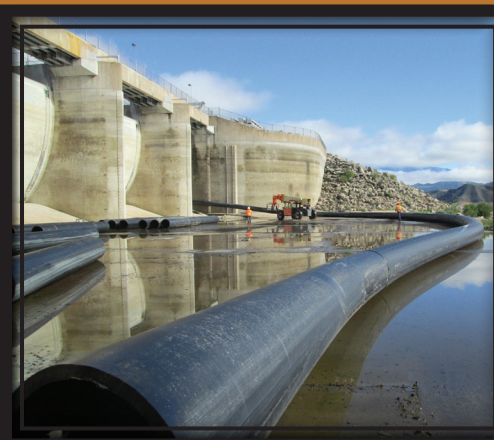


# Central Coast Water Authority



## CAFR

Fiscal Years Ended June 30, 2017 and 2016  
Comprehensive Annual Financial Report



A CALIFORNIA JOINT POWERS AUTHORITY



*Central Coast Water Authority*  
*Comprehensive Annual Financial Report*  
*Fiscal Years Ended June 30, 2017 and 2016*

Prepared by Laura Matthews

Cover design by Julie Baker



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# INTRODUCTORY SECTION





January 25, 2018

Jack Boysen  
Chairman

Richard Shaikewitz  
Vice Chairman

Ray Stokes  
Executive Director

Brownstein Hyatt  
Farber Schreck  
General Counsel

*Member Agencies*

City of Buellton

Carpinteria Valley  
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water  
Conservation District,  
Improvement District #1

*Associate Member*

La Cumbre Mutual  
Water Company

## Members of the Board Central Coast Water Authority

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017. The Comprehensive Annual Financial Report (CAFR) of the Central Coast Water Authority for the fiscal year (FY) ended June 30, 2017 is submitted as prepared by the Authority's Finance and Administration Departments. The report is published to provide to our project participants, the Authority Board, and the investment community detailed information about the financial condition and operating results of the Authority as measured by the financial activity of the Authority.

Responsibility for both the accuracy of the financial report and the completeness and fairness of the presentation rests with the Authority. To the best of our knowledge, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities.

The Authority requires that its financial statements be audited by a Certified Public Accountant selected by the Authority's Board of Directors, and Nasif, Hicks, Harris & Co., LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on Central Coast Water Authority's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## PROFILE OF THE AUTHORITY

The Central Coast Water Authority (CCWA) is a public entity organized under a Joint Exercise of Powers Agreement dated August 1, 1991 and operates as a Joint Powers Authority (JPA). CCWA is a wholesale water provider to 13 water purveyors and private companies in Santa Barbara County, and another 11 water purchasers in San Luis Obispo County.



CCWA is presently composed of eight members, all of which are public agencies within Santa Barbara County: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). Each member agency is represented on the CCWA Board of Directors by one individual and an alternate. In addition, CCWA has one associate member, the La Cumbre Mutual Water Company and three non-member, private water users, Raytheon Systems Company, Morehart Land Company, and Golden State Water Company. Water service is also provided to Vandenberg Air Force Base through a Utility Agreement.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority's Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The Authority also provides supplemental water to certain entities within San Luis Obispo County: California Men's Colony, County of San Luis Obispo, Cuesta College, City of Morro Bay, Avila Beach Community Services District, Avila Valley Mutual Water Company, Oceano Community Services District, City of Pismo Beach, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

### Facilities

The Authority's facilities include a water treatment plant located at Polonio Pass in northeastern San Luis Obispo County and a distribution system that delivers water from the State Water Project to project participants in Santa Barbara and San Luis Obispo Counties. The distribution system consists of an approximate 130 mile long pipeline, treated water tanks at the water treatment plant, three interim storage facilities, one energy dissipation facility, ten turnouts, four isolation valve facilities, a chloramines removal and water pumping facility and Cachuma Lake inlet monitoring facility.

Central Coast Water Authority is innovative and forward thinking in its methods to provide high-quality water, through an efficient and reliable system that is capable of delivering supplemental water from other water sources in addition to allocations through the State Water Project for our project participants. During the recent and ongoing drought in California, this delivery system was instrumental in allowing our project participants to maintain adequate water resources for their communities by providing a link to the statewide water supply system.

The Authority receives its water through the State Water Project, which is a network of canals, pipelines, tunnels and reservoirs. The State Water Project is managed by the California Department of Water Resources (DWR), a State agency which protects, conserves, develops, and manages much of California's water supply including the State Water Project which provides water for 25 million residents, farms, and businesses. Through the Santa Barbara County Flood Control and Water Conservation District (SBCFC&WCD), the Authority holds a contract with the Department of Water Resources (DWR) to purchase up to 45,486 acre-feet of water per year. The costs for this water are charged to the Authority's Santa Barbara County project participants. San Luis Obispo County pays DWR directly for its DWR costs.

### **LOCAL ECONOMY**

Santa Barbara County is dominated by three principal economic activities: tourism, Vandenberg Air Force Base, and education, and is characterized by three geographically diverse regions. The Santa

Barbara Project Participants are located in all three different geographic areas of Santa Barbara County: North County (City of Santa Maria, City of Guadalupe, Golden State Water Company and Vandenberg Air Force Base); the Santa Ynez Valley (City of Buellton and Santa Ynez River Water Conservation District, Improvement District No. 1, which includes within its boundaries the City of Solvang); and the South Coast (City of Santa Barbara, Goleta Water District, Montecito Water District, Carpinteria Valley Water District, La Cumbre Mutual Water Company, Raytheon Systems Company and Morehart Land Company).

Historically the North County has been an agricultural area, but it has experienced significant urban development in the last twenty-five years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future. The general location of certain of the Santa Barbara Project Participants and of the major components of the Authority Project in Santa Barbara County is shown on the map under the caption "Project Map" in the end of the Introductory Section of the CAFR.

## **LONG-TERM FINANCIAL PLANNING**

To assist our project participants, the Authority prepares a Ten-Year Financial plan to provide pro forma projections of the Authority's expenditures and includes projections for both the Authority and the Department of Water Resources portions of the budget. The Department of Water Resources provides projections for each of these years for both the fixed and variable costs (comprising approximately 80% of the Authority budget annually), and the Authority expenses are generally projected with a 3% inflation factor to all operating expenses.

The Ten-Year Financial Plan is prepared only as an informational tool and is used by the member agencies and other project participants for their planning and long-term budgeting purposes.

## **RELEVANT FINANCIAL POLICIES AND CONTROLS**

The Authority has adopted a comprehensive set of financial policies governing Reserves, Purchasing, Budget, Investments, Debt Management, and Capital Improvements. Following is a brief discussion on the policies that were relevant this year:

### Appropriated Contingency

The CCWA Budget includes an appropriated contingency fund. The amount of this fund is established at 2% of the total budget, excluding variable electrical and chemical budget amounts. Any use of this fund requires authorization by the Board of Directors. During Fiscal Year 2016/17 the Board approved the expenditure of \$90,017 from the budgeted amount for urgent situations that required the use of appropriated contingencies.

One of these emergency situations began on March 21, 2017, when the US Bureau of Reclamation directed CCWA to cease delivery operations through the Bradbury Penstock at Cachuma Lake by March 23, 2017. Since the Bypass Pipeline was removed in February 2017 due to rising lake levels, there was essentially no means to deliver water to the lake, and subsequently to CCWA's South Coast participants, as the lake is used as a conduit to their delivery facilities. Consequently, staff immediately developed a proposal to reinstall the bypass piping in the spillway and submitted the proposal to the Bureau on March 21, 2017. The Bureau approved the proposal, with certain modifications, on April 7, 2017. CCWA staff proceeded with the reinstallation work on Monday April 10, 2017 and completed work on Friday April 14, 2017.

These types of situations require quick action to avoid impact on water treatment production, conveyance capacity and to comply with permit conditions associated with the bypass pipeline. The purpose of the appropriated contingency fund is to assure that funding is available to move forward with emergency projects such as these.

### Capital Improvement Projects and Carryover

The Capital Improvements Projects (CIP) is a component of the non-operating expenses section of the budget. Certain capital expenditures included in the Fiscal year 2016/17 budget were not expended due to timing and scheduling.

When appropriate, capital improvements will be paid through current revenue sources rather than financing capital projects over a period of time. During Fiscal Year 2016/17 the Board approved \$856,559 in carryover funds to be used for capital projects not completed in the prior fiscal year.

### Investment Policy

The Authority will operate its idle cash investments in compliance with Government Code Section 16045-16054 Uniform Prudent Investor Act which states: "...in investing...property for the benefit of another, a trustee shall exercise judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs....". As such, the Board has adopted an Investment Policy governing cash investments.

In April 2017 the Authority's adopted Investment Policy was amended as a part of the annual review to comply with changes in Government Code Section 53630-53686 which addresses investment of surplus funds by local government agencies. Section VIII DEPOSITORIES was revised regarding the qualification of institutions to be used by the authority for investments. The revised language will ensure only institutions carrying sufficient insurance, maintaining appropriate policies regarding capitalization of investments, and authorized under federal and state laws will be utilized for investment of funds.

### Debt Management Policy

Central Coast Water Authority is authorized to incur indebtedness to finance Authority facilities and to assign and pledge to the repayment by its participants. In order to remain in compliance with amendments to the Government Code concerning debt, the Board adopted a formal Debt Management Policy in June 2017 to establish parameters for issuing debt. The Debt Management Policy covers general provisions for periodic review, as well as conditions for debt issuance, including standards for use of debt financing, financing criteria, refinancing outstanding debt, outstanding debt limitations, security for debt, a covenant for bond coverage, method of issuance, debt administration and reporting requirements

### Accounting System

In developing and maintaining the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: a) the safeguarding of assets against losses from unauthorized use or disposition, and b) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Management believes that the Authority's controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **MAJOR INITIATIVES FOR THE FISCAL YEAR**

The activities of the Board and staff at the Authority are driven by our mission statement: To provide San Luis Obispo and Santa Barbara Counties with reliable, high quality supplemental water.

### California Drought

While almost all of California received substantial rainfall this past year, the Authority and its participants continue to feel the effects of the historic drought and the impacts will continue to be felt for the foreseeable future. For example, many of the CCWA project participants utilized their groundwater resources to help them meet demands during the drought. Therefore, it is anticipated they will need to allow their groundwater resources to recover and may therefore be more dependent on State water in the years ahead. As such, Management anticipates there will be a continued need to ensure State water deliveries are maximized to the greatest extent possible to meet the ongoing needs of CCWA's project participants.

### State Water Project Contract Assignment

The original contract with the Department of Water Resources (DWR) was executed between DWR and the Santa Barbara County Flood Control and Water Conservation District (the County) in 1963. However, there were no facilities to bring State water into Santa Barbara County until CCWA was formed to construct and operate the facilities for the delivery of State Water in 1991.

When CCWA was formed in 1991, it entered into an agreement with the County called the "Transfer of Financial Responsibility Agreement" (TFRA) whereby CCWA agreed to be responsible for all costs of the State Water Project in Santa Barbara County. One of the provisions of the TFRA was that the parties expressed the desire to have the State Water Contract fully assigned from the County to CCWA. However, CCWA did not have ability to levy a property tax in the event of payment default, a key form of payment security in the DWR contracts and bonds, until recent legislation was passed which allows JPAs to exercise the taxing authority of their member agencies. CCWA now has the ability to levy a property tax for State water costs in the event of a payment default to DWR and as such, is actively pursuing full assignment of the State Water contract from the County to CCWA. CCWA will continue to work with DWR and the County to obtain approval for the full assignment of the contract to CCWA.

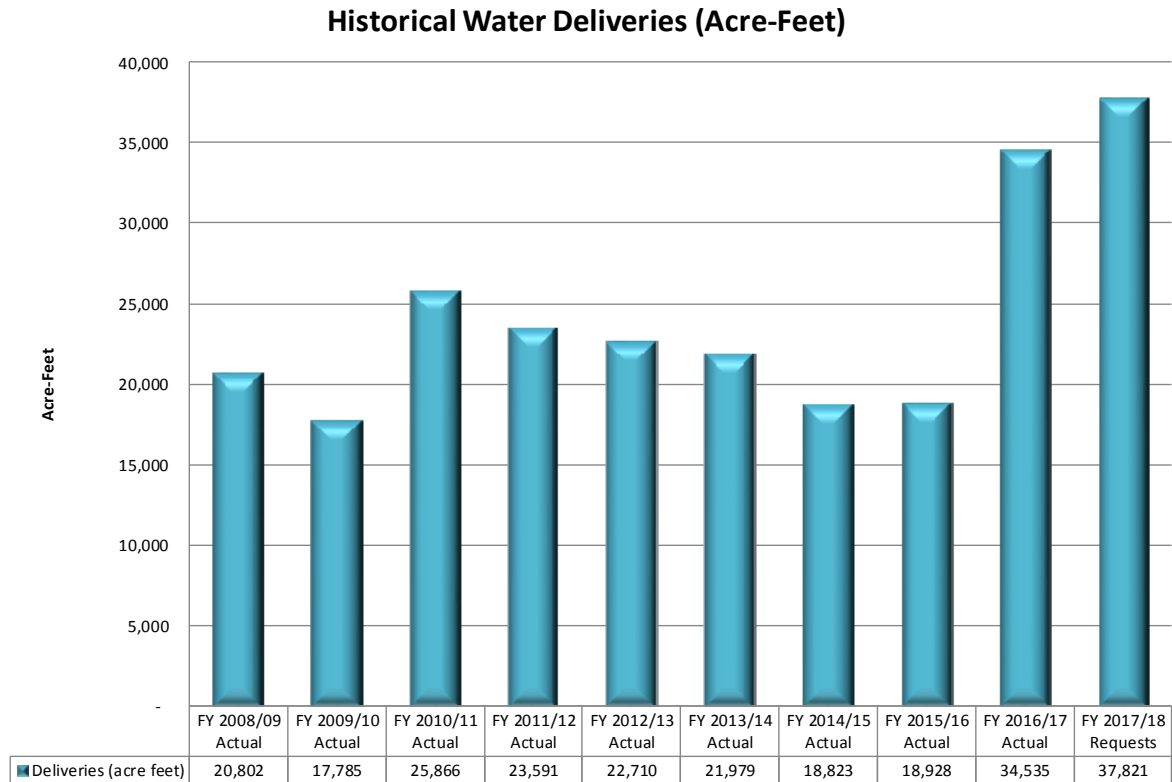
### Suspended Water Reacquisition

In the 1980's, Santa Barbara County requested that DWR set aside, or "suspend" 12,214 acre-feet of the County's 57,700 acre-feet of State Water allotment as it was determined the 12,214 acre-feet was in excess of the needs of the various Santa Barbara County water purveyors. DWR agreed to suspend this water and agreed that the County could reacquire the water at a future date, which has been extended a number of times.

Recently, CCWA has requested, and DWR has agreed to allow CCWA, through the County, to reacquire the 12,214 acre-feet of suspended contract allotment. CCWA will continue to pursue this reacquisition in the coming year.

Water Deliveries

Total deliveries during FY 2016/17 by CCWA to the Santa Barbara and San Luis Obispo County project participants were 34,535 acre-feet compared to the actual FY 2015/16 deliveries of 18,928 acre-feet. The graph below shows water deliveries for the last ten fiscal years.



CCWA Supplemental Water Purchase Program

In response to the continued ongoing drought in California, the CCWA Board of Directors has authorized the development of a Supplemental Water Purchase Program (SWPP). The SWPP allows those CCWA project participants to purchase additional water supplies to help meet their demand not being met with other water sources, beginning in calendar year 2014 and extending through calendar year 2016.

In total, over the course of three years, CCWA has acquired just over 27,000 acre-feet of water under the SWPP at a total cost of approximately \$12 million, or roughly \$443 per acre-foot.

## THE FUTURE

### Water Delivery Projections

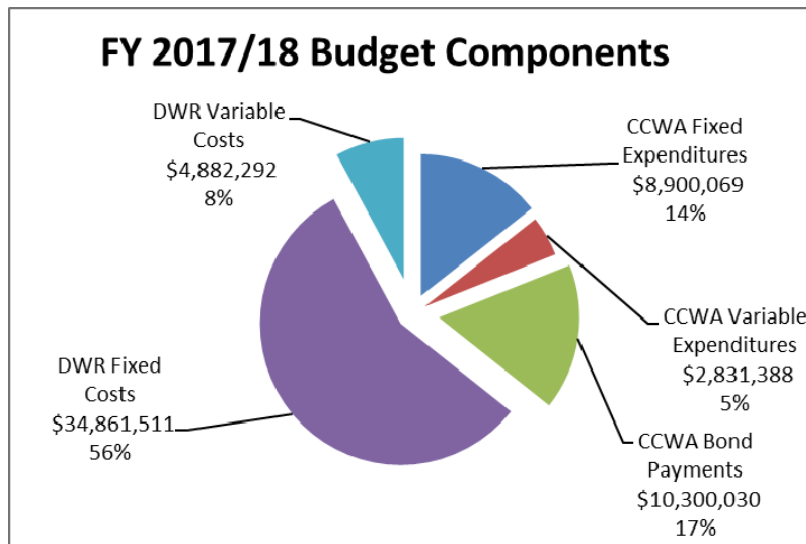
For calendar years 2017 and 2018, Santa Barbara and San Luis Obispo County project participants have requested State water deliveries of 37,773 and 37,732 acre-feet, respectively.

### Department of Water Resources Activities and Related Costs

During FY 2017/18, CCWA staff will continue to work through the State Water Contractor (SWC) board and committees that interact with the Department of Water Resources (DWR) which impact CCWA and the California water agencies as a whole. There are many significant issues on which DWR and the SWC are working which have water supply, operational, and fiscal impacts on CCWA. Some of these activities could potentially have a significant fiscal impact to CCWA in the current and future years. Therefore, staff will place a high priority on working through the various available venues to minimize the fiscal impacts to CCWA and ensure that we continue to meet our goal of providing reliable, high quality supplemental water.

### Fiscal Year 2017/18 Budget Summary

The FY 2017/18 budget calls for total project participant payments of \$61.4 million compared to the FY 2016/17 budget of \$57.3 million, a \$4.1 million increase. These amounts include \$0.4 million in CCWA credits for FY 2017/18 and \$0.4 million for FY 2016/17. The following graph shows the breakout of the various cost components in the CCWA FY 2017/18 Budget:



## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Coast Water Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twentieth consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one fiscal year. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting to the GFOA to determine its eligibility for another certificate.

The authority also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 27, 2017. This was the twenty-first consecutive year the Authority has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department. We wish to thank each member of both departments for their assistance in providing the data necessary to prepare this report. Credit is also due to Senior Management and the Board of Directors for leadership and support in maintaining the highest standards of professionalism in the management of Central Coast Water Authority's finances.

I am pleased to present this report to the Board for formal adoption.

Respectfully submitted,



Ray A. Stokes  
Executive Director

# Introductory Section

June 30, 2017

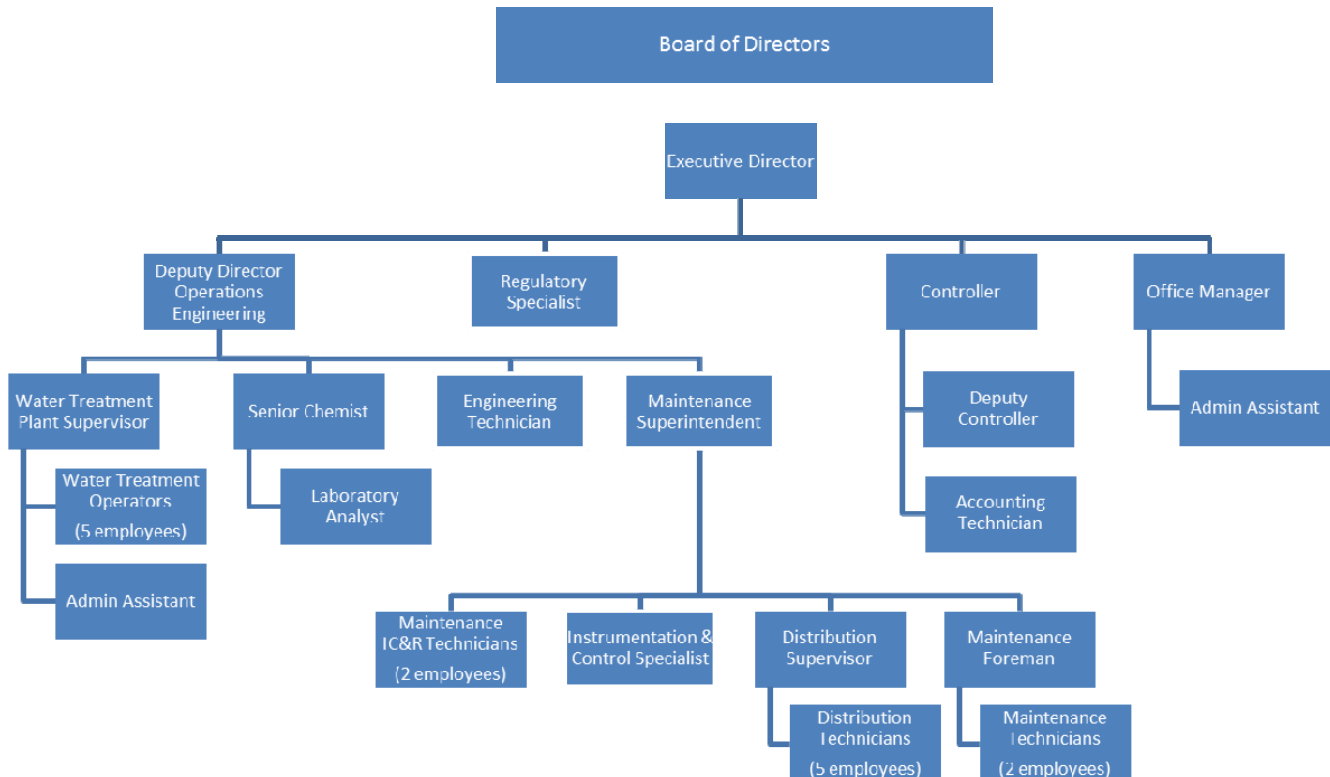
## Central Coast Water Authority Board of Directors

Jack Boysen, Chairman	City of Santa Maria
Richard Shaikewitz, Vice Chairman	Montecito Water District
Ed Andrisek	City of Buellton
Harlan Burchardi	Santa Ynez River Water Conservation District, Improvement District #1
Bendy White	City of Santa Barbara
Richard Merrifield	Goleta Water District
Jerry Beatty	City of Guadalupe
Gina Rubalcaba	Carpinteria Valley Water District

## Authority Staff

Ray Stokes	Executive Director
John Brady	Deputy Director Operations /Engineering

## CCWA Organization Chart FY 2016-17





## Project Map





Government Finance Officers Association

**Certificate of  
Achievement  
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in Financial  
Reporting**

Presented to

**Central Coast Water Authority  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# FINANCIAL SECTION





**Nasif, Hicks, Harris & Co., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

104 West Anapamu Street, Suite B | Santa Barbara, CA 93101  
Main: (805) 966-1521 | Fax: (805) 963-1780 | www.nhhco.com

William J. Nasif  
Steven J. Hicks, Retired  
Jeffery P. Harris  
Jody Dolan Holehouse  
Thomas W. Burk  
Robert Swayne Lyons  
Lawrence W. Brown  
Sarah E. Turner  
Thomas A. Olson  
Joseph G. Bishop

December 21, 2017

### Independent Auditors' Report

To the Member Agencies of the Central Coast Water Authority

We have audited the accompanying statement of net position of the Central Coast Water Authority ("CCWA") as of June 30, 2017 and 2016, and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, which collectively comprise CCWA's basic financial statements, as listed in the foregoing table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the CCWA as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CCWA's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### *Emphasis of Matter*

As was described in Note 11 to the financial statements, a prior period adjustment of \$551,398 was made to the Statement of Net Position as of June 30, 2017, to increase the beginning net position of the Authority as of that date. This cumulative change resulted in various modifications to several June 30, 2016 ending account balances. As a result of these changes several June 30, 2016 balances reported on the June 30, 2017 issued financial statements do not match the June 30, 2016 balances reported on the June 30, 2016 issued financial statements. Please refer to Note 11 for further details. Our Opinion is not modified with respect to this matter.

*Nasif, Hicks, Harris & Co., LLP*  
Nasif, Hicks, Harris & Co., LLP

# Management's Discussion and Analysis

**Fiscal Year Ended  
June 30, 2017**

This section presents management's analysis of the Authority's financial condition and activities for the fiscal year ended June 30, 2017. This information should be read in conjunction with the financial statements and the additional information that we have included in our letter of transmittal.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

## **Summary of Organization and Business**

The Central Coast Water Authority is a public entity duly organized and existing under a Joint Exercise of Powers Agreement – Central Coast Water Authority, dated as of August 1, 1991, by and among nine public agencies in Santa Barbara County, two of which have subsequently merged. The members entered into the Agreement to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses. In particular, the members expressed their desire to create the Authority to finance, develop, operate, and maintain the Authority facilities for their mutual benefit and to act on behalf of the members with respect to the Department of Water Resources (DWR) facilities. The Authority currently has a staff of twenty-eight full-time employees and three part-time employees.

The Authority is presently composed of eight members, all of which are public agencies: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water

# Management's Discussion and Analysis

District.) In addition, the Authority has an Associate Member, the La Cumbre Mutual Water Company. Each member appoints a representative to the Authority's Board of Directors. San Luis Obispo County Flood Control and Water Conservation District (SLOCFWCD and/or San Luis Obispo Water Purchasers) has expressed an interest in joining the Authority. However, any decision to do so must be approved by the unanimous vote of the present members.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The following table shows the voting percentage for each member of the CCWA Board of Directors.

City of Guadalupe	1.15%
City of Santa Maria	43.19%
City of Buellton	2.21%
Santa Ynez R.W.C.D., Improvement District #1	7.64%
Goleta Water District	17.20%
City of Santa Barbara	11.47%
Montecito Water District	9.50%
Carpinteria Valley Water District	7.64%
TOTAL	100.00%

## CCWA Committees

There are currently three Central Coast Water Authority committees. They are the Finance, Operating, and Personnel Committees.

The Operating Committee is composed of the general managers, city administrators or water supply managers from each of the various water districts and cities served by the Authority. The Operating Committee typically meets quarterly to act on matters such as construction, operations, and financial issues and recommends actions to the Authority Board of Directors.

The Finance and Personnel Committees are composed of CCWA Board members appointed by the CCWA Board Chairman. The Committees review and recommend actions to the Authority Board of Directors with regard to finance and personnel related matters.

# Management's Discussion and Analysis

## Santa Barbara County Project Participants

Each Santa Barbara County project participant is a water purveyor or user located in Santa Barbara County which obtained contractual rights to receive water from the State Water Project prior to 1991. Those rights have been assigned to the Authority pursuant to the terms of the Water Supply Agreements.

## San Luis Obispo County Water Purchasers

Each San Luis Obispo County water purchaser is a water purveyor or user located in San Luis Obispo County which obtained contractual rights from SLOFCWCD to receive water from the State Water Project.

## FINANCIAL HIGHLIGHTS

The following table shows a condensed version of the Authority's balance sheet with corresponding analysis regarding significant variances.

### Condensed Balance Sheet

	June 30, 2017	June 30, 2016	June 30, 2015	2017-16 Change	2016-15 Change
Current Assets	\$ 66,724,426	\$ 65,379,930	\$ 65,880,486	\$ 1,344,496	\$ (500,556)
Non-Current Restricted Assets	10,025,234	11,540,910	11,531,113	(1,515,676)	9,797
Capital Assets	95,816,473	97,942,623	99,634,028	(2,126,150)	(1,691,405)
Other Assets	4,818,107	5,811,328	6,836,558	(993,221)	(1,025,230)
<b>Total Assets</b>	<b>\$ 177,384,240</b>	<b>\$ 180,674,791</b>	<b>\$ 183,882,185</b>	<b>\$ (3,290,551)</b>	<b>\$ (3,207,394)</b>
Revenue Bond Deferred Amount	\$ 1,489,720	\$ 2,132,166	\$ 2,884,086	\$ (642,446)	\$ (751,920)
Pension Plan Deferred Amount	1,338,314	558,325	580,238	779,989	(21,913)
<b>Total Deferred Outflows of Resources</b>	<b>\$ 2,828,034</b>	<b>\$ 2,690,491</b>	<b>\$ 3,464,324</b>	<b>\$ 137,543</b>	<b>\$ (773,833)</b>
Current Liabilities	\$ 72,523,976	\$ 73,834,676	\$ 75,220,234	\$ (1,310,700)	\$ (1,385,558)
Non-current Liabilities	54,459,750	63,682,508	71,677,694	(9,222,758)	(7,995,186)
<b>Total Liabilities</b>	<b>126,983,726</b>	<b>137,517,184</b>	<b>146,897,928</b>	<b>(10,533,458)</b>	<b>(9,380,744)</b>
Revenue Bond Deferred Amount	\$ 776,829	\$ -	\$ -	\$ 776,829	\$ -
Pension Plan Deferred Amount	178,146	420,485	753,846	(242,339)	(333,361)
<b>Total Deferred Inflows of Resources</b>	<b>954,975</b>	<b>420,485</b>	<b>753,846</b>	<b>534,490</b>	<b>(333,361)</b>
Net investment in capital assets	\$ 55,164,579	\$ 44,108,951	\$ 38,420,586	\$ 11,055,628	\$ 5,688,365
Restricted - total	9,978,731	11,513,337	11,522,948	(1,534,606)	(9,611)
Unrestricted	(12,869,737)	(10,194,675)	(10,248,799)	(2,675,062)	54,124
Total Net Position	52,273,573	45,427,613	39,694,735	6,845,960	5,732,878
<b>Total Liabilities and Net Position</b>	<b>\$ 180,212,274</b>	<b>\$ 183,365,282</b>	<b>\$ 187,346,509</b>	<b>\$ (3,153,008)</b>	<b>\$ (3,981,227)</b>



# Management's Discussion and Analysis

## BALANCE SHEET ANALYSIS

### June 30, 2017 Comparison to June 30, 2016

- Total assets as of June 30, 2017 are \$177.4 million, or \$3.3 million less than the amount on June 30, 2016.
- Capital and other assets are \$3.1 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2006A & 2016A revenue bond insurance costs.
- Non-current liabilities are \$9.2 million lower due to the revenue bond principal payment during the year, along with the issuance of the 2016A refunding revenue bonds issuance to realize lower interest rates and a \$1.1 million long-term liability reduction.

### June 30, 2016 Comparison to June 30, 2015

- Total assets as of June 30, 2016 are \$180.7 million, or \$3.2 million less than the amount on June 30, 2015.
- Capital and other assets are \$2.7 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2006A revenue bond insurance costs.
- Non-current liabilities are \$8.0 million lower due to the revenue bond principal payment during the year.

The following table shows a condensed version of the Authority's Statement of Revenues, Expenses and Changes in Net Position with corresponding analysis regarding significant variances.

### Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2017	June 30, 2016	June 30, 2015	2017-2016 Change	2016-2015 Change
Operating Revenues	\$ 20,825,040	\$ 19,334,566	\$ 19,831,984	\$ 1,490,474	\$ (497,418)
Operating Expenses	(9,510,047)	(7,922,797)	(8,960,934)	(1,587,250)	1,038,137
Depreciation and Amortization	(1,027,928)	(2,710,417)	(2,710,711)	1,682,489	294
<b>Operating Income</b>	<b>10,287,065</b>	<b>8,701,352</b>	<b>8,160,339</b>	<b>1,585,713</b>	<b>541,013</b>
Non-operating Revenues	334,430	213,252	153,840	121,178	59,412
Non-operating Expenses	(3,775,535)	(3,181,726)	(3,616,894)	(593,809)	435,168
<b>Change in Net Position</b>	<b>6,845,960</b>	<b>5,732,878</b>	<b>4,697,285</b>	<b>1,113,082</b>	<b>1,035,593</b>
Net position at beginning of year	45,427,613	39,694,735	37,640,493	5,732,878	2,054,242
Adjustment for restatements	-	-	(2,643,043)	-	2,643,043
Net position at end of year	\$ 52,273,573	\$ 45,427,613	\$ 39,694,735	\$ 5,732,878	\$ 4,697,285

# Management's Discussion and Analysis

## June 30, 2017 Comparison to June 30, 2016

Operating revenues as of June 30, 2017 are about \$1.5 million higher than the prior year amount. The increase is primarily attributed to an increase in the operating reimbursements from project participants for an increase in operations and maintenance cost for the year.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments. For FY 2016/17, this credit totaled \$0.7 million for the fixed component of the O&M assessments, as compared to the FY 2015/16 credit of \$0.3 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about \$1.6 million higher than the prior year amount due to:

1. Increase in personnel expenses of about \$0.3 million due to the required recording of GASB 68 actuarial pension costs including a GASB 68 prior period actuarial adjustment reducing the prior year personnel expenses.
2. Increase in unexpended operating reimbursements of \$0.4 million due to an increase in the budget surplus for FY 2016/17 which is payable back to the Authority's project participants.
3. Increase in supplies, equipment and monitoring expenses of \$0.2 million for higher chemical costs associated with an increase in water deliveries and therefore an increase in chemical usage.
4. Increase in utility expenses of \$0.6 million attributed to an increase water deliveries over the prior fiscal year and the increase in electrical costs for pumping water.

Depreciation and Amortization expenses were approximately \$1.7 million lower due largely to the refunding of the Series 2006A revenue bonds with the Series 2016A revenue bonds. The bonds were issued at a significant premium and with a significant deferred gain on refunding. The amortization of premiums and gains reduces depreciation and amortization expense by \$2.0 million unlike typical depreciation and amortization of a fixed or intangible asset which acts to defer the expense of an asset over its useful life.

Non-operating revenues are higher by about \$0.1 million due to the increase of interest income and a gain on the sale of a capital asset.

Non-operating expenses are \$0.6 million higher due to Series 2016 A bond issuance costs paid on the refunding of the 2006A Series bond.

Also seen was an increase in the cost of asset disposal and interest income paid to the CCWA project participants.

# Management's Discussion and Analysis

## June 30, 2016 Comparison to June 30, 2015

Operating revenues as of June 30, 2016 are about \$0.5 million lower than the prior year amount. The decrease is primarily attributed to a decrease in the operating reimbursements from project participants for a decrease in operations and maintenance cost for the year.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments. For FY 2015/16, this credit totaled \$0.3 million for the fixed component of the O&M assessments, as compared to the FY 2014/15 credit of \$1.2 million for both fixed and variable O&M assessment components. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about \$1.0 million lower than the prior year amount due to:

1. Decrease in personnel expenses of about \$0.1 million due to GASB 68 required recording of actuarial pension costs including an actuarial adjustment to restate actuarial pension expenses.
2. Decrease in unexpended operating reimbursements of \$0.8 million due to variable reimbursements being applied to variable assessments during the fiscal year.
3. Increase in other expenses of \$0.2 million mostly for an increase in non-capital project materials.
4. Decrease in utility expenses of \$0.3 million attributed to a decrease in electrical costs for pumping water.

Non-operating revenues are higher by about \$0.06 million due to the increase of interest income and a gain on the sale of a capital asset.

Non-operating expenses are \$0.4 million lower due to a decrease in revenue bond interest expense, a decrease in the cost of asset disposal, coupled with the increase of interest income paid to the CCWA project participants

# Management's Discussion and Analysis

## Capital Assets

The following table provides a summary of the Authority's capital assets and changes from the prior year.

	June 30, 2017	June 30, 2016	June 30, 2015	2017-2016 Change	2016-2015 Change
Land	\$ 3,178,700	\$ 3,178,700	\$ 3,178,700	\$ -	\$ -
Furniture fixtures and equipment	434,462	423,907	459,810	10,555	(35,903)
Equipment	28,714,588	28,681,299	28,654,864	33,289	26,435
Buildings and structures	48,696,149	48,696,149	48,696,149	-	-
Underground pipeline	59,925,077	59,925,077	58,950,134	-	974,943
Construction in progress	464,918	361,911	921,640	103,007	(559,729)
Total property, plant and equipment	141,413,894	141,267,043	140,861,297	146,851	405,746
Accumulated depreciation	(45,597,421)	(43,324,419)	(41,227,269)	(2,273,002)	(2,097,150)
Net property, plant and equipment	\$ 95,816,473	\$ 97,942,623	\$ 99,634,028	\$ (2,126,151)	\$ (1,691,404)

Please refer to Note 3 on Capital Assets in the Notes to the Financial Statements for additional information regarding the Authority's capital assets.

