adjustment and increased employee group insurance expenses.

<u>Analysis of Changes in Salaries and Benefits from June 30, 2018 to June 30, 2019:</u>

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

Non-Operating Income and Expenses:

<u>Analysis of Changes in Non-Operating Income (Expenses) from June 30, 2019 to June 30, 2020:</u>

Non-operating expenses of $1,630,251 consisted primarily of interest expense of $1,925,481 partially offset by $295,230 of interest revenue.

Capital contributions of $69,500 consisted entirely of customer-funded extensions to water service line installations and upgrades and fire hydrant installations.

Infrequent and unusual income of $28,719 arose from insurance proceeds for damages from the Thomas Fire of December 2018.

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

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 2018 and the subsequent debris flows in January 2019.

BASIC FINANCIAL STATEMENTS

CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 13,083,151	$ 12,129,201
Restricted - cash and cash equivalents	20,102,213	1,233,414
Accounts receivable - water sales and services, net	1,651,455	1,423,036
Accounts receivable - other	556,448	208,738
Materials and meters	143,291	152,578
Water-in-storage inventory	273,206	349,416
Prepaid expenses	2,598,765	4,027,587
Deposits with CCWA	956,669	945,909
Total Current Assets	39,365,198	20,469,879
NON-CURRENT ASSETS		
Restricted cash and investments	-	503,965
CAPITAL ASSETS		
Property and equipment	66,465,158	65,315,789
Less: accumulated depreciation	(28,765,681)	(26,960,165)
Land and land improvements	1,034,008	1,034,008
Construction in process	2,617,688	2,352,250
Capacity rights, net of amortization	4,226,978	4,608,777
Capital leases, net of amortization	255,330	336,897
Intangible assets, net of amortization	86,100	99,236
Net Capital Assets	45,919,581	46,786,792
Total Non-Current Assets	45,919,581	47,290,757
Total Assets	85,284,779	67,760,636
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension cost	4,791,194	1,106,000
Deferred other post employment benefits (OPEB)	-	17,761
Deferred loss on refunding	356,738	390,220
Total Deferred Outflows of Resources	5,147,932	1,513,981

See accompanying notes to the basic financial statements.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION (Continued)
JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	789,975	1,295,344
Customer deposits	176,654	166,397
Interest payable	425,925	282,300
Advances for construction	1,637,757	598,698
Current portion of capital lease	64,333	62,422
Current portion of long-term debt	2,128,465	1,844,049
Total Current Liabilities	5,223,109	4,249,210
NON-CURRENT LIABILITIES		
Long-term liabilities		
Compensated absences payable	427,048	402,265
Capital leases	170,966	235,299
Cater Treatment Plan Expansion Project financing agreement	996,454	1,203,511
Department of Water Resources loan contracts	-	5,192,072
Revenue Certificates of Participation Series 2010A	16,202,310	15,207,718
Revenue Bonds 2016A	7,110,265	8,010,287
Revenue Certificates of Participation Series 2020A	20,885,384	-
Revenue Certificates of Participation Series 2020B	3,720,000	-
Revenue Certificates of Participation Series 2020C	1,777,683	-
Siemens Master Lease purchase agreement	5,489,096	5,870,109
Net pension liability	3,720,554	3,540,891
Net OPEB liability	740,597	681,692
Total Non-Current Liabilities	61,240,357	40,343,844
Total Liabilities	66,463,466	44,593,054
DEFERRED INFLOWS OF RESOURCES		
Deferred pension cost	287,579	330,168
Deferred other	124,869	124,869
Total Deferred Inflows of Resources	412,448	455,037
Total Liabilities and Deferred Inflows of Resources	66,875,914	45,048,091
NET POSITION		
Net investment in capital assets	9,799,381	9,621,800
Restricted for debt service	2,105,927	1,737,379
Unrestricted	11,651,489	12,867,347
Total Net Position	$ 23,556,797	$ 24,226,526