# Management's Discussion and Analysis

## Debt Administration

On September 28, 2006, the Authority issued Series 2006A refunding revenue bonds in the amount of \$123,190,000, which refunded the outstanding \$142,985,000 Series 1996A revenue bonds. The 2006A revenue bonds were issued at a true interest cost of 4.24% for the purpose of reducing the Authority's total debt service payments over the next 15 years by \$4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million. At June 30, 2016, the Authority had \$59,645,000 of outstanding 2006A revenue bonds.

The Authority's 2006 revenue bond indenture and the Water Supply Agreements require that certain CCWA project participants and contractors maintain a ratio of net revenues to contract payments of at least 1.25. Additionally, the Authority has complied with the Securities and Exchange Commission Rule 15c12, which requires all local governments that bring municipal debt to market after July 3, 1995 to provide specified financial and operating information on an annual basis which mirrors the information provided in the 2006 revenue bond official statement.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued to realize the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016.

Please refer to Note 5 in the Notes to the Financial Statements for additional information regarding the Authority's long-term debt.

# STATEMENT OF NET POSITION

	June 30, 2017	June 30, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments (Note 2)	\$ 24,770,780	\$ 25,640,932
Interest receivable	40,741	21,163
Prepaid Expenses	231,021	335,231
Inventory	<u>84,653</u>	<u>94,006</u>
Total Unrestricted Current Assets	<u>25,127,195</u>	<u>26,091,332</u>
Restricted Current Assets		
Cash and investments held for payment to DWR	<u>41,597,231</u>	<u>39,288,598</u>
<b>Total Current Assets</b>	<u>66,724,426</u>	<u>65,379,930</u>
<b>Non-Current Assets</b>		
Restricted Assets		
Cash and investments for debt service payments	9,978,731	11,513,337
Interest receivable	<u>46,503</u>	<u>27,573</u>
Total Restricted Non-Current Assets	<u>10,025,234</u>	<u>11,540,910</u>
Capital Assets (Note 3)		
Capital assets, net of accumulated depreciation	92,637,773	94,763,923
Land, not depreciated	<u>3,178,700</u>	<u>3,178,700</u>
Total Capital Assets	<u>95,816,473</u>	<u>97,942,623</u>
Unamortized bond insurance costs, net	88,184	89,881
Long-term accounts receivable	4,729,923	5,721,447
<b>Total Non-Current Assets</b>	<u>110,659,814</u>	<u>115,294,861</u>
<b>Total Assets</b>	<u>\$ 177,384,240</u>	<u>\$ 180,674,791</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	1,489,720	2,132,166
Deferred amount from pension plan (Note 6)	<u>1,338,314</u>	<u>558,325</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 2,828,034</u>	<u>\$ 2,690,491</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>180,212,274</u>	<u>183,365,282</u>

Continued

The notes to the financial statements are an integral part of these statements.

# STATEMENT OF NET POSITION

## LIABILITIES AND NET POSITION

	June 30, 2017	June 30, 2016
<b>Current Liabilities</b>		
Accounts payable	\$ 214,788	\$ 395,610
Deposits for payment to DWR	41,636,741	39,311,310
Accrued interest payable	568,376	722,401
Deposits for supplemental water purchases	-	2,639,855
Other liabilities	442,241	604,901
Compensated absences payable	200,624	165,905
Debt due within one year	7,880,000	8,825,000
Project participant deposits and unearned revenue	21,581,206	21,169,694
<b>Total Current Liabilities</b>	72,523,976	73,834,676
<b>Non-Current Liabilities</b>		
Bonds payable, net (Note 5)	41,831,029	51,906,773
OPEB liability (Note 7)	94,594	38,078
Rate coverage reserve fund (Note 1)	9,215,803	9,185,782
Net pension liability (Note 6)	3,318,324	2,551,875
<b>Total Non-Current Liabilities</b>	54,459,750	63,682,508
<b>Total Liabilities</b>	126,983,726	137,517,184
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on refunding	776,829	-
Deferred amount from pension plan (Note 6)	178,146	420,485
<b>Total Deferred Inflows of Resources</b>	954,975	420,485
<b>Net Position</b>		
Net investment in capital assets	55,164,579	44,108,951
Restricted - future payment of debt service	9,978,731	11,513,337
Unrestricted	(12,869,737)	(10,194,675)
<b>Total Net Position</b>	52,273,573	45,427,613
<b>Total Liabilities and Net Position</b>	\$ 180,212,274	\$ 183,365,282

*The notes to the financial statements are an integral part of these statements.*

# STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	For the fiscal year ended	
	June 30, 2017	June 30, 2016
<b>Operating Revenues</b>		
Operating reimbursements from project participants	\$ 20,524,251	\$ 19,262,627
Other revenues	300,789	71,939
<b>Total Operating Revenues</b>	20,825,040	19,334,566
<b>Operating Expenses</b>		
Personnel expenses	4,391,736	4,052,236
Office expenses	19,732	17,770
General and administrative	218,690	216,132
Professional services	282,612	237,400
Supplies and equipment	1,458,869	1,266,434
Monitoring expenses	98,483	85,766
Repairs and maintenance	238,290	262,983
Utilities	1,212,960	661,935
Unexpended operating reimbursements (Note 1)	729,234	330,353
Depreciation and amortization	1,027,928	2,710,417
Other expenses	859,441	791,788
<b>Total Operating Expenses</b>	10,537,975	10,633,214
<b>Operating Income</b>	10,287,065	8,701,352
<b>Non-Operating Revenues</b>		
Interest income	328,130	176,276
Gain on disposal of capital assets	6,300	36,976
<b>Total Non-Operating Revenues</b>	334,430	213,252
<b>Non-Operating Expenses</b>		
Interest expenses	2,869,594	2,994,662
Bond issuance expenses	576,155	-
Loss on disposal of capital assets	28,156	10,788
Interest income paid to project participants	301,630	176,276
<b>Total Non-Operating Expenses</b>	3,775,535	3,181,726
Increase in net position	6,845,960	5,732,878
<b>Change in Net Position</b>	6,845,960	5,732,878
Net position, at beginning of year, as restated (Note 11)	45,427,613	39,694,735
Net position, at end of year	\$ 52,273,573	\$ 45,427,613

The notes to the financial statements are an integral part of these statements.



# STATEMENT OF CASH FLOWS

	For the fiscal year ended	
	June 30, 2017	June 30, 2016
<b>Cash Flows From Operating Activities</b>		
Cash received from project participants and other operating activities	\$ 21,364,032	\$ 20,498,392
Cash payments to employees	(2,999,207)	(2,925,502)
Cash payments to suppliers	(6,148,251)	(4,813,852)
Net cash provided by operating activities	<u>12,216,574</u>	<u>12,759,038</u>
<b>Cash Flows from Investing Activities</b>		
Interest and dividends on investments	<u>289,622</u>	<u>140,114</u>
Net cash provided by investing activities	<u>289,622</u>	<u>140,114</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(254,360)	(629,440)
Deposits received for encroachment permits	43,395	10,400
Payments on encroachment permit projects	(38,992)	(22,529)
Interest paid on long-term debt	(3,023,619)	(3,099,725)
Principal payments on long-term debt	(8,825,000)	(8,405,000)
Proceeds received from sale of capital assets	<u>6,300</u>	<u>36,976</u>
Net cash (used) for capital and related financing activities	<u>(12,092,276)</u>	<u>(12,109,318)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds received for DWR and Warren Act charges	41,119,703	35,658,936
Payments of DWR and Warren Act charges	(38,939,630)	(38,455,179)
Proceeds received for supplemental water purchases	184,882	2,641,963
Payments for supplemental water purchases	<u>(2,875,000)</u>	<u>(1,071,174)</u>
Net cash (used) by non-capital financing activities	<u>(510,045)</u>	<u>(1,225,454)</u>
Net (decrease) in cash and cash equivalents	(96,125)	(435,620)
Cash and cash equivalents, beginning of year	<u>76,442,867</u>	<u>76,878,487</u>
Unrestricted cash and investments	24,770,780	25,640,932
Restricted cash and investments held for payment to DWR	41,597,231	39,288,598
Restricted cash and investments for debt service payments	<u>9,978,731</u>	<u>11,513,337</u>
Cash and cash equivalents, end of year	<u>\$ 76,346,742</u>	<u>\$ 76,442,867</u>
<b>Cash Flows From Operating Activities</b>		
Operating Income	\$ 10,287,065	\$ 8,701,532
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,027,928	2,710,417
Unexpended operating reimbursements payable to project participants	729,234	330,353
Operating revenues paid from credits and unearned revenue	296,653	865,519
Increase in other post-employment liability	56,516	-
Increase (decrease) in accounts payable	<u>(180,822)</u>	<u>151,217</u>
Net cash provided by operating activities	<u>\$ 12,216,574</u>	<u>\$ 12,759,038</u>

The notes to the financial statements are an integral part of these statements.

# STATEMENT OF CASH FLOWS

## Supplemental Disclosures of Cash Flow Information

	For the fiscal year ended	
	June 30, 2017	June 30, 2016
<b>Schedule of Non-Cash Capital and Related Financing Activities</b>		
The Authority completed the construction of certain assets and transferred them from construction in progress to property, plant and equipment.	<u>\$ 151,352</u>	<u>\$ 1,189,169</u>
The Authority disposed of certain property, plant and equipment which were determined to no longer be usable.	<u>\$ 107,509</u>	<u>\$ 223,695</u>

*The notes to the financial statements are an integral part of these statements.*

# Notes to Financial Statements

## Note 1: Summary of Significant Accounting Policies

The accounting policies of the Central Coast Water Authority ("Authority") conform to Generally Accepted Accounting Principles (GAAP). The following summary of the Authority's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

### A. Reporting Entity

The primary purpose of the Central Coast Water Authority is to provide for the development, financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the State Water Project (the "SWP") to certain water purveyors and users in Santa Barbara County.

The Central Coast Water Authority was created by its members in August 1991. The Authority is presently composed of eight members, all of which are public agencies, as follows: the cities of Buellton, Guadalupe, Santa Barbara, and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and the Santa Ynez River Water Conservation District, Improvement District No. 1 (SYRWCD, ID#1, in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water District.) In addition, the Authority has one associate member, the La Cumbre Mutual Water Company (together with the members, the "Purveyor Participants"). Each of the Purveyor Participants has entered into a Water Supply Agreement with the Authority, as have non-members: Vandenberg Air Force Base ("Vandenberg AFB"), Raytheon Systems Company (formerly Santa Barbara Research Center), Morehart Land Company and Golden State Water Company (the "Consumer Participants").

The Authority Participants are located in three different geographic areas of Santa Barbara County: North County (Guadalupe, Santa Maria, Golden State Water Company and Vandenberg AFB); the Santa Ynez Valley (Buellton and SYRWCD, ID#1); and the South Coast (Carpinteria, Goleta, La Cumbre Mutual Water Company, Montecito, Morehart Land Company, Santa Barbara and Raytheon Systems Company, formerly Santa Barbara Research Center).

Historically, the North County has been an agricultural area but has seen significant urban development in the last twenty years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future.

In October 1992, the Central Coast Water Authority entered into an agreement with San Luis Obispo (SLO) County to treat water delivered through the SWP. The entities covered by the agreement include: Avila Beach Community Services District, Avila Valley Mutual Water Company, California Men's Colony, City of Morro Bay, City of Pismo Beach, County of San Luis Obispo Community Services Area #16, Irrigation District #1, Cuesta College, Oceano Community Services District, San Luis Obispo County Operations Center, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

### Facilities Constructed by the Authority

The facilities constructed by the Authority include a water treatment plant located at Polonio Pass in northern San Luis Obispo County and two pipeline extensions: (1) the Mission Hills Extension, a buried pipeline approximately eleven miles long running from the terminus of the Coastal Branch (Phase II) southerly to the vicinity of the Lompoc Valley, and (2) the Santa Ynez Extension, a buried pipeline approximately thirty-two miles long running from the terminus of the Mission Hills Extension easterly through the Santa Ynez Valley, to a terminus at Cachuma Lake and includes one pumping plant near Santa Ynez and one storage tank. Water transported to Lake Cachuma is transported through the existing Tecolote Tunnel, which traverses the Santa Ynez Mountains, to the South Coast of Santa Barbara County.

The water treatment plant receives raw water from the SWP and delivers treated water to purveyors and users located in San Luis Obispo and Santa Barbara Counties.

### Contractual Relationships

The State of California Department of Water Resources ("DWR") entered into contracts (the "State Water Supply Contracts") with San Luis Obispo and Santa Barbara Counties in 1963 pursuant to which the counties received Table A amounts of water from the SWP. San Luis Obispo County's Table A amount was 25,000 acre-feet per year and

# Notes to Financial Statements

Santa Barbara County's Table A amount was 57,700 acre-feet per year. In 1981, Santa Barbara County amended its contract to reduce its Table A amount to 45,486 acre-feet per year.

In 1983, Santa Barbara County entered into a series of Water Supply Retention Agreements ("WSRAs") with local water purveyors and users within Santa Barbara County. These WSRAs initially granted the purveyors and users an option to obtain an assignment of Santa Barbara County's State Water Supply Contract rights and, as of July 1, 1989, actually granted the full assignment of those rights. Thereafter, certain of the local water purveyors and users holding the WSRA rights transferred those rights to the Authority, a newly formed Joint Powers Authority, in consideration for Water Supply Agreements dated August 1, 1991, which provide for the delivery of SWP water by the Authority and the payment of required costs by the transferors. The Authority's obligation to make such payments to DWR from the payments it receives pursuant to the Water Supply Agreements is senior to its obligation to make payments with respect to the Bonds. These transfers have been consented to by DWR and were validated by an agreement between Santa Barbara County and the Authority on November 12, 1991 (the "Transfer of Financial Responsibility Agreement").

## The Water Supply Agreements

Each Project Participant has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the Project. The purpose of the Water Supply Agreements is to assist in carrying out the purposes of the Authority with respect to the Project by: (1) requiring the Authority to sell, and the Project Participants to buy, a specified amount of water from the project, and (2) assigning the Project Participants' Table A amount rights in the Project to the Authority.

In accordance with the provisions of each Water Supply Agreement, the Authority fixes charges for each Project Participant to produce revenues from the Project equal to the amounts anticipated to be needed by the Authority to meet the costs of the Authority to deliver to each Project Participant its pro rata share of water from the Project as set forth in each Water Supply Agreement. Each Project Participant is required to pay to the Authority an amount equal to its share of the total Fixed Project Costs and certain other costs in the proportion established in accordance with the applicable Water Supply Agreement, including the Santa Barbara Project Participant's share of

payments to DWR under the State Water Supply Contract, as amended (including capital, operation, maintenance, power and replacement costs of the DWR Facilities), debt service on the Bonds and all Authority operating and administrative costs. Such obligation is to be honored by each Project Participant whether or not water is furnished to it from the Project at all times or not at all and whether or not the Project is completed, operable, operated or retired. Such payments are not subject to any reduction and are not conditioned upon performance by the Authority or any other Project Participant under any agreement.

The Water Supply Agreements set forth detailed provisions concerning the time and method of payment by each Contractor of certain costs, including Fixed Project Costs and other operation and maintenance costs, as well as the method of allocation of such costs and expenses and the remedies available to the Authority in the event a project participant defaults in its payments to the Authority.

## B. Basis of Accounting

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheets. Where appropriate, net total position (i.e., fund equity) is segregated into net position invested in capital assets, net of related debt and unrestricted net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

This report has been prepared in conformance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the Authority applies all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

# Notes to Financial Statements

## C. Investments

The Authority has developed an investment policy that exceeds the minimum requirements established by the State of California. The Authority believes that it has adhered to established policies for all investment activities. As of June 30, 2017, the investment portfolio has a weighted average maturity of 0 days and a yield to maturity of 0.300%.

The Authority reports investments with a maturity at the time of purchase of less than one year at amortized cost. Investments with a maturity greater than one year at the time of purchase are reported at fair value. As of June 30, 2017 all investments are reported at amortized cost.

## D. Capital Assets

Capital assets, consisting of property, plant and equipment purchased or constructed by the Authority which meet or exceed the Authority's capitalization threshold of \$10,000 and an estimated useful life of five years or more, are stated at cost. Depreciation has been computed over the estimated useful life of each asset using the straight-line method. Interest costs have been capitalized based on the average outstanding capital expenditures. In addition, certain technical and engineering related studies associated with the Project have also been capitalized and included in the basis of the assets. The ranges of depreciation rates are:

Furniture fixtures and equipment	5-10 years
Equipment	10-50 years
Buildings and structures	30-50 years
Underground pipeline	75 years

## E. Inventories

Certain chemical purchases for use at the water treatment plant have been recorded to an inventory account to be expensed in proportion to the amount of water treated at the water treatment plant on a monthly basis.

## F. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources

(expense/expenditure) until then. In addition to liabilities, the Statement of Net Position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. See Note 4 for a detailed listing of the deferred outflows and inflows of resources the Authority has recognized.

## G. Deposits

Deposits include cash receipts from project participants for amounts payable to the Department of Water Resources (DWR) and Warren Act Charges payable to the U.S. Bureau of Reclamation and the Cachuma Operations and Maintenance Board (COMB).

## H. Operating Reimbursements from Project Participants

Operating reimbursements from project participants include amounts paid for Authority operating expenses and debt service payments. Debt service operating assessment receipts for both principal and interest are recorded as operating revenues.

## I. Unexpended Operating Assessments

Prior to fiscal year 2015/16, it was the Authority's policy to return unexpended fixed and variable operating assessments and interest income to the project participants after the close of each fiscal year. Beginning fiscal year 2015/16 the Authority revised this policy with respect only to the variable operating assessment component. A quarterly true-up process of variable operating costs was implemented to help avoid over and under collections due to changes in water deliveries. For fiscal year 2016/17 the unexpended fixed and variable operating assessments and the investment income earned on the Authority's unrestricted cash balances are recorded as unearned revenue and returned to the project participants as a credit against the following year's operating assessments.

## J. Operating and Non-Operating Revenues and Expenses

Project participant assessment payments for operations and maintenance expenses, revenue bond debt service payments and miscellaneous revenues are considered operating revenues. Interest income and gains on sale of

# Notes to Financial Statements

capital assets and investments are considered non-operating revenues.

Operations and maintenance expenses and depreciation and amortization expenses are considered operating expenses. Revenue bond interest expenses and other extraordinary expenses are considered non-operating expenses.

## K. Long-Term Accounts Receivable

Certain project participants requested that the Authority finance local facilities and other costs associated with the State water project owned and operated by the individual project participants. These costs are recorded as a long-term receivable on the Authority's balance sheet and repaid by the project participants in the form of revenue bond debt service payments to the Authority.

## L. Rate Coverage Reserve Fund

In December 1997, the Authority adopted the rate coverage reserve fund policy to provide a mechanism to allow the Authority's project participants to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments as defined in the Water Supply Agreement.

Under the rate coverage reserve fund policy, a project participant may deposit with the Authority up to twenty five percent (25%) of its State water contract payments in a given year. Amounts on deposit in the rate coverage reserve fund are used to satisfy a portion of the rate coverage obligation found in the Water Supply Agreement.

The following table shows a summary of project participant deposits in the rate coverage reserve fund as of June 30, 2017.

Project Participant	June 30, 2017
City of Buellton	\$ 275,963
Carpinteria Valley Water District	823,757
City of Guadalupe	188,366
La Cumbre Mutual Water Company	394,805
Montecito Water District	1,423,210
City of Santa Maria	5,021,334
Shandon (SLO County)	15,555
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	611,871
Santa Ynez WCD, ID #1	460,943
Total	<u>\$9,215,803</u>

## M. Self-Funded Dental/Vision Insurance Plan

The Authority maintains a self-insured plan for dental and vision coverage offered to employees. Under the provisions of the plan, each full-time employee was provided \$3,280 this fiscal year to pay dental and vision expenses for the employee and their qualified dependents.

The following table shows a summary of the claims liability and claims paid for the plan years ended June 30, 2017 and 2016.

	2017	2016
Maximum claims liability	\$ 92,660	\$ 90,824
Actual claims paid	(56,196)	(55,638)

## N. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results will differ from those estimates.

## O. New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pension plans – an amendment of GASB Statement No. 27, to improve the financial reporting requirements by state and local governmental pension plans. This statement replaces the requirements of Statements No. 27, Accounting for Pensions by State and Local Governmental Employers, and Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions of this statement were required to be implemented in fiscal year 2015. The Authority has fully conformed to the requirements of this statement for the fiscal year ending June 30, 2016.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GASB Statement No. 68, to clarify the application of the transition provisions of Statement No. 68, relating to amounts associated with contributions after the measurement date. This statement amends the requirements of Statements No. 68, Accounting and

# Notes to Financial Statements

Financial Reporting for Pension plans, as they relate to the financial reporting requirements by state and local governmental pension plans. The provisions of this statement are effective for basic financial statements for periods beginning after June 15, 2014. The Authority has fully conformed to the requirements of this statement for the fiscal year ending June 30, 2017.

## P. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office, and are in accordance with the implementation of GASB Statement No, 68. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

## Note 2: Cash and Investments

### A. Pooling

The Authority follows the practice of pooling cash and investments for all funds under its direct daily control. Funds held by outside fiscal agents under provisions of the bond indenture are maintained separately. Interest income from cash and investments with fiscal agents is credited directly to the related accounts. The Authority considers all pooled cash and investments to be cash equivalents.

### B. Demand Deposits

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, \$250,000 is insured by Federal depository insurance.

The California Government Code requires California banks and savings and loan associations to secure the Authority's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total deposits.

As of June 30, 2017, the reported amount of the Authority's demand deposits was \$222,736 and the bank balance was \$392,016. The difference of \$169,280 was principally due to checks which had not yet cleared the bank.

### C. Cash and Investments

The Authority is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments: securities issued or guaranteed by the Federal Government or its agencies, commercial paper, money market funds, and the State Treasurer's Local Agency Investment Funds (LAIF).

All of the Authority's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the Authority's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes equal to 150% of the Authority's deposits. The Authority may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The fair value of pooled investments is determined annually and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. At June 30, 2017, the carrying value of the Authority's position in LAIF is \$64,366,195 and the fair value is \$64,298,010.

### Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The policy sets specific parameters by type of investment for credit quality, maturity length, and maximum percentage investment.

# Notes to Financial Statements

## Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Treasurer mitigates this risk by investing in shorter-term investments that are not subject to significant adjustments due to interest rate fluctuations.

## Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
Capital Assets, not depreciated				
Land	\$ 3,178,700	\$ -	\$ -	\$ 3,178,700
Construction-in-process	361,911	254,360	(151,352)	464,918
Total Capital Assets, not depreciated	3,540,611	254,360	(151,352)	3,643,618
Depreciable Assets:				
Furniture fixtures and equipment	423,907	10,555	-	434,462
Lab Equipment	267,902	-	-	267,902
Transportation Equipment	677,177	27,721	(25,869)	679,029
Plant Equipment	16,317,584	61,491	(30,054)	16,349,021
Pipeline Equipment	11,418,636	51,585	(51,585)	11,418,636
Buildings and structures	48,696,149	-	-	48,696,149
Underground pipeline	59,925,077	-	-	59,925,077
Total depreciable assets	137,726,432	151,352	(107,509)	137,770,276
Accumulated Depreciation:				
Furniture fixtures and equipment	(370,692)	(30,430)	-	(401,122)
Lab Equipment	(244,384)	(3,320)	-	(247,704)
Transportation Equipment	(454,057)	(111,336)	25,869	(539,524)
Plant Equipment	(7,130,386)	(343,135)	19,953	(7,453,568)
Pipeline Equipment	(6,787,839)	(344,849)	33,531	(7,099,157)
Buildings and structures	(13,327,921)	(715,217)	-	(14,043,138)
Underground pipeline	(15,009,140)	(804,067)	-	(15,813,207)
Total Accumulated Depreciation	(43,324,419)	(2,352,354)	79,352	(45,597,421)
Total Depreciable Capital Assets, net	94,402,013	(2,201,002)	(28,156)	92,172,855
Total Capital Assets, net	\$ 97,942,623	\$ (1,946,642)	\$ (179,508)	\$ 95,816,473



# Notes to Financial Statements

## Note 4: Deferred Outflows of Resources and Deferred Inflows of Resources

Beginning in Fiscal 2014, the Authority reported deferred outflows and inflows of resources in connection with its issue of revenue bonds in 2006 & 2016 and pension-related adjustments in accordance with GASB 68. The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2017.

	Deferred Outflows of Resources
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt Accumulated Amortization	\$ 13,195,235 (11,705,515)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net Pension-related adjustments	1,489,720 1,338,314
Total Deferred Outflows of Resources	<u>\$ 2,828,034</u>

	Deferred Inflows of Resources
Deferred amount on refunding	\$ 776,829
Pension-related adjustments	\$ 178,146
Total Deferred inflows of Resources	<u>\$ 954,975</u>

The table below presents the balances of deferred outflows and inflows of resources as of June 30, 2016, as restated.

	Deferred Outflows of Resources
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt Accumulated Amortization	\$ 13,195,235 (11,063,069)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net Pension-related adjustments	2,132,166 558,325
Total Deferred Outflows of Resources, Net	<u>\$ 2,690,491</u>

	Deferred Inflows of Resources
Pension-related actuarial adjustments	\$ 420,485
Total Deferred inflows of Resources	<u>\$ 420,485</u>

## Note 5: Long-Term Debt

On September 28, 2006, the Authority issued \$123,190,000 in revenue bonds with an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an Average interest rate of 5.47%.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old

debt of \$8.25 million. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2022 in proportion to the bond interest expense incurred for each fiscal year. The Authority completed the refunding to reduce its total debt service payments over the next 15 years by \$4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million.

The 1996 Revenue Bonds were issued to advance refund the 1992 Revenue Bonds. The 1992 Revenue Bonds were issued by the Authority for the benefit of its participants to finance a portion of the costs of developing a pipeline and water treatment plant, to reimburse certain project participants for costs incurred in connection with the State Water Project, and to finance certain other facilities. Each of the participants in the financing held elections authorizing issuance of revenue bonds for the construction of the State Water Project. In order to reduce issuance costs and insure the proceeds are available on a timely basis, the Authority issued the bonds for all participants requiring financing.

The City of Santa Maria, Golden State Water Company, Vandenberg AFB, Avila Valley Mutual Water Company, San Luis Coastal Unified School District, and San Miguelito Mutual Water Company contributed cash for their proportionate share of capital costs. Such net contributions totaling \$22,562,433 at June 30, 2016 and June 30, 2015 have been accounted for as contributed capital. Under the Water Supply Agreements, each Project Participant is obligated to make payments to the Authority, with the payments pledged to secure the payment of the principal and interest of the bonds. The 2006 bonds are backed by a municipal bond insurance policy issued by Financial Security Assurance.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued to realize the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016.

# Notes to Financial Statements

The annual requirements to pay all debt outstanding, as of June 30, 2017, are as follows:

Fiscal Year	Interest	Principal	Total
2018	2,076,500	7,880,000	9,956,500
2019	1,661,500	8,720,000	10,381,500
2020	1,214,500	9,160,000	10,374,500
2021	745,125	9,615,000	10,360,125
2022	252,375	10,095,000	10,347,375
	<u>\$ 5,950,000</u>	<u>\$ 45,470,000</u>	<u>\$ 51,420,000</u>

The 2016A bond outstanding bear interest of 5.00%, with a true interest cost of 1.355%.

The long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Revenue Bonds:				
Series 2006A Revenue Bonds	\$ 59,645,000	\$ -	\$ (59,645,000)	\$ -
Premium on issuance of 2006 Series A	1,086,773	-	(1,086,773)	-
Series 2016A Revenue Bonds	-	45,470,000	-	45,470,000
Premium on issuance of 2016 Series A	-	5,933,141	(1,692,112)	4,241,029
Total	60,731,773	\$ 51,403,141	(62,423,885)	49,711,029
Less: Current Portion	(8,825,000)		\$ 945,000	(7,880,000)
Total Bonds Payable, net	51,906,773	51,403,141	(61,478,885)	41,831,029
OPEB Liability	38,078	94,594	(38,078)	94,594
Rate Coverage Reserve Fund	9,185,782	30,021	-	9,215,803
Net Pension Liability	2,551,875	766,449	-	3,318,324
Total Non-Current Liabilities	<u>\$ 63,682,508</u>	<u>\$ 52,294,205</u>	<u>\$ (61,516,963)</u>	<u>\$ 54,459,750</u>

# Notes to Financial Statements

## Note 6: Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

### A. General Information about the Pension Plans

**Plan Description** - All qualified employees and probationary employees are eligible to participate in the Authority's cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pools. Accordingly, rate plans are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The Authority currently sponsors one miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and the Authority's 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.

**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, equal to one year of full time employment. Classic and PEPRAs members with five years of total service are eligible to retire at age 50 or 52 respectively with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Authority Plan	
	Classic Member*	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	15.071%	6.93%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Authority's required contribution for the unfunded liability was \$156,503 in fiscal year 2017.

\*A Classic PERS member is an employee who qualifies under one of the following categories: An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired on or after January 1, 2013, yet is eligible for reciprocity with another public retirement system. An employee who is brought back by the same CalPERS employer, regardless of the length of break in service.

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 the 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 any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

# Notes to Financial Statements

## Note 6: Pension Plan (Continued)

The Authority's contributions to the Plan for the year ended June 30, 2017 were \$548,429.

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

As of June 30, 2017, the Authority reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)	
	Fiscal Year Ending	
	June 30, 2017	June 30, 2016
Miscellaneous	\$ 3,318,324	\$ 2,551,875

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

### Proportionate Share of Net Pension Liability/(Asset)

	Percentage Share of Plan		Change: Increase (Decrease)
	6/30/2017	6/30/2016	
Measurement Date	6/30/2016	6/30/2015	
Percentage of Plan (PERF C) NPL	0.038348%	0.037178%	0.001170%

For the year ending June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Expenses (Income) for Fiscal Year	
2016/17	
Total pension expense for fiscal year	\$ 292,550

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,154	\$ 3,243
Changes of assumptions		133,915
Net differences between projected and actual earnings on plan investments	696,982	
Change in employer's proportion	49,445	29,924
Differences between the employer's contributions and the employer's proportionate share of contributions	29,304	11,064
Pension contributions subsequent to measurement date	548,429	
<b>Total</b>	<b>\$ 1,338,314</b>	<b>\$ 178,146</b>

\$1,338,314 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ 54,454
2019	67,059
2020	309,700
2021	180,526
2022	-
Thereafter	-

# Notes to Financial Statements

**Actuarial Assumptions** - For the measurement period ending June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
	Entry Age Normal Cost
Actuarial Cost Method	Method
Discount Rate	7.65%
Inflation	2.75%
Projected salary Increase	(1)
Investment Rate of Return	7.65% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power
Increase	Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Change in Assumptions** - There were no changes of assumptions

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

# Notes to Financial Statements

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is schedule to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

Asset Class	Current Target Allocation	Real Return Years 1–10 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55)%	(1.05)%
Total	100.00%		

<sup>(a)</sup> An expected inflation of 2.5% used for this period.

<sup>(b)</sup> An expected inflation of 3.0% used for this period.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’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:

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan’s Net Pension Liability/(Asset)	\$5,249,097	\$3,318,324	\$1,722,636

**Pension Plan Fiduciary Net Position** – Detail information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

## Note 7: Post-Employment Benefits Other Than Pensions

The Authority provides other post-employment benefits (OPEB), to qualified employees who retire within 120 days of separation from employment with the Authority, and are enrolled in an insurance program under the California Public Employees’ Medical and Hospital Care Act (PEMHCA) at the time of retirement. The CalPERS PEMHCA Plan is a defined contribution, cost sharing multiple-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the CalPERS. Copies of the CalPERS annual financial report can be found online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Plan Description - Eligibility:** For full time employees retired prior to September 22, 2016, or retiring with less than 10 years of service with the Authority, the benefit will be the minimum contribution as required by PEMCHA. Vesting will be applied to an enhanced retiree benefit that is provided for employees retired after September 22, 2016, who are at least 62 years of age at retirement and have at least 10 years of service with the Authority. This vesting schedule ranges from 50% to 80% of the retiree premium only and is based on years of CCWA service. The enhanced contribution requirements are established and may be amended by the Board of Directors.

**Funding Policy:** PEMHCA determines the amount contributed by the Authority toward retiree health insurance. Currently, the Authority is required to contribute \$128 per month toward the cost of retiree health insurance, which is the same amount contributed toward active employee health insurance. The balance of the premium, averaging approximately \$225 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. Beginning in calendar year 2009, the contribution amount increases by the change in the annual consumer price index. During the 2016-17 fiscal year \$5,123 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis.

The Authority is required to record the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years.

# Notes to Financial Statements

**Annual OPEB Cost:** For fiscal year ended June 30, 2017, the Authority contributed \$5,123 for pay-as-you-go premiums to the Plan. As a result, the Authority has calculated and recorded the Net OPEB Obligation, representing the difference in the ARC, amortization and contributions, as presented below:

	Net OPEB Obligation Calculation
Annual Required Contribution (ARC)	\$ 62,935
Amortization of Net OPEB Liability	34,312
Interest on Net OPEB Liability	2,470
Annual OPEB Cost	99,717
Contributions made	(43,201)
Increase (decrease) in OPEB obligation	56,516
Net OPEB Obligation – Beginning of year	38,078
Net OPEB Obligation – End of year	<u>\$ 94,594</u>

The Authority's annual required contributions and actual contributions for the year ended June 30 and the two preceding years are set forth below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Net OPEB Obligation	% of Annual OPEB Cost Contributed
6/30/2015	44,715	49,872	38,780	111.53%
6/30/2016	44,151	44,853	38,078	101.59%
6/30/2017	99,717	43,201	94,594	43.32%

## Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2017, is shown below:

Actuarial accrued liability (AAL)	\$ 882,119
Actuarial value of plan assets	234,570
Unfunded actuarial accrued liability (UAAL)	<u>\$ 647,549</u>
Covered payroll (active plan members)	\$ 2,898,015
UAAL as a percentage of covered payroll	22.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2017, actuarial valuation, the Entry Age cost method was used. The actuarial assumptions included a 7.2% investment rate of return (net of administrative expenses) and an inflation assumption of 5%. The plans unfunded actuarial accrued liability is being amortized over a 30-year open amortization period.

The Authority pre-funded \$38,078 in retiree healthcare costs that were deposited in an irrevocable trust for retiree healthcare costs that was established in the 2013-14 fiscal year.

## Note 8: Commitments and Uncertainties

The Authority entered into a water exchange agreement with Antelope Valley-East Kern Water Agency (AVEK) in 2015 on behalf of certain project participants for a total of 9,600 acre-feet (AF) of water. This exchange was an even 1:1 exchange with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to AVEK, and are estimated to be \$250/AF. As of June 2017, 71 AF had been returned, leaving a balance of 9,529 AF to be returned in the future. Estimated transportation costs for that water are \$2,382,250. Actual costs and timing of the return are not known at this time, however all water in this exchange must be returned by December 31, 2025.

The Authority entered into an additional exchange agreement with AVEK in 2016 on behalf of certain project participants to allow for delivery of 10,000 AF of water. That agreement was an unbalanced 2:1 exchange requiring return of 5,000 AF, with no obligation to pay transportation charges. As of June 2017, a total of 2,029 AF has been returned, leaving a balance of 2,971 to be returned. Actual timing of the return is not known at this time, however all water in the 2016 AVEK exchange must be returned no later than December 31, 2026.

# Notes to Financial Statements

The Authority leases equipment under non-cancelable operating leases. Minimum rental commitments for these operating leases in effect at June 30, 2017 were \$2,694 (2017) and \$4,781 thereafter, resulting in total minimum payments of \$7,475.

The Authority is involved in various legal proceedings, lawsuits and claims of a nature considered normal for its activities. It is the Authority's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. For the periods ending June 30, 2017 and June 30, 2016, the Authority had no liability for claims or judgments.

All of the accounts receivable recorded by the Authority are payable by its local participants and the DWR under the agreements more fully described in Note 1.

## Note 9: Joint Powers Insurance Authority

The Authority participates in the liability, property and fidelity bond insurance program organized by the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA - JPIA"). ACWA - JPIA is a joint powers insurance authority created to provide a self-insurance program to water agencies in the State of California.

ACWA-JPIA provides liability, property, workers' compensation, fidelity, boiler and machinery insurance for approximately 300 water agencies for losses in excess of the members' 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 board composed of members from participating members. 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. The Authority has not incurred any settlements which exceeded insurance coverage for the past three fiscal years.

## Note 10: Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the terms of this plan, employees may defer amounts of income up to one

hundred percent of salary or \$18,000 per year, whichever is less. Additionally, employees over the age of 50 are permitted to defer up to an additional \$6,000 per year for those years in which they did not fully contribute the annual maximum prior to age 50.