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, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Water sales	$ 13,331,513	$ 12,744,079
Capital recovery fees	162,058	715,610
Fire protection	350,605	304,357
Other revenues	141,637	279,892
Total operating revenues	13,985,813	14,043,938
OPERATING EXPENSES		
CCWA source of supply	3,763,641	3,253,634
Cost of purchased water	510,007	1,163,838
Cachuma operating expense	612,055	825,505
Pumping expense	277,827	386,990
Water treatment	1,317,448	1,227,394
Transmission and distribution	1,227,081	1,236,637
Customer accounting and service	64,980	56,131
General and administrative	2,906,470	2,575,356
Amortization	676,290	614,385
Depreciation	1,805,516	1,807,714
Overhead charged to customers	(37,805)	(46,291)
Total operating expenses	13,123,510	13,101,293
Operating income	862,303	942,645
NON-OPERATING REVENUE (EXPENSE)		
Investment income	295,230	301,713
Interest expense	(1,925,481)	(1,683,953)
Total non-operating revenue (expense), net	(1,630,251)	(1,382,240)
Net income before capital contributions	(767,948)	(439,595)
CAPITAL CONTRIBUTIONS		
Capital contributions	69,500	105,738
Total capital contributions	69,500	105,738
INFREQUENT INCOME (EXPENSE)		
Infrequent or unusual income/(expenses), net	28,719	112,314
Total infrequent income (expense)	28,719	112,314
DECREASE IN NET POSITION	(669,729)	(221,543)
NET POSITION, BEGINNING OF YEAR	24,226,526	24,448,069
NET POSITION, END OF YEAR	$ 23,556,797	$ 24,226,526

See accompanying notes to the basic financial statements.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 13,409,684	$ 14,355,037
Cash payments to suppliers for goods and services	(5,607,199)	(7,795,401)
Cash payments to employees for services	(2,932,261)	(2,756,878)
Net cash provided by operating activities	4,870,224	3,802,758
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from issurance of long-term debt	3,720,000	-
Pre-funding of net pension liability	(3,498,260)	-
Net cash provided by noncapital financing activities	221,740	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issurance of long-term debt	23,383,272	-
Repayments of long-term debt	(7,181,524)	(1,567,812)
Interest payments	(787,264)	(736,618)
Capital assets purchased	(1,545,095)	(2,724,962)
Investment in water facilities	33,482	33,482
Infrequent and unusual expenses	28,719	112,314
Net cash provided by (used in) investing activities	13,931,590	(4,883,596)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	19,093
Interest received	295,230	301,713
Net cash provided by investing activities	295,230	320,806
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,318,784	(760,032)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,866,580	14,626,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 33,185,364	$ 13,866,580
Reconciliation of cash and cash equivalents to statement of net position:		
Unrestricted cash and cash equivalents	$ 13,083,151	$ 12,129,201
Restricted cash and investments - current	20,102,213	1,233,414
Restricted cash and investments - non-current	-	503,965
TOTAL CASH AND CASH EQUIVALENTS	$ 33,185,364	$ 13,866,580

See accompanying notes to the basic financial statements.

CARPINTERIA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 862,303	$ 942,645
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,805,516	1,807,714
Amortization	676,290	607,637
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(576,129)	186,230
Inventories	85,497	(193,672)
Prepaid expenses	1,428,822	(93,755)
Deposit with CCWA	(10,760)	(15,908)
Deferred outflows of resources	(169,173)	(6,667)
Increase (decrease) in liabilities:		
Accounts payable	(505,369)	191,762
Customer deposits	10,257	(14,854)
Compensated absences	27,932	50,116
OPEB benefits payable	58,905	36,133
Deferred inflows of resources	(42,589)	337,112
Net pension	179,663	(131,219)
Advances for construction	1,039,059	99,484
Net cash provided by operating activities	$ 4,870,224	$ 3,802,758
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Capital Contributions	$ 69,500	$ 105,738
Disposition of Assets	$ -	$ 15,523
Capitalized Interest on Capital Asset Additions	$ 79,285	$ 70,519
Accretion of Interest on 2010A Capital Appreciation Bonds	$ 994,592	$ 933,233

See accompanying notes to the basic financial statements.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Carpinteria Valley Water District (the District) (formerly known as Carpinteria County Water District) was incorporated on February 13, 1941, under authority of the California County Water Districts Act. By contract dated April 17, 1953, the District entered into an agreement with the U.S. Bureau of Reclamation for the construction of a distribution system to serve approximately 96% of the District, thereby creating Improvement District #1. The District is governed by a Board of Directors (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 and $28,719 of insurance proceeds for repairs and mitigations necessitated by both disasters. Net infrequent and unusual income/expenses as of June 30, 2020 and 2019, were $28,719 and $112,314, 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.

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

Implementation of New Accounting Pronouncements

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

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this standard are effective immediately. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for periods beginning after June 15, 2018. There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

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 were originally effective for periods beginning after December 15, 2018. GASB Statement No. 95 delayed the effective date to December 15, 2019. 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 were originally effective for periods beginning after December 15, 2019. GASB Statement No. 95 delayed the effective date to December 15, 2020. 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 were originally effective for periods beginning after December 15, 2018. GASB Statement No. 95 delayed the effective date to December 15, 2019. 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 were originally effective for periods beginning after December 15, 2020. GASB Statement No. 95 delayed the effective date to December 15, 2021. The District has not fully judged the effect of implementation of GASB Statement No. 91 as of the date of the basic financial statements.