## Note 11: Restatement - Correction of Error

A prior period adjustment of \$551,398 was made to the Statement of Net Position as of June 30, 2017, to increase the beginning net position of the Authority to correct the deferred inflows and outflows of resources calculation as they related to the Authority's pension plan, and to be in accordance with the implementation of GASB 68 and GASB 71. See Note 6 for further details of the pension plan. An adjustment was made to personnel expenses to modify the fiscal year ending June 30, 2016 Statement of Revenues, Expenses and Change in Net Position. Additionally, the Statement of Cash Flows was also changed to reflect the corresponding changes made to the Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position balances. The Deferred Inflows and Outflows balances and the Personnel expenses for the fiscal year were adjusted from the balances as they appeared on the June 30, 2016 CAFR, as shown in the tables below.

### Adjustments to Statement of Net Position Balances

Account	June 30, 2016 Balance <u>As originally recorded</u>	June 30, 2016 Balance <u>As revised</u>
Deferred outflows of resources – Deferred pension-related adjustments	\$ 593,558	\$ 558,325
Deferred inflows of resources – Deferred pension-related adjustments	\$ 1,007,117	\$ 420,485

### Adjustments to Statement of Revenues, Expenses and Change in Net Position

Account	June 30, 2016 Balance <u>As originally recorded</u>	June 30, 2016 Balance <u>As Revised</u>
Personnel Expenses	\$ 4,603,634	\$ 4,052,236



# Notes to Financial Statements

## Adjustments to Statement of Cash Flows

Account	June 30, 2016 Balance <u>As originally recorded</u>	June 30, 2016 Balance <u>As revised</u>
Operating Income	\$ 8,149,954	\$ 8,701,352
Operating revenues paid from credits and unearned revenue	\$ 1,417,097	\$ 865,519

The financial statements are adjusted in accordance with Government Accounting Standards Board Statement No. 68 (GASB 68) to provide what the Authority believes is a more complete and accurate reporting of information as it relates to applicable account balances and expenses in their relation to the periods ending June 30, 2016 and June 30, 2017.

# Required Supplementary Information

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN YEARS\*

As of June 30, 2017

	2017	2016	2015
Authority's Proportion of the Net Pension Liability	0.038348%	0.037178%	0.040196%
Authority's Proportionate Share of the Net Pension Liability	\$3,318,324	\$2,551,875	\$2,501,206
Authority's Covered - Employee Payroll	2,771,667	2,713,663	2,860,537
Authority's Proportionate Share of the net pension liability as percentage of covered-employee payroll	119.72%	94.04%	87.44%
Plan's fiduciary net position as a percentage of the plan's total pension liability	74.06%	78.40%	79.28%

\* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown. The amounts presented for each fiscal year were determined as of June 30.

# Required Supplementary Information

## SCHEDULE OF CONTRIBUTIONS - LAST 10 YEARS <sup>1</sup>

As of June 30, 2017

	Miscellaneous Plan		
	2016-17 <sup>1</sup>	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>
Actuarial determined contributions	\$ 548,429	\$ 395,321	\$ 392,033
Contributions in relation to the actuarially determined contribution <sup>2</sup>	(548,429)	(395,321)	(392,033)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered-employee payroll <sup>3,4</sup>	\$ 2,835,039	\$ 2,771,667	\$ 2,713,663
Contributions as a percentage of covered-employee payroll <sup>3</sup>	19.34%	14.26%	14.45%

<sup>1</sup> Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

<sup>4</sup> Fiscal Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption

# Required Supplementary Information

## POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN SCHEDULE OF CONTRIBUTIONS

Fiscal year	Annual Required Contributions (ARC)	Actual Contributions	Percentage of the ARC Contributed	Net OPEB (Obligation) Asset
June 30, 2012	\$ 42,047	\$ 1,344	3.20%	\$ (40,703)
June 30, 2013	42,437	1,373	3.24%	(81,767)
June 30, 2014	48,748	86,578	177.60%	(43,937)
June 30, 2015	44,715	49,872	111.53%	(38,780)
June 30, 2016	44,151	44,853	101.59%	(38,078)
June 30, 2017	99,717	43,201	43.32%	(94,594)

## POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B-A)/C]
June 30, 2012	\$ -	\$ 518,118	\$ 518,118	0.00%	\$ 2,491,505	20.80%
June 30, 2013	-	336,950	336,950	0.00%	2,686,735	12.54%
June 30, 2014	84,823	396,014	311,191	21.42%	2,600,572	11.97%
June 30, 2015	134,154	443,482	309,328	30.25%	2,678,765	11.55%
June 30, 2016	172,377	485,055	312,678	35.54%	2,738,959	11.42%
June 30, 2017	234,570	882,119	647,549	26.59%	2,898,015	22.34%

Prior to July 2011 the Authority did not have an OPEB liability.

# STATISTICAL SECTION



## STATISTICAL SECTION NARRATIVE SUMMARY

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

### Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

### Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt.

### Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the activities performed by the Authority.

TABLE 1

## General Governmental Revenues by Source

Fiscal Year	Operating Assessments	Debt Service Assessments	Other Revenues	Interest Income	Total Revenues
2007/08	\$ 6,673,228	\$ 10,851,885	\$ 68,927	\$ 1,862,268	\$ 19,456,308
2008/09	7,583,365	10,894,767	77,193	1,012,428	19,567,753
2009/10	7,706,451	10,837,837	144,825	287,296	18,976,409
2010/11	7,100,093	10,828,491	105,552	236,522	18,270,658
2011/12	7,056,434	10,751,690	64,258	166,276	18,038,658
2012/13	7,504,558	10,758,676	125,443	139,554	18,528,231
2013/14	8,642,389	10,669,540	329,292	120,693	19,761,914
2014/15	9,100,035	10,620,321	146,713	118,755	19,985,824
2015/16	8,702,151	10,560,476	108,915	176,276	19,547,818
2016/17	9,667,165	10,857,086	307,089	328,130	21,159,470

Source: Central Coast Water Authority

(1) Beginning with fiscal year 2004/05, Operating Assessments exclude yearend credits for unexpended operating reimbursements.

### Total Revenue Comparison

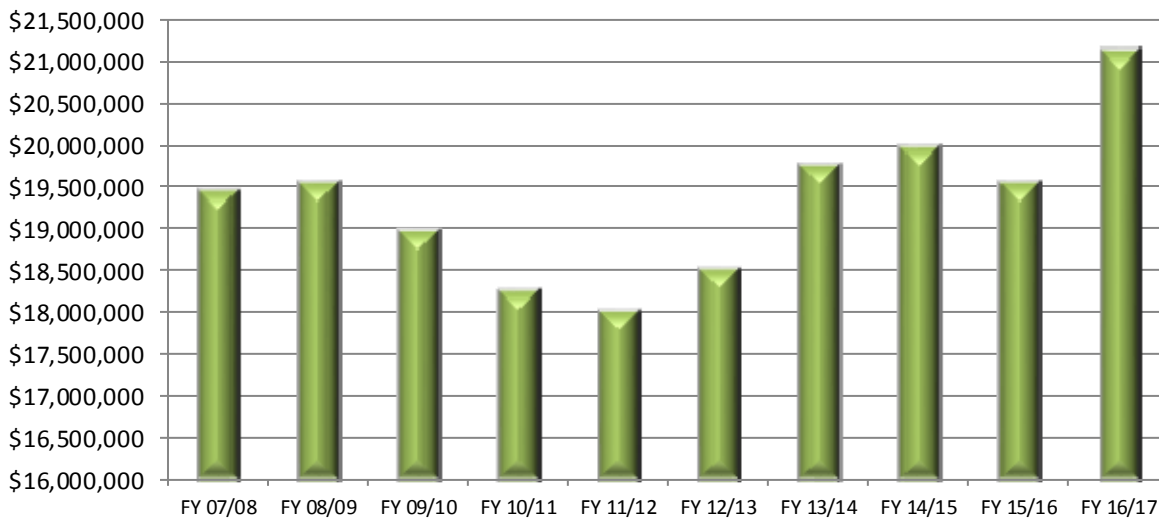


TABLE 2

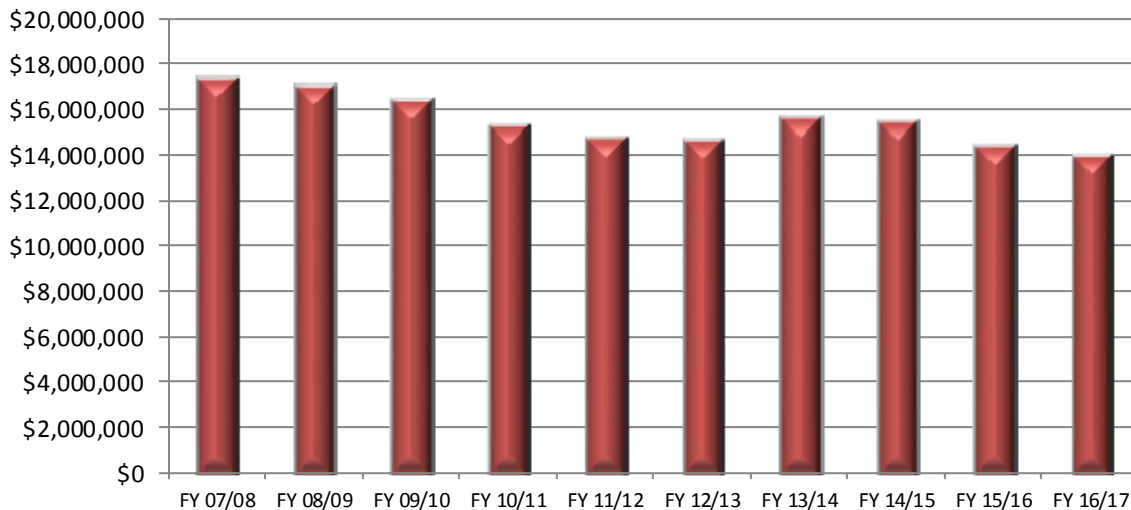
## General Governmental Expenses by Function

Fiscal Year	Operating Expenses	Capital Improvements	Interest Expense	Interest paid to Participants	Total Expenses
2007/08	\$ 9,497,227	\$ 471,676	\$ 5,582,876	\$ 1,858,511	\$ 17,410,290
2008/09	10,464,755	293,537	5,338,226	986,862	17,083,380
2009/10	10,640,777	428,879	5,083,426	273,944	16,427,026
2010/11	10,058,131	180,428	4,818,276	236,432	15,293,267
2011/12	9,786,406	365,801	4,490,322	165,476	14,808,006
2012/13	9,908,687	459,637	4,169,532	139,500	14,677,356
2013/14	10,937,701	749,170	3,805,662	120,693	15,613,226
2014/15	11,671,645	314,087	3,409,975	118,755	15,514,462
2015/16	10,633,214	629,440	2,994,662	176,276	14,433,592
2016/17	10,537,975	254,360	2,869,594	301,630	13,963,559

Source: Central Coast Water Authority

(1) Beginning with fiscal year 2004/05, Operating Expenses include yearend credits for unexpended operating reimbursements, and interest credits paid to project participants are shown on a separate line.

### Total Expenditures Comparison





# Statistical Section

TABLE 3

## Change in Net Position and Net Position Components Last Ten Fiscal Years

	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Net position, at beginning of year	\$ 14,088,203	\$ 16,440,986	\$ 19,070,613	\$ 22,020,369	\$ 25,026,753
Operating revenues	17,587,809	18,512,443	18,685,951	18,018,693	17,872,382
<b>Operating Expenses</b>					
Operating expenses	5,273,497	6,387,774	5,765,512	6,006,570	5,855,361
Depreciation and amortization	3,123,041	3,104,697	3,078,809	3,053,027	2,980,787
Unexpended operating reimbursements	1,100,689	972,284	1,796,456	998,534	950,258
Total operating expenses	9,497,227	10,464,755	10,640,777	10,058,131	9,786,406
Operating Income	8,090,582	8,047,688	8,045,174	7,960,562	8,085,976
<b>Non-operating revenues</b>					
Interest income and miscellaneous	1,868,499	1,012,428	304,506	251,965	166,276
<b>Non-Operating Expenses</b>					
Interest expense	5,582,876	5,338,226	5,083,426	4,818,276	4,490,322
Bond issuance expenses	-	-	-	-	-
Interest income to project participants	1,858,511	986,862	273,944	236,432	165,476
Other expenses	164,911	105,401	42,553	151,435	52,582
Total non-operating expenses	7,606,298	6,430,489	5,399,923	5,206,143	4,708,380
Increase in Net Position	2,352,783	2,629,627	2,949,757	3,006,384	3,543,872
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	-	-	-
Net position, at end of year	16,440,986	19,070,613	22,020,369	25,026,753	28,570,625
Net investment in capital assets	9,153,209	12,359,972	15,969,556	19,447,578	23,467,011
Restricted - capital projects	282	-	-	-	-
Restricted - debt service	11,597,222	11,589,832	11,590,054	11,545,053	11,597,425
Unrestricted	(4,309,726)	(4,879,191)	(5,539,241)	(5,965,878)	(6,493,811)
<b>Total Net Position</b>	<b>\$ 16,440,986</b>	<b>\$ 19,070,613</b>	<b>\$ 22,020,369</b>	<b>\$ 25,026,753</b>	<b>\$ 28,570,625</b>

Continued

# Statistical Section

TABLE 3 (continued)

## Change in Net Position and Net Position Components Last Ten Fiscal Years

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Net position, at beginning of year	\$ 28,570,625	\$ 32,843,775	\$ 37,640,493	\$ 39,694,735	\$ 45,427,613
Operating revenues	18,383,991	19,641,221	19,831,984	19,334,566	20,825,040
<b>Operating Expenses</b>					
Operating expenses	6,451,537	7,261,549	7,805,038	7,592,444	8,780,813
Depreciation and amortization	2,770,306	2,715,546	2,710,711	2,710,417	1,027,928
Unexpended operating reimbursements	686,844	960,606	1,155,896	330,353	729,234
Total operating expenses	9,908,687	10,937,701	11,671,645	10,633,214	10,537,975
Operating Income	8,475,304	8,703,520	8,160,339	8,701,352	10,287,065
<b>Non-operating revenues</b>					
Interest income and miscellaneous	144,240	120,693	153,840	213,252	334,430
<b>Non-Operating Expenses</b>					
Interest expense	4,169,532	3,805,662	3,409,975	2,994,662	2,869,594
Bond issuance expenses	-	-	-	-	576,155
Interest income to project participants	139,500	120,693	118,755	176,276	301,630
Other expenses	37,362	101,140	88,164	10,788	28,156
Total non-operating expenses	4,346,394	4,027,495	3,616,894	3,181,726	3,775,535
Increase in Net Position	4,273,150	4,796,718	4,697,285	5,732,878	6,845,960
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	(2,643,043)	-	-
Net position, at end of year	32,843,775	37,640,493	39,694,735	45,427,613	52,273,573
Net investment in capital assets	28,134,152	33,258,360	38,420,586	44,108,951	55,164,579
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,540,588	11,537,581	11,522,948	11,513,337	9,978,731
Unrestricted	(6,830,965)	(7,155,448)	(10,248,799)	(10,194,675)	(12,869,737)
<b>Total Net Position</b>	<b>\$ 32,843,775</b>	<b>\$ 37,640,493</b>	<b>\$ 39,694,735</b>	<b>\$ 45,427,613</b>	<b>\$ 52,273,573</b>

# Statistical Section

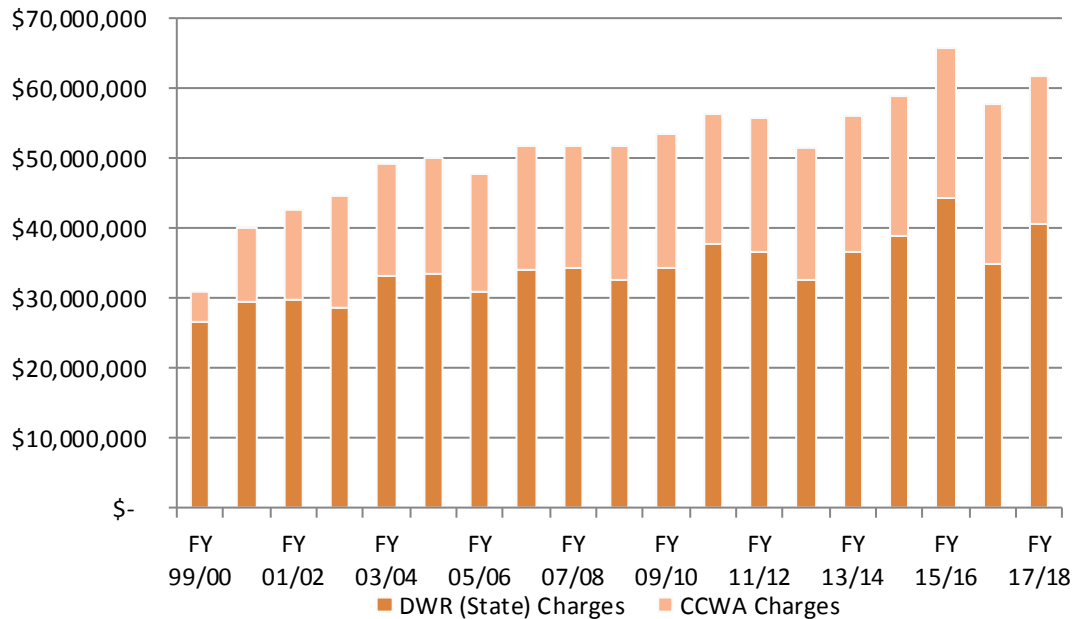
TABLE 4

## Fiscal Year Gross Budget History (Excludes Credits)

Fiscal Year	CCWA Charges	DWR (State) Charges	Total	Increase (Decrease)	Percentage Change
FY 99/00	\$ 4,345,803	\$ 26,525,983	\$ 30,871,786	\$ (10,159,306)	-25%
FY 00/01	10,470,166	29,409,208	39,879,374	9,007,588	29%
FY 01/02	12,732,473	29,872,420	42,604,893	2,725,519	7%
FY 02/03	15,923,396	28,667,780	44,591,176	1,986,283	5%
FY 03/04	15,826,610	33,290,820	49,117,430	4,526,254	10%
FY 04/05	16,309,830	33,576,516	49,886,346	768,916	2%
FY 05/06	16,898,682	30,918,963	47,817,645	(2,068,701)	-4%
FY 06/07	17,665,638	33,887,106	51,552,744	3,735,099	8%
FY 07/08	17,368,381	34,383,152	51,751,533	198,789	0%
FY 08/09	18,866,218	32,712,348	51,578,566	(172,967)	0%
FY 09/10	19,113,716	34,400,137	53,513,853	1,935,287	4%
FY 10/11	18,542,903	37,656,903	56,199,806	2,685,953	5%
FY 11/12	19,000,056	36,704,353	55,704,409	(495,397)	-1%
FY 12/13	18,871,714	32,473,910	51,345,624	(4,358,785)	-8%
FY 13/14	19,303,293	36,720,999	56,024,293	4,678,669	9%
FY 14/15	19,905,931	38,928,105	58,834,036	2,809,743	5%
FY 15/16	21,408,675	44,258,987	65,667,662	6,833,626	12%
FY 16/17	22,991,413	34,730,498	57,721,911	(7,945,751)	-12%
FY 17/18	\$ 21,280,493	\$ 40,494,796	\$ 61,775,289	\$ 4,053,378	7%

Note: Excludes CCWA credits.

## CCWA Gross Budget by Fiscal Year



# Statistical Section

TABLE 5

## FY 2016/17 Total Payments by Project Participant

Project Participant	FY 2016/17 Operating Expenses <sup>(1)</sup>	FY 2016/17 Debt Service Payments	FY 2016/17 DWR Costs	FY 2016/17 Warren Act Charges <sup>(2)</sup>	FY 2016/17 CCWA Credits	FY 2016/17 Total Payments
Guadalupe	\$ 131,234	\$ 163,580	\$ 410,061	\$ -	\$ (3,541)	\$ 701,335
Santa Maria	3,696,367	-	12,466,943	-	(85,154)	16,078,156
Golden State Water Co.	104,016	-	366,141	-	(16,236)	453,921
Vandenberg AFB	1,248,735	-	4,846,971	-	-	6,095,706
Buellton	147,180	289,771	471,542	-	(21,887)	886,607
Santa Ynez (Solvang)	382,739	889,886	1,202,654	-	(19,302)	2,455,977
Santa Ynez	723,030	334,200	475,143	-	(244,785)	1,287,588
Goleta	968,184	2,804,754	4,294,409	387,093	24,221	8,478,662
Morehart Land	27,847	128,797	156,682	-	(21,772)	291,552
La Cumbre	174,414	616,613	801,109	27,657	(9,404)	1,610,389
Raytheon	8,579	26,964	45,909	3,163	(339)	84,275
Santa Barbara	711,712	1,724,208	3,087,174	269,432	(1,641)	5,790,884
Montecito	594,667	2,026,601	2,744,569	86,273	(4,325)	5,447,785
Carpinteria	391,212	1,158,438	1,761,114	84,191	664	3,395,620
Shandon	9,882	13,015	N/A	-	(754)	22,143
Chorro Valley	286,261	1,036,825	N/A	-	3,557	1,326,643
Lopez	337,343	268,101	N/A	-	(18,963)	586,482
<b>TOTAL:</b>	<b>\$ 9,943,402</b>	<b>\$ 11,481,752</b>	<b>\$ 33,130,419</b>	<b>\$ 857,810</b>	<b>\$ (419,661)</b>	<b>\$ 54,993,723</b>

(1) Adjusted for Santa Ynez Exchange Agreement Modifications and Regional WTP Treatment Allocation.

(2) Adjusted for Santa Ynez Exchange Agreement Modifications.

This schedule represents the budgeted amounts plus the increase or decrease in charges for certain participants due to changes in delivery requests which were not included in the original fiscal year 2016/17 budget.

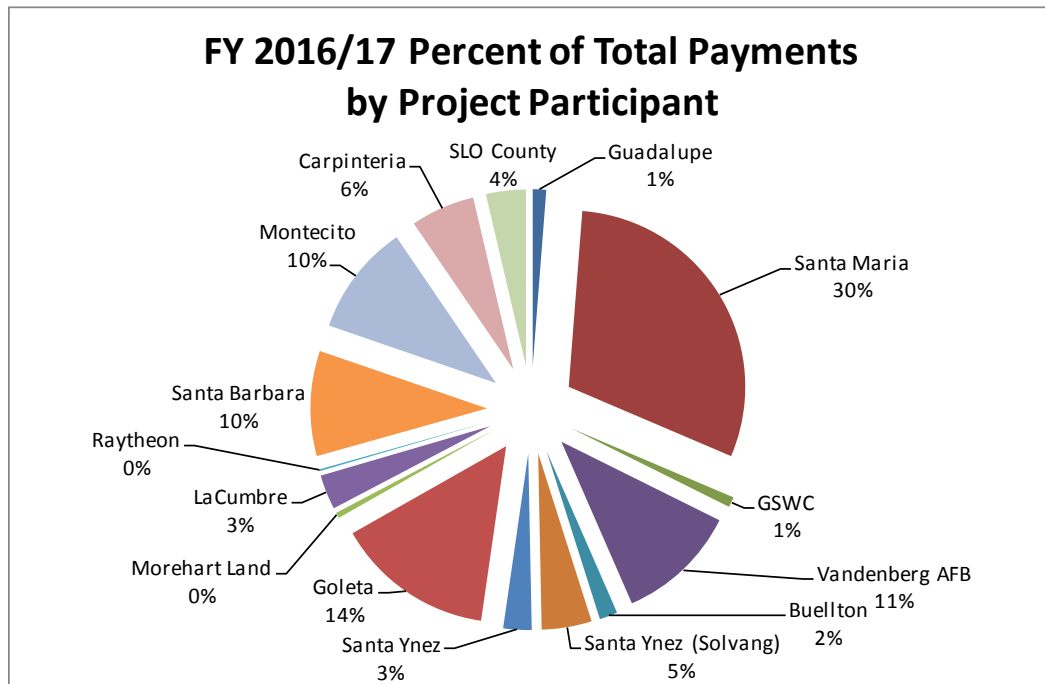


TABLE 6

## Ratio of Outstanding Debt by Type For Total Bonded Debt to Total Expenses

Fiscal Year	Bond Issue	Principal	Interest <sup>(1)</sup>	Total Debt Service	Total Expenses	Ratio of Debt Service to Total Expenses
2007/08	2006 Bonds	5,895,000	5,641,826	11,536,826	17,540,719	65.77%
2008/09	2006 Bonds	6,190,000	5,400,126	11,590,126	17,208,095	67.35%
2009/10	2006 Bonds	6,430,000	5,147,726	11,577,726	16,545,789	69.97%
2010/11	2006 Bonds	6,695,000	4,885,226	11,580,226	15,405,833	75.17%
2011/12	2006 Bonds	6,960,000	4,577,326	11,537,326	14,912,912	77.36%
2012/13	2006 Bonds	7,335,000	4,247,463	11,582,463	14,677,356	78.91%
2013/14	2006 Bonds	7,625,000	3,900,975	11,525,975	15,613,226	73.82%
2014/15	2006 Bonds	8,010,000	3,510,100	11,520,100	15,514,462	74.25%
2015/16	2006 Bonds	8,405,000	3,099,725	11,504,725	14,433,592	79.71%
2016/17	06 & 16 Bonds	8,825,000	3,023,619	11,848,619	13,963,559	84.85%

(1) Represents actual cash payment without regard to payments from the capitalized interest fund.

Source: Central Coast Water Authority

### Ratio of Debt Service to Total Expenses

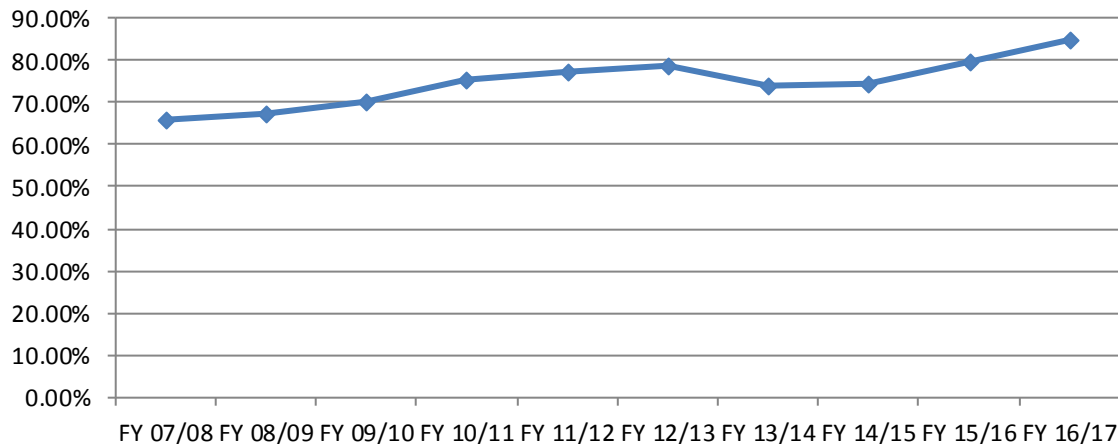


TABLE 7  
**Selected Demographic Information**  
*Santa Barbara County*

Santa Barbara County is located on the Pacific coast of the southern portion of the U.S. state of California, just west of Ventura County. The estimated total population of the County as of January 2017 was 450,663 according to the Santa Barbara County 2016/17 CAFR. The county seat is Santa Barbara and the largest city is Santa Maria.

For thousands of years, the area was home to the Chumash tribe of Native Americans, complex hunter-gathers who lived along the coast and in interior valleys leaving rock art in many locations including Painted Cave. European contact had devastating effects on the Chumash Indians, including a series of disease epidemics that drastically reduced Chumash population. The Chumash survived, however, and thousands of Chumash descendants still live in the Santa Barbara area or surrounding counties.

The County has a total area of 3,789 square miles and four of the Channel Islands – San Miguel Island, Anacapa Island, Santa Cruz Island and Santa Rosa Island – are in Santa Barbara County. They form the largest part of the Channel Islands National Park.

Santa Barbara County has a mountainous interior abutting a coastal plains area. The largest concentration of people is on this coastal plain, referred to as the south coast – the part of the county south of the Santa Ynez Mountains – which includes the cities of Santa Barbara, Goleta and Carpinteria, as well as the unincorporated areas of Hope Ranch, Mission Canyon, Montecito and Isla Vista. North of the mountains are the towns of Santa Ynez, Solvang, Buellton, Lompoc; the unincorporated towns of Los Olivos and Ballard; the unincorporated areas of Mission Hills and Vandenberg Village; and Vandenberg Air Force Base, where the Santa Ynez River flows out to the sea. North of the Santa Ynez Valley are the cities of Santa Maria and Guadalupe.

Santa Barbara County is home to a beautiful landscape and great climate for living, playing and working. The County is well known for its strong sense of community, prime agricultural land, award winning wineries, and attractive cultural and tourism opportunities. However, Santa Barbara County also touts its talented and highly skilled workforce and business sectors, from high tech to health care to design. Quality institutions like UC Santa Barbara and Vandenberg Airforce Base continue to attract high quality individuals to the County. It is these attributes that attract and retain businesses in the area.

**TABLE 8**  
**Miscellaneous Statistical Information**

Form of government	Joint Powers Authority
Date of organization	August 1, 1991
Number of full-time equivalent positions	30.25
Polonio Pass Water Treatment Plant design capacity	43 million gallons per day
Authority pipeline (in miles)	42.5
Coastal Branch pipeline (in miles)	100.6
Number of water storage tanks	7
Number of turnouts	10

<u>Agency</u>	<u>Table A Amount (AFY)</u>
City of Buellton	578
Carpinteria Valley Water District	2,000
Goleta Water District	4,500
City of Guadalupe	550
La Cumbre Mutual Water Co.	1,000
Montecito Water District	3,000
Morehart Land Co.	200
City of Santa Barbara	3,000
Raytheon Systems Company	50
City of Santa Maria	16,200
Santa Ynez River W.C.D. #1	2,000
Southern California Water Co.	500
Vandenberg Air Force Base	5,500
Total Santa Barbara County *	39,078
Avila Beach C.S.D	100
Avila Valley Mutual Water Co., Inc.	20
California Mens Colony (State)	400
County of SLO C.S.A. No. 16 I.D. #1	100
County of SLO (Op. Center & Reg. Park)	425
City of Morro Bay	1,313
Oceano CSD	750
City of Pismo Beach	1,240
San Luis Coastal Unified School District	7
San Miguelito Mutual Water Co.	275
SLO Co. Comm. Coll. District (Cuesta College)	200
Total San Luis Obispo County	4,830
<b>TOTAL TABLE A AMOUNT</b>	<b>43,908</b>

Note: \* Excludes CCWA drought buffer of Table A amount of 3,908 AFY and Goleta Water District additional Table A amount of 2,500 AFY.

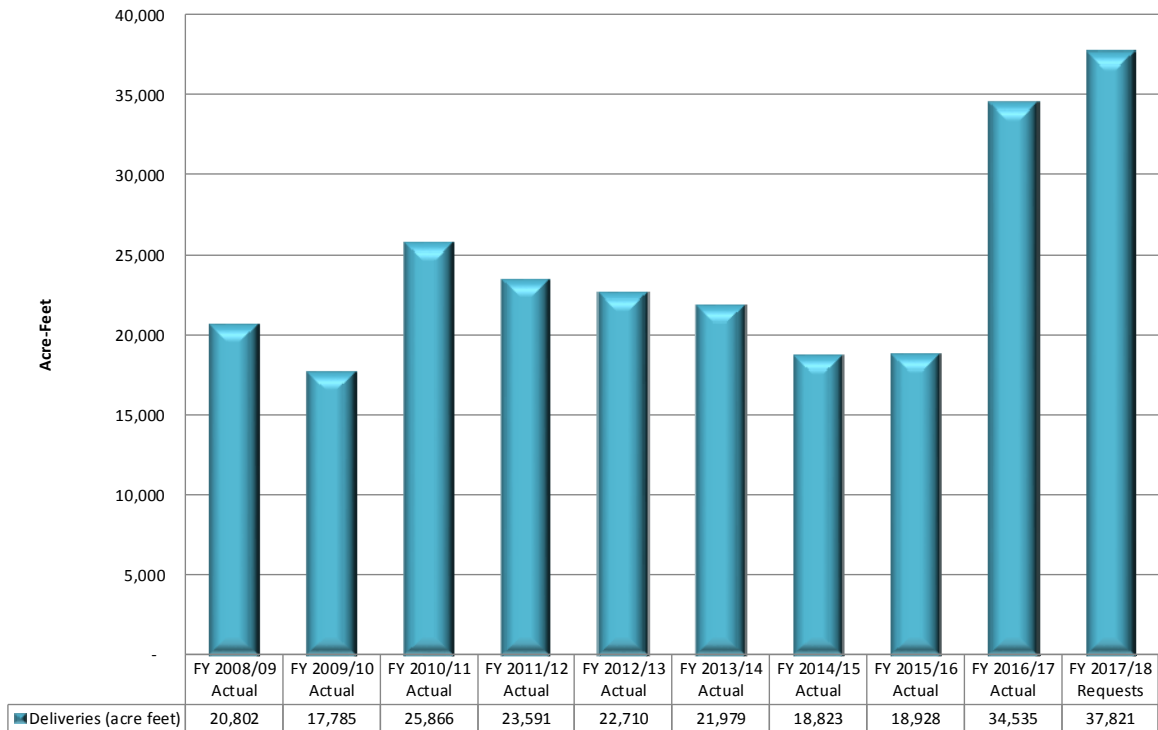
# Statistical Section

TABLE 9

## FY 2016/17 Actual State Water Deliveries (acre feet)

Project Participant	Table A Deliveries	Exchange Agreement Deliveries	Total Deliveries
Shandon Turnout (SLO County)	12	N/A	12
Lopez Turnout (SLO County)	2,330	N/A	2,330
Chorro Valley Turnout (SLO County)	1,563	N/A	1,563
City of Guadalupe	482	N/A	482
City of Santa Maria	11,269	N/A	11,269
Golden State Water Company	98	N/A	98
Vandenberg Air Force Base	1,963	N/A	1,963
City of Buellton	212	N/A	212
Santa Ynez ID #1 (City of Solvang)	614	N/A	614
Santa Ynez ID #1	758	469	1,227
Goleta Water District	5,369	(169)	5,200
Morehart Land Company	37	N/A	37
La Cumbre Mutual Water Company	595	N/A	595
Raytheon Systems Company	35	N/A	35
City of Santa Barbara	4,301	(113)	4,188
Montecito Water District	2,955	(113)	2,842
Carpinteria Valley Water District	1,942	(74)	1,868
<b>TOTAL:</b>	<b>34,535</b>	<b>-</b>	<b>34,535</b>

## Historical Water Deliveries (Acre-Feet)



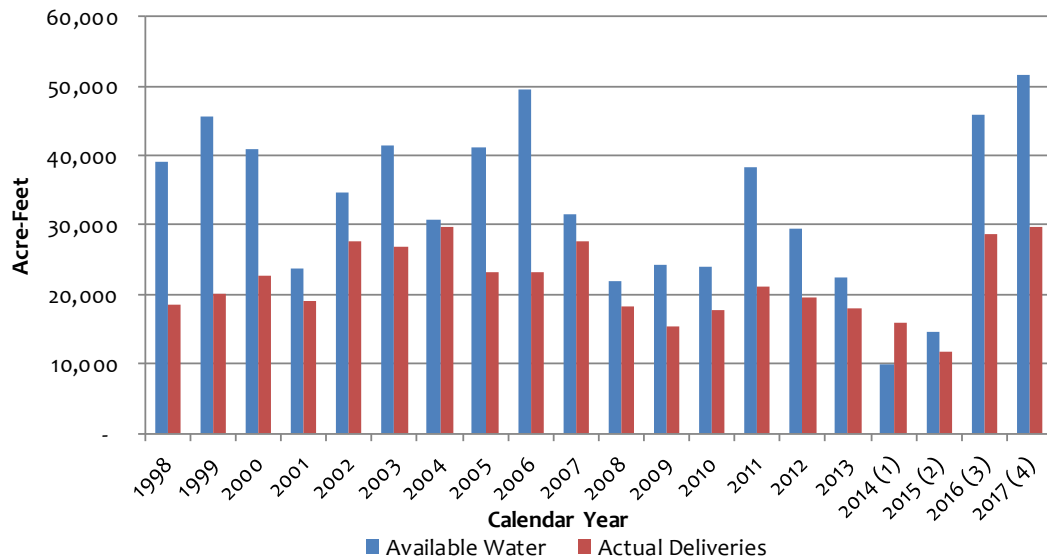


# Statistical Section

**TABLE 10**  
**Historical Water Availability Compared to Actual Deliveries & Costs**  
*Santa Barbara County Project Participants Only*

Calendar Year	(Acre-Feet)		Total CCWA Actual Costs
	Available Water	Actual Deliveries	
1998	38,986	18,618	\$ 36,225,479
1999	45,486	20,137	24,898,645
2000	40,937	22,741	50,707,485
2001	23,734	18,945	39,445,139
2002	34,715	27,600	37,237,621
2003	41,476	26,970	43,929,781
2004	30,793	29,705	44,152,940
2005	41,092	23,343	43,750,040
2006	49,506	23,275	47,067,848
2007	31,516	27,740	45,660,843
2008	22,036	18,391	46,236,486
2009	24,162	15,452	48,521,830
2010	24,033	17,775	50,707,485
2011	38,389	21,050	51,876,819
2012	29,566	19,474	45,904,819
2013	22,430	18,018	54,450,977
2014 <sup>(1)</sup>	9,955	15,942	59,621,280
2015 <sup>(2)</sup>	14,691	11,673	67,372,895
2016 <sup>(3)</sup>	45,774	28,807	53,704,188
2017 <sup>(4)</sup>	51,622	29,696	61,775,289
<b>Total:</b>	<b>660,901</b>	<b>435,352</b>	<b>\$ 953,247,889</b>
<b>Avg. Cost per Acre-foot:</b>	<b>\$ 1,442</b>	<b>\$ 2,190</b>	
<b>Percent of Table A:</b>	<b>72.65%</b>	<b>47.86%</b>	

- (1) 2014 amounts include CCWA Supplemental Water Purchase Program costs of \$4.2 million for 5,909 AF.  
 (2) 2015 amounts include CCWA Supplemental Water Purchase Program costs of \$4.8 million for 9,600 AF.  
 (3) 2016 amounts include CCWA Supplemental Water Purchase Program costs of \$2.9 million for 11,500 AF.  
 (4) 2017 amounts are estimates, and no requests were made for a CCWA Supplemental Water Purchase Program in 2017.



# Statistical Section

TABLE 11

## Schedule of Insurance Valued June 30, 2017

<u>Company</u>	<u>Policy Period</u>	<u>Insurance Type</u>	<u>Limits</u>	<u>Coverages</u>
Hartford Fire Insurance Company	4-1-17 to 4-1-18	Excess Crime Coverage	\$ 2,000,000	Dishonesty and forgery coverage \$2,000,000 Computer fraud \$2,000,000
Fidelity & Deposit Company of Maryland	4-1-17 to 4-1-18	Excess Crime Coverage	\$ 3,000,000	Dishonesty and forgery coverage \$3,000,000 Computer fraud \$3,000,000
ACWA Joint Powers Insurance Authority	4-1-17 to 4-1-18	Property Insurance	\$ 73,000,288	Buildings (\$30,698,063); Personal property (\$1,488,890); Fixed Equipment (\$40,813,335)
ACWA Joint Powers Insurance Authority	10-1-16 to 10-1-17	General and Auto Liability	\$ 5,000,000	Liability JPIA pooled layer
Allied Public Risk/ Allied World Assurance #5114-0007-00	10-1-16 to 10-1-17	General and Auto Liability	\$ 6,000,000	Liability umbrella policy
Great American Insurance Company/ Evanston Insurance Company #1827291/#MPEREV0057-13-03	10-1-16 to 10-1-17	General and Auto Liability	\$ 9,000,000	Liability umbrella policy
Great American Insurance Company of New York #EXC4101290	10-1-16 to 10-1-17	General and Auto Liability	\$ 10,000,000	Liability umbrella policy
Great American Insurance Co. of NY/ Endurance Risk Solutions Assurance #EXC4101295/#EXC1000788201	10-1-16 to 10-1-17	General and Auto Liability	\$ 20,000,000	Liability umbrella policy
General Security Indemnity Company of Arizona FA0024236-2016-1	10-1-16 to 10-1-17	General and Auto Liability	\$ 10,000,000	Liability umbrella policy

# Statistical Section

TABLE 12

## Full-time Equivalent Employees by Position

Position Title	Number Authorized FY 2014/15	Number Authorized FY 2015/16	Number Authorized FY 2016/17	Change Over FY 2014/15	Change Over FY 2015/16
Executive Director	1.00	1.00	1.00	-	-
Deputy Director of Operations	1.00	1.00	1.00	-	-
Regulatory Specialist	1.00	1.00	1.00	-	-
Controller	1.00	1.00	1.00	-	-
Deputy Controller	-	-	1.00	1.00	1.00
Office Manager	1.00	1.00	1.00	-	-
Accounting Technician	1.00	0.75	0.75	(0.25)	-
Administrative Assistant	1.50	1.50	1.50	-	-
WTP Supervisor	1.00	1.00	1.00	-	-
Distribution Supervisor	1.00	1.00	1.00	-	-
Maintenance Superintendent	1.00	1.00	1.00	-	-
Maintenance Foreman	1.00	1.00	1.00	-	-
Senior Chemist	1.00	1.00	1.00	-	-
Chemist	1.00	1.00	1.00	-	-
IT/Instrumentation & Control Specialis	1.00	1.00	1.00	-	-
Engineering Technician	1.00	1.00	1.00	-	-
Maintenance Technician	2.00	2.00	2.00	-	-
Maintenance/IC&R Technician	2.00	2.00	2.00	-	-
WTP Operator	5.00	5.00	5.00	-	-
Distribution Technician	5.00	5.00	5.00	-	-
<b>TOTAL:</b>	<b>29.50</b>	<b>29.25</b>	<b>30.25</b>	<b>0.75</b>	<b>1.00</b>

**TABLE 13**  
**Santa Barbara County Largest Employers**

Company or Organization	Jobs (1)	Percent of Total County Employment
University of California, Santa Barbara	10,726	5.16%
Vandenberg Air Force Base	6,100	2.94%
County of Santa Barbara	4,900	2.36%
Cottage Health System	3,790	1.82%
Santa Barbara City College	2,280	1.10%
Santa Barbara Unified School District	2,185	1.05%
Marian Medical Center	1,884	0.91%
City of Santa Barbara	1,771	0.85%
Chumash Casino Resort	1,716	0.83%
Santa Maria-Bonita School District	<u>1,696</u>	<u>0.82%</u>
Total ten largest	<u>37,048</u>	<u>17.83%</u>
Total all other	<u>170,752</u>	<u>82.17%</u>
Total companies or organizations	<u><u>207,800</u></u>	<u><u>100.00%</u></u>

(1) Santa Barbara County

# Statistical Section

## City of Pismo Beach

### (San Luis Obispo County)

#### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	4,458	\$ 2,124,500	2,026
2008	4,713	2,619,579	2,018
2009	4,540	2,834,803	1,939
2010	4,558	2,874,984	1,735
2011	4,569	3,048,595	1,717
2012	4,584	3,257,915	1,785
2013	4,596	3,390,236	1,828
2014	4,695	3,793,692	1,944
2015	4,718	3,362,918	1,840
2016	4,787	3,201,546	1,644

#### Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Pismo Beach Mobile Home Park	10,542	\$ 42,115
Cliff's Shell Beach	10,360	36,404
Pismo Coast Village	9,907	39,915
Oxford Suites Hotel	7,115	26,743
Shorecliff Lodge	6,172	21,742
Quality Inn	6,090	22,208
Motel 6	5,972	21,826
Dolphin Bay	5,771	22,041
Seacrest Resort	5,603	20,569
Pismo Lighthouse Suites	5,407	20,973
Total	72,939	\$ 274,535

(1) In hundred cubic feet.

#### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2007	\$ 3,858,063	\$ 1,923,694	\$ 1,934,369	\$ 939,309	2.06
2008	4,213,435	2,200,406	2,013,029	1,188,969	1.69
2009	4,563,012	1,828,215	2,734,797	1,279,114	2.14
2010	4,316,125	2,954,934	1,361,191	1,290,981	1.05
2011	4,652,847	2,665,865	1,986,982	1,633,880	1.22
2012	5,003,098	2,612,189	2,390,909	1,435,883	1.67
2013	5,002,618	2,616,024	2,386,594	1,413,314	1.69
2014	5,638,215	2,671,261	2,966,954	1,238,740	2.40
2015	6,490,834	2,748,519	3,742,315	1,562,731	2.39
2016	5,975,795	3,384,808	2,590,987	1,503,993	1.72

Source: City of Pismo Beach

# Statistical Section

## City of Morro Bay

### (San Luis Obispo County)

#### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	5,489	\$ 3,911,610	1,275
2008	5,531	3,610,462	1,187
2009	5,547	3,588,500	1,130
2010	5,545	3,574,319	1,282
2011	5,385	3,421,151	1,250
2012	5,401	3,396,936	1,177
2013	5,455	3,377,534	1,141
2014	5,473	3,491,575	1,214
2015	5,455	3,311,970	1,094
2016	5,455	4,130,990	996

#### Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
City of Morro Bay	14,324	\$ 286,476
Morro Bay High School - irrigation	10,218	122,136
Pacific Care Center	8,911	106,452
Missen Linen Center	8,297	99,084
CA Dept of Parks	4,856	60,204
Imperial Coast, LP	4,776	56,832
Silver City Resort	3,489	41,388
San Luis Coastal School District	3,055	35,700
Morro Elementary School	2,962	35,064
Morro Dunes Trailer Park	2,913	34,476
<b>Total</b>	<b>63,801</b>	<b>\$ 877,812</b>

(1) In hundred cubic feet.

#### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2007	\$ 3,896,420	\$ 1,203,618	\$ 2,692,802	\$ 1,783,837	1.51
2008	3,762,674	1,185,688	2,576,986	1,886,622	1.37
2009	3,893,904	1,273,381	2,620,523	2,055,446	1.27
2010	3,661,837	1,587,764	2,074,073	1,968,552	1.05
2011	3,491,186	1,813,559	1,677,627	2,108,814	0.80
2012	3,646,957	2,021,803	1,625,154	2,186,578	0.74
2013	3,453,217	1,764,241	1,688,976	2,155,816	0.78
2014	3,550,868	1,958,281	1,592,587	2,158,842	0.74
2015	3,332,358	1,599,955	1,732,403	2,238,795	0.77
2016	4,487,576	1,969,828	2,517,748	2,166,523	1.16

Source: City of Morro Bay

# Statistical Section

## City of Guadalupe

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Municipal Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	1,920	\$ 1,052,861	1,062
2008	1,916	1,198,705	920
2009	1,926	1,303,214	966
2010	1,915	1,344,941	900
2011	1,927	1,320,373	921
2012	1,931	1,466,881	989
2013	1,940	1,462,443	912
2014	1,945	1,769,651	1,078
2015	1,960	1,721,143	1,039
2016	1,973	1,624,652	952

### Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Apio Cooler	184,475	\$ 677,737
Obispo Cooling	8,158	29,971
County Housing Authority	6,135	22,516
Guadalupe Union School	6,002	22,040
Riverview Townhomes	5,106	18,739
Guadalupe Laundromat	3,994	14,642
Pan American Seed	2,616	9,588
JR Simplor Co.	2,567	9,422
P& M Properties	1,390	5,098
Guadalupe Cemetery	1,087	3,991
Total	221,530	\$ 813,744

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 1,222,669	\$ 489,461	\$ 168,777	\$ 901,985	\$ 675,108	1.34
2008	1,327,490	658,667	157,483	826,306	667,157	1.24
2009	1,418,311	629,726	165,923	954,508	690,201	1.38
2010	1,402,871	436,644	165,531	1,131,758	699,287	1.62
2011	1,395,787	426,842	167,444	1,136,389	667,445	1.70
2012	1,519,883	499,857	167,705	1,187,731	599,469	1.98
2013	1,515,152	435,004	167,787	1,247,935	758,852	1.64
2014	1,856,503	505,615	167,787	1,518,675	744,436	2.04
2015	1,811,430	468,004	186,615	1,530,041	741,040	2.06
2016	1,729,167	698,968	186,615	1,216,814	663,337	1.83

Source: City of Guadalupe

# Statistical Section City of Santa Maria

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	20,762	\$ 23,490,792	14,219
2008	20,830	24,605,620	14,047
2009	20,919	25,859,215	14,489
2010	20,927	25,411,420	13,986
2011	21,050	26,393,674	13,016
2012	21,199	27,803,548	13,264
2013	21,385	29,938,893	13,338
2014	21,580	31,962,813	13,882
2015	21,901	31,403,212	13,009
2016	22,152	33,883,550	12,022

## Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Nipomo Community Services District	287,331	\$ 964,260
City of Santa Maria	179,771	1,114,769
Santa Maria Elementary School	119,675	722,716
Santa Maria Land Partners	67,105	402,028
Titan Frozen Fruit	56,270	301,203
Fresh Venture Foods	51,360	279,038
Marian Hospital & Facilities	36,951	248,863
Casa Grande Mobile Homes	53,782	223,205
Alan Hancock College	48,411	218,224
S.B. County Housing Authority	23,663	158,334
Total	924,319	\$ 4,632,640

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues <sup>(1)</sup>	Operating Expenses	Rate Coverage Fund	Net Revenues	State Water Payments	Coverage
2007	\$ 33,218,519	\$ 8,428,868	\$ 3,752,454	\$ 28,542,105	\$ 15,009,816	1.90
2008	33,047,470	8,975,078	4,169,232	28,241,624	15,138,443	1.87
2009	33,521,237	11,232,624	4,242,530	26,531,143	15,438,235	1.72
2010	32,956,256	9,282,313	4,258,071	27,932,014	17,103,082	1.63
2011	34,634,358	10,389,795	4,281,382	28,525,945	17,150,434	1.66
2012	36,330,166	10,260,908	4,288,071	30,357,329	14,671,346	2.07
2013	38,305,281	12,698,916	4,290,188	29,896,553	17,851,202	1.67
2014	42,467,011	11,523,665	4,290,188	35,233,534	17,793,198	1.98
2015	41,771,720	13,564,740	5,001,279	33,208,259	19,191,415	1.73
2016	44,478,328	12,193,440	5,001,279	37,286,167	16,072,296	2.32

(1) Includes wastewater fees and charges.

Source: City of Santa Maria



# Statistical Section

## City of Buellton

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	1,540	\$ 1,462,049	1,343
2008	1,549	1,474,151	1,295
2009	1,548	1,467,933	1,284
2010	1,558	1,467,931	1,300
2011	1,557	1,387,651	1,184
2012	1,570	1,368,805	1,212
2013	1,569	1,460,658	1,226
2014	1,569	1,532,887	1,300
2015	1,582	1,436,127	1,141
2016	1,584	1,426,171	1,043

### Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Buellton Union School District	16,873	\$ 33,240
Professional Investment Planning	16,832	33,159
Santa Ynez Valley Marriott	10,086	19,869
Flying Flags Association, L.P.	9,879	19,462
The Inn Group	8,006	15,772
Terravant Wine Co	7,447	14,671
Rivergrove Mobilehome Park	7,068	13,924
Sideways Inn	4,129	8,134
Figueroa Mountain Brewing	3,820	7,525
Pea Soup Andersen's	3,748	7,384
<b>Total</b>	<b>87,888</b>	<b>\$ 173,140</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 1,876,713	\$ 521,113	\$ 219,910	\$ 1,575,510	\$ 879,640	1.79
2008	2,041,664	455,528	242,535	1,828,671	933,400	1.96
2009	1,659,083	497,597	255,558	1,417,044	896,715	1.58
2010	1,579,341	542,240	256,494	1,293,595	943,326	1.37
2011	1,494,307	486,807	257,898	1,265,398	938,136	1.35
2012	1,431,453	598,093	258,300	1,091,660	894,257	1.22
2013	1,512,243	550,655	258,427	1,220,015	1,017,156	1.20
2014	1,555,656	553,211	258,427	1,260,872	962,999	1.31
2015	1,642,522	632,937	274,861	1,284,446	1,043,536	1.23
2016	1,983,721	490,933	274,861	1,767,649	908,360	1.95

Source: City of Buellton

# Statistical Section

## Santa Ynez River Water Conservation District, ID# 1 (City of Solvang only)

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	1,939	\$ 4,023,837	1,512
2008	1,964	4,180,995	1,512
2009	2,017	4,085,678	1,483
2010	1,981	3,957,709	1,315
2011	2,019	3,927,817	1,322
2012	2,118	4,167,680	1,347
2013	2,153	4,455,120	1,416
2014	2,156	4,631,124	1,409
2015	2,178	4,361,233	1,074
2016	2,211	4,378,420	962

### Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Rancho Santa Ynez Mobile Estates	17,172	\$ 61,058
Alisal Guest Ranch	13,439	49,151
City of Solvang	7,977	35,489
Chumash Casino Resort (Hotel Corque)	6,870	26,097
Holiday Inn Express	5,837	22,377
Atterdag Village	5,965	21,732
Worldmark	5,281	18,810
Hadsten House	4,931	18,598
Skytt Properties, LLC	4,508	16,848
Mission Oaks	4,138	14,633
<b>Total</b>	<b>76,118</b>	<b>\$ 284,793</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 4,146,380	\$ 1,051,531	\$ 540,980	\$ 3,635,829	\$ 2,355,170	1.54
2008	4,340,564	1,247,155	569,041	3,662,450	2,446,021	1.50
2009	4,199,436	1,537,148	599,048	3,261,336	2,448,490	1.33
2010	4,043,117	1,321,839	603,156	3,324,434	2,637,865	1.26
2011	3,995,627	1,214,624	604,939	3,385,942	2,647,201	1.28
2012	4,230,365	1,231,366	605,884	3,604,883	2,438,576	1.48
2013	4,677,242	1,436,931	606,183	3,846,494	2,656,129	1.45
2014	5,152,838	1,998,916	606,183	3,760,105	2,743,342	1.37
2015	4,920,397	1,580,530	606,183	3,946,050	2,960,871	1.33
2016	4,751,452	1,317,454	606,183	4,040,181	2,534,152	1.59

Source: City of Solvang

# Statistical Section

## Santa Ynez River Water Conservation District, ID# 1

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	2,444	\$ 4,607,704	5,223
2008	2,567	4,883,168	5,926
2009	2,583	5,030,245	5,947
2010	2,579	5,096,678	5,416
2011	2,519	5,009,463	5,255
2012	2,515	5,371,780	5,260
2013	2,598	5,531,585	5,371
2014	2,624	6,889,450	5,358
2015	2,618	6,157,964	4,341
2016	2,664	5,868,155	3,712

### Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Private Agriculture	369	\$ 82,889
Private Agriculture	135	30,970
Private Agriculture	93	25,274
Private Agriculture	62	16,062
Private Agriculture	77	19,029
Private Agriculture	60	15,506
Private Agriculture	59	15,475
Private Agriculture	51	17,708
Private Agriculture	48	17,169
Private Agriculture	39	11,255
<b>Total</b>	<b>993</b>	<b>\$ 251,337</b>

(1) In acre-feet per year.

(2) Exclusive of Solvang's payments for State Water Project.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30 <sup>(1)</sup>	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 8,108,093	\$ 3,393,751	\$ 924,751	\$ 5,639,093	\$ 3,699,006	1.52
2008	8,680,455	3,663,543	961,388	5,978,300	3,869,047	1.55
2009	8,797,488	3,683,262	1,012,862	6,127,088	3,799,166	1.61
2010	8,785,547	3,778,443	1,019,126	6,026,230	3,956,531	1.52
2011	8,759,268	3,597,194	1,022,142	6,184,216	4,003,719	1.54
2012	8,209,585	3,179,858	1,023,739	6,053,466	4,112,646	1.47
2013	8,213,596	3,310,123	1,024,244	5,927,717	4,238,934	1.40
2014	10,538,309	4,610,406	1,024,244	6,952,147	4,307,127	1.61
2015	9,533,850	4,781,398	1,062,841	5,815,293	4,604,806	1.26
2016	9,657,032	4,713,576	1,062,841	6,006,297	3,895,465	1.54

(1) Includes State water payments for the City of Solvang.

Source: Santa Ynez Improvement District #1

# Statistical Section

## Goleta Water District

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	16,459	\$ 18,582,563	14,406
2008	16,466	22,697,939	14,387
2009	16,373	17,891,752	14,198
2010	16,346	16,554,650	12,971
2011	16,401	15,721,915	12,161
2012	16,295	18,668,008	12,275
2013	16,518	22,171,254	13,923
2014	16,542	24,005,806	14,884
2015	16,441	19,988,107	11,883
2016	16,474	29,771,141	10,773

### Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
U.C.S.B.	861	\$ 2,817,231
Cavaletto Ranches, LLC	515	846,740
County of Santa Barbara	188	723,231
BRS Investment Property	157	479,181
Touchstone Glen Annie Golf	252	411,795
Santa Barbara Unified School District	81	335,402
Roy Butera	177	332,924
Michael Towbes	74	327,993
Sandpiper Golf Course	284	322,843
Santa Barbara Municipal Airport	50	292,633
Total	2,639	\$ 6,889,973

(1) In acre-feet per year.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 25,425,947	\$ 11,734,133	\$ -	\$ 13,691,814	\$ 6,791,250	2.02
2008	29,703,651	14,095,042	-	15,608,609	6,711,214	2.33
2009	31,044,059	14,448,077	-	16,595,982	7,317,439	2.27
2010	24,129,754	16,268,616	-	7,861,138	6,561,134	1.20
2011	25,378,145	11,788,948	-	13,589,197	7,251,071	1.87
2012	27,426,627	14,741,694	-	12,684,933	6,309,979	2.01
2013	32,409,693	15,146,414	-	17,263,279	7,284,547	2.37
2014	34,188,412	18,210,976	-	15,977,436	7,998,066	2.00
2015	32,951,960	16,527,332	-	16,424,628	9,369,850	1.75
2016	39,174,119	21,847,412	-	17,326,707	7,973,075	2.17

Source: Goleta Water District

# Statistical Section

## La Cumbre Mutual Water Company

### Historic Water Connections and Sales Revenues

Fiscal Year Ending Dec. 31	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2006	1,468	\$ 1,902,450	1,698
2007	1,470	2,267,771	2,059
2008	1,468	2,489,710	1,937
2009	1,468	2,586,518	1,702
2010	1,469	2,377,639	1,523
2011	1,471	2,608,037	1,465
2012	1,471	3,023,989	1,587
2013	1,485	3,279,957	1,776
2014	1,494	3,117,612	1,373
2015	1,494	3,242,513	1,140

### Largest Customers as of December 31, 2015

	Water Usage <sup>(1)</sup>	Annual Payment
La Cumbre Golf & Country Club	22,171	\$ 124,536
Timothy Pasquinelli	7,346	82,304
Stephen Redding	5,937	70,715
Christopher & Ann Conway	4,259	49,440
Jeffrey Henley	3,953	44,964
Frances Nielsen	3,662	44,304
Susan Caffrey	3,638	42,173
Overwater, LLC	2,619	30,543
Carriage Hill Association	2,897	27,066
Douglas Carlisle	2,046	21,699
<b>Total</b>	<b>58,528</b>	<b>\$ 537,744</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending Dec. 31	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2006	\$ 2,854,771	\$ 1,201,326	\$ 353,407	\$ 2,006,852	\$ 1,558,596	1.29
2007	3,320,207	1,342,427	358,263	2,336,043	1,574,079	1.48
2008	3,451,050	1,408,802	376,576	2,418,824	1,540,843	1.57
2009	3,510,409	1,670,353	392,003	2,232,059	1,684,349	1.33
2010	3,261,377	1,649,171	389,217	2,001,423	1,870,892	1.07
2011	3,641,641	1,419,353	391,224	2,613,512	1,962,355	1.33
2012	3,987,385	1,401,788	391,135	2,976,732	1,425,464	2.09
2013	4,402,802	1,530,254	391,135	3,263,683	1,696,315	1.92
2014	4,185,177	1,504,177	391,135	3,072,135	1,875,217	1.64
2015	4,306,838	1,453,837	391,135	3,244,136	2,052,272	1.58

Source: La Cumbre Mutual Water Co.

# Statistical Section City of Santa Barbara

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	25,918	\$ 27,588,409	14,753
2008	26,009	29,448,078	14,926
2009	26,153	28,669,429	13,819
2010	26,504	28,163,162	13,428
2011	26,761	27,181,923	13,284
2012	26,649	29,992,081	13,949
2013	26,797	32,683,467	14,366
2014	26,919	33,296,287	14,218
2015	26,921	31,512,114	10,775
2016	26,988	41,433,002	9,935

## Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Santa Barbara Unified School District	45,872	\$ 442,327
Dario Pini	34,458	325,790
Cottage Hospital	25,411	314,901
Fess Parker Double Tree	37,789	264,788
Housing Authority	29,305	253,173
City of Santa Barbara Parks	26,886	225,891
Santa Barbara Community College District	15,252	212,484
Valle Verde	21,302	175,833
El Encanto	18,959	169,864
Mission Linen Supply	24,449	165,013
Total	279,683	\$ 2,550,064

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Parity Debt Service	Coverage
2007	\$ 32,081,577	\$ 16,362,453	\$ 15,719,124	\$ 4,148,802	\$ 1,854,987	2.62
2008	34,798,063	17,454,896	17,343,167	4,089,554	1,859,603	2.92
2009	33,914,071	18,885,951	15,028,120	4,314,561	1,857,100	2.44
2010	33,763,232	18,546,457	15,216,775	4,466,645	1,697,698	2.47
2011	32,082,335	17,793,001	14,289,334	4,619,893	1,847,271	2.21
2012	37,696,027	19,547,823	18,148,204	4,180,184	1,738,160	3.07
2013	38,439,062	21,464,993	16,974,069	4,744,097	1,847,618	2.58
2014	37,185,303	22,994,993	14,190,310	5,230,535	2,774,171	1.77
2015	35,348,935	25,475,134	9,873,801	6,348,335	2,654,446	1.10
2016	45,677,508	21,316,587	24,360,921	5,780,222	3,225,980	2.70

Source: City of Santa Barbara

# Statistical Section Montecito Water District

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales		Water
		Revenues		Deliveries (acre-feet per year)
2007	4,612	\$	9,168,272	6,333
2008	4,630		9,893,221	6,518
2009	4,583		10,015,310	5,963
2010	4,558		9,429,322	5,274
2011	4,575		8,401,945	4,715
2012	4,577		9,345,967	5,302
2013	4,585		10,573,025	5,945
2014	4,597		11,260,539	5,775
2015	4,593		6,752,280	3,331
2016	4,601		7,652,442	3,440

## Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Resort Hotel	42,119	\$ 398,744
Resort Hotel	20,684	353,553
Private Residential	7,120	351,504
Golf Club	27,292	239,832
Private College	14,198	137,406
Agricultural	24,407	133,551
Agricultural	21,365	123,679
Retirement Community	10,654	113,112
Agricultural	15,158	109,053
Cemetery	11,366	95,166
<b>Total</b>	<b>194,363</b>	<b>\$ 2,055,600</b>

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 13,014,537	\$ 5,353,583	\$ 970,780	\$ 8,631,734	\$ 4,658,858	1.85
2008	13,967,947	6,049,992	1,021,131	8,939,086	4,645,281	1.92
2009	13,873,852	6,528,920	1,075,696	8,420,628	5,144,227	1.64
2010	14,555,964	5,931,617	1,079,637	9,703,984	5,123,778	1.89
2011	12,277,049	5,588,083	1,085,554	7,774,520	5,334,729	1.46
2012	13,224,023	6,299,364	1,087,250	8,011,909	4,412,658	1.82
2013	14,315,026	6,497,450	1,087,787	8,905,363	4,898,038	1.82
2014	16,880,381	8,222,385	1,087,787	9,745,783	5,978,116	1.63
2015	16,264,644	8,048,179	1,417,526	9,633,991	6,573,858	1.47
2016	20,063,580	9,007,873	1,417,526	12,473,233	5,778,933	2.16

Source: Montecito Water District

# Statistical Section Carpinteria Valley Water District

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Water	
		Sales Revenues	Deliveries (acre-feet per year)
2007	4,230	\$ 9,996,151	4,474
2008	4,272	10,529,618	4,506
2009	4,288	10,393,601	4,099
2010	4,326	10,089,936	3,825
2011	4,322	10,101,197	3,599
2012	4,339	10,575,216	3,871
2013	4,441	10,798,634	4,352
2014	4,444	11,229,175	4,551
2015	4,485	11,031,043	3,728
2016	4,501	12,023,205	3,604

## Largest Customers as of June 30, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
Reiter Brothers Inc.	29,739	\$ 64,422
Westerlay Orchids	28,484	69,591
Emmett, Morgan	28,034	61,170
Ota, Tom	24,227	56,629
Schaff, Victor	18,003	38,211
Casistas Village Home Assn.	17,698	253,396
Circle G	17,306	44,082
Sandpiper Village	17,284	231,317
Villa Del Mar HOA	16,595	230,243
Cate School	15,281	73,387
<b>Total</b>	<b>212,651</b>	<b>\$ 1,122,447</b>

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 10,598,119	\$ 4,153,923	\$ 663,427	\$ 7,107,623	\$ 2,653,710	2.68
2008	11,683,095	4,713,897	765,941	7,735,139	2,741,075	2.82
2009	11,005,014	5,395,430	807,038	6,416,622	2,923,214	2.20
2010	10,499,950	4,639,111	809,995	6,670,834	3,006,719	2.22
2011	10,350,057	4,791,179	814,431	6,373,309	3,107,837	2.05
2012	11,267,253	5,052,870	815,699	7,030,082	2,785,680	2.52
2013	11,835,527	5,068,463	816,100	7,583,164	3,135,384	2.42
2014	12,218,169	5,711,413	816,100	7,322,856	3,539,365	2.07
2015	12,349,806	5,467,213	816,100	7,698,693	3,909,986	1.97
2016	13,112,109	6,345,931	816,100	7,582,278	3,324,260	2.28

Source: Carpinteria Valley Water District





## **Central Coast Water Authority**

Administration Office  
255 Industrial Way  
Buellton, California 93427

(805) 688-2292

Please visit our web site at: [www.ccwa.com](http://www.ccwa.com)

*Central Coast*

WATER

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A CALIFORNIA JOINT POWERS AUTHORITY

CAFR



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

*Central Coast Water Authority*  
*Comprehensive Annual Financial Report*  
*Fiscal Years Ended June 30, 2018 and 2017*

Prepared by Laura Matthews and Lisa Long

Cover design by Julie Baker



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# INTRODUCTORY SECTION





January 24, 2019

Jack Boysen  
Chairman

Richard Shaikewitz  
Vice Chairman

Ray Stokes  
Executive Director

Brownstein Hyatt  
Farber Schreck  
General Counsel

*Member Agencies*

City of Buellton

Carpinteria Valley  
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water  
Conservation District,  
Improvement District #1

*Associate Member*

La Cumbre Mutual  
Water Company

## Members of the Board Central Coast Water Authority

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018. The Comprehensive Annual Financial Report (CAFR) of the Central Coast Water Authority for the fiscal year (FY) ended June 30, 2018 is submitted as prepared by the Authority's Finance and Administration Departments. The report is published to provide to our project participants, the Authority Board, and the investment community detailed information about the financial condition and operating results of the Authority as measured by the financial activity of the Authority.

Responsibility for both the accuracy of the financial report and the completeness and fairness of the presentation rests with the Authority. To the best of our knowledge, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities.

The Authority requires that its financial statements be audited by a Certified Public Accountant selected by the Authority's Board of Directors, and Nasif, Hicks, Harris & Co., LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on Central Coast Water Authority's financial statements for the year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## PROFILE OF THE AUTHORITY

The Central Coast Water Authority (CCWA) is a public entity organized under a Joint Exercise of Powers Agreement dated August 1, 1991 and operates as a Joint Powers Authority (JPA). CCWA is a wholesale water provider to 13 water purveyors and private companies in Santa Barbara County, and another 11 water purchasers in San Luis Obispo County.



CCWA is presently composed of eight members, all of which are public agencies within Santa Barbara County: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). Each member agency is represented on the CCWA Board of Directors by one individual and an alternate. In addition, CCWA has one associate member, the La Cumbre Mutual Water Company and three non-member, private water users, Raytheon Systems Company, Morehart Land Company, and Golden State Water Company. Water service is also provided to Vandenberg Air Force Base through a Utility Agreement.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority's Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The Authority also provides supplemental water to certain entities within San Luis Obispo County: California Men's Colony, County of San Luis Obispo, Cuesta College, City of Morro Bay, Avila Beach Community Services District, Avila Valley Mutual Water Company, Oceano Community Services District, City of Pismo Beach, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

### Facilities

The Authority's facilities include a water treatment plant located at Polonio Pass in northeastern San Luis Obispo County and a distribution system that delivers water from the State Water Project to project participants in Santa Barbara and San Luis Obispo Counties. The distribution system consists of an approximate 130 mile long pipeline, treated water tanks at the water treatment plant, three interim storage facilities, one energy dissipation facility, ten turnouts, four isolation valve facilities, a chloramines removal and water pumping facility and Cachuma Lake inlet monitoring facility.

Central Coast Water Authority is innovative and forward thinking in its methods to provide high-quality water, through an efficient and reliable system that is capable of delivering supplemental water from other water sources in addition to allocations through the State Water Project for our project participants. During the recent and ongoing drought in California, this delivery system was instrumental in allowing our project participants to maintain adequate water resources for their communities by providing a link to the statewide water supply system.

The Authority receives its water through the State Water Project, which is a network of canals, pipelines, tunnels and reservoirs. The State Water Project is managed by the California Department of Water Resources (DWR), a State agency which protects, conserves, develops, and manages much of California's water supply including the State Water Project which provides water for 25 million residents, farms, and businesses. Through the Santa Barbara County Flood Control and Water Conservation District (SBCFC&WCD), the Authority holds a contract with the Department of Water Resources (DWR) to purchase up to 45,486 acre-feet of water per year. The costs for this water are charged to the Authority's Santa Barbara County project participants. San Luis Obispo County pays DWR directly for its DWR costs.

### **LOCAL ECONOMY**

Santa Barbara County is dominated by three principal economic activities: tourism, Vandenberg Air Force Base, and education, and is characterized by three geographically diverse regions. The Santa

Barbara Project Participants are located in all three different geographic areas of Santa Barbara County: North County (City of Santa Maria, City of Guadalupe, Golden State Water Company and Vandenberg Air Force Base); the Santa Ynez Valley (City of Buellton and Santa Ynez River Water Conservation District, Improvement District No. 1, which includes within its boundaries the City of Solvang); and the South Coast (City of Santa Barbara, Goleta Water District, Montecito Water District, Carpinteria Valley Water District, La Cumbre Mutual Water Company, Raytheon Systems Company and Morehart Land Company).

Historically the North County has been an agricultural area, but it has experienced significant urban development in the last twenty-six years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future. The general location of certain of the Santa Barbara Project Participants and of the major components of the Authority Project in Santa Barbara County is shown on the map under the caption "Project Map" in the end of the Introductory Section of the CAFR.

## **LONG-TERM FINANCIAL PLANNING**

To assist our project participants, the Authority prepares a Ten-Year Financial plan to provide pro forma projections of the Authority's expenditures and includes projections for both the Authority and the Department of Water Resources portions of the budget. The Department of Water Resources provides projections for each of these years for both the fixed and variable costs (comprising approximately 80% of the Authority budget annually), and the Authority expenses are generally projected with a 3% inflation factor to all operating expenses.

The Ten-Year Financial Plan is prepared only as an informational tool and is used by the member agencies and other project participants for their planning and long-term budgeting purposes.

## **RELEVANT FINANCIAL POLICIES AND CONTROLS**

The Authority has adopted a comprehensive set of financial policies governing Reserves, Purchasing, Budget, Investments, Debt Management, and Capital Improvements. Following is a brief discussion on the policies that were relevant this year:

### Capital Improvement Projects and Carryover

The Capital Improvements Projects (CIP) is a component of the non-operating expenses section of the budget. Certain capital expenditures included in the Fiscal year 2017/18 budget were not expended due to timing and scheduling.

When appropriate, capital improvements will be paid through current revenue sources rather than financing capital projects over a period of time. During Fiscal Year 2017/18 the Board approved \$856,560 in carryover funds to be used for capital projects not completed in Fiscal Year 2016/17. Also approved by the Board was \$1,159,913 of carryover funds for capital projects funded for Fiscal Year 2017/18 and carried over into Fiscal Year 2018/19 for completion.

### Investment Policy

The Authority will operate its idle cash investments in compliance with Government Code Section 16045-16054 Uniform Prudent Investor Act which states: "...in investing...property for the benefit of another, a trustee shall exercise judgment and care, under the circumstances then prevailing, which

persons of prudence, discretion and intelligence exercise in the management of their own affairs....”. As such, the Board has adopted an Investment Policy governing cash investments.