GASB Statement No. 92 – *Omnibus 2020.* The requirements of this statement were originally effective for periods beginning after June 15, 2020. GASB Statement No. 95 delayed the effective date to June 15, 2021. The District has not fully judged the effect of implementation of GASB Statement No. 92 as of the date of the basic financial statements.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this statement were originally effective for periods beginning after June 15, 2020. GASB Statement No. 95 delayed the effective date to June 15, 2021. The District has not fully judged the effect of implementation of GASB Statement No. 93 as of the date of the basic financial statements.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for periods beginning after June 15, 2022. The District has not fully judged the effect of implementation of GASB Statement No. 94 as of the date of the basic financial statements.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for periods beginning after June 15, 2022. The District has not fully judged the effect of implementation of GASB Statement No. 96 as of the date of the basic financial statements.

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

Future GASB Statements (Continued)

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The requirements in paragraph 4 as it applies to defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, and paragraph 5 are effective immediately. All other requirements are applicable for periods beginning after June 15, 2021. The District has not fully judged the effect of implementation of GASB Statement No. 97 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:

	2020	2019
Cash on in banks and in hand	$ 2,690,985	$ 2,326,589
Cash with fiscal agent	20,101,623	932,750
Local Agency Investment Fund (LAIF)	10,392,756	10,607,241
Total cash and investments	$ 33,185,364	$ 13,866,580

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2020 and 2019.

2020		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	$ 20,101,623	$ 20,101,623	$ -	$ -	$ -	$ -
Local Agency Investment Fund	10,392,756	10,392,756	-	-	-	-
Total	$ 30,494,379	$ 30,494,379	$ -	$ -	$ -	$ -

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	$ -	$ -	$ -	$ -

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, 2020 and 2019, for each investment type.

2020				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	AAA	AA-	BB-
Cash with fiscal agent	$ 20,101,623	Not rated	$ -	$ 20,101,623	$ -	$ -
Local Agency Investment Fund	10,392,756	Not rated	10,392,756	-	-	-
Total	$ 30,494,379		$ 10,392,756	$ 20,101,623	$ -	$ -

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)

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 had no investments that were measured at fair value as of June 30, 2020 and 2019.

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consisted of the following at June 30, 2020 and 2019:

	2020	2019
Restricted for capital improvements	$ 590	$ 590
Restricted for debt service payments	20,101,623	1,736,789
Total restricted assets	$ 20,102,213	$ 1,737,379
Restricted cash and investments - current	$ 20,102,213	$ 1,233,414
Restricted cash and investments - non-current	-	503,965
Total restricted assets	$ 20,102,213	$ 1,737,379

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets, as well as depreciation and amortization, for the fiscal year ended June 30, 2020, is shown below:

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital Assets, Non-Depreciable:					
Land and land improvements	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction-in-process	2,352,250	1,306,356	-	(1,040,918)	2,617,688
Total Capital Assets, Non-Depreciable	3,386,258	1,306,356	-	(1,040,918)	3,651,696
Depreciable Capital Assets:					
Buildings	1,801,186	-	-	98,257	1,899,443
Improvements other than buildings	458,026	-	-	25,114	483,140
Furnishings, machinery, and equipment	1,924,007	5,159	-	93,913	2,023,079
Transmission and distribution system	8,419,824	50,270	-	76,945	8,547,039
Wells and water treatment infrastructure	12,665,294	-	-	746,689	13,411,983
Water storage infrastructure	29,744,681	-	-	-	29,744,681
Water delivery infrastructure	10,302,771	53,022	-	-	10,355,793
Capacity rights	13,339,740	199,788	-	13,136	13,552,664
Capital leases	359,787	-	-	-	359,787
Intangible assets	362,336	-	-	(13,136)	349,200
Total Depreciable Capital Assets	79,377,652	308,239	-	1,040,918	80,726,809
Capital Assets Accumulated Depreciation/Amortization:					
Buildings	(806,863)	(84,075)	-	-	(890,938)
Improvements other than buildings	(239,687)	(25,564)	-	-	(265,251)
Furnishings, machinery, and equipment	(1,742,341)	(50,643)	-	-	(1,792,984)
Transmission and distribution system	(5,247,385)	(157,282)	-	-	(5,404,667)
Wells and water treatment infrastructure	(5,420,135)	(382,602)	-	-	(5,802,737)
Water storage infrastructure	(10,207,875)	(817,881)	-	-	(11,025,756)
Water delivery infrastructure	(3,295,879)	(287,469)	-	-	(3,583,348)
Capacity rights	(8,730,963)	(594,723)	-	-	(9,325,686)
Capital leases	(22,890)	(81,567)	-	-	(104,457)
Intangible assets	(263,100)	-	-	-	(263,100)
Total Accumulated Depreciation/Amortization	(35,977,118)	(2,481,806)	-	-	(38,458,924)
Total Capital Assets, Being Depreciated, Net	$ 43,400,534	$ (2,173,567)	$ -	$ 1,040,918	$ 42,267,885
Capital Assets, Net	$ 46,786,792	$ (867,211)	$ -	$ -	$ 45,919,581