In April 2018 the Authority’s adopted Investment Policy was amended as a part of the annual review to comply with changes in Government Code Section 53630-53686 which addresses investment of surplus funds by local government agencies. Section III(F) was revised to remove an outdated Civil Code reference, and to update language to include the entire definition of the “Prudent Investor Standard”. Section VI. REPORTING and Section XIII. PERFORMANCE EVALUATION AND OPERATIONS AUDIT were revised to reflect the authority’s practice of submitting quarterly reports to the Board rather than monthly reports.

#### Debt Management Policy

Central Coast Water Authority is authorized to incur indebtedness to finance Authority facilities and to assign and pledge to the repayment by its participants. The Debt Management Policy adopted by the Board in 2017 establishes parameters for issuing debt, covers general provisions for periodic review, conditions for debt issuance, standards for use of debt financing, financing criteria, refinancing outstanding debt, outstanding debt limitations, security for debt, a covenant for bond coverage, method of issuance, debt administration and reporting requirements.

#### Accounting System

In developing and maintaining the Authority’s accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: a) the safeguarding of assets against losses from unauthorized use or disposition, and b) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Management believes that the Authority’s controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **MAJOR INITIATIVES FOR THE FISCAL YEAR**

The activities of the Board and staff at the Authority are driven by our mission statement: To provide San Luis Obispo and Santa Barbara Counties with reliable, high quality supplemental water.

#### California Drought

While almost all of California received substantial rainfall in 2017, the Authority and its participants continue to feel the effects of the historic drought and the impacts will continue to be felt for the foreseeable future. For example, many of the CCWA project participants utilized their groundwater resources to help them meet demands during the drought. Therefore, it is anticipated they will need to allow their groundwater resources to recover and may therefore be more dependent on State water in the years ahead. As such, Management anticipates there will be a continued need to ensure State water

deliveries are maximized to the greatest extent possible to meet the ongoing needs of CCWA's project participants.

#### State Water Project Contract Assignment

The original contract with the Department of Water Resources (DWR) was executed between DWR and the Santa Barbara County Flood Control and Water Conservation District (the County) in 1963. However, there were no facilities to bring State water into Santa Barbara County until CCWA was formed to construct and operate the facilities for the delivery of State Water in 1991.

When CCWA was formed in 1991, it entered into an agreement with the County called the "Transfer of Financial Responsibility Agreement" (TFRA) whereby CCWA agreed to be responsible for all costs of the State Water Project in Santa Barbara County. One of the provisions of the TFRA was that the parties expressed the desire to have the State Water Contract fully assigned from the County to CCWA. However, CCWA did not have ability to levy a property tax in the event of payment default, a key form of payment security in the DWR contracts and bonds, until recent legislation was passed which allows JPAs to exercise the taxing authority of their member agencies. CCWA now has the ability to levy a property tax for State water costs in the event of a payment default to DWR and as such, is actively pursuing full assignment of the State Water contract from the County to CCWA. CCWA will continue to work with DWR and the County to obtain approval for the full assignment of the contract to CCWA.

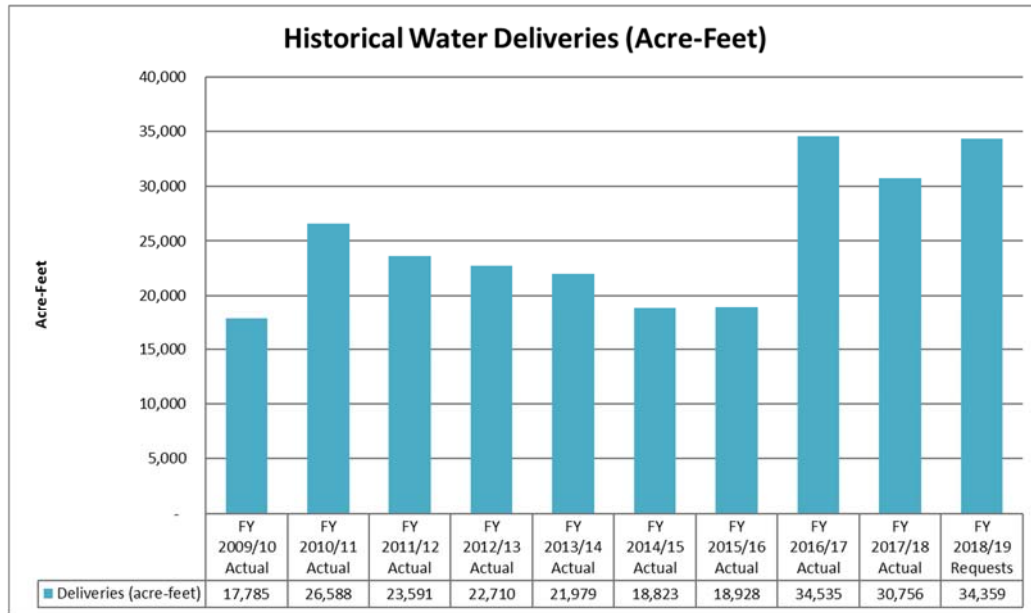
#### Suspended Water Reacquisition

In the 1980's, Santa Barbara County requested that DWR set aside, or "suspend" 12,214 acre-feet of the County's 57,700 acre-feet of State Water allotment as it was determined the 12,214 acre-feet was in excess of the needs of the various Santa Barbara County water purveyors. DWR agreed to suspend this water and agreed that the County could reacquire the water at a future date, which has been extended a number of times.

CCWA has requested, and DWR has agreed to allow CCWA, through the County, to reacquire the 12,214 acre-feet of suspended contract allotment. CCWA will continue to pursue this reacquisition in the coming year.

#### Water Deliveries

Total deliveries during FY 2017/18 by CCWA to the Santa Barbara and San Luis Obispo County project participants were 30,756 acre-feet compared to the actual FY 2016/17 deliveries of 34,535 acre-feet. The graph below shows water deliveries for the last ten fiscal years.



CCWA Supplemental Water Purchase Program

In response to the continued ongoing drought in California, the CCWA Board of Directors has authorized the development of a Supplemental Water Purchase Program (SWPP). The SWPP allows those CCWA project participants to purchase additional water supplies to help meet their demand not being met with other water sources, beginning in calendar year 2014 and extending through calendar year 2018.

In total, over the course of three years, CCWA has acquired just over 32,700 acre-feet of water under the SWPP at a total cost of approximately \$13.8 million, or roughly \$422 per acre-foot.

**THE FUTURE**

Water Delivery Projections

For calendar years 2018 and 2019, Santa Barbara and San Luis Obispo County project participants have requested State water deliveries of 34,359 acre-feet for each year.

Department of Water Resources (DWR) Activities and Related Costs

During FY 2018/19, CCWA staff will continue to work through the State Water Contractor (SWC) board and committees that interact with the Department of Water Resources (DWR) which impact CCWA and the California water agencies as a whole. There are many significant issues on which DWR and the SWC are working which have water supply, operational, and fiscal impacts on CCWA. Some of these activities could potentially have a significant fiscal impact to CCWA in the current and future years. Therefore, staff will place a high priority on working through the various available venues to minimize the fiscal impacts to CCWA and ensure that we continue to meet our goal of providing reliable, high quality supplemental water.

The Authority received the DWR Statement of Charges (SOC) for calendar year 2019 in May 2018, which reflected a large increase in the calendar year DWR Transportation Minimum OMP&R cost

component. Transportation Minimum costs are fixed Operation & Maintenance (O&M) costs related to the O&M of the State Water Project (SWP) facilities which do not vary with the quantity of water delivered to the 29 SWP Contractors. Historically, the Transportation Minimum cost component of DWR SOC has been the most volatile DWR charge for CCWA. The volatility is partly based on DWR’s SOC being based on estimates and then reconciling or preparing a “true-up” based on the actual costs incurred.

One financial reach which tends to create the most volatility from year-to-year is Reach 33A, due to work done by DWR on the facilities within that reach. Because Reach 33A is located on the coastal branch of the SWP and there are only two SWP Contractors within the coastal branch, the Counties of Santa Barbara (90%) and San Luis Obispo (10%), any changes (up or down) are allocated to only these two counties, further amplifying the variances.

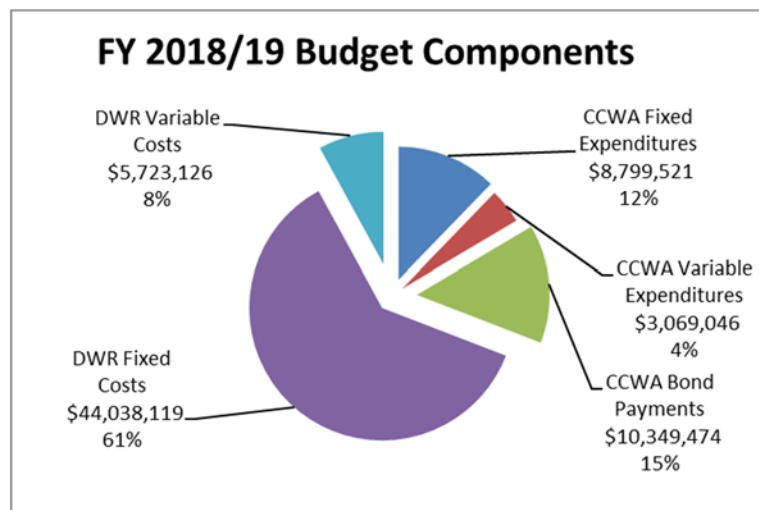
In the calendar year 2018 SOC, DWR estimated the 2019 Transportation Minimum cost of \$7.8 million. In preparing the FY 2018/19 budget, CCWA added an additional \$2 million above the DWR estimate for a total of \$9.8 million. The actual SOC for the calendar year 2019 Transportation Minimum is \$24.3 million, a \$15.5 million increase over the amount used to prepare the FY 2018/19 budget, one-half of which would be due by January 1, 2019.

CCWA staff and State Water Contractors (SWC) accounting staff are both working with DWR to analyze the reason for the large increases. Additionally, CCWA retained auditors, Ernst & Young to further examine the DWR accounting records to ensure costs that are being charged to CCWA are accurate.

On October 11, 2018, CCWA issued a supplemental assessment to all CCWA project participants for their share of the increased costs for FY 2018/19, which is included the FY 2018/19 Budget Components graph below.

Fiscal Year 2018/19 Budget Summary

The FY 2018/19 budget calls for total project participant payments of \$71.1 million compared to the FY 2017/18 budget of \$61.4 million, a \$9.7 million increase, which is discussed above in the fourth paragraph under DWR Activities and Related Costs. These amounts include \$0.9 million in CCWA credits for FY 2018/19 and \$0.4 million for FY 2017/18. The following graph shows the breakout of the various cost components in the CCWA FY 2017/18 Budget:



## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Coast Water Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the twenty-first consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one fiscal year. We believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

The authority also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 26, 2018. This was the twenty-second consecutive year the Authority has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department. We wish to thank each member of both departments for their assistance in providing the data necessary to prepare this report. Credit is also due to Senior Management and the Board of Directors for leadership and support in maintaining the highest standards of professionalism in the management of Central Coast Water Authority's finances.

I am pleased to present this report to the Board for formal adoption.

Respectfully submitted,



Ray A. Stokes  
Executive Director

# Introductory Section

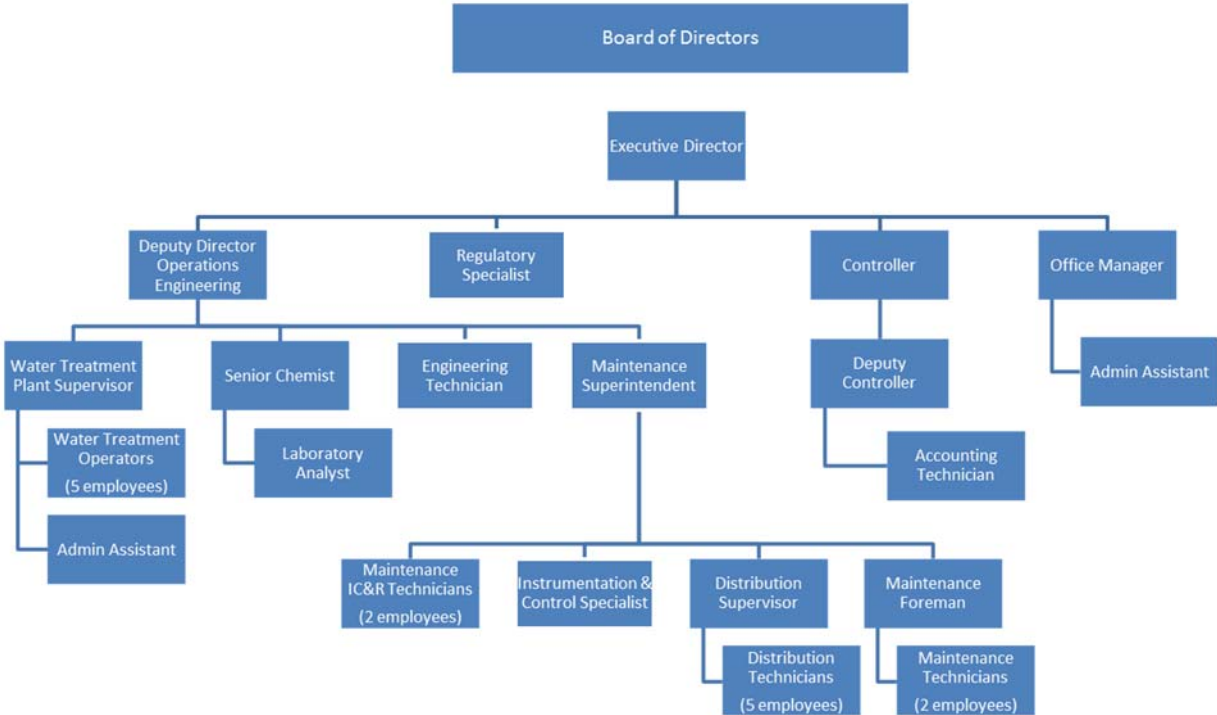
June 30, 2018

## Central Coast Water Authority Board of Directors

Jack Boysen, Chairman	City of Santa Maria
Richard Shaikewitz, Vice Chairman	Montecito Water District
Ed Andrisek	City of Buellton
Harlan Burchardi	Santa Ynez River Water Conservation District, Improvement District #1
Eric Friedman	City of Santa Barbara
Richard Merrifield	Goleta Water District
Gina Rubalcaba	City of Guadalupe
Shirley Johnson	Carpinteria Valley Water District

## Authority Staff

Ray Stokes	Executive Director
John Brady	Deputy Director Operations /Engineering





# Project Map





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Central Coast Water Authority  
California**

For the Fiscal Year Beginning

**July 1, 2017**

*Christopher P. Morill*

Executive Director

# FINANCIAL SECTION





Nasif, Hicks, Harris & Co., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

104 West Anapamu Street, Suite B | Santa Barbara, CA 93101  
Main: (805) 966-1521 | Fax: (805) 963-1780 | www.nhhco.com

William J. Nasif  
Steven J. Hicks, Retired  
Jeffery P. Harris  
Jody Dolan Holehouse  
Thomas W. Burk  
Robert Swayne Lyons  
Lawrence W. Brown  
Sarah E. Turner  
Thomas A. Olson  
Joseph G. Bishop

December 14, 2018

### Independent Auditors' Report

To the Member Agencies of the Central Coast Water Authority

We have audited the accompanying statements of net position of the Central Coast Water Authority ("CCWA") as of June 30, 2018 and 2017, and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise CCWA's basic financial statements, as listed in the foregoing table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the CCWA as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CCWA's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### *Implementation of New Accounting Standard*

As disclosed in Note 12 CCWA implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* during fiscal year 2017-2018. Our opinion is not modified with respect to this matter.

*Nasif, Hicks, Harris & Co., LLP*

Nasif, Hicks, Harris & Co., LLP

# Management's Discussion and Analysis

**Fiscal Year Ended  
June 30, 2018**

This section presents management's analysis of the Authority's financial condition and activities for the fiscal year ended June 30, 2018. This information should be read in conjunction with the financial statements and the additional information that we have included in our letter of transmittal.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

## **Summary of Organization and Business**

The Central Coast Water Authority is a public entity duly organized and existing under a Joint Exercise of Powers Agreement – Central Coast Water Authority, dated as of August 1, 1991, by and among nine public agencies in Santa Barbara County, two of which have subsequently merged. The members entered into the Agreement to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses. In particular, the members expressed their desire to create the Authority to finance, develop, operate, and maintain the Authority facilities for their mutual benefit and to act on behalf of the members with respect to the Department of Water Resources (DWR) facilities. The Authority currently has a staff of twenty-eight full-time employees and three part-time employees.

The Authority is presently composed of eight members, all of which are public agencies: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water

# Management's Discussion and Analysis

District.) In addition, the Authority has an Associate Member, La Cumbre Mutual Water Company. Each member appoints a representative to the Authority's Board of Directors. San Luis Obispo County Flood Control and Water Conservation District (SLOFCWCD and/or San Luis Obispo Water Purchasers) has expressed an interest in joining the Authority. However, any decision to do so must be approved by the unanimous vote of the present members.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The following table shows the voting percentage for each member of the CCWA Board of Directors.

City of Guadalupe	1.15%
City of Santa Maria	43.19%
City of Buellton	2.21%
Santa Ynez R.W.C.D., Improvement District #1	7.64%
Goleta Water District	17.20%
City of Santa Barbara	11.47%
Montecito Water District	9.50%
Carpinteria Valley Water District	7.64%
TOTAL	100.00%

## CCWA Committees

There are currently three Central Coast Water Authority committees. They are the Finance, Operating, and Personnel Committees.

The Operating Committee is composed of the general managers, city administrators or water supply managers from each of the various water districts and cities served by the Authority. The Operating Committee typically meets quarterly to act on matters such as construction, operations, and financial issues and recommends actions to the Authority Board of Directors.

The Finance and Personnel Committees are composed of CCWA Board members appointed by the CCWA Board Chairman. The Committees review and recommend actions to the Authority Board of Directors with regard to finance and personnel related matters.

# Management's Discussion and Analysis

## Santa Barbara County Project Participants

Each Santa Barbara County project participant is a water purveyor or user located in Santa Barbara County which obtained contractual rights to receive water from the State Water Project prior to 1991. Those rights have been assigned to the Authority pursuant to the terms of the Water Supply Agreements.

## San Luis Obispo County Water Purchasers

Each San Luis Obispo County water purchaser is a water purveyor or user located in San Luis Obispo County which obtained contractual rights from SLOCFCWCD to receive water from the State Water Project.

## FINANCIAL HIGHLIGHTS

The following table shows a condensed version of the Authority's balance sheet with corresponding analysis regarding significant variances.

### Condensed Balance Sheet

	June 30, 2018	June 30, 2017	June 30, 2016	2018-17 Change	2017-16 Change
Current Assets	\$ 70,701,493	\$ 66,317,495	\$ 65,379,930	\$ 4,383,998	\$ 937,565
Non-Current Restricted Assets	10,930,215	10,432,165	11,540,910	498,050	(1,108,745)
Capital Assets	94,214,034	95,816,473	97,942,623	(1,602,439)	(2,126,150)
Other Assets	3,688,475	4,818,107	5,811,328	(1,129,632)	(993,221)
<b>Total Assets</b>	<b>\$ 179,534,217</b>	<b>\$ 177,384,240</b>	<b>\$ 180,674,791</b>	<b>\$ 2,149,977</b>	<b>\$ (3,290,551)</b>
Revenue Bond Deferred Amount	\$ 944,761	\$ 1,489,720	\$ 2,132,166	\$ (544,959)	\$ (642,446)
Pension Plan Deferred Amount	1,532,296	1,338,314	558,325	193,982	779,989
OPEB Plan Deferred Amount	53,122	43,201	-	9,921	43,201
<b>Total Deferred Outflows of Resources</b>	<b>\$ 2,530,179</b>	<b>\$ 2,871,235</b>	<b>\$ 2,690,491</b>	<b>\$ (341,056)</b>	<b>\$ 180,744</b>
Current Liabilities	\$ 77,563,390	\$ 72,117,045	\$ 73,834,676	\$ 5,446,345	\$ (1,717,631)
Non-current Liabilities	45,883,095	55,577,775	63,682,508	(9,694,680)	(8,104,733)
<b>Total Liabilities</b>	<b>123,446,485</b>	<b>127,694,820</b>	<b>137,517,184</b>	<b>(4,248,335)</b>	<b>(9,822,364)</b>
Revenue Bond Deferred Amount	\$ 491,308	\$ 776,829	\$ -	\$ (285,521)	\$ 776,829
Pension Plan Deferred Amount	139,586	178,146	420,485	(38,560)	(242,339)
OPEB Deferred Amount	9,280	-	-	9,280	-
<b>Total Deferred Inflows of Resources</b>	<b>640,174</b>	<b>954,975</b>	<b>420,485</b>	<b>(314,801)</b>	<b>534,490</b>
Net investment in capital assets	\$ 57,630,257	\$ 55,164,579	\$ 44,108,951	\$ 2,465,678	\$ 11,055,628
Restricted - total	10,411,593	9,978,731	11,513,337	432,862	(1,534,606)
Unrestricted	(10,064,113)	(13,537,630)	(10,194,675)	3,473,517	(3,342,955)
Total Net Position	57,977,737	51,605,680	45,427,613	6,372,057	6,178,067
<b>Total Liabilities and Net Position</b>	<b>\$ 182,064,396</b>	<b>\$ 180,255,475</b>	<b>\$ 183,365,282</b>	<b>\$ 1,808,921</b>	<b>\$ (3,109,807)</b>



# Management's Discussion and Analysis

## BALANCE SHEET ANALYSIS

### June 30, 2018 Comparison to June 30, 2017

- Total assets as of June 30, 2018 are \$179.5 million, or \$2.1 million more than the amount on June 30, 2017.
- Capital and other assets are \$2.7 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2016A revenue bond issuance costs.
- Non-current liabilities are \$9.7 million lower due to the revenue bond principal payment during the year.

### June 30, 2017 Comparison to June 30, 2016

- Total assets as of June 30, 2017 were \$177.4 million, or \$3.3 million less than the amount on June 30, 2016.
- Capital and other assets were \$3.1 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2006A & 2016A revenue bond issuance costs.
- Non-current liabilities were \$8.1 million lower due to the revenue bond principal payment during the year, along with the issuance of the 2016A refunding revenue bonds to realize lower interest rates and a \$1.1 million long-term liability reduction.

The following table shows a condensed version of the Authority's Statement of Revenues, Expenses and Changes in Net Position with corresponding analysis regarding significant variances.

### Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2018	June 30, 2017	June 30, 2016	2018-2017 Change	2017-2016 Change
Operating Revenues	\$ 19,025,855	\$ 20,825,040	\$ 19,334,566	\$ (1,799,185)	\$ 1,490,474
Operating Expenses excluding depreciation and amortization <sup>(1)</sup>	(9,529,429)	(10,177,940)	(7,922,797)	648,511	(2,255,143)
Depreciation and Amortization	(1,061,706)	(1,027,928)	(2,710,417)	(33,778)	1,682,489
<b>Operating Income</b>	<b>8,434,720</b>	<b>9,619,172</b>	<b>8,701,352</b>	<b>(1,184,452)</b>	<b>917,820</b>
Non-operating Revenues	635,825	334,430	213,252	301,395	121,178
Non-operating Expenses	(2,698,488)	(3,775,535)	(3,181,726)	1,077,047	(593,809)
<b>Change in Net Position</b>	<b>6,372,057</b>	<b>6,178,067</b>	<b>5,732,878</b>	<b>193,990</b>	<b>445,189</b>
Net position at beginning of year <sup>(1)</sup>	51,605,680	45,427,613	39,694,735	6,178,067	5,732,878
Net position at end of year	\$ <u>57,977,737</u>	\$ <u>51,605,680</u>	\$ <u>45,427,613</u>	\$ <u>6,178,067</u>	\$ <u>5,732,878</u>

(1) As restated, see Note 12 for details

# Management's Discussion and Analysis

## June 30, 2018 Comparison to June 30, 2017

Operating revenues as of June 30, 2018 are about \$1.8 million lower than the prior year amount. The decrease is primarily attributed to a decrease in the operating reimbursements from project participants for decreases in operations and maintenance cost for the year.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments. For FY 2017/18, this credit totaled \$0.67 million for the fixed component of the O&M assessments, as compared to the FY 2016/17 credit of \$0.73 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about \$0.6 million lower than the prior year amount due to:

1. Decrease in personnel expenses of about \$0.05 million due primarily to the required recording of GASB 75 actuarial OPEB costs including a GASB 75 prior period actuarial adjustment increasing the prior year personnel expenses.
2. Decrease in unexpended operating reimbursements of \$.06 million due to a decrease in the budget surplus for FY 2017/18 which is payable back to the Authority's project participants.
3. Increase in professional services of \$0.08 for an increase in legal services.
4. Decrease in supplies, equipment and monitoring expenses of \$0.3 million for lower chemical costs associated with a decrease in water deliveries and therefore a decrease in chemical usage.
5. Decrease in other expenses of \$0.3 million for reductions seen in non-capital projects and appropriated contingency funds.

Non-operating revenues are higher by about \$0.3 million due to the increase of interest income.

Non-operating expenses are \$1.1 million lower due to reduced interest expense of the Series 2016A bond.

Also seen was a \$0.3 million increase in interest income paid to the CCWA project participants.

# Management's Discussion and Analysis

## June 30, 2017 Comparison to June 30, 2016

Operating revenues as of June 30, 2017 were about \$1.5 million higher than the prior year amount. The increase is primarily attributed to an increase in the operating reimbursements from project participants for an increase in operations and maintenance cost for the year.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments. For FY 2016/17, this credit totaled \$0.7 million for the fixed component of the O&M assessments, as compared to the FY 2015/16 credit of \$0.3 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense were about \$2.3 million higher than the prior year amount due to:

1. Increase in personnel expenses of about \$0.5 million due to GASB 68 actuarial pension costs and a restatement of OPEB actuarial expenses in implementing GASB 75 to record required OPEB actuarial costs. Also included is a GASB 68 prior period actuarial adjustment reducing the prior year personnel cost.
2. Increase in unexpended operating reimbursements of \$0.4 million due to an increase in the budget surplus for FY 2016/17 which is payable back to the Authority's project participants.
3. Increase in supplies, equipment and monitoring expenses of \$0.2 million for higher chemical costs associated with an increase in water deliveries and therefore an increase in chemical usage.
4. Increase in utility expenses of \$0.6 million attributed to an increase water deliveries over the prior fiscal year and the increase in electrical costs for pumping water.

Depreciation and Amortization expenses were approximately \$1.7 million lower due largely to the refunding of the Series 2006A revenue bonds with the Series 2016A revenue bonds. The bonds were issued at a significant premium and with a significant deferred gain on refunding. The amortization of premiums and gains reduces depreciation and amortization expense by \$2.0 million unlike typical depreciation and amortization of a fixed or intangible asset which acts to defer the expense of an asset over its useful life.

Non-operating revenues were higher by about \$0.1 million due to the increase of interest income and a gain on the sale of a capital asset.

Non-operating expenses were \$0.6 million higher due to Series 2016 A bond issuance costs paid on the refunding of the 2006A Series bond.

Also seen was an increase in the cost of asset disposal and interest income paid to the CCWA project participants.

# Management's Discussion and Analysis

## Capital Assets

The following table provides a summary of the Authority's capital assets and changes from the prior year.

	June 30, 2018	June 30, 2017	June 30, 2016	2018-2017 Change	2017-2016 Change
Land	\$ 3,178,700	\$ 3,178,700	\$ 3,178,700	\$ -	\$ -
Furniture fixtures and equipment	491,748	434,462	423,907	57,286	10,555
Lab, transportation, plant and pipeline equipment	28,896,483	28,714,588	28,681,299	181,895	33,289
Buildings and structures	48,696,149	48,696,149	48,696,149	-	-
Underground pipeline	59,925,077	59,925,077	59,925,077	-	-
Construction in progress	834,306	464,918	361,911	369,388	103,007
Total property, plant and equipment	142,022,463	141,413,894	141,267,043	608,569	146,851
Accumulated depreciation	(47,808,429)	(45,597,421)	(43,324,419)	(2,211,008)	(2,273,002)
Net property, plant and equipment	\$ 94,214,034	\$ 95,816,473	\$ 97,942,623	\$ (1,602,439)	\$ (2,126,151)

Please refer to Note 3 on Capital Assets in the Notes to the Financial Statements for additional information regarding the Authority's capital assets.

# Management's Discussion and Analysis

## Debt Administration

On September 28, 2006, the Authority issued Series 2006A refunding revenue bonds in the amount of \$123,190,000, which refunded the outstanding \$142,985,000 Series 1996A revenue bonds. The 2006A revenue bonds were issued at a true interest cost of 4.24% for the purpose of reducing the Authority's total debt service payments over the next 15 years by \$4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million. At June 30, 2016, the Authority had \$59,645,000 of outstanding 2006A revenue bonds.

The Authority's 2006 revenue bond indenture and the Water Supply Agreements require that certain CCWA project participants and contractors maintain a ratio of net revenues to contract payments of at least 1.25. Additionally, the Authority has complied with the Securities and Exchange Commission Rule 15c12, which requires all local governments that bring municipal debt to market after July 3, 1995 to provide specified financial and operating information on an annual basis which mirrors the information provided in the 2006 revenue bond official statement.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued for the purpose of reducing the Authority's total debt service payments over the next 5 years by \$5.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.4 million. The Authority also realized the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016.

At June 30, 2018, the Authority had \$37,590,000 of outstanding 2016A revenue bonds.

Please refer to Note 5 in the Notes to the Financial Statements for additional information regarding the Authority's long-term debt.

# STATEMENT OF NET POSITION

	June 30, 2018	June 30, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments (Note 2 & 11)	\$ 25,700,752	\$ 24,364,687
Interest receivable (Note 11)	48,018	39,903
Prepaid Expenses	482,307	231,021
Inventory	<u>99,548</u>	<u>84,653</u>
<b>Total Unrestricted Current Assets</b>	<u>26,330,625</u>	<u>24,720,264</u>
Restricted Current Assets		
Cash and investments held for payment to DWR	<u>44,370,868</u>	<u>41,597,231</u>
<b>Total Current Assets</b>	<u>70,701,493</u>	<u>66,317,495</u>
<b>Non-Current Assets</b>		
Restricted Assets		
Cash and investments for debt service payments	10,411,593	9,978,731
Cash and investments for Escrow Deposits (Note 11)	408,675	406,931
Interest receivable	<u>109,947</u>	<u>46,503</u>
<b>Total Restricted Non-Current Assets</b>	<u>10,930,215</u>	<u>10,432,165</u>
Capital Assets (Note 3)		
Capital assets, net of accumulated depreciation	91,035,334	92,637,773
Land, not depreciated	<u>3,178,700</u>	<u>3,178,700</u>
<b>Total Capital Assets</b>	<u>94,214,034</u>	<u>95,816,473</u>
Unamortized bond insurance costs, net	55,772	88,184
Long-term accounts receivable	3,632,703	4,729,923
<b>Total Non-Current Assets</b>	<u>108,832,724</u>	<u>111,066,745</u>
<b>Total Assets</b>	<u>\$ 179,534,217</u>	<u>\$ 177,384,240</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	944,761	1,489,720
Deferred amount from pension plan (Note 6)	1,532,296	1,338,314
Deferred amount from OPEB (Note 7 & 12)	<u>53,122</u>	<u>43,201</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 2,530,179</u>	<u>\$ 2,871,235</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>182,064,396</u>	<u>180,255,475</u>

The notes to the financial statements are an integral part of these statements.

Continued

# STATEMENT OF NET POSITION

## LIABILITIES AND NET POSITION

	June 30, 2018	June 30, 2017
<b>Current Liabilities</b>		
Accounts payable	\$ 238,286	\$ 214,788
Deposits for payment to DWR	44,462,834	41,636,741
Accrued interest payable	469,876	568,376
Deposits for supplemental water purchases	1,803,949	-
Other liabilities (Note 11)	90,411	36,935
Compensated absences payable	222,039	200,624
Debt due within one year	8,720,000	7,880,000
Project participant deposits and unearned revenue	21,555,995	21,579,581
<b>Total Current Liabilities</b>	<u>77,563,390</u>	<u>72,117,045</u>
<b>Non-Current Liabilities</b>		
Bonds payable, net (Note 5)	31,552,251	41,831,029
OPEB liability (6/30/2017 balance restated - Note 7 & 12)	883,831	805,688
Rate coverage reserve fund (Note 1)	9,282,179	9,215,803
Escrow Deposits (Note 11)	408,675	406,931
Net pension liability (Note 6)	3,756,159	3,318,324
<b>Total Non-Current Liabilities</b>	<u>45,883,095</u>	<u>55,577,775</u>
<b>Total Liabilities</b>	<u>123,446,485</u>	<u>127,694,820</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on refunding	491,308	776,829
Deferred amount from pension plan (Note 6)	139,586	178,146
Deferred amount from OPEB (Note 7 & 12)	9,280	-
<b>Total Deferred Inflows of Resources</b>	<u>640,174</u>	<u>954,975</u>
<b>Net Position</b>		
Net investment in capital assets	60,312,509	55,164,579
Restricted - future payment of debt service	10,411,593	9,978,731
Unrestricted (Note 12)	<u>(12,746,365)</u>	<u>(13,537,630)</u>
<b>Total Net Position</b>	<u>57,977,737</u>	<u>51,605,680</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 182,064,396</u>	<u>\$ 180,255,475</u>

The notes to the financial statements are an integral part of these statements.

# STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	June 30, 2018	June 30, 2017
<b>Operating Revenues</b>		
Operating reimbursements		
from project participants	\$ 18,868,309	\$ 20,524,251
Other revenues	<u>157,546</u>	<u>300,789</u>
<b>Total Operating Revenues</b>	<u>19,025,855</u>	<u>20,825,040</u>
<b>Operating Expenses</b>		
Personnel expenses (Note 12)	5,005,522	5,059,629
Office expenses	17,966	19,732
General and administrative	229,679	218,690
Professional services	358,647	282,612
Supplies and equipment	1,152,515	1,458,869
Monitoring expenses	78,986	98,483
Repairs and maintenance	276,386	238,290
Utilities	1,194,942	1,212,960
Unexpended operating reimbursements (Note 1)	670,991	729,234
Depreciation and amortization	1,061,706	1,027,928
Other expenses	<u>543,795</u>	<u>859,441</u>
<b>Total Operating Expenses</b>	<u>10,591,135</u>	<u>11,205,868</u>
<b>Operating Income</b>	<u>8,434,720</u>	<u>9,619,172</u>
<b>Non-Operating Revenues</b>		
Interest income	635,825	328,130
Gain on disposal of capital assets	-	6,300
<b>Total Non-Operating Revenues</b>	<u>635,825</u>	<u>334,430</u>
<b>Non-Operating Expenses</b>		
Interest expenses	1,978,000	2,869,594
Bond issuance expenses	-	576,155
Loss on disposal of capital assets	84,561	28,156
Interest income paid to project participants	<u>635,927</u>	<u>301,630</u>
<b>Total Non-Operating Expenses</b>	<u>2,698,488</u>	<u>3,775,535</u>
Increase in net position	<u>6,372,057</u>	<u>6,178,067</u>
<b>Change in Net Position</b>	<u>6,372,057</u>	<u>6,178,067</u>
Net position, at beginning of year, as restated (Note 12)	51,605,680	45,427,613
Net position, at end of year	<u>\$ 57,977,737</u>	<u>\$ 51,605,680</u>

*The notes to the financial statements are an integral part of these statements.*



# STATEMENT OF CASH FLOWS

	For the fiscal year ended	
	June 30, 2018	June 30, 2017
<b>Cash Flows From Operating Activities</b>		
Cash received from project participants and other operating activities	\$ 19,800,629	\$ 21,364,032
Cash payments to employees	(3,116,408)	(2,999,207)
Cash payments to suppliers	<u>(5,955,190)</u>	<u>(6,148,251)</u>
Net cash provided by operating activities	<u>10,729,031</u>	<u>12,216,574</u>
<b>Cash Flows from Investing Activities</b>		
Interest and dividends on investments (Note 11)	<u>562,522</u>	<u>290,460</u>
Net cash provided by investing activities	<u>562,522</u>	<u>290,460</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(811,276)	(254,360)
Deposits received for encroachment permits	-	43,395
Payments on encroachment permit projects	(1,361)	(38,992)
Interest paid on long-term debt	(2,076,500)	(3,023,619)
Principal payments on long-term debt	(7,880,000)	(8,825,000)
Proceeds received from sale of capital assets	-	6,300
Net cash (used) for capital and related financing activities	<u>(10,769,137)</u>	<u>(12,092,276)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds received for DWR and Warren Act charges	45,156,011	41,119,703
Payments of DWR and Warren Act charges	(42,951,100)	(38,939,630)
Proceeds received for supplemental water purchases	1,816,981	184,882
Payments for supplemental water purchases	-	(2,875,000)
Net cash provided (used) by non-capital financing activities	<u>4,021,892</u>	<u>(510,045)</u>
Net increase (decrease) in cash and cash equivalents (Note 11)	4,544,308	(95,287)
Cash and cash equivalents, beginning of year	<u>76,347,580</u>	<u>76,442,867</u>
Unrestricted cash and investments (Note 11)	25,700,752	24,364,687
Restricted cash and investments other (Note 11)	408,675	406,931
Restricted cash and investments held for payment to DWR	44,370,868	41,597,231
Restricted cash and investments for debt service payments	<u>10,411,593</u>	<u>9,978,731</u>
Cash and cash equivalents, end of year (Note 11)	<u>\$ 80,891,888</u>	<u>\$ 76,347,580</u>
<b>Cash Flows From Operating Activities</b>		
Operating Income (Note 12)	\$ 8,434,720	\$ 9,619,172
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,061,706	1,027,928
Unexpended operating reimbursements payable to project participants	670,991	729,234
Operating revenues paid from credits and unearned revenue (Note 12)	459,973	964,546
Increase in other post-employment liability	78,143	56,516
Increase (decrease) in accounts payable	<u>23,498</u>	<u>(180,822)</u>
Net cash provided by operating activities	<u>\$ 10,729,031</u>	<u>\$ 12,216,574</u>

The notes to the financial statements are an integral part of these statements.

# STATEMENT OF CASH FLOWS

## Supplemental Disclosures of Cash Flow Information

	For the fiscal year ended	
	June 30, 2018	June 30, 2017
<b>Schedule of Non-Cash Capital and Related Financing Activities</b>		
The Authority completed the construction of certain assets and transferred them from construction in progress to property, plant and equipment.	<u>\$ 441,368</u>	<u>\$ 151,352</u>
The Authority disposed of certain property, plant and equipment which were determined to no longer be usable. The aggregate original purchase cost of the assets was disposed.	<u>\$ 202,187</u>	<u>\$ 107,509</u>
The Authority issued refunding revenue bonds to realize the benefits of lower interest rates and a principal reduction.	<u>\$ -</u>	<u>\$ 5,350,000</u>
Difference between cost and fair value of investments held by the Authority at the end of the fiscal year.	<u>\$ 46,417</u>	<u>\$ 68,185</u>

*The notes to the financial statements are an integral part of these statements.*

## Note 1: Summary of Significant Accounting Policies

The accounting policies of the Central Coast Water Authority ("Authority") conform to Generally Accepted Accounting Principles (GAAP). The following summary of the Authority's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

### A. Reporting Entity

The primary purpose of the Central Coast Water Authority is to provide for the development, financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the State Water Project (the "SWP") to certain water purveyors and users in Santa Barbara County.

The Central Coast Water Authority was created by its members in August 1991. The Authority is presently composed of eight members, all of which are public agencies, as follows: the cities of Buellton, Guadalupe, Santa Barbara, and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and the Santa Ynez River Water Conservation District, Improvement District No. 1 (SYRWCD, ID#1, in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water District.) In addition, the Authority has one associate member, the La Cumbre Mutual Water Company (together with the members, the "Purveyor Participants"). Each of the Purveyor Participants has entered into a Water Supply Agreement with the Authority, as have non-members: Vandenberg Air Force Base ("Vandenberg AFB"), Raytheon Systems Company (formerly Santa Barbara Research Center), Morehart Land Company and Golden State Water Company (the "Consumer Participants").

The Authority Participants are located in three different geographic areas of Santa Barbara County: North County (Guadalupe, Santa Maria, Golden State Water Company and Vandenberg AFB); the Santa Ynez Valley (Buellton and SYRWCD, ID#1); and the South Coast (Carpinteria, Goleta, La Cumbre Mutual Water Company, Montecito, Morehart Land Company, Santa Barbara and Raytheon Systems Company, formerly Santa Barbara Research Center).

Historically, the North County has been an agricultural area but has seen significant urban development in the last

twenty years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future.

In October 1992, the Central Coast Water Authority entered into an agreement with San Luis Obispo (SLO) County to treat water delivered through the SWP. The entities covered by the agreement include: Avila Beach Community Services District, Avila Valley Mutual Water Company, California Men's Colony, City of Morro Bay, City of Pismo Beach, County of San Luis Obispo Community Services Area #16, Irrigation District #1, Cuesta College, Oceano Community Services District, San Luis Obispo County Operations Center, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

### Facilities Constructed by the Authority

The facilities constructed by the Authority include a water treatment plant located at Polonio Pass in northern San Luis Obispo County and two pipeline extensions: (1) the Mission Hills Extension, a buried pipeline approximately eleven miles long running from the terminus of the Coastal Branch (Phase II) southerly to the vicinity of the Lompoc Valley, and (2) the Santa Ynez Extension, a buried pipeline approximately thirty-two miles long running from the terminus of the Mission Hills Extension easterly through the Santa Ynez Valley, to a terminus at Cachuma Lake and includes one pumping plant near Santa Ynez and one storage tank. Water transported to Lake Cachuma is transported through the existing Tecolote Tunnel, which traverses the Santa Ynez Mountains, to the South Coast of Santa Barbara County.

The water treatment plant receives raw water from the SWP and delivers treated water to purveyors and users located in San Luis Obispo and Santa Barbara Counties.

### Contractual Relationships

The State of California Department of Water Resources ("DWR") entered into contracts (the "State Water Supply Contracts") with San Luis Obispo and Santa Barbara Counties in 1963 pursuant to which the counties received Table A amounts of water from the SWP. San Luis Obispo County's Table A amount was 25,000 acre-feet per year and Santa Barbara County's Table A amount was 57,700 acre-feet per year. In 1981, Santa Barbara County amended its contract to reduce its Table A amount to 45,486 acre-feet per year.

# Notes to Financial Statements

In 1983, Santa Barbara County entered into a series of Water Supply Retention Agreements ("WSRAs") with local water purveyors and users within Santa Barbara County. These WSRAs initially granted the purveyors and users an option to obtain an assignment of Santa Barbara County's State Water Supply Contract rights and, as of July 1, 1989, actually granted the full assignment of those rights. Thereafter, certain of the local water purveyors and users holding the WSRA rights transferred those rights to the Authority, a newly formed Joint Powers Authority, in consideration for Water Supply Agreements dated August 1, 1991, which provide for the delivery of SWP water by the Authority and the payment of required costs by the transferors. The Authority's obligation to make such payments to DWR from the payments it receives pursuant to the Water Supply Agreements is senior to its obligation to make payments with respect to the Bonds. These transfers have been consented to by DWR and were validated by an agreement between Santa Barbara County and the Authority on November 12, 1991 (the "Transfer of Financial Responsibility Agreement").

## The Water Supply Agreements

Each Project Participant has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the Project. The purpose of the Water Supply Agreements is to assist in carrying out the purposes of the Authority with respect to the Project by: (1) requiring the Authority to sell, and the Project Participants to buy, a specified amount of water from the project, and (2) assigning the Project Participants' Table A amount rights in the Project to the Authority.

In accordance with the provisions of each Water Supply Agreement, the Authority fixes charges for each Project Participant to produce revenues from the Project equal to the amounts anticipated to be needed by the Authority to meet the costs of the Authority to deliver to each Project Participant its pro rata share of water from the Project as set forth in each Water Supply Agreement. Each Project Participant is required to pay to the Authority an amount equal to its share of the total Fixed Project Costs and certain other costs in the proportion established in accordance with the applicable Water Supply Agreement, including the Santa Barbara Project Participant's share of payments to DWR under the State Water Supply Contract, as amended (including capital, operation, maintenance, power and

replacement costs of the DWR Facilities), debt service on the Bonds and all Authority operating and administrative costs. Such obligation is to be honored by each Project Participant whether or not water is furnished to it from the Project at all times or not at all and whether or not the Project is completed, operable, operated or retired. Such payments are not subject to any reduction and are not conditioned upon performance by the Authority or any other Project Participant under any agreement.

The Water Supply Agreements set forth detailed provisions concerning the time and method of payment by each Contractor of certain costs, including Fixed Project Costs and other operation and maintenance costs, as well as the method of allocation of such costs and expenses and the remedies available to the Authority in the event a project participant defaults in its payments to the Authority.

## B. Basis of Accounting

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheets. Where appropriate, net total position (i.e., fund equity) is segregated into net position invested in capital assets, net of related debt and unrestricted net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

This report has been prepared in conformance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the Authority applies all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

# Notes to Financial Statements

## C. Investments

The Authority has developed an investment policy that exceeds the minimum requirements established by the State of California. The Authority believes that it has adhered to established policies for all investment activities. As of June 30, 2018, the investment portfolio has a weighted average maturity of 225.33 days and a yield to maturity of 2.22%.

The Authority reports investments with a maturity greater than one year at the time of purchase at fair value. As of June 30, 2018 all investments are reported at amortized cost.

## D. Capital Assets

Capital assets, consisting of property, plant and equipment purchased or constructed by the Authority which meet or exceed the Authority's capitalization threshold of \$10,000 and an estimated useful life of five years or more, are stated at cost. Depreciation has been computed over the estimated useful life of each asset using the straight-line method. Interest costs have been capitalized based on the average outstanding capital expenditures. In addition, certain technical and engineering related studies associated with the Project have also been capitalized and included in the basis of the assets. The ranges of depreciation rates are:

Furniture fixtures and equipment	5-10 years
Equipment	10-50 years
Buildings and structures	30-50 years
Underground pipeline	75 years

## E. Inventories

Certain chemical purchases for use at the water treatment plant have been recorded to an inventory account to be expensed in proportion to the amount of water treated at the water treatment plant on a monthly basis.

## F. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an

acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. See Note 4 for a detailed listing of the deferred outflows and inflows of resources the Authority has recognized.

## G. Deposits

Deposits include cash receipts from project participants for amounts payable to the Department of Water Resources (DWR) and Warren Act Charges payable to the U.S. Bureau of Reclamation and the Cachuma Operations and Maintenance Board (COMB).

## H. Operating Reimbursements from Project Participants

Operating reimbursements from project participants include amounts paid for Authority operating expenses and debt service payments. Debt service operating assessment receipts for both principal and interest are recorded as operating revenues.

## I. Unexpended Operating Assessments

Prior to fiscal year 2015/16, it was the Authority's policy to return unexpended fixed and variable operating assessments and interest income to the project participants after the close of each fiscal year. Beginning fiscal year 2015/16 the Authority revised this policy with respect only to the variable operating assessment component. A quarterly true-up process of variable operating costs was implemented to help avoid over and under collections due to changes in water deliveries. For fiscal year 2017/18 the unexpended fixed and variable operating assessments and the investment income earned on the Authority's unrestricted cash balances are recorded as unearned revenue and returned to the project participants as a credit against the following year's operating assessments.

## J. Operating and Non-Operating Revenues and Expenses

Project participant assessment payments for operations and maintenance expenses, revenue bond debt service payments and miscellaneous revenues are considered operating revenues. Interest income and gains on sale of capital assets and investments are considered non-operating revenues.

Operations and maintenance expenses and depreciation and amortization expenses are considered operating expenses. Revenue bond interest expenses and other extraordinary expenses are considered non-operating expenses.

# Notes to Financial Statements

## K. Long-Term Accounts Receivable

Certain project participants requested that the Authority finance local facilities and other costs associated with the State water project owned and operated by the individual project participants. These costs are recorded as a long-term receivable on the Authority's statement of net position, and repaid by the project participants in the form of revenue bond debt service payments to the Authority.

## L. Rate Coverage Reserve Fund

In December 1997, the Authority adopted the rate coverage reserve fund policy to provide a mechanism to allow the Authority's project participants to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments as defined in the Water Supply Agreement.

Under the rate coverage reserve fund policy, a project participant may deposit with the Authority up to twenty five percent (25%) of its State water contract payments in a given year. Amounts on deposit in the rate coverage reserve fund are used to satisfy a portion of the rate coverage obligation found in the Water Supply Agreement.

The following table shows a summary of project participant deposits in the rate coverage reserve fund as of June 30, 2018.

Project Participant	June 30, 2018
City of Buellton	\$ 277,145
Carpinteria Valley Water District	830,581
City of Guadalupe	191,013
La Cumbre Mutual Water Company	400,354
Montecito Water District	1,443,212
City of Santa Maria	5,042,842
Shandon (SLO County)	15,334
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	616,938
Santa Ynez WCD, ID #1	464,760
Total	<u>\$9,282,179</u>

## M. Self-Funded Dental/Vision Insurance Plan

The Authority maintains a self-insured plan for dental and vision coverage offered to employees. Under the provisions of the plan, each full-time employee was provided \$3,345 this fiscal year to pay dental and vision expenses for the employee and their qualified dependents.

The following table shows a summary of the claims liability and claims paid for the plan years ended June 30, 2017 and 2016.

	2018	2017
Maximum claims liability	\$ 97,005	\$ 92,660
Actual claims paid	(61,323)	(56,196)

## N. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results will differ from those estimates.

## O. New and Future Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and parallels the pension standards issued in 2012 – GASB Statement No. 68. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The provisions of this Standard require the Authority to report a liability for the proportionate share of the net OPEB obligation.

In March 2016, the GASB issued Statement No. 82, Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

# Notes to Financial Statements

In March 2017, the GASB issued Statement No. 85, Omnibus 2017 to address issues identified during implementation and application of certain GASB Statements. This Statement address as variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

## Future GASB Pronouncements:

Statement No. 83, "Certain Asset Retirement Obligations." The requirements of this Statement may affect the Authority's financial statements beginning in fiscal year 2018/2019.

Statement No. 87, "Leases." The requirements of this Statement may affect the Authority's financial statements beginning in fiscal year 2020/2021.

## P. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office, and are in accordance with the implementation of GASB Statement No. 68. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

## Q. Other Post Employment Benefit (OPEB) Liability

In measuring the net OPEB liability, deferred outflows and inflows of resources related to the OPEB benefit and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been prepared in accordance with GASB Statement No. 75. The valuation for the fiscal year 2017/18 was actuarially prepared and was based on the Authorities Plan provisions, participant data and asset information provided by the Authority. As permitted under GASB 75, the total OPEB liability has been calculated using the June 30, 2017 actuarial valuation.

## Note 2: Cash and Investments

### A. Pooling

The Authority follows the practice of pooling cash and investments for all funds under its direct daily control. Funds held by outside fiscal agents under provisions of the bond indenture are maintained separately. Interest income from cash and investments with fiscal agents is credited directly to the related accounts. The Authority considers all pooled cash and investments to be cash equivalents.

### B. Demand Deposits

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, \$250,000 is insured by Federal depository insurance.

The California Government Code requires California banks and savings and loan associations to secure the Authority's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total deposits.

As of June 30, 2018, the reported amount of the Authority's demand deposits was \$260,541 and the bank balance was \$415,651. The difference of \$155,110 was principally due to checks which had not yet cleared the bank.

As of June 30, 2017, the reported amount of the Authority's demand deposits was \$222,736 and the bank balance was \$392,016. The difference of \$169,280 was principally due to checks which had not yet cleared the bank.

### C. Cash and Investments

The Authority is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments: securities issued or guaranteed by the Federal Government or its agencies, commercial paper, money market funds, and the State Treasurer's Local Agency Investment Funds (LAIF).

# Notes to Financial Statements

All of the Authority's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the Authority's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes equal to 150% of the Authority's deposits. The Authority may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The fair value of pooled investments is determined annually and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes.

At June 30, 2018, the carrying value of the Authority's position in LAIF is \$39,700,846 and the fair value is \$39,626,481.

As of June 30, 2017, the carrying value of the Authority's position in LAIF was \$64,366,195 and the fair value was \$64,298,010.

The par value of U.S. Treasury Notes held by the Authority as of June 30, 2018 was \$33,000,000. The net unamortized discounts and premiums associated with these bonds of (216,195) resulted in a carrying value of \$32,783,805 of the bonds. These bonds had a fair value \$32,811,753 as of June 30, 2018. Fair value in this instance is the value at which the notes held were actively trading on open markets at the date of the financial statements.

As of June 30, 2017 U.S. Treasury Notes were not held by the Authority.

## *Credit Risk and Concentration of Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The policy sets specific parameters by type of investment for credit quality, maturity length, and maximum percentage investment.

## *Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

## *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Treasurer mitigates this risk by investing in shorter-term investments that are not subject to significant adjustments due to interest rate fluctuations.



# Notes to Financial Statements

## Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2018
Capital Assets, not depreciated				
Land	\$ 3,178,700	\$ -	\$ -	\$ 3,178,700
Construction-in-process	464,918	811,276	(441,888)	834,306
Total Capital Assets, not depreciated	<u>3,643,618</u>	<u>811,276</u>	<u>(441,888)</u>	<u>4,013,006</u>
Depreciable Assets:				
Furniture fixtures and equipment	434,462	57,285	-	491,748
Lab Equipment	267,902	-	-	267,902
Transportation Equipment	679,028	40,654	-	719,682
Plant Equipment	16,349,022	133,139	(62,123)	16,420,038
Pipeline Equipment	11,418,636	118,126	(47,900)	11,488,862
Buildings and structures	48,696,149	92,163	(92,163)	48,696,149
Underground pipeline	59,925,077	-	-	59,925,077
Total depreciable assets	<u>137,770,276</u>	<u>441,368</u>	<u>(202,186)</u>	<u>138,009,457</u>
Accumulated Depreciation:				
Furniture fixtures and equipment	(401,122)	(28,080)	-	(429,202)
Lab Equipment	(247,704)	(3,320)	-	(251,024)
Transportation Equipment	(539,525)	(89,681)	-	(629,206)
Plant Equipment	(7,453,568)	(343,979)	58,495	(7,739,052)
Pipeline Equipment	(7,099,157)	(346,818)	33,325	(7,412,650)
Buildings and structures	(14,043,139)	(712,688)	25,806	(14,730,022)
Underground pipeline	(15,813,207)	(804,067)	-	(16,617,274)
Total Accumulated Depreciation	<u>(45,597,421)</u>	<u>(2,328,634)</u>	<u>117,626</u>	<u>(47,808,429)</u>
Total Depreciable Capital Assets, net	<u>92,172,855</u>	<u>(1,887,267)</u>	<u>(84,560)</u>	<u>90,201,028</u>
Total Capital Assets, net	<u>\$ 95,816,473</u>	<u>\$ (1,075,990)</u>	<u>\$ (526,448)</u>	<u>\$ 94,214,034</u>

# Notes to Financial Statements

Capital asset activity for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
<b>Capital Assets, not depreciated</b>				
Land	\$ 3,178,700	\$ -	\$ -	\$ 3,178,700
Construction-in-process	361,911	254,360	(151,352)	464,918
Total Capital Assets, not depreciated	<u>3,540,611</u>	<u>254,360</u>	<u>(151,352)</u>	<u>3,643,618</u>
<b>Depreciable Assets:</b>				
Furniture fixtures and equipment	423,907	10,555	-	434,462
Lab Equipment	267,902	-	-	267,902
Transportation Equipment	677,177	27,721	(25,869)	679,029
Plant Equipment	16,317,584	61,491	(30,054)	16,349,021
Pipeline Equipment	11,418,636	51,585	(51,585)	11,418,636
Buildings and structures	48,696,149	-	-	48,696,149
Underground pipeline	59,925,077	-	-	59,925,077
Total depreciable assets	<u>137,726,432</u>	<u>151,352</u>	<u>(107,509)</u>	<u>137,770,276</u>
<b>Accumulated Depreciation:</b>				
Furniture fixtures and equipment	(370,692)	(30,430)	-	(401,122)
Lab Equipment	(244,384)	(3,320)	-	(247,704)
Transportation Equipment	(454,057)	(111,336)	25,869	(539,524)
Plant Equipment	(7,130,386)	(343,135)	19,953	(7,453,568)
Pipeline Equipment	(6,787,839)	(344,849)	33,531	(7,099,157)
Buildings and structures	(13,327,921)	(715,217)	-	(14,043,138)
Underground pipeline	(15,009,140)	(804,067)	-	(15,813,207)
Total Accumulated Depreciation	<u>(43,324,419)</u>	<u>(2,352,354)</u>	<u>79,352</u>	<u>(45,597,421)</u>
Total Depreciable Capital Assets, net	<u>94,402,013</u>	<u>(2,201,002)</u>	<u>(28,156)</u>	<u>92,172,855</u>
Total Capital Assets, net	<u>\$ 97,942,623</u>	<u>\$ (1,946,642)</u>	<u>\$ (179,508)</u>	<u>\$ 95,816,473</u>

# Notes to Financial Statements

## Note 4: Deferred Outflows of Resources and Deferred Inflows of Resources

Beginning in fiscal year 2014/2015, the Authority reported deferred outflows and inflows of resources in connection with its issue of revenue bonds in 2006 & 2016 and pension-related adjustments in accordance with GASB 68, and in fiscal year 2017/2018 began reporting OPEB related adjustments in accordance with GASB 75. The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2018.

	<u>Deferred Outflows of Resources</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	\$ 13,195,235
Accumulated Amortization	(12,250,474)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	<u>\$ 944,761</u>
Pension-related adjustments	1,532,296
OPEB-related adjustments	<u>53,122</u>
Total Deferred Outflows of Resources, Net	<u>\$ 2,530,179</u>
	<u>Deferred Inflows of Resources</u>
Deferred amount on refunding	\$ 491,308
Pension-related adjustments	139,586
OPEB-related adjustments	<u>9,280</u>
Total Deferred inflows of Resources	<u>\$ 640,174</u>

The table below presents the balances of deferred outflows and inflows of resources as of June 30, 2017, as restated. Please refer to Note 12 in the Notes to the Financial Statements for additional information regarding the restatement.

	<u>Deferred Outflows of Resources</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	\$ 13,195,235
Accumulated Amortization	(11,705,515)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	<u>\$ 1,489,720</u>
Pension-related adjustments	1,338,314
OPEB-related adjustments	<u>43,201</u>
Total Deferred Outflows of Resources, Net	<u>\$ 2,871,235</u>
	<u>Deferred Inflows of Resources</u>
Deferred amount on refunding	\$ 776,829
Pension-related adjustments	<u>178,146</u>
Total Deferred inflows of Resources	<u>\$ 954,975</u>

## Note 5: Long-Term Debt

On September 28, 2006, the Authority issued \$123,190,000 in revenue bonds with an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an Average interest rate of 5.47%.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$8.25 million. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2022 in proportion to the bond interest expense incurred for each fiscal year. The Authority completed the refunding to reduce its total debt service payments over the next 15 years by \$4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million.

The 1996 Revenue Bonds were issued to advance refund the 1992 Revenue Bonds. The 1992 Revenue Bonds were issued by the Authority for the benefit of its participants to finance a portion of the costs of developing a pipeline and water treatment plant, to reimburse certain project participants for costs incurred in connection with the State Water Project, and to finance certain other facilities. Each of the participants in the financing held elections authorizing issuance of revenue bonds for the construction of the State Water Project. In order to reduce issuance costs and insure the proceeds are available on a timely basis, the Authority issued the bonds for all participants requiring financing.

The City of Santa Maria, Golden State Water Company, Vandenberg AFB, Avila Valley Mutual Water Company, San Luis Coastal Unified School District, and San Miguelito Mutual Water Company contributed cash for their proportionate share of capital costs. Such net contributions totaling \$22,562,433 at June 30, 2016 and June 30, 2015 have been accounted for as contributed capital. Under the Water Supply Agreements, each Project Participants is obligated to make payments to the Authority, with the payments pledged to secure the payment of the principal and interest of the bonds. The 2006 bonds are backed by a municipal bond insurance policy issued by Financial Security Assurance.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued for the purpose of reducing the

# Notes to Financial Statements

Authority's total debt service payments over the next 5 years by \$5.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.4 million. The Authority also realized the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016. Aggregate savings between the 2006A and 2016A Bond debt service at the time of the refunding is shown below:

Fiscal Year	Refunding Revenue Bond Savings		
	2016A Series Revenue Bond	2006A Series Revenue Bond	Refunding Savings
	Principal and Interest Due		(Costs)
2017 <sup>(1)</sup>	1,578,819	1,224,175	(354,644)
2018	9,956,500	11,528,050	1,571,550
2019	10,381,500	11,476,750	1,095,250
2020	10,374,500	11,467,625	1,093,125
2021	10,360,125	11,453,750	1,093,625
2022	10,347,375	11,439,000	1,091,625
<b>Total</b>	<b>52,998,819</b>	<b>58,589,350</b>	<b>5,590,531</b>

(1) Fiscal Year 2017 only reflects the increase cost of interest due to the timing of refunding.

The annual requirements to pay all debt outstanding, as of June 30, 2018, are as follows:

Fiscal Year	Interest	Principal	Total
2019	1,661,500	8,720,000	10,381,500
2020	1,214,500	9,160,000	10,374,500
2021	745,125	9,615,000	10,360,125
2022	252,375	10,095,000	10,347,375
	<u>\$ 3,873,500</u>	<u>\$ 37,590,000</u>	<u>\$ 41,463,500</u>

The 2016A bond outstanding bears interest of 5.00%, with a true interest cost of 1.355%.

# Notes to Financial Statements

The long-term liability activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Revenue Bonds:				
Series 2016A Revenue Bonds	\$ 45,470,000	\$ -	\$ (7,880,000)	\$ 37,590,000
Premium on issuance of 2016 Series A	4,241,029	-	(1,558,778)	2,682,251
Total	49,711,029	-	(9,438,778)	40,272,251
Less: Current Portion	(7,880,000)	-	(840,000)	(8,720,000)
Total Bonds Payable, net	41,831,029	-	(10,278,778)	31,552,251
OPEB Liability	805,688	264,376	(186,233)	883,831
Rate Coverage Reserve Fund	9,215,803	66,376	-	9,282,179
Escrow Deposits	406,931	3,957	(2,213)	408,675
Net Pension Liability	3,318,324	437,835	-	3,756,159
Total Non-Current Liabilities	<u>\$ 55,577,775</u>	<u>\$ 772,543</u>	<u>\$ (10,467,224)</u>	<u>\$ 45,883,095</u>

The long-term liability activity for the year ended June 30, 2017 (as restated) was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Revenue Bonds:				
Series 2006A Revenue Bonds	\$ 59,645,000	\$ -	\$ (59,645,000)	\$ -
Premium on issuance of 2006 Series A	1,086,773	-	(1,086,773)	-
Series 2016A Revenue Bonds	-	45,470,000	-	45,470,000
Premium on issuance of 2016 Series A	-	5,933,141	(1,692,112)	4,241,029
Total	60,731,773	51,403,141	(62,423,885)	49,711,029
Less: Current Portion	(8,825,000)	-	945,000	(7,880,000)
Total Bonds Payable, net	51,906,773	51,403,141	(61,478,885)	41,831,029
OPEB Liability	38,078	805,688	(38,078)	805,688
Rate Coverage Reserve Fund	9,185,782	30,021	-	9,215,803
Escrow Deposits	406,191	4,428	(3,688)	406,931
Net Pension Liability	2,551,875	766,449	-	3,318,324
Total Non-Current Liabilities	<u>\$ 64,088,699</u>	<u>\$ 53,009,727</u>	<u>\$ (61,520,651)</u>	<u>\$ 55,577,775</u>

# Notes to Financial Statements

## Note 6: Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

### A. General Information about the Pension Plans

**Plan Description** - All qualified employees and probationary employees are required to participate in the Authority's cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pools. Accordingly, rate plans are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The Authority currently sponsors one miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and the Authority's resolution. Requests for detailed plan provisions and copies of CalPERS' annual financial report can be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA, 94229-2703 or <http://www.calpers.ca.gov>.

**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, equal to one year of full time employment. Classic and PEPRA members with five years of total service are eligible to retire at age 50 or 52 respectively with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by Public Employees' Retirement Law.

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

	Authority Plan	
	Classic Member*	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	16.04%	6.908%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Authority's required contribution for the unfunded liability was \$192,554 in fiscal year 2017/18.

\*A Classic PERS member is an employee who qualifies under one of the following categories: An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired on or after January 1, 2013, yet is eligible for reciprocity with another public retirement system. An employee who is brought back by the same CalPERS employer, regardless of the length of break in service.

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 the 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 any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

# Notes to Financial Statements

Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The Authority's contributions to the Plan for the year ended June 30, 2018 were \$569,625.

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

As of June 30, 2018, the Authority reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)	
	Fiscal Year Ending	
	June 30, 2018	June 30, 2017
Miscellaneous	\$ 3,756,159	\$ 3,318,324

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

### Proportionate Share of Net Pension Liability

	Percentage Share of Plan		Change: Increase (Decrease)
	6/30/2018	6/30/2017	
Measurement Date	6/30/2017	6/30/2016	
Percentage of Plan (PERF C) NPL	0.037875%	0.038348%	(0.000473%)

### Pension Expenses for Fiscal Year

Total pension expense for fiscal year	\$ 774,918
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For the year ending June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,514	\$ 78,993
Changes of assumptions	684,109	52,164
Net differences between projected and actual earnings on plan investments	154,717	
Change in employer's proportion	63,329	1,463
Differences between the employer's contributions and the employer's proportionate share of contributions	55,002	6,966
Pension contributions subsequent to measurement date	569,625	
Total	\$ 1,532,296	\$ 139,586

\$569,625 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2019	219,424
2020	429,153
2021	266,367
2022	(91,858)
2023	-
Thereafter	-

# Notes to Financial Statements

**Actuarial Assumptions** - For the measurement period ending June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
	Entry Age Normal Cost
Actuarial Cost Method	Method
Discount Rate	7.15%
Inflation	2.75%
Projected salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power
Increase	Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at <http://www.calpers.ca.gov> under Forms and Publications.

### Change in Assumptions –

**Discount Rate** In Fiscal Year 2016-17, the financial reporting discount rate used by CalPERS was reduced from 7.65 percent to 7.15 percent. In December 2016, the CalPERS

Board of Administration approved lowering the funding discount rate used from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuation. The discount rate used in the actuarial valuation reflects the long-term expected rate of return for the plan. Lowering the discount rate means the Authority will see increases in both normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the PEPRA may also see their contributions rates rise.

To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, the amortization and smoothing methods adopted by the CalPERS Board in 2013 were used. CalPERS conducted cash flow projections to determine if assets would run out under the assumed discount rate. CalPERS refers to these projections as “crossover tests”. Based on crossover testing of the plan, the tests revealed the assets would not run out. Therefore the 7.15% long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF fund. The expected rate of return was set by calculating the rounded single



# Notes to Financial Statements

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.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Current Target Allocation	Real Return Years 1–10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.9%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40)%	(0.90)%
Total	100.00%		

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

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’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	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan’s Net Pension Liability/(Asset)	\$6,011,177	\$3,756,159	\$1,888,513

**Pension Plan Fiduciary Net Position** – Detail information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

## Note 7: Post-Employment Benefits Other Than Pensions

### A. General Information about OPEB

The Authority provides other post-employment benefits (OPEB), to qualified employees who retire within 120 days of separation from employment with the Authority, and are enrolled in an insurance program under the California Public Employees’ Medical and Hospital Care Act (PEMHCA) at the time of retirement. The CalPERS PEMHCA Plan is a defined contribution, cost sharing multiple-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the CalPERS. Copies of the CalPERS annual financial report can be found online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Plan Description - Eligibility:** For full time employees retired prior to September 22, 2016, or retiring with less than 10 years of service with the Authority, the benefit will be the minimum contribution as required by PEMCHA. Vesting will be applied to an enhanced retiree benefit that is provided for employees retired after September 22, 2016, who are at least 62 years of age at retirement and have at least 10 years of service with the Authority. This vesting schedule ranges from 50% to 80% of the retiree premium only and is based on years of CCWA service. The enhanced contribution requirements are established and may be amended by the Board of Directors. Plan information is summarized in the table below:

Plan Information	
Plan Type	Fiscal Year End June 30, 2018 Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Non-employer contributing entities	No
Covered Participants as of June 30, 2017 Measurement Date	
In-actives currently receiving benefits	3
In-actives entitled to but not yet receiving benefits	2
Active Employees	30
Total	35

# Notes to Financial Statements

## Applicable Dates and Periods

	Fiscal Year End
	<b>June 30, 2018</b>
Measurement date (MD)	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017
Actuarial Valuation Date	June 30, 2016

**Actuarial Assumptions** - For the measurement period ending June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and June 30, 2017 total OPEB liabilities were based on the following actuarial methods and assumptions:

### Significant Actuarial Assumptions used for Total OPEB Liability

Actuarial Assumption	June 30, 2017 Measurement Date
Actuarial Valuation Date	June 30, 2017
Contribution Policy	Authority Contributes full ADC
Discount Rate	6.50% at June 30, 2017 6.50% at June 30, 2016 Equals long-term expected rate of return on assets since expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75%
Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study*
Mortality	CalPERS 1997-2011 Experience Study*
Mortality Improvement	Mortality Improvement Society of Actuaries Scale MP-2017 Aggregate – 3%
Salary Increases	Merit – CalPERS 1997-2015 Experience Study <b>Non-Medicare</b> -7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Medical Trend	<b>Medicare</b> -6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	4.25%
Cap Increases	Medical Trend
Active Employee/Spouse Participation at Retirement	45% elect single coverage 35% elect dual coverage (spouses pay full premium, no Authority cash subsidy except for survivors)
Medical Plan at Retirement	Remain in their current plan upon retirement

\*The CalPERS Experience Study reports may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Funding Policy:** PEMHCA determines the amount contributed by the Authority toward retiree health insurance. In January 2018, the minimum required contribution the Authority pays toward the cost of retiree health insurance increased from \$128 per month to \$133 per month, which is the same amount contributed toward active employee health insurance. The balance of the retiree premium, averaging approximately \$213 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. Beginning in calendar year 2009, the contribution amount increases by the change in the annual consumer price index. During the 2017-18 fiscal year \$5,123 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis.

### Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2018, is shown below:

	Net OPEB Liability	
	Fiscal Year Ending	
	6/30/2018	6/30/2017
	Measurement Date 6/30/2017	Measurement Date 6/30/2016
Total OPEB Liability	\$ 1,118,401	\$ 978,065
Fiduciary Net Position	234,570	172,377
Net OPEB Liability	\$ 883,831	\$ 805,688
Funded Status	21.00%	17.60%

**Annual OPEB Cost:** For fiscal year ended June 30, 2018, the Authority recorded the OPEB expense as indicated below. This cost is comprised by calculating service cost, interest on Total OPEB Liability, projected earnings on investments, and any return of assets:

### OPEB Expense for Fiscal Year 2017/18

Measurement Period 2016/17	
OPEB Expense	\$ 130,624

# Notes to Financial Statements

Changes in Net OPEB Liability during the fiscal year are shown below:

Deferred Outflows/Inflows	Balances at June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments*	-	9,280
Employer contributions made subsequent to the measurement date**	53,122	-
<b>Total</b>	<b>\$ 53,122</b>	<b>\$ 9,280</b>

\* Deferred Inflows and Outflows combined for footnote disclosure  
 \*\* Contributions to trust of \$48,658 plus \$4,753 cash benefits and (\$289) implied subsidy benefits paid by the Authority

\$53,122 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2019	(\$ 2,320)
2020	( 2,320)
2021	( 2,320)
2022	( 2,320)
2023	-
Thereafter	-

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

## Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/17 (6/30/16 measurement date)	\$ 978,065	\$ 172,377	\$ 805,688
Changes for the year:			
Service Cost	77,043	-	77,043
Interest	68,416	-	68,416
Benefit changes	-	-	-
Actual vs. expected exp.	-	-	-
Assumption changes	-	-	-
Contributions—employer *	-	43,201	(43,201)
Contributions—employee	-	-	-
Net investment income**	-	24,237	(24,237)
Benefit payments	(5,123)	(5,123)	-
Administrative Exp.	-	(122)	122
<b>Net Changes</b>	<b>140,336</b>	<b>62,193</b>	<b>78,143</b>

Balance at 6/30/18 (6/30/17 measurement date) \$1,118,401 \$234,570 \$ 883,831

\* Contributions to trust of \$38,078 plus \$5,123 cash benefits paid by the Authority.  
 \*\* Adjusted for rounding issues

**Sensitivity of the Net OPEB Liability to Changes in the Interest Rate and Healthcare Trend Rate**— The following presents the Authority's net OPEB liability for the Plan, illustrating sensitivity based on changes in the discount rate and changes in the Healthcare Trend Rate:

## Changes in the Discount Rate

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$1,080,644	\$ 883,831	\$ 724,554

## Changes in the Healthcare Trend Rate

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 694,897	\$ 883,831	\$1,124,756

# Notes to Financial Statements

## Expected Long-Term Rate of Return

Asset Class Component	Portfolio Weight * ICMA-RC	Expected Real Rate of Return
US Short Duration Govt/Credit	9.70%	1.26%
US Aggregate Bonds	20.05%	1.47%
TIPS	3.40%	1.29%
US High Yield Bonds	4.85%	3.60%
US Large Cap	39.65%	4.36%
US Mid Cap	7.55%	4.86%
US Small Cap	2.10%	5.18%
Int'l Equity – Developed	11.05%	4.60%
Int'l Equity – Emerging Markets	1.65%	5.58%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return**		6.50%

\* For VT II Model Portfolio Moderate Fund  
\*\* Rounded

### Note 8: Commitments and Uncertainties

The Authority entered into a water exchange agreement with Antelope Valley-East Kern Water Agency (AVEK) in 2015 on behalf of certain project participants for a total of 9,600 acre-feet (AF) of water. This exchange was an even 1:1 exchange with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to AVEK, and are estimated to be \$250 per AF. As of June 2018, 3,781 AF had been returned, leaving a balance of 5,819 AF to be returned in the future. Estimated transportation costs for that water are \$1,454,750. Actual costs and timing of the return are not known at this time, however all water in this exchange must be returned by December 31, 2025.