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation and amortization expense for the fiscal year ended June 30, 2020, was $2,481,806.

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

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital Assets, Non-Depreciable:					
Land and land improvements	$ 1,034,008	$ -	$ -	$ -	$ 1,034,008
Construction-in-process	1,780,291	2,457,537	-	(1,885,578)	2,352,250
Total Capital Assets, Non-Depreciable	2,814,299	2,457,537	-	(1,885,578)	3,386,258
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	362,336	-	-	-	362,336
Total Depreciable Capital Assets	76,954,704	606,458	(69,088)	1,885,578	79,377,652
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	(249,964)	(13,136)	-	-	(263,100)
Total Accumulated Depreciation/Amortization	(33,611,762)	(2,415,351)	49,995	-	(35,977,118)
Total Capital Assets, Being Depreciated, Net	$ 43,342,942	$ (1,808,893)	$ (19,093)	$ 1,885,578	$ 43,400,534
Capital Assets, Net	$ 46,157,241	$ 648,644	$ (19,093)	$ -	$ 46,786,792

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

NOTE 5 – LONG-TERM DEBT

Long-term debt of the District for the fiscal years ended June 30, 2020 and 2019, are as follows:

	Balance June 30, 2019	Additions	Retirements/ Amortizations	Balance June 30, 2020	Due Within One Year
Series 2010A Certificates of Participation	$ 8,475,844	$ -	$ -	$ 8,475,844	$ -
Accreted Interest	6,731,874	994,592	-	7,726,466	-
Total Series 2010A Certificates of Participation	15,207,718	994,592	-	16,202,310	-
Series 2016A Refunding Revenue Bonds	7,460,000	-	(750,000)	6,710,000	800,000
Unamortized Bond Premium	1,400,309	-	(100,022)	1,300,287	100,022
Total Series 2016A Refunding Revenue Bonds	8,860,309	-	(850,022)	8,010,287	900,022
Series 2020A Refunding Revenue Bonds	-	17,915,000	-	17,915,000	425,000
Unamortized Bond Premium	-	3,668,272	(46,529)	3,621,743	226,359
Total Series 2020A Refunding Revenue Bonds	-	21,583,272	(46,529)	21,536,743	651,359
Series 2020B Refunding Revenue Bonds	-	3,720,000	-	3,720,000	-
Series 2020C Refunding Revenue Bonds	-	1,500,000	-	1,500,000	-
Unamortized Bond Premium	-	300,000	(3,805)	296,195	18,512
Total Series 2020C Refunding Revenue Bonds	-	1,800,000	(3,805)	1,796,195	18,512
Department of Water Resources Loan Contracts	5,643,478	-	(5,643,478)	-	-
Cater Treatment Plant Financing Agreement	1,305,174	-	(204,565)	1,100,609	104,155
Siemens Master Lease Purchase Agreement	6,240,812	-	(370,703)	5,870,109	381,013
Capital leases	297,721	-	(62,422)	235,299	64,333
Compensated Absences	472,520	230,155	(202,223)	500,452	73,404
Net Pension Liability	3,540,891	179,663	-	3,720,554	-
Long-Term Debt	$ 41,568,623	$ 28,507,682	$ (7,383,747)	$ 62,692,558	$ 2,192,798

NOTE 5 – LONG-TERM DEBT (Continued)

	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
Capital leases	64,426	304,783	(71,488)	297,721	64,422
Compensated Absences	422,404	290,149	(240,033)	472,520	70,255
Net Pension Liability	3,672,110	-	(131,219)	3,540,891	-
Long-Term Debt	$ 42,051,010	$ 1,528,165	$ (2,010,552)	$ 41,568,623	$ 1,908,471

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, 2018, 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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. At June 30, 2020, $7,726,466 in accreted interest has been accrued and included in long-term debt for the 2010A COPs.

In accordance with the 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%.

NOTE 5 – LONG-TERM DEBT (Continued)

Revenues of Certificates of Participation and Bonds (Continued)

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

Fiscal Year Ending	Principal	Interest	Total
2021	$ -	$ -	$ -
2022	-	-	-
2023	439,912	440,088	880,000
2024	424,342	485,658	910,000
2025	401,580	523,421	925,001
2026-2030	3,176,327	6,233,673	9,410,000
2031-2035	3,306,106	11,088,894	14,395,000
2036	727,577	3,262,424	3,990,001
	$ 8,475,844	$ 22,034,158	$ 30,510,002

The COPs were refunding during fiscal year 2020 with proceeds from Refunding Revenue Bonds, Series 2020A.

Series 2016A:

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

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

Fiscal Year Ending	Principal	Interest	Total
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	500,000	214,250	714,250
2026-2030	2,610,000	681,250	3,291,250
2034-2036	1,425,000	101,375	1,526,375
	$ 6,710,000	$ 2,098,000	$ 8,808,000

NOTE 5 – LONG-TERM DEBT (Continued)

Revenues of Certificates of Participation and Bonds (Continued)

Series 2020A:

In March 2020, the District issued the Refunding Revenue Bonds, Series 2020A ("2020A Bonds") with a principal amount of $17,915,000 and premium of $3,668,272 with interest rates of 5%. The Bonds were executed and delivered 1) to provide a portion of the money to refund all of the currently outstanding 2010A; 2) to prepay the District's share of the outstanding balance of a Department of Water Resources joint loan contract; and 3) to pay costs of issuance of the 2020 bonds. Total annual requirements to amortize the Series 2020A Bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2021	$ 425,000	$ 623,865	$ 1,048,865
2022	375,000	865,125	1,240,125
2023	395,000	845,875	1,240,875
2024	415,000	825,625	1,240,625
2025	435,000	804,375	1,239,375
2026-2030	4,805,000	3,523,125	8,328,125
2031-2035	8,045,000	1,893,375	9,938,375
2036	3,020,000	75,500	3,095,500
	$ 17,915,000	$ 9,456,865	$ 27,371,865

Series 2020B:

In March 2020, the District issued the Refunding Revenue Bonds, Series 2020B ("2020B Bonds") with a principal amount of $3,720,000 with interest rates ranging from 2.56% to 3.32%. The Bonds were executed and delivered 1) to refund the District's net pension liability; and 2) to pay costs of issuance of the 2020 bonds. Total annual requirements to amortize the Series 2020B Bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2021	$ -	$ 98,264	$ 98,264
2022	95,000	137,509	232,509
2023	100,000	134,986	234,986
2024	100,000	132,314	232,314
2025	105,000	129,434	234,434
2026-2030	570,000	597,109	1,167,109
2031-2035	675,000	488,291	1,163,291
2036-2040	830,000	337,326	1,167,326
2041-2045	1,015,000	152,220	1,167,220
2046	230,000	4,640	234,640
	$ 3,720,000	$ 2,212,093	$ 5,932,093

NOTE 5 – LONG-TERM DEBT (Continued)

Revenues of Certificates of Participation and Bonds (Continued)

Series 2020C:

In March 2020, the District issued the Refunding Revenue Bonds, Series 2020C ("2020C Bonds") with a principal amount of $1,500,000 and premium of $150,000 with interest rates of 5%. The Bonds were executed and delivered 1) to finance the cost of certain water utility system improvements and 2) to pay costs of executing and delivering the Certificates. Total annual requirements to amortize the Series 2020C Bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2021	$ -	$ 53,479	$ 53,479
2022	-	75,500	75,500
2023	-	75,500	75,500
2024	-	75,500	75,500
2025	-	75,500	75,500
2026-2030	430,000	346,000	776,000
2031-2035	880,000	164,500	1,044,500
2036	190,000	5,000	195,000
	$ 1,500,000	$ 870,979	$ 2,370,979

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 was 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 was required to be on deposit by the time the first ten semi-annual payments were made. Once the reserve fund was accumulated, the District was required to maintain the reserve fund at this level until the loan was repaid in full.

The loan was repaid during fiscal year 2020 with proceeds from Refunding Revenue Bonds, Series 2020A.

NOTE 5 – <u>LONG-TERM DEBT</u> (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:

Fiscal Year Ending	Principal	Interest	Total
2021	$ 104,155	$ 25,597	$ 129,752
2022	212,131	20,456	232,587
2023	217,337	15,186	232,523
2024	222,674	9,783	232,457
2025	228,145	4,242	232,387
2026-2028	116,167	-	116,167
	$ 1,100,609	$ 75,264	$ 1,175,873

Siemens Master Lease Purchase Agreement

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

Fiscal Year Ending	Principal	Interest	Total
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
2025	425,198	113,479	538,677
2026-2030	2,310,082	383,304	2,693,386
2031-2033	1,546,013	70,020	1,616,033
	$ 5,870,109	$ 1,132,697	$ 7,002,806

NOTE 5 – LONG-TERM DEBT (Continued)

Siemens Master Lease Purchase Agreement (Continued)

As of June 30, 2020, 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		$ 6,468,656

Capital Leases

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, 2020.