The Authority entered into an additional exchange agreement with AVEK in 2016 on behalf of certain project participants to allow for delivery of 10,000 AF of water. That agreement was an unbalanced 2:1 exchange requiring return of 5,000 AF, with no obligation to pay transportation charges. As of June 2017, a total of 2,029 AF has been returned, leaving a balance of 2,971 to be returned. Actual timing of the return is not known at this time, however all water in the 2016 AVEK exchange must be returned no later than December 31, 2026.

The Authority entered into a water exchange agreement in December 2016 with the Castaic Lake Water Agency (CLWA) on behalf of certain project participants for a total of up to 1,500 acre-feet (AF) of water. This exchange was an unbalanced 2:1 exchange requiring return of 750 AF, with

participants responsible for the transportation charges for delivery of the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water delivered to CCWA. CLWA will be responsible for the delivery charges of the return water. As of June 30, 2018 a balance remains of 750 AF of water to be returned. Actual timing of the return is not known at this time, however all water in this exchange must be returned by December 31, 2026.

The Authority entered into a water exchange agreement in June 2018 with the Mojave Water Agency (MWA) on behalf of certain project participants for a total of up to 5,633 acre-feet (AF) of water at the cost of \$320 per AF plus administrative costs. This exchange was an unbalanced 4:1 exchange requiring return of 1,409 AF, with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to MWA, and are estimated to be \$250 per AF.

The Authority leases equipment under non-cancelable operating leases. Lease payments made in FY 2017/18 totaled \$7,031 with future scheduled lease payments as of June 30, 2018 of \$12,596, resulting in total scheduled lease payments of \$17,377. This represents an increase over FY 2016/17 of \$9,902 due to the lease of a new copier for the Administration office in Buellton.

The Authority is involved in various legal proceedings, lawsuits and claims of a nature considered normal for its activities. It is the Authority's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. For the periods ending June 30, 2018 and June 30, 2017, the Authority had no liability for claims or judgments.

All of the accounts receivable recorded by the Authority are payable by its local participants and the DWR under the agreements more fully described in Note 1.

### Note 9: Joint Powers Insurance Authority

The Authority participates in the liability, property and fidelity bond insurance program organized by the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA - JPIA"). ACWA - JPIA is a joint powers insurance authority created to provide a self-insurance program to water agencies in the State of California.

# Notes to Financial Statements

ACWA-JPIA provides liability, property, workers' compensation, fidelity, boiler and machinery insurance for approximately 300 water agencies for losses in excess of the members' 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 board composed of members from participating members. 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. The Authority has not incurred any settlements which exceeded insurance coverage for the past three fiscal years.

## Note 10: Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code

Section 457. Under the terms of this plan, employees may defer amounts of income up to one hundred percent of salary or \$18,500 per year, whichever is less. Additionally, employees over the age of 50 are permitted to defer up to an additional \$6,000 per year for those years in which they did not fully contribute the annual maximum prior to age 50.

## Note 11: Reclassification - Escrow Deposits

In prior fiscal years Escrow deposits were included as current assets and liabilities. Beginning with the CAFR for the fiscal year ending June 30, 2018 Escrow Deposits will be included in non-current assets and liabilities as escrow deposits and interest on those deposits. Escrow deposits from two "non-public agency" project participants are held by the Authority as required under their individual Water Supply Agreements (WSA). These security deposits are to be of an amount equal to their estimated maximum annual WSA payments as security against a payment default.

In order to more accurately reflect these deposits and the interest receivable on these deposits in the financial statements, the following revisions were made to the Statement of Net Position and to the Statement of Cash Flows for FY 2016/17.

### Adjustment to Statement of Net Position Balance

Account	June 30, 2017	June 30, 2017
	Balance	Balance
	<u>As originally recorded</u>	<u>As Revised</u>
Current Assets:		
Cash and Investments	\$ -	\$ 43,201
Non-Current Assets:		
Cash and Investments-Other	-	406,931
Other Liabilities	(442,241)	(36,935)
Escrow Deposits	-	(406,931)
Interest receivable	40,741	39,903

### Adjustment to Statement of Cash Flows

Account	June 30, 2017	June 30, 2017
	Balance	Balance
	<u>As originally recorded</u>	<u>As Revised</u>
Investment Activities:		
Interest and dividends on investments	\$ 289,622	\$ 290,460
Net increase in cash and cash equivalents	96,125	95,287
Cash and cash equivalents, beginning of year:	24,770,780	24,364,687
Unrestricted cash and investments		
Restricted cash and investments other	-	406,931
Cash and cash equivalents, end of year	76,346,742	76,347,580

## Note 12: Restatement - GASB 75 Implementation

An opening balance adjustment of \$667,893 was made to the Statement of Net Position as of June 30, 2017, to decrease the beginning net position of the Authority to adjust for the deferred outflows of resources calculations as they related to the Authority's OPEB Plan, and to be in accordance with the implementation of GASB 75. See Note 7 for further details of the OPEB Plan. An adjustment was made to personnel expenses to modify the fiscal year ending June 30, 2017 Statement of Revenues, Expenses and Change in Net Position. Additionally, the Statement of Cash Flows was also changed to reflect the corresponding changes made to both the Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position balances.

# Notes to Financial Statements

The Deferred Outflows balance and the Personnel expenses for the fiscal year were adjusted from the balances as they appeared on the June 30, 2017 CAFR, as shown in the following tables:

## Adjustment to Statement of Net Position Balance

Account	June 30, 2017 Balance <u>As originally recorded</u>	June 30, 2017 Balance <u>As Revised</u>
Deferred outflows of resources: Deferred OPEB-related adjustments	\$ -	\$ 43,201
OPEB Liability	94,594	805,688
Unrestricted net assets	(12,869,737)	(13,537,630)

## Adjustments to Statement of Revenues, Expenses and Change in Net Position

Account	June 30, 2017 Balance <u>As originally recorded</u>	June 30, 2017 Balance <u>As Revised</u>
Personnel Expenses	\$ 4,391,736	\$ 5,059,629
Increase in Net Position	6,845,960	6,178,067
Total Net Position	52,273,573	51,605,680

## Adjustment to Statement of Cash Flows

Account	June 30, 2017 Balance <u>As originally recorded</u>	June 30, 2017 Balance <u>As Revised</u>
Operating Income	\$ 10,287,065	\$ 9,619,172
Operating revenues paid from credits and unearned revenue	296,653	964,546

The financial statements are adjusted in accordance with Government Accounting Standards Board Statement No. 75 (GASB 75) to provide what the Authority believes is a more complete and accurate reporting of information as it relates to applicable account balances and expenses in their relation to the periods ending June 30, 2017 and June 30, 2018.

# Required Supplementary Information

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

### FOUR YEAR REVIEW <sup>1</sup>

As of June 30, 2018

	Fiscal Year End			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	06/30/2017	06/30/2017	06/30/2015	06/30/2014
Authority's Proportion of the Net Pension Liability	0.037875%	0.038348%	0.037178%	0.040196%
Authority's Proportionate Share of the Net Pension Liability	\$3,756,159	\$3,318,324	\$2,551,875	\$2,501,206
Authority's covered Payroll	2,835,039	2,771,667	2,713,663	2,860,537
Authority's Proportionate Share of the net pension liability as percentage of covered payroll	132.49%	119.72%	94.04%	87.44%
Plan's fiduciary net position as a percentage of the plan's total pension liability	73.31%	74.06%	78.40%	79.28%

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in the future fiscal years until 10 years of data is presented.

## SCHEDULE OF CONTRIBUTIONS - LAST 10 YEARS <sup>1</sup>

As of June 30, 2018

	Miscellaneous Plan			
	2017-18 <sup>1</sup>	2016-17 <sup>1</sup>	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>
Actuarial determined contributions	\$ 444,625	\$ 423,429	\$ 395,321	\$ 392,033
Contributions in relation to the actuarially determined contribution <sup>2</sup>	(569,625)	(548,429)	(395,321)	(392,033)
Contribution deficiency (excess)	\$ (125,000)	\$ (125,000)	\$ -	\$ -
Authority's covered payroll <sup>3,4</sup>	\$ 2,980,919	\$ 2,835,039	\$ 2,771,667	\$ 2,713,663
Contributions as a percentage of covered payroll <sup>3</sup>	19.11%	19.34%	14.26%	14.45%

<sup>1</sup> Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total covered earnings, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

<sup>4</sup> Fiscal Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption

# Required Supplementary Information

## SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS As of June 30, 2018

	<b>2017-18</b> Measurement Period 2016/17
Changes in Total OPEB Liability	
Service Cost	\$ 77,043
Interest	68,416
Actual vs. Expected Experience	-
Assumption Changes	-
Benefit Payments	(5,123)
Changes of benefit terms	-
Net Changes	140,336
Total OPEB Liability (beginning of year)	978,065
Total OPEB Liability (end of year)	1,118,401
Changes in Plan Fiduciary Net Position	
Contributions - employer	\$ 43,201
Contributions - employee	-
Net Investment income	24,237
Benefit payments	(5,123)
Administrative Expenses	(122)
Other Changes	-
Net Changes	62,193
Plan Fiduciary Net Position (beginning of year)	172,377
Plan Fiduciary Net Position (end of year)	234,570
Net OPEB Liability	883,831
Fiduciary Net Position as a percentage of Total OPEB Liability	21.0%
Covered Payroll*	3,194,536
Net OPEB Liability as a percentage of covered payroll	27.7%

\*For the 12 month period ending on June 30, 2017 (Measurement Date)



# Required Supplementary Information

## SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

As of June 30, 2018

	<b>2017-18</b>
Actuarial determined contributions (ADC) \$	147,785
Contributions in relation to the actuarially determined contribution <sup>1</sup>	(53,122)
Contribution deficiency	<u>\$ 94,663</u>
Authority's covered payroll <sup>2</sup> \$	3,273,043
Contributions as a percentage of covered payroll	1.6%

<sup>1</sup> Actual 2017/18 contribution

<sup>2</sup> For the 12 month period ending on June 30, 2018 (fiscal year end)

### Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were derived from the June 30, 2017 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	20-year fixed period for 2017/18
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.50%
General Inflation	2.75%
Medical Trend	<u>Non-Medicare</u> - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years <u>Medicare</u> - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality Improvement Society of Actuaries Scale MP-2017



# STATISTICAL SECTION



## STATISTICAL SECTION NARRATIVE SUMMARY

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

### Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

### Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt.

### Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the activities performed by the Authority.

# Statistical Section

TABLE 1

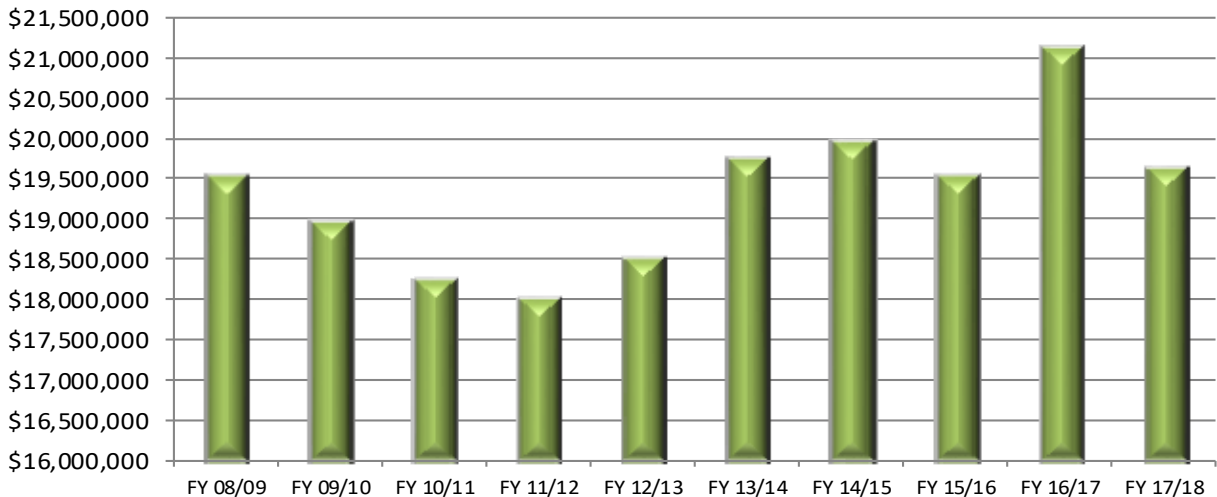
## General Governmental Revenues by Source

Fiscal Year	Operating Assessments	Debt Service Assessments	Other Revenues	Interest Income	Total Revenues
2008/09	\$ 7,583,365	\$ 10,894,767	\$ 77,193	\$ 1,012,428	\$ 19,567,753
2009/10	7,706,451	10,837,837	144,825	287,296	18,976,409
2010/11	7,100,093	10,828,491	105,552	236,522	18,270,658
2011/12	7,056,434	10,751,690	64,258	166,276	18,038,658
2012/13	7,504,558	10,758,676	125,443	139,554	18,528,231
2013/14	8,642,389	10,669,540	329,292	120,693	19,761,914
2014/15	9,100,035	10,620,321	146,713	118,755	19,985,824
2015/16	8,702,151	10,560,476	108,915	176,276	19,547,818
2016/17	9,667,165	10,857,086	307,089	328,130	21,159,470
2017/18	9,901,333	8,966,976	157,546	635,825	19,661,680

Source: Central Coast Water Authority

(1) Operating Assessments exclude yearend credits for unexpended operating reimbursements.

### Total Revenue Comparison



# Statistical Section

TABLE 2

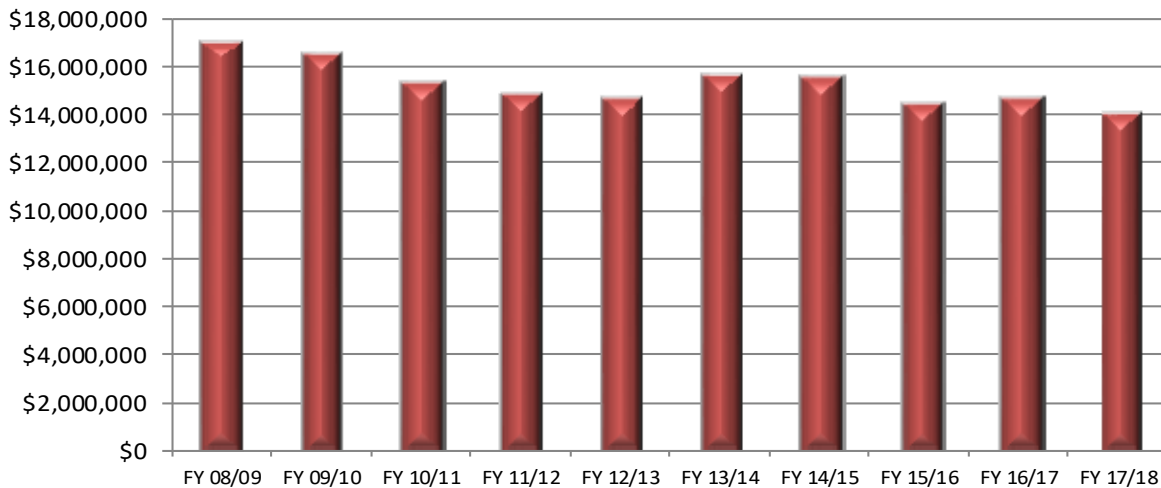
## General Governmental Expenses by Function

Fiscal Year	Operating Expenses	Capital Improvements	Interest Expense	Interest paid to Participants	Total Expenses
2008/09	\$ 10,464,755	\$ 293,537	\$ 5,338,226	\$ 986,862	\$ 17,083,380
2009/10	10,640,777	428,879	5,083,426	273,944	16,427,026
2010/11	10,058,131	180,428	4,818,276	236,432	15,293,267
2011/12	9,786,406	365,801	4,490,322	165,476	14,808,006
2012/13	9,908,687	459,637	4,169,532	139,500	14,677,356
2013/14	10,937,701	749,170	3,805,662	120,693	15,613,226
2014/15	11,671,645	314,087	3,409,975	118,755	15,514,462
2015/16	10,633,214	629,440	2,994,662	176,276	14,433,592
2016/17	11,205,868	254,360	2,869,594	301,630	14,631,452
2017/18	10,591,135	811,276	1,978,000	635,927	14,016,338

Source: Central Coast Water Authority

(1) Operating Expenses include yearend credits for unexpended operating reimbursements, and interest credits paid to project participants are shown on a separate line.

### Total Expenditures Comparison



# Statistical Section

TABLE 3

## Change in Net Position and Net Position Components Last Ten Fiscal Years

	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Net position, at beginning of year	\$ 16,440,986	\$ 19,070,613	\$ 22,020,369	\$ 25,026,753	\$ 28,570,625
Operating revenues	18,512,443	18,685,951	18,018,693	17,872,382	18,383,991
<b>Operating Expenses</b>					
Operating expenses	6,387,774	5,765,512	6,006,570	5,855,361	6,451,537
Depreciation and amortization	3,104,697	3,078,809	3,053,027	2,980,787	2,770,306
Unexpended operating reimbursements	972,284	1,796,456	998,534	950,258	686,844
Total operating expenses	10,464,755	10,640,777	10,058,131	9,786,406	9,908,687
Operating Income	8,047,688	8,045,174	7,960,562	8,085,976	8,475,304
<b>Non-operating revenues</b>					
Interest income and miscellaneous	1,012,428	304,506	251,965	166,276	144,240
<b>Non-Operating Expenses</b>					
Interest expense	5,338,226	5,083,426	4,818,276	4,490,322	4,169,532
Bond issuance expenses	-	-	-	-	-
Interest income to project participants	986,862	273,944	236,432	165,476	139,500
Other expenses	105,401	42,553	151,435	52,582	37,362
Total non-operating expenses	6,430,489	5,399,923	5,206,143	4,708,380	4,346,394
Increase in Net Position	2,629,627	2,949,757	3,006,384	3,543,872	4,273,150
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	-	-	-
Net position, at end of year	19,070,613	22,020,369	25,026,753	28,570,625	32,843,775
Net investment in capital assets	12,359,972	15,969,556	19,447,578	23,467,011	28,134,152
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,589,832	11,590,054	11,545,053	11,597,425	11,540,588
Unrestricted	(4,879,191)	(5,539,241)	(5,965,878)	(6,493,811)	(6,830,965)
<b>Total Net Position</b>	<b>\$ 19,070,613</b>	<b>\$ 22,020,369</b>	<b>\$ 25,026,753</b>	<b>\$ 28,570,625</b>	<b>\$ 32,843,775</b>

Continued

# Statistical Section

TABLE 3 (continued)

## Change in Net Position and Net Position Components Last Ten Fiscal Years

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Net position, at beginning of year	\$ 32,843,775	\$ 37,640,493	\$ 39,694,735	\$ 45,427,613	\$ 51,605,680
Operating revenues	19,641,221	19,831,984	19,334,566	20,825,040	19,025,855
<b>Operating Expenses</b>					
Operating expenses	7,261,549	7,805,038	7,592,444	9,448,706	8,858,438
Depreciation and amortization	2,715,546	2,710,711	2,710,417	1,027,928	1,061,706
Unexpended operating reimbursements	960,606	1,155,896	330,353	729,234	670,991
Total operating expenses	10,937,701	11,671,645	10,633,214	11,205,868	10,591,135
Operating Income	8,703,520	8,160,339	8,701,352	9,619,172	8,434,720
<b>Non-operating revenues</b>					
Interest income and miscellaneous	120,693	153,840	213,252	334,430	635,825
<b>Non-Operating Expenses</b>					
Interest expense	3,805,662	3,409,975	2,994,662	2,869,594	1,978,000
Bond issuance expenses	-	-	-	576,155	-
Interest income to project participants	120,693	118,755	176,276	301,630	635,927
Other expenses	101,140	88,164	10,788	28,156	84,561
Total non-operating expenses	4,027,495	3,616,894	3,181,726	3,775,535	2,698,488
Increase in Net Position	4,796,718	4,697,285	5,732,878	6,178,067	6,372,057
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	(2,643,043)	-	-	-
Net position, at end of year	37,640,493	39,694,735	45,427,613	51,605,680	57,977,737
Net investment in capital assets	33,258,360	38,420,586	44,108,951	55,164,579	60,312,509
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,537,581	11,522,948	11,513,337	9,978,731	10,411,593
Unrestricted	(7,155,448)	(10,248,799)	(10,194,675)	(13,537,630)	(12,746,365)
<b>Total Net Position</b>	<b>\$ 37,640,493</b>	<b>\$ 39,694,735</b>	<b>\$ 45,427,613</b>	<b>\$ 51,605,680</b>	<b>\$ 57,977,737</b>



# Statistical Section

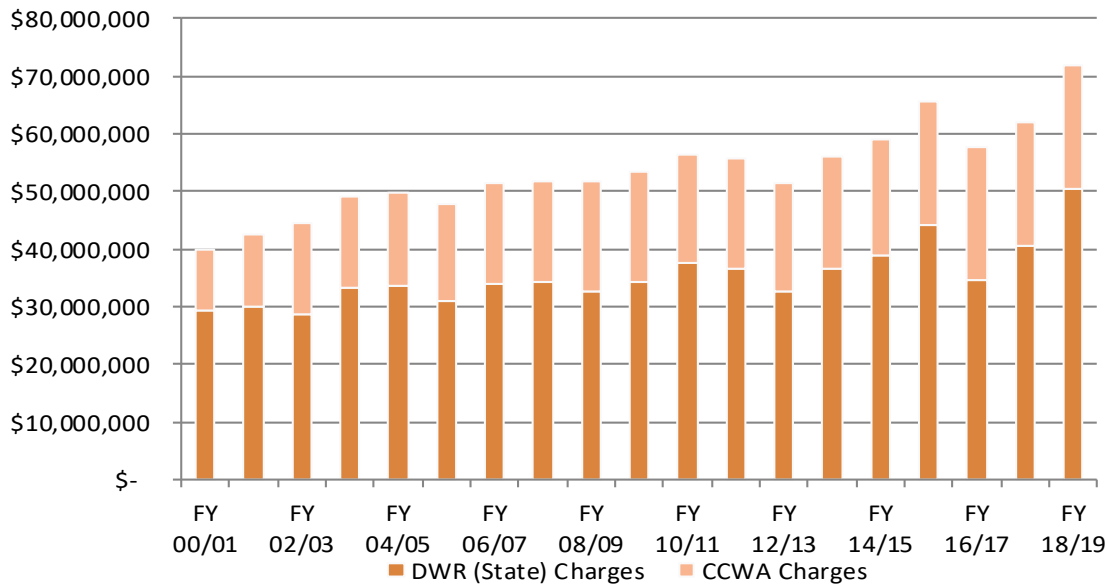
TABLE 4

## Fiscal Year Gross Budget History (Excludes Credits)

Fiscal Year	CCWA Charges	DWR (State) Charges	Total	Increase (Decrease)	Percentage Change
FY 00/01	\$ 10,470,166	\$ 29,409,208	\$ 39,879,374	\$ (1,151,718)	-3%
FY 01/02	12,732,473	29,872,420	42,604,893	2,725,519	7%
FY 02/03	15,923,396	28,667,780	44,591,176	1,986,283	5%
FY 03/04	15,826,610	33,290,820	49,117,430	4,526,254	10%
FY 04/05	16,309,830	33,576,516	49,886,346	768,916	2%
FY 05/06	16,898,682	30,918,963	47,817,645	(2,068,701)	-4%
FY 06/07	17,665,638	33,887,106	51,552,744	3,735,099	8%
FY 07/08	17,368,381	34,383,152	51,751,533	198,789	0%
FY 08/09	18,866,218	32,712,348	51,578,566	(172,967)	0%
FY 09/10	19,113,716	34,400,137	53,513,853	1,935,287	4%
FY 10/11	18,542,903	37,656,903	56,199,806	2,685,953	5%
FY 11/12	19,000,056	36,704,353	55,704,409	(495,397)	-1%
FY 12/13	18,871,714	32,473,910	51,345,624	(4,358,785)	-8%
FY 13/14	19,303,293	36,720,999	56,024,293	4,678,669	9%
FY 14/15	19,905,931	38,928,105	58,834,036	2,809,743	5%
FY 15/16	21,408,675	44,258,987	65,667,662	6,833,626	12%
FY 16/17	22,991,413	34,730,498	57,721,911	(7,945,751)	-12%
FY 17/18	21,280,493	40,494,796	61,775,289	4,053,378	7%
FY 18/19	\$ 21,485,218	\$ 50,494,069	\$ 71,979,287	\$ 10,203,998	17%

Note: Excludes CCWA credits.

## CCWA Gross Budget by Fiscal Year



# Statistical Section

TABLE 5

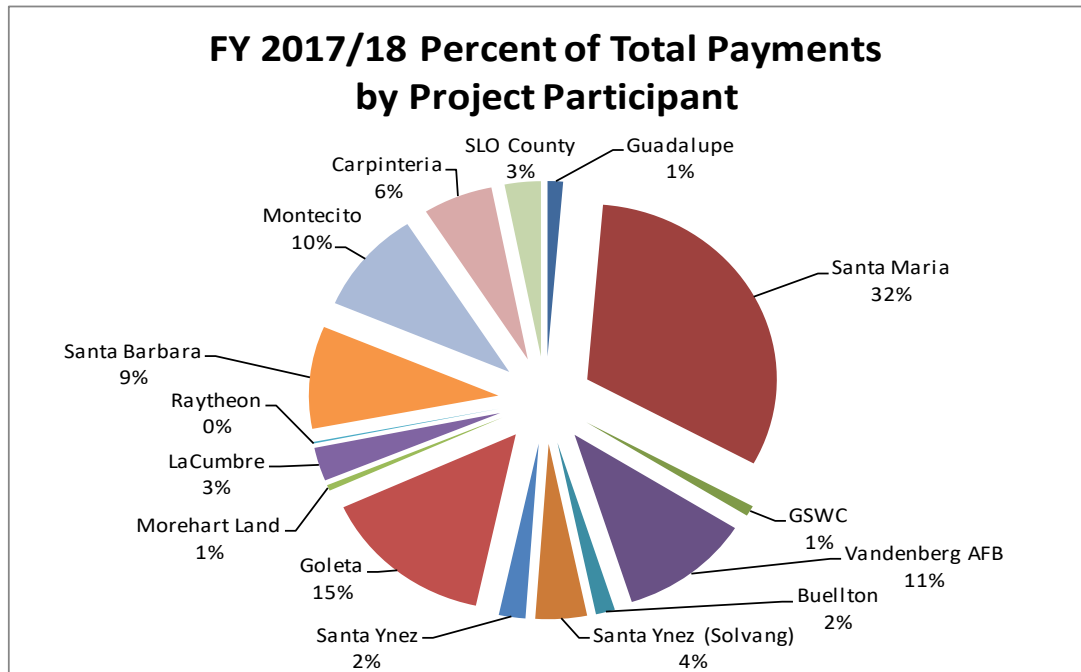
## FY 2017/18 Total Payments by Project Participant

Project Participant	FY 2017/18 Operating Expenses <sup>(1)</sup>	FY 2017/18 Debt Service Payments	FY 2017/18 DWR Costs	FY 2017/18 Warren Act Charges <sup>(2)</sup>	FY 2017/18 CCWA Credits	FY 2017/18 Total Payments
Guadalupe	\$ 132,576	\$ 146,736	\$ 532,965	\$ -	\$ 11,399	\$ 823,674
Santa Maria	3,733,320	-	15,305,670	-	(71,642)	18,967,347
Golden State Water Co.	123,728	-	442,684	-	(5,290)	561,123
Vandenberg AFB	1,319,121	-	5,388,481	-	-	6,707,603
Buellton	169,193	259,953	540,271	-	(8,003)	961,414
Santa Ynez (Solvang)	411,751	798,316	1,430,280	-	(13,962)	2,626,386
Santa Ynez	736,115	299,810	658,308	-	(421,328)	1,272,905
Goleta	1,018,384	2,516,143	5,385,133	251,235	58,518	9,229,413
Morehart Land	30,734	115,547	183,000	-	(922)	328,358
La Cumbre	188,454	553,175	1,025,405	35,833	4,201	1,807,068
Raytheon	11,217	24,189	46,595	500	(189)	82,313
Santa Barbara	658,998	1,546,752	3,344,190	203,666	30,355	5,783,961
Montecito	663,203	1,817,864	3,212,020	207,516	(8,434)	5,892,170
Carpinteria	386,162	1,039,347	2,079,648	109,919	23,346	3,638,422
Shandon	19,791	11,675	N/A	-	(532)	30,934
Chorro Valley	299,431	930,037	N/A	-	8,427	1,237,894
Lopez	294,847	240,488	N/A	-	(11,645)	523,690
<b>TOTAL:</b>	<b>\$ 10,197,025</b>	<b>\$ 10,300,030</b>	<b>\$ 39,574,651</b>	<b>\$ 808,670</b>	<b>\$ (405,701)</b>	<b>\$ 60,474,675</b>

(1) Adjusted for Santa Ynez Exchange Agreement Modifications and Regional WTP Treatment Allocation.

(2) Adjusted for Santa Ynez Exchange Agreement Modifications.

This schedule represents the budgeted amounts plus the increase or decrease in charges for certain participants due to changes in delivery requests which were not included in the original fiscal year 2017/18 budget.



# Statistical Section

TABLE 6

## Ratio of Outstanding Debt by Type For Total Bonded Debt to Total Expenses and Per Capita

Fiscal Year	Bond Issue	Principal	Interest <sup>(1)</sup>	Total Debt Service	Total Expenses	Ratio of Debt Service to Total Expenses	Debt Service per capita <sup>(2)</sup>
2008/09	2006 Bonds	6,190,000	5,400,126	11,590,126	17,208,095	67.35%	26.87
2009/10	2006 Bonds	6,430,000	5,147,726	11,577,726	16,545,789	69.97%	26.65
2010/11	2006 Bonds	6,695,000	4,885,226	11,580,226	15,405,833	75.17%	27.17
2011/12	2006 Bonds	6,960,000	4,577,326	11,537,326	14,912,912	77.36%	27.00
2012/13	2006 Bonds	7,335,000	4,247,463	11,582,463	14,677,356	78.91%	26.99
2013/14	2006 Bonds	7,625,000	3,900,975	11,525,975	15,613,226	73.82%	26.59
2014/15	2006 Bonds	8,010,000	3,510,100	11,520,100	15,514,462	74.25%	26.32
2015/16	2006 Bonds	8,405,000	3,099,725	11,504,725	14,433,592	79.71%	25.75
2016/17	06 & 16 Bonds	8,825,000	3,023,619	11,848,619	13,963,559	84.85%	26.29
2017/18	2016 Bonds	7,880,000	2,076,500	9,956,500	14,016,338	71.03%	21.96

(1) Represents actual cash payment without regard to payments from the capitalized interest fund.

(2) Shown in dollars. Population data from Santa Barbara County Comprehensive Annual Financial Reports - [http://www.countyofsb.org/auditor/publications\\_historical.sbc](http://www.countyofsb.org/auditor/publications_historical.sbc)

Source: Central Coast Water Authority

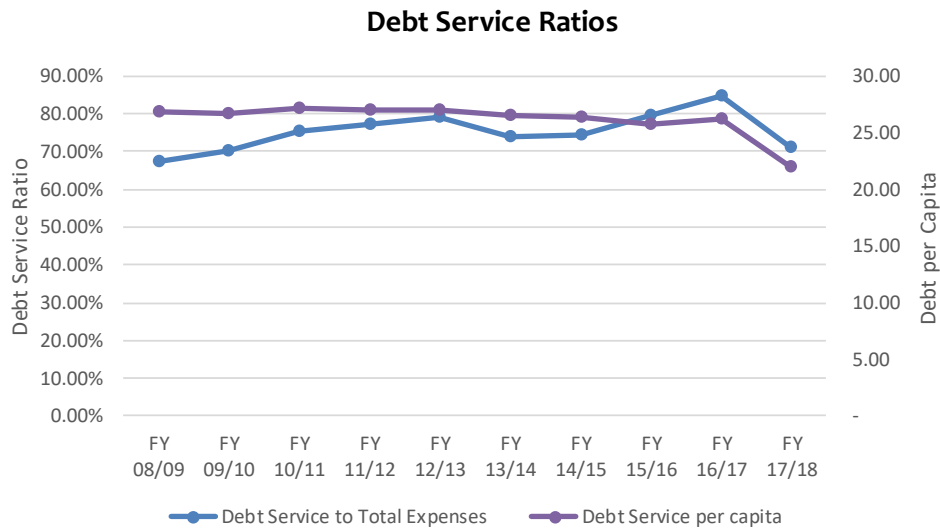


TABLE 7  
*Selected Demographic Information*  
*Santa Barbara County*

Santa Barbara County is located on the Pacific coast of the southern portion of the U.S. state of California, just west of Ventura County. The estimated total population of the County as of January 2018 was 453,457 according to the Santa Barbara County 2017/18 CAFR. The county seat is Santa Barbara and the largest city is Santa Maria.

For thousands of years, the area was home to the Chumash tribe of Native Americans, complex hunter-gatherers who lived along the coast and in interior valleys leaving rock art in many locations including Painted Cave. European contact had devastating effects on the Chumash Indians, including a series of disease epidemics that drastically reduced Chumash population. The Chumash survived, however, and thousands of Chumash descendants still live in the Santa Barbara area or surrounding counties.

The County has a total area of 3,789 square miles and four of the Channel Islands – San Miguel Island, Anacapa Island, Santa Cruz Island and Santa Rosa Island – are in Santa Barbara County. They form the largest part of the Channel Islands National Park.

Santa Barbara County has a mountainous interior abutting a coastal plains area. The largest concentration of people is on this coastal plain, referred to as the south coast – the part of the county south of the Santa Ynez Mountains – which includes the cities of Santa Barbara, Goleta and Carpinteria, as well as the unincorporated areas of Hope Ranch, Mission Canyon, Montecito and Isla Vista. North of the mountains are the towns of Santa Ynez, Solvang, Buellton, Lompoc; the unincorporated towns of Los Olivos and Ballard; the unincorporated areas of Mission Hills and Vandenberg Village; and Vandenberg Air Force Base, where the Santa Ynez River flows out to the sea. North of the Santa Ynez Valley are the cities of Santa Maria and Guadalupe.

Santa Barbara County is home to a beautiful landscape and great climate for living, playing and working. The County is well known for its strong sense of community, prime agricultural land, award winning wineries, and attractive cultural and tourism opportunities. However, Santa Barbara County also touts its talented and highly skilled workforce and business sectors, from high tech to health care to design. Quality institutions like UC Santa Barbara and Vandenberg Airforce Base continue to attract high quality individuals to the County. It is these attributes that attract and retain businesses in the area.