Fiscal Year Ending	Principal	Interest	Total
2021	$ 64,333	$ 6,190	$ 70,523
2022	62,298	4,278	66,576
2023	63,813	2,383	66,196
2024	44,855	622	45,477
2025	-	-	-
	$ 235,299	$ 13,473	$ 248,772

At June 30, 2020, the cost of assets and related accumulated depreciation under the capital leases were as follows:

	Gross	Accumulated Depreciation	Balance June 30, 2020
Furnishings, Machinery, and Equipment	$ 359,787	$ (104,457)	$ 255,330

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.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plans (Continued)

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, 2020, are summarized as follows:

	Miscellaneous Plan - For the Year Ended June 30, 2019		
	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	9.4%	8.92%	6.8%

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)

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, 2020 and 2019, the contributions recognized as part of pension expense for all Plans were as follows:

	Miscellaneous Plan	
	June 30, 2020	June 30, 2019
Contributions - Employer	$ 4,113,205	$ 429,354

The Net Pension Liability was repaid during fiscal year 2020 with proceeds from Refunding Revenue Bonds, Series 2020A.

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, 2020 and 2019, 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, 2020	Fiscal Year Ended June 30, 2019
Miscellaneous	$ 3,720,554	$ 3,540,891

For the fiscal year ended June 30, 2020, the net pension liability of all of the Plans is measured as of June 30, 2019, 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, 2018, rolled forward to June 30, 2019, using standard update procedures.

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.

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, 2019 and 2018, was as follows:

Fiscal Year Ended June 30, 2020		Fiscal Year Ended June 30, 2019	
	Miscellaneous		Miscellaneous
Proportion - June 30, 2019	0.09395%	Proportion - June 30, 2018	0.09315%
Proportion - June 30, 2020	0.09291%	Proportion - June 30, 2019	0.09395%
Change - Increase (Decrease)	0.00104%	Change - Increase (Decrease)	-0.00080%

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

For the fiscal years ended June 30, 2020 and 2019, the District recognized pension expense of $561,893 and $505,685, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 4,113,205	$ -	$ 429,354	$ -
Differences Between Actual and Expected Experience	258,408	(20,021)	135,858	(46,232)
Changes in Assumptions	177,413	(62,892)	403,671	(98,932)
Change in Employer's Proportion	18,317	(139,620)	119,612	(185,004)
Difference between Employer's Contributions and Proportionate Share of Contributions	223,851	-		
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(65,046)	17,505	-
Total	$ 4,791,194	$ (287,579)	$ 1,106,000	$ (330,168)

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, 2020, $4,113,205 in deferred outflows of resources related to contributions subsequent to the measurement date will be 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 was recognized as a reduction of the net pension liability.

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

Fiscal Year Ending June 30,	
2021	$ 323,617
2022	(6,804)
2023	60,452
2024	13,145
Thereafter	-
Total	$ 390,410

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.15%	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds (1)	Derived using CalPERS' Membership Data for all Funds (1)
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 2.50% until Purchasing PowerProtection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – For the fiscal year ended June 30, 2020, 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 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.

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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, 2020 and 2019, respectively.

	June 30, 2020			June 30, 2018		
Asset Class	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%	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Infrastructure and Forestland	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%

[1] An expected inflation of 2.0% used for this period.
[2] An expected inflation of 2.92% used for this period.
[3] An expected inflation of 2.5% used for this period.
[4] 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, 2020		Miscellaneous Plan Fiscal Year Ended June 30, 2019	
1% Decrease	6.15%	1% Decrease	6.15%
Net Pension Liability	$ 5,398,806	Net Pension Liability	$ 5,158,591
Current Discount Rate	7.15%	Current Discount Rate	7.15%
Net Pension Liability	$ 3,720,554	Net Pension Liability	$ 3,540,891
1% Increase	8.15%	1% Increase	8.15%
Net Pension Liability	$ 2,335,275	Net Pension Liability	$ 2,205,507

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.

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

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, 2020, the following employees were covered by the benefit terms:

Active and Terminated Vested Fully Eligible to Retire	-
Active and Terminated Vested Not Yet Fully Eligible to Retire	17
Retirees	7
Total	24

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, 2020 and 2019, the District contributed $14,749 and $21,317, respectively. Employees are not required to contribute to the OPEB Plan.

Net OPEB Liability

At June 30, 2020 and 2019, the District reported a net OPEB liability of $740,597 and $681,692 and, respectively. The net OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2019
Fiscal Year Ending	June 30, 2020
Measurement Date	July 1, 2020
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.
Changes Since Last Valuation	No significant changes have occurred since the last valuation.
Method Used to Determine the Actuarial Value of Assets	N/A.
Amortization Method	Closed, straight-line for average remaining service period.

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

Actuarial Assumptions

A. Investment Rate of Return:

Discount Rate (Unfunded): 3.36

B. Payroll Growth: 3.00%

C. Health Trend Rates:

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

D. Retiree Contributions Trend Rates: N/A.

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

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

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

Age	Male Rates	Female Rates
20	0.022%	0.007%
25	0.029%	0.011%
30	0.038%	0.016%
35	0.049%	0.027%
40	0.064%	0.037%
45	0.080%	0.054%
50	0.116%	0.079%
55	0.172%	0.120%
60	0.255%	0.166%

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

Actuarial Assumptions (Continued)

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

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

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

I. Disability Rates: None.

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

K. Fiscal 2020 Annual Per Capita Claims Costs:

	Age	PPO	HMO
	60-64	$10,744.20	$ -
	65+	Varies based on specific retiree's CalPERS benefit.	
Medical	Age	AVHMO	KHMS
	60-64	$ 8,729.76	$7,477.92
	65+	Varies based on specific retiree's CalPERS benefit.	
Dental	All	$ 446.12	
Vision	All	$ 236.28	

L. Administrative Expenses Implicit in insurance premium rates.

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

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

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

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

Actuarial Assumptions (Continued)

P. Changes Since the Last Valuation:

- Per capita health costs were changes to the rates shown above.
- There were no other changes in assumptions since the last valuation.

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, 2020 and 2019.

Net OPEB Liability (NOL)	2020
A. Actives	$ 523,885
B. Retirees, spouses, and beneficiaries	172,548
C. Total reported	$ 696,433
Annual Covered Payroll	$ 1,713,603
NOL as a Percent of Covered Payroll	40.6%
Fiscal Year 2018 Net OPEB Expense	$ -

Net OPEB Liability (NOL)	2019
A. Actives	$ 410,317
B. Retirees, spouses, and beneficiaries	271,375
C. Total reported	$ 681,692
Annual Covered Payroll	$ 1,613,620
NOL as a Percent of Covered Payroll	42.2%
Fiscal Year 2018 Net OPEB Expense	$ 60,713

Discount Rate

The discount rate used to measure the total OPEB liability was 3.36 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

2020

Net OPEB Liability, Beginning of Prior Year	$	681,692
Changes in the year:		
Service Cost	$	71,585
Interest Cost		48,040
Benefit Payments		(36,474)
Experience Differences		(50,502)
Assumption Changes		26,256
Employer Contributions		-
Net Change		58,905
Net OPEB Liability, Ending	$	740,597

2019

Net OPEB Liability, Beginning of Prior Year	$	645,559
Changes in the year:		
Service Cost	$	33,895
Interest Cost		23,555
Benefit Payments		(21,317)
Experience Differences		-
Assumption Changes		-
Employer Contributions		-
Net Change		36,133
Net OPEB Liability, Ending	$	681,692

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

NOTE 7 – <u>POST-EMPLOYMENT HEALTH CARE BENEFITS</u> (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		**2020**
A. Change in TOL for a 1% Increase		
1. Dollar	$	5,044
2. Percent		7.2%
B. Change in TOL for a 1% Decrease		
1. Dollar	$	(41,496)
2. Percent		-6.0%
II. Change in Discount Rate		
A. Change in TOL for a 1% Increase		
1. Dollar	$	(92,892)
2. Percent		-13.3%
B. Change in TOL for a 1% Decrease		
1. Dollar	$	111,978
2. Percent		16.1%

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%

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, 2020 and 2019, the District recognized OPEB expense of $34,666 and $60,713, respectively. As of fiscal years ended June 30, 2020 and 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ -	$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	-
Total	$ -	$ -

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
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	-	-
Total	$ 17,761	$ -

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, 2020 and 2019, were $36,170 and $34,558, 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 Carpinteria Unified 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.

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 was renewed in 2020 and extended to 2023.

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.

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 $61,587 and $61,888 to ACWA/JPIA for property and liability insurance, and $60,803 and $20,240 for workers' compensation during the fiscal years ended June 30, 2020 and 2019, 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.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Central Coast Water Authority (Continued)

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.

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

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Central Coast Water Authority (Continued)

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

Fiscal Year Ending June 30,	Fixed Costs	Variable Costs	Debt Service	Total
2021	$ 2,397,140	$ 715,561	$ 1,042,859	$ 4,155,560
2022	2,460,878	746,121	1,041,573	4,248,572
2023	2,666,221	778,208	-	3,444,429
2024	2,660,629	811,901	-	3,472,530
2025	2,702,431	860,178	-	3,562,609
Thereafter (through 2035)	-	-	-	-
Total	$ 12,887,299	$ 3,911,969	$ 2,084,432	$ 18,883,700

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, 2020 and 2019, the District's portion of the expenditures incurred amounted to approximately $4,328,338.

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:

Fiscal Year Ending June 30:	Amount
2021	$ 28,649
2022	28,649
2023	28,649
2024	28,649
2025	28,649
Thereafter	293,949
Total	$ 437,194

Water Purchase Agreement

On May 16, 2019, 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.The obligation was met in August 2019.

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.

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

Fiscal Year Ending June 30:	Amount
2021	$ 26,770
2022	27,346
2023	27,935
2024	-
2025	-
2026-2030	-
2031-2033	-
Total	$ 82,051

NOTE 13 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County, followed by the Governor of California, issued a Shelter at Home order effective March 19, 2020, requiring certain non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements

During 2019/20, the District prefunded its net pension liability for $3,720,554. For the fiscal year June 30, 2020, the amount is reported with total pension contributions subsequent to measurement date in Note 6 of the financial statements.

Also, in July 2020, proceeds from the Refunding Revenue Bonds, Series 2020A were used to pay off the principal balance of $8,475,844 and accreted interest of $7,726,466 for the Refunding Revenue Bonds, Series 2010A.

Subsequent events have been evaluated through December 9, 2020, 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, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability	0.03631%	0.03675%	0.03703%	0.03815%	0.04122%	0.04535%
Proportionate Share of the Net Position Liability	$ 3,720,554	$ 3,540,891	$ 3,672,110	$ 3,300,879	$ 2,829,302	$ 2,822,007
Covered Payroll	$ 1,848,306	$ 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 Payroll	201.30%	198.48%	221.47%	203.01%	174.52%	174.96%
Plan's Fiduciary Net Position	$ 8,756,876	$ 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	70.18%	70.39%	67.78%	68.42%	72.01%	75.96%

* Fiscal year 2015 was the 1st year of implementation; therefore, only six 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, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	$ 614,945	$ 429,354	$ 349,270	$ 344,835	$ 329,792	$ 281,838
Contributions in Relation to the Actuarially Determined Contributions	614,945	429,354	349,270	344,835	329,792	281,838
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,848,306	$ 1,783,980	$ 1,658,060	$ 1,475,024	$ 1,627,135	$ 1,557,019
Contributions as a Percentage of Covered Payroll	33.27%	24.07%	21.06%	23.38%	20.27%	18.10%

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
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.

CARPINTERIA VALLEY WATER DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2020
LAST 10 YEARS*

	Fiscal Year Ended 2020	Fiscal Year Ended 2019	Fiscal Year Ended 2018
A. Total OPEB Liability, Beginning of Year	$ 681,692	$ 645,559	$ 179,642
B. Fiduciary Net Position, Beginning of Year	-	-	-
C. Net OPEB Liability, Beginning of Year	681,692	645,559	179,642
1. Service Cost	71,585	33,895	45,515
2. Interest Cost	48,040	23,555	7,189
3. Benefit Changes	-	-	432,614
4. Experience Differences	(50,502)	-	-
5. Assumption Changes	26,256	-	-
6. Plan Investment Income	-	-	-
7. Administrative Expenses	-	-	-
8. Other Expenses	-	-	-
D. Total OPEB Expense	95,379	57,450	485,318
9. Employer Contributions	-	-	19,401
10. Employee Contributions	-	-	-
11. Benefit Payments	36,474	21,317	-
E. Total OPEB Liability, End of Year	740,597	681,692	645,559
F. Fiduciary Net Position, End of Year	-	-	-
G. Net OPEB Liability, End of Year	$ 740,597	$ 681,692	$ 645,559
H. Annual Covered Payroll	$ 1,713,603	$ 1,613,620	$ 1,543,895
I. Net OPEB Liability as % of Annual Covered Payroll	40.60%	42.25%	41.80%

* Fiscal year 2018 was the 1st year of implementation; therefore, only three 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.

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Carpinteria Valley Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Carpinteria Valley Water District (the District), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 9, 2020