**TABLE 8**  
**Miscellaneous Statistical Information**

Form of government	Joint Powers Authority
Date of organization	August 1, 1991
Number of full-time equivalent positions	30.25
Polonio Pass Water Treatment Plant design capacity	43 million gallons per day
Authority pipeline (in miles)	42.5
Coastal Branch pipeline (in miles)	100.6
Number of water storage tanks	7
Number of turnouts	10

<u>Agency</u>	<u>Table A Amount (AFY)</u>
City of Buellton	578
Carpinteria Valley Water District	2,000
Goleta Water District	4,500
City of Guadalupe	550
La Cumbre Mutual Water Co.	1,000
Montecito Water District	3,000
Morehart Land Co.	200
City of Santa Barbara	3,000
Raytheon Systems Company	50
City of Santa Maria	16,200
Santa Ynez River W.C.D. #1	2,000
Southern California Water Co.	500
Vandenberg Air Force Base	5,500
Total Santa Barbara County *	<u>39,078</u>
Avila Beach C.S.D	100
Avila Valley Mutual Water Co., Inc.	20
California Mens Colony (State)	400
County of SLO C.S.A. No. 16 I.D. #1	100
County of SLO (Op. Center & Reg. Park)	425
City of Morro Bay	1,313
Oceano CSD	750
City of Pismo Beach	1,240
San Luis Coastal Unified School District	7
San Miguelito Mutual Water Co.	275
SLO Co. Comm. Coll. District (Cuesta College)	200
Total San Luis Obispo County	<u>4,830</u>
<b>TOTAL TABLE A AMOUNT</b>	<b><u>43,908</u></b>

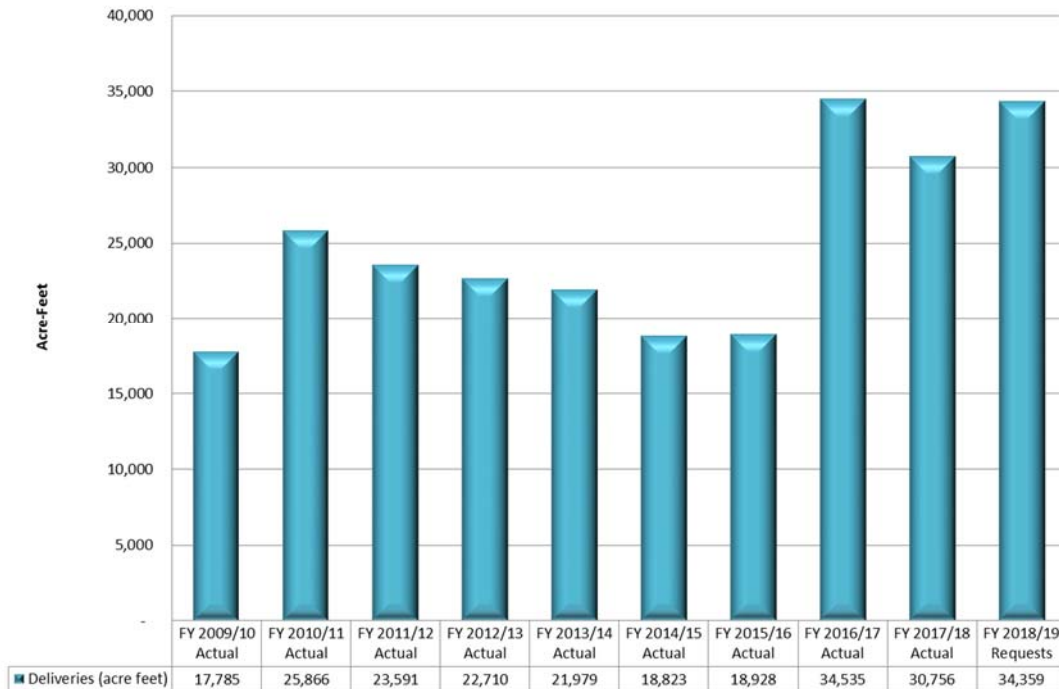
Note: \* Excludes CCWA drought buffer of Table A amount of 3,908 AFY and Goleta Water District additional Table A amount of 2,500 AFY.

# Statistical Section

TABLE 9  
FY 2017/18 Actual State Water Deliveries (acre feet)

Project Participant	Table A Deliveries	Exchange Agreement Deliveries	Total Deliveries
Shandon Turnout (SLO County)	57	N/A	57
Lopez Turnout (SLO County)	746	N/A	746
Chorro Valley Turnout (SLO County)	1,540	N/A	1,540
City of Guadalupe	437	N/A	437
City of Santa Maria	9,928	N/A	9,928
Golden State Water Company	403	N/A	403
Vandenberg Air Force Base	2,117	N/A	2,117
City of Buellton	276	N/A	276
Santa Ynez ID #1 (City of Solvang)	562	N/A	562
Santa Ynez ID #1	692	930	1,622
Goleta Water District	5,197	(334)	4,863
Morehart Land Company	40	N/A	40
La Cumbre Mutual Water Company	586	N/A	586
Raytheon Systems Company	49	N/A	49
City of Santa Barbara	3,247	(224)	3,023
Montecito Water District	3,294	(223)	3,071
Carpinteria Valley Water District	1,585	(149)	1,436
TOTAL:	30,756	-	30,756

Historical Water Deliveries (Acre-Feet)



# Statistical Section

**TABLE 10**  
**Historical Water Availability Compared to Actual Deliveries & Costs**  
*Santa Barbara County Project Participants Only*

Calendar Year	(Acre-Feet)		Total CCWA Actual Costs
	Available Water	Actual Deliveries	
1998	38,986	18,618	\$ 36,225,479
1999	45,486	20,137	24,898,645
2000	40,937	22,741	50,707,485
2001	23,734	18,945	39,445,139
2002	34,715	27,600	37,237,621
2003	41,476	26,970	43,929,781
2004	30,793	29,705	44,152,940
2005	41,092	23,343	43,750,040
2006	49,506	23,275	47,067,848
2007	31,516	27,740	45,660,843
2008	22,036	18,391	46,236,486
2009	24,162	15,452	48,521,830
2010	24,033	17,775	50,707,485
2011	38,389	21,050	51,876,819
2012	29,566	19,474	45,904,819
2013	22,430	18,018	54,450,977
2014 <sup>(1)</sup>	9,955	15,942	59,621,280
2015 <sup>(2)</sup>	14,691	11,673	67,372,895
2016 <sup>(3)</sup>	45,774	28,807	53,704,188
2017 <sup>(4)</sup>	51,622	29,696	61,352,586
2018 <sup>(5)</sup>	34,883	28,165	65,663,761
<b>Total:</b>	<b>695,784</b>	<b>463,517</b>	<b>\$ 1,018,488,947</b>
<b>Avg. Cost per Acre-foot:</b>	<b>\$ 1,464</b>	<b>\$ 2,197</b>	
<b>Percent of Table A:</b>	<b>76.48%</b>	<b>50.95%</b>	

- (1) 2014 amounts include CCWA Supplemental Water Purchase Program costs of \$4.2 million for 5,909 AF.
- (2) 2015 amounts include CCWA Supplemental Water Purchase Program costs of \$4.8 million for 9,600 AF.
- (3) 2016 amounts include CCWA Supplemental Water Purchase Program costs of \$2.9 million for 11,500 AF.
- (4) No requests were made for a CCWA Supplemental Water Purchase Program (SWPP) in 2017.
- (5) 2018 amounts are estimates, and includes SWPP costs of \$1.8 million for 5,633 AF.

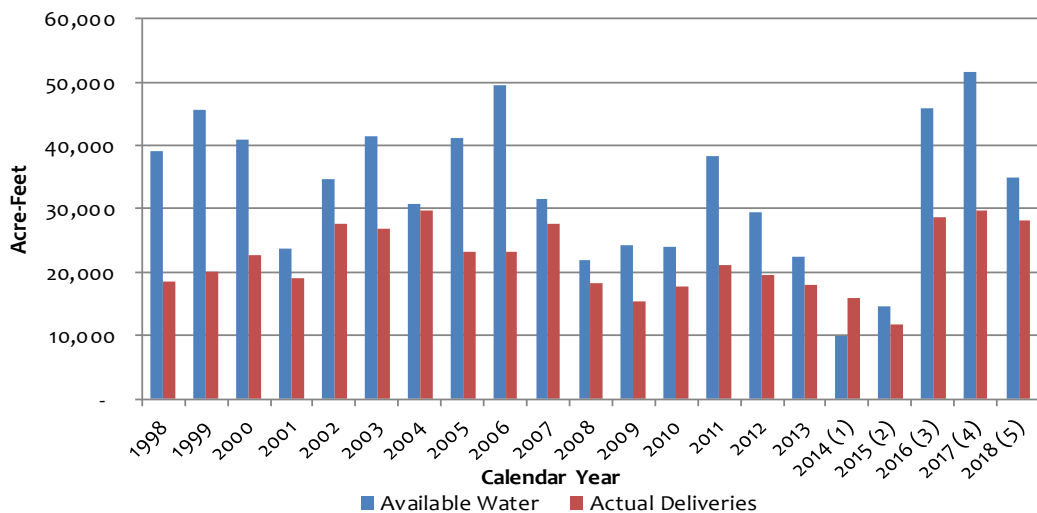


TABLE 11

**Schedule of Insurance**  
Valued June 30, 2018

<u>Company</u>	<u>Policy Period</u>	<u>Insurance Type</u>	<u>Limits</u>	<u>Coverages</u>
Alliant Insurance Services	4-1-18 to 4-1-19	Excess Crime Coverage	\$ 7,000,000	Dishonesty, faithful performance, forgery, computer fraud, pension plans including ERISA
ACWA Joint Powers Insurance Authority	4-1-18 to 4-1-19	Crime Coverage	\$ 300,000	Public employee theft, depositors forgery or alterations, computer and funds transfer fraud
ACWA Joint Powers Insurance Authority	4-1-18 to 4-1-19	Property Insurance	\$ 75,368,006	Buildings (\$31,873,798); Personal property (\$1,530,882); Fixed Equipment (\$41,963,326)
ACWA Joint Powers Insurance Authority	10-1-17 to 10-1-18	General and Auto Liability	\$ 5,000,000	Liability JPIA pooled layer
Allied Public Risk/ Allied World Assurance #5114-0007-02	10-1-17 to 10-1-18	General and Auto Liability	\$ 6,000,000	Liability umbrella policy
Great American Insurance Company/ Evanston Insurance Company #1827291/#MPEREV0057	10-1-17 to 10-1-18	General and Auto Liability	\$ 9,000,000	Liability umbrella policy
Great American Insurance Company of New York #EXC1615067	10-1-17 to 10-1-18	General and Auto Liability	\$ 10,000,000	Liability umbrella policy
Great American Insurance Co. of NY/ Endurance Risk Solutions Assurance #EXC1615068/#EXC10007886202	10-1-17 to 10-1-18	General and Auto Liability	\$ 20,000,000	Liability umbrella policy
General Security Indemnity Company of Arizona FA0024236-2017-1	10-1-17 to 10-1-18	General and Auto Liability	\$ 10,000,000	Liability umbrella policy



TABLE 12

## Full-time Equivalent Employees by Position

Position Title	Number Authorized FY 2015/16	Number Authorized FY 2016/17	Number Authorized FY 2017/18	Change Over FY 2015/16	Change Over FY 2016/17
Executive Director	1.00	1.00	1.00	-	-
Deputy Director of Operations	1.00	1.00	1.00	-	-
Regulatory Specialist	1.00	1.00	1.00	-	-
Controller	1.00	1.00	1.00	-	-
Deputy Controller	-	1.00	1.00	1.00	-
Office Manager	1.00	1.00	1.00	-	-
Accounting Technician	0.75	0.75	0.75	-	-
Administrative Assistant	1.50	1.50	1.50	-	-
WTP Supervisor	1.00	1.00	1.00	-	-
Distribution Supervisor	1.00	1.00	1.00	-	-
Maintenance Superintendent	1.00	1.00	1.00	-	-
Maintenance Foreman	1.00	1.00	1.00	-	-
Senior Chemist	1.00	1.00	1.00	-	-
Chemist	1.00	1.00	1.00	-	-
IT/Instrumentation & Control Specialis	1.00	1.00	1.00	-	-
Engineering Technician	1.00	1.00	1.00	-	-
Maintenance Technician	2.00	2.00	2.00	-	-
Maintenance/IC&R Technician	2.00	2.00	2.00	-	-
WTP Operator	5.00	5.00	5.00	-	-
Distribution Technician	5.00	5.00	5.00	-	-
<b>TOTAL:</b>	29.25	30.25	30.25	1.00	-

TABLE 13  
Santa Barbara County Largest Employers

Company or Organization	Jobs (1)	Percent of Total County Employment
University of California, Santa Barbara	4,325	2.10%
County of Santa Barbara	4,213	2.05%
Cottage Health Organization	3,606	1.75%
Vandenberg Air Force Base	2,500	1.22%
Santa Maria-Bonita School District	2,120	1.03%
Chumash Casino Resort	2,000	0.97%
Allan Hancock College	1,480	0.72%
Santa Barbara Unified School District	1,400	0.68%
Zodiac Aerospace	1,200	0.58%
Santa Barbara City College	<u>1,193</u>	<u>0.58%</u>
Total ten largest	24,037	11.69%
Total all other	<u>181,645</u>	<u>88.31%</u>
Total companies or organizations	<u><u>205,682</u></u>	<u><u>100.00%</u></u>

(1) According to the County of Santa Barbara CAFR FY 17-18 a new source for this information beginning FY 17-18 is the Pacific Coast Business Times "Book of Lists".

# Statistical Section

## City of Pismo Beach

### (San Luis Obispo County)

#### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water
			Deliveries (acre-feet per year)
2008	4,713	\$ 2,619,579	2,018
2009	4,540	2,834,803	1,939
2010	4,558	2,874,984	1,735
2011	4,569	3,048,595	1,717
2012	4,584	3,257,915	1,785
2013	4,596	3,390,236	1,828
2014	4,695	3,793,692	1,944
2015	4,718	3,362,918	1,840
2016	4,787	3,201,546	1,644
2017	4,836	3,346,533	1,589

#### Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
Pismo Beach Mobile Home Park	11,748	\$ 48,344
Cliff's Shell Beach	10,701	39,227
Pismo Coast Village	9,963	41,975
Shorecliff Lodge	9,430	34,129
Oxford Suites Hotel	7,991	28,960
Pismo Lighthouse Suites	6,270	24,968
Seacrest Resort	5,970	22,830
Dolphin Bay	5,700	22,784
Kon Tiki	5,267	20,312
Pismo Dunes Travel	5,077	19,634
Total	78,117	\$ 303,163

(1) In hundred cubic feet.

#### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2008	\$ 4,213,435	\$ 2,200,406	\$ 2,013,029	\$ 1,188,969	1.69
2009	4,563,012	1,828,215	2,734,797	1,279,114	2.14
2010	4,316,125	2,954,934	1,361,191	1,290,981	1.05
2011	4,652,847	2,665,865	1,986,982	1,633,880	1.22
2012	5,003,098	2,612,189	2,390,909	1,435,883	1.67
2013	5,002,618	2,616,024	2,386,594	1,413,314	1.69
2014	5,638,215	2,671,261	2,966,954	1,238,740	2.40
2015	6,490,834	2,748,519	3,742,315	1,562,731	2.39
2016	5,975,795	3,384,808	2,590,987	1,503,993	1.72
2017	6,730,397	3,211,371	3,519,026	1,443,742	2.44

Source: City of Pismo Beach

# Statistical Section

## City of Morro Bay

### (San Luis Obispo County)

#### Historic Water Connections and Sales Revenues

Fiscal Year	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
Ending June 30			
2008	5,531	\$ 3,610,462	1,187
2009	5,547	3,588,500	1,130
2010	5,545	3,574,319	1,282
2011	5,385	3,421,151	1,250
2012	5,401	3,396,936	1,177
2013	5,455	3,377,534	1,141
2014	5,473	3,491,575	1,214
2015	5,455	3,311,970	1,094
2016	5,455	4,130,990	996
2017	5,483	5,077,312	942

#### Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
City of Morro Bay	13,277	\$ 369,855
Morro Bay High School	11,197	57,274
Pacific Care Center	8,489	182,313
Missen Linen Center	8,119	177,950
Imperial Coast, LP	4,983	119,510
Silver City Resort	3,693	78,497
Morro Dunes Trailer Park	2,482	57,007
CA Dept of Parks	2,288	78,930
Culligan	2,248	49,925
Morro Bay Mobil	1,969	41,728
Total	58,745	\$ 1,212,989

(1) In hundred cubic feet.

#### State Water Payment Coverage Calculations

Fiscal Year	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
Ending June 30					
2008	\$ 3,762,674	\$ 1,185,688	\$ 2,576,986	\$ 1,886,622	1.37
2009	3,893,904	1,273,381	2,620,523	2,055,446	1.27
2010	3,661,837	1,587,764	2,074,073	1,968,552	1.05
2011	3,491,186	1,813,559	1,677,627	2,108,814	0.80
2012	3,646,957	2,021,803	1,625,154	2,186,578	0.74
2013	3,453,217	1,764,241	1,688,976	2,155,816	0.78
2014	3,550,868	1,958,281	1,592,587	2,158,842	0.74
2015	3,332,358	1,599,955	1,732,403	2,238,795	0.77
2016	4,487,576	1,969,828	2,517,748	2,166,523	1.16
2017	5,029,287	1,286,244	3,743,043	2,010,166	1.86

Source: City of Morro Bay

# Statistical Section City of Guadalupe

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Municipal Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	1,916	\$ 1,198,705	920
2009	1,926	1,303,214	966
2010	1,915	1,344,941	900
2011	1,927	1,320,373	921
2012	1,931	1,466,881	989
2013	1,940	1,462,443	912
2014	1,945	1,769,651	1,078
2015	1,960	1,721,143	1,039
2016	1,973	1,624,652	952
2017	2,017	1,727,388	944

## Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
Apio Cooler	183,943	\$ 714,734
County Housing Authority	6,451	25,066
Guadalupe Union School	6,406	24,893
Obispo Cooling	5,253	20,411
Riverview Townhomes	4,502	17,494
Guadalupe Laundromat	3,959	15,385
Guadalupe Cemetery	2,713	10,542
JR Simplor Co.	2,574	10,003
Pan American Seed	2,491	9,681
P & M Properties	1,546	6,006
Total	219,838	\$ 854,215

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2008	\$ 1,327,490	\$ 658,667	\$ 157,483	\$ 826,306	\$ 667,157	1.24
2009	1,418,311	629,726	165,923	954,508	690,201	1.38
2010	1,402,871	436,644	165,531	1,131,758	699,287	1.62
2011	1,395,787	426,842	167,444	1,136,389	667,445	1.70
2012	1,519,883	499,857	167,705	1,187,731	599,469	1.98
2013	1,515,152	435,004	167,787	1,247,935	758,852	1.64
2014	1,856,503	505,615	167,787	1,518,675	744,436	2.04
2015	1,811,430	468,004	186,615	1,530,041	741,040	2.06
2016	1,729,167	698,968	186,615	1,216,814	663,337	1.83
2017	1,847,672	453,726	186,819	1,580,765	796,095	1.99

Source: City of Guadalupe

# Statistical Section City of Santa Maria

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	20,830	\$ 24,605,620	14,047
2009	20,919	25,859,215	14,489
2010	20,927	25,411,420	13,986
2011	21,050	26,393,674	13,016
2012	21,199	27,803,548	13,264
2013	21,385	29,938,893	13,338
2014	21,580	31,962,813	13,882
2015	21,901	31,403,212	13,009
2016	22,152	33,883,550	12,022
2017	22,981	37,915,296	12,357

## Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
City of Santa Maria	215,649	\$ 1,370,420
Nipomo Community Services District	374,616	1,365,098
Santa Maria Elementary School	102,841	658,894
SP Village Green, LLC	70,258	403,221
Fresh Venture Foods	71,828	402,196
Titan Frozen Fresh	61,514	330,141
Marian Hospital & Facilities	33,295	253,916
Casa Grande Mobile Homes	52,028	220,282
S.B. County Housing Authority	26,950	183,863
Allan Hancock College	43,880	183,071
Total	1,052,859	\$ 5,371,102

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues <sup>(1)</sup>	Operating Expenses	Rate Coverage Fund	Net Revenues	State Water Payments	Coverage
2008	\$ 33,047,470	\$ 8,975,078	\$ 4,169,232	\$ 28,241,624	\$ 15,138,443	1.87
2009	33,521,237	11,232,624	4,242,530	26,531,143	15,438,235	1.72
2010	32,956,256	9,282,313	4,258,071	27,932,014	17,103,082	1.63
2011	34,634,358	10,389,795	4,281,382	28,525,945	17,150,434	1.66
2012	36,330,166	10,260,908	4,288,071	30,357,329	14,671,346	2.07
2013	38,305,281	12,698,916	4,290,188	29,896,553	17,851,202	1.67
2014	42,467,011	11,523,665	4,290,188	35,233,534	17,793,198	1.98
2015	41,771,720	13,564,740	5,001,279	33,208,259	19,191,415	1.73
2016	44,478,328	12,193,440	5,001,279	37,286,167	16,072,296	2.32
2017	48,626,344	14,727,515	5,006,756	38,905,585	18,589,602	2.09

(1) Includes wastewater fees and charges.

Source: City of Santa Maria

# Statistical Section

## City of Buellton

### Historic Water Connections and Sales Revenues

Fiscal Year	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
Ending June 30			
2008	1,549	\$ 1,474,151	1,295
2009	1,548	1,467,933	1,284
2010	1,558	1,467,931	1,300
2011	1,557	1,387,651	1,184
2012	1,570	1,368,805	1,212
2013	1,569	1,460,658	1,226
2014	1,569	1,532,887	1,300
2015	1,582	1,436,127	1,141
2016	1,584	1,426,171	1,043
2017	1,699	1,865,124	1,089

### Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
Professional Investment Planning	16,002	\$ 68,136
Buellton Union School District	14,729	45,567
Flying Flags Association, L.P.	11,700	32,101
Terravant Wine Co	9,248	25,876
Santa Ynez Valley Marriott	7,873	26,168
Rivergrove Mobilehome Park	6,650	22,468
The Inn Group	4,379	15,199
RTA Buellton Hotel, LLC	4,323	17,129
Rancho de Maria	4,134	12,053
Figueroa Mountain Brewing	3,878	11,413
Total	82,916	\$ 276,110

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
Ending June 30						
2008	\$ 2,041,664	\$ 455,528	\$ 242,535	\$ 1,828,671	\$ 933,400	1.96
2009	1,659,083	497,597	255,558	1,417,044	896,715	1.58
2010	1,579,341	542,240	256,494	1,293,595	943,326	1.37
2011	1,494,307	486,807	257,898	1,265,398	938,136	1.35
2012	1,431,453	598,093	258,300	1,091,660	894,257	1.22
2013	1,512,243	550,655	258,427	1,220,015	1,017,156	1.20
2014	1,555,656	553,211	258,427	1,260,872	962,999	1.31
2015	1,642,522	632,937	274,861	1,284,446	1,043,536	1.23
2016	1,983,721	490,933	274,861	1,767,649	908,360	1.95
2017	2,069,593	728,200	275,162	1,616,555	946,522	1.71

Source: City of Buellton

# Statistical Section

## Santa Ynez River Water Conservation District, ID# 1 (City of Solvang only)

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	1,964	\$ 4,180,995	1,512
2009	2,017	4,085,678	1,483
2010	1,981	3,957,709	1,315
2011	2,019	3,927,817	1,322
2012	2,118	4,167,680	1,347
2013	2,153	4,455,120	1,416
2014	2,156	4,631,124	1,409
2015	2,178	4,361,233	1,074
2016	2,211	4,378,420	962
2017	2,225	4,490,615	997

### Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
City of Solvang	9,107	\$ 94,848
Rancho Santa Ynez Mobile Estates	16,529	90,950
Alisal Gues Ranch	13,766	74,279
Atterdag Village	5,498	66,330
Worldmark	5,427	56,559
Chumash Casino Resort (Hotel Corque)	7,032	55,337
Mission Oaks	5,655	42,931
Solvang School	8,279	38,568
Holiday Inn	6,395	37,123
Skytt Property, LLC	3,736	34,705
<b>Total</b>	<b>81,424</b>	<b>\$ 591,630</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2008	\$ 4,340,564	\$ 1,247,155	\$ 569,041	\$ 3,662,450	\$ 2,446,021	1.50
2009	4,199,436	1,537,148	599,048	3,261,336	2,448,490	1.33
2010	4,043,117	1,321,839	603,156	3,324,434	2,637,865	1.26
2011	3,995,627	1,214,624	604,939	3,385,942	2,647,201	1.28
2012	4,230,365	1,231,366	605,884	3,604,883	2,438,576	1.48
2013	4,677,242	1,436,931	606,183	3,846,494	2,656,129	1.45
2014	5,152,838	1,998,916	606,183	3,760,105	2,743,342	1.37
2015	4,920,397	1,580,530	606,183	3,946,050	2,960,871	1.33
2016	4,751,452	1,317,454	606,183	4,040,181	2,534,152	1.59
2017	4,668,636	1,213,706	606,847	4,061,777	2,557,331	1.59

Source: City of Solvang



# Statistical Section

## Santa Ynez River Water Conservation District, ID# 1

### Historic Water Connections and Sales Revenues

Fiscal Year	Sales		Water
Ending June 30	Connections	Revenues	Deliveries (acre-feet per year)
2008	2,567	\$ 4,883,168	5,926
2009	2,583	5,030,245	5,947
2010	2,579	5,096,678	5,416
2011	2,519	5,009,463	5,255
2012	2,515	5,371,780	5,260
2013	2,598	5,531,585	5,371
2014	2,624	6,889,450	5,358
2015	2,618	6,157,964	4,341
2016	2,664	5,868,155	3,712
2017	2,672	6,367,009	3,712

### Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
Private Agriculture	121	\$ 40,535
Private Agriculture	118	37,574
Private Agriculture	98	31,637
Private Agriculture	87	25,274
Private Agriculture	62	19,773
Private Agriculture	52	17,317
Private Agriculture	46	15,963
Private Agriculture	41	17,400
Private Agriculture	37	17,284
Private Agriculture	36	13,963
<b>Total</b>	<b>698</b>	<b>\$ 236,720</b>

(1) In acre-feet per year.

(2) Exclusive of Solvang's payments for State Water Project.

### State Water Payment Coverage Calculations

Fiscal Year	Total		Operating		Rate Coverage		Net		State Water	
Ending June 30 <sup>(1)</sup>	Revenues		Expenses		Fund Deposit		Revenues		Payments	Coverage
2008	\$ 8,680,455		\$ 3,663,543		\$ 961,388		\$ 5,978,300		\$ 3,869,047	1.55
2009	8,797,488		3,683,262		1,012,862		6,127,088		3,799,166	1.61
2010	8,785,547		3,778,443		1,019,126		6,026,230		3,956,531	1.52
2011	8,759,268		3,597,194		1,022,142		6,184,216		4,003,719	1.54
2012	8,209,585		3,179,858		1,023,739		6,053,466		4,112,646	1.47
2013	8,213,596		3,310,123		1,024,244		5,927,717		4,238,934	1.40
2014	10,538,309		4,610,406		1,024,244		6,952,147		4,307,127	1.61
2015	9,533,850		4,781,398		1,062,841		5,815,293		4,604,806	1.26
2016	9,657,032		4,713,576		1,062,841		6,006,297		3,895,465	1.54
2017	10,127,574		4,585,443		1,064,005		6,606,136		3,606,066	1.83

(1) Includes State water payments for the City of Solvang.

Source: Santa Ynez Improvement District #1

# Statistical Section

## Goleta Water District

### Historic Water Connections and Sales Revenues

Fiscal Year	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
Ending June 30			
2008	16,466	\$ 22,697,939	14,387
2009	16,373	17,891,752	14,198
2010	16,346	16,554,650	12,971
2011	16,401	15,721,915	12,161
2012	16,295	18,668,008	12,275
2013	16,518	22,171,254	13,923
2014	16,542	24,005,806	14,884
2015	16,441	19,988,107	11,883
2016	16,474	29,771,141	10,773
2017	16,561	28,532,344	9,658

### Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
U.C.S.B.	872	\$ 2,919,440
Cavaletto Ranches, LLC	377	728,926
Sandpiper Golf Course	256	315,780
Touchstone Glen Annie Golf	224	371,523
County of Santa Barbara	176	723,198
Wallover, Inc.	146	267,506
Roy Butera	141	289,192
Simple Avo Dos Pueblos, LLC	104	200,835
Las Varas Ranch	90	169,382
Bacara Resort	88	319,004
Total	2,474	\$ 6,304,786

(1) In acre-feet per year.

### State Water Payment Coverage Calculations

Fiscal Year	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
Ending June 30						
2008	\$ 29,703,651	\$ 14,095,042	\$ -	\$ 15,608,609	\$ 6,711,214	2.33
2009	31,044,059	14,448,077	-	16,595,982	7,317,439	2.27
2010	24,129,754	16,268,616	-	7,861,138	6,561,134	1.20
2011	25,378,145	11,788,948	-	13,589,197	7,251,071	1.87
2012	27,426,627	14,741,694	-	12,684,933	6,309,979	2.01
2013	32,409,693	15,146,414	-	17,263,279	7,284,547	2.37
2014	34,188,412	18,210,976	-	15,977,436	7,998,066	2.00
2015	32,951,960	16,527,332	-	16,424,628	9,369,850	1.75
2016	39,174,119	21,847,412	-	17,326,707	7,973,075	2.17
2017	38,016,844	24,700,536	-	13,316,308	8,707,040	1.53

# Statistical Section

## La Cumbre Mutual Water Company

### Historic Water Connections and Sales Revenues

Fiscal Year Ending Dec. 31	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2007	1,470	\$ 2,267,771	2,059
2008	1,468	2,489,710	1,937
2009	1,468	2,586,518	1,702
2010	1,469	2,377,639	1,523
2011	1,471	2,608,037	1,465
2012	1,471	3,023,989	1,587
2013	1,485	3,279,957	1,776
2014	1,494	3,117,612	1,373
2015	1,494	3,242,513	1,140
2016	1,497	3,241,825	1,067

### Largest Customers as of December 31, 2016

	Water Usage <sup>(1)</sup>	Annual Payment
La Cumbre Golf & Country Club	35,412	\$ 199,803
Timothy Pasquinelli	5,610	71,225
Stephen Redding	5,052	66,255
Jeffrey Henley	3,442	40,536
Frances Nielsen	2,951	38,283
Dean & Darcy Christal	2,894	36,152
Susan Caffrey	2,861	34,656
Overwater, LLC	2,710	34,656
Carriage Hill Association	2,691	28,896
Bradley Sher	2,259	28,657
<b>Total</b>	<b>65,882</b>	<b>\$ 579,119</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending Dec. 31	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2007	\$ 3,320,207	\$ 1,342,427	\$ 358,263	\$ 2,336,043	\$ 1,574,079	1.48
2008	3,451,050	1,408,802	376,576	2,418,824	1,540,843	1.57
2009	3,510,409	1,670,353	392,003	2,232,059	1,684,349	1.33
2010	3,261,377	1,649,171	389,217	2,001,423	1,870,892	1.07
2011	3,641,641	1,419,353	391,224	2,613,512	1,962,355	1.33
2012	3,987,385	1,401,788	391,135	2,976,732	1,425,464	2.09
2013	4,402,802	1,530,254	391,135	3,263,683	1,696,315	1.92
2014	4,185,177	1,504,177	391,135	3,072,135	1,875,217	1.64
2015	4,306,838	1,453,837	391,135	3,244,136	2,052,272	1.58
2016	4,526,872	1,911,022	392,065	3,007,915	1,572,834	1.91

# Statistical Section City of Santa Barbara

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	26,009	\$ 29,448,078	14,926
2009	26,153	28,669,429	13,819
2010	26,504	28,163,162	13,428
2011	26,761	27,181,923	13,284
2012	26,649	29,992,081	13,949
2013	26,797	32,683,467	14,366
2014	26,919	33,296,287	14,218
2015	26,921	31,512,114	10,775
2016	26,988	41,433,002	9,935
2017	27,111	46,187,721	9,009

## Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
Cottage Hospital	33,118	\$ 391,832
Santa Barbara Unified School District	28,790	365,270
Dario Pini	21,975	266,849
Housing Authority	20,901	240,800
City of Santa Barbara Parks	24,985	239,405
Santa Barbara Community College District	10,749	194,433
Mission Linen Supply	18,117	151,509
Hyatt Centric Santa Barbara	15,201	150,625
Fess Parker Double Tree	18,143	144,578
City of Santa Barbara Waterfront	10,328	140,671
Total	202,307	\$ 2,285,972

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Parity Debt Service	Coverage
2008	\$ 34,798,063	\$ 17,454,896	\$ 17,343,167	\$ 4,089,554	\$ 1,859,603	2.92
2009	33,914,071	18,885,951	15,028,120	4,314,561	1,857,100	2.44
2010	33,763,232	18,546,457	15,216,775	4,466,645	1,697,698	2.47
2011	32,082,335	17,793,001	14,289,334	4,619,893	1,847,271	2.21
2012	37,696,027	19,547,823	18,148,204	4,180,184	1,738,160	3.07
2013	38,439,062	21,464,993	16,974,069	4,744,097	1,847,618	2.58
2014	37,185,303	22,994,993	14,190,310	5,230,535	2,774,171	1.77
2015	35,348,935	25,475,134	9,873,801	6,348,335	2,654,446	1.10
2016	45,677,508	21,316,587	24,360,921	5,780,222	3,225,980	2.70
2017	52,271,592	22,533,661	29,737,931	6,335,560	4,274,453	2.80

Source: City of Santa Barbara

# Statistical Section

## Montecito Water District

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	4,630	\$ 9,893,221	6,518
2009	4,583	10,015,310	5,963
2010	4,558	9,429,322	5,274
2011	4,575	8,401,945	4,715
2012	4,577	9,345,967	5,302
2013	4,585	10,573,025	5,945
2014	4,597	11,260,539	5,775
2015	4,593	6,752,280	3,331
2016	4,601	7,652,442	3,440
2017	4,602	7,470,909	3,127

### Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
Resort Hotel	40,103	\$ 410,971
Golf Club	27,303	310,210
Agricultural	22,627	152,612
Golf Club	21,264	222,474
Resort Hotel	18,739	284,606
Agricultural	18,710	128,659
Agricultural	14,012	110,737
Private College	13,502	146,767
Single Family Residential Community	10,911	115,231
Retirement Community	8,951	105,673
Total	196,122	\$ 1,987,940

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2008	\$ 13,967,947	\$ 6,049,992	\$ 1,021,131	\$ 8,939,086	\$ 4,645,281	1.92
2009	13,873,852	6,528,920	1,075,696	8,420,628	5,144,227	1.64
2010	14,555,964	5,931,617	1,079,637	9,703,984	5,123,778	1.89
2011	12,277,049	5,588,083	1,085,554	7,774,520	5,334,729	1.46
2012	13,224,023	6,299,364	1,087,250	8,011,909	4,412,658	1.82
2013	14,315,026	6,497,450	1,087,787	8,905,363	4,898,038	1.82
2014	16,880,381	8,222,385	1,087,787	9,745,783	5,978,116	1.63
2015	16,264,644	8,048,179	1,417,526	9,633,991	6,573,858	1.47
2016	20,063,580	9,007,873	1,417,526	12,473,233	5,778,933	2.16
2017	18,583,907	7,760,628	1,419,078	12,242,357	5,491,272	2.23

Source: Montecito Water District

# Statistical Section Carpinteria Valley Water District

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	4,272	\$ 10,529,618	4,506
2009	4,288	10,393,601	4,099
2010	4,326	10,089,936	3,825
2011	4,322	10,101,197	3,599
2012	4,339	10,575,216	3,871
2013	4,441	10,798,634	4,352
2014	4,444	11,229,175	4,551
2015	4,485	11,031,043	3,728
2016	4,501	12,023,205	3,604
2017	4,503	12,457,730	3,395

## Largest Customers as of June 30, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
Ota, Tom	27,939	\$ 59,319
Reiter Brothers, Inc	27,692	55,877
Emmett, Morgan	24,253	63,122
Schaff, Victor	19,545	40,164
Sandpiper Village	17,680	242,762
Cate School	17,643	88,237
Casitas Village Home Assn	16,973	266,739
Villa Del Mar HOA	16,718	244,008
Circle G	15,629	38,676
Westerlay Orchids	14,489	46,119
<b>Total</b>	<b>198,561</b>	<b>\$ 1,145,023</b>

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2008	\$ 11,683,095	\$ 4,713,897	\$ 765,941	\$ 7,735,139	\$ 2,741,075	2.82
2009	11,005,014	5,395,430	807,038	6,416,622	2,923,214	2.20
2010	10,499,950	4,639,111	809,995	6,670,834	3,006,719	2.22
2011	10,350,057	4,791,179	814,431	6,373,309	3,107,837	2.05
2012	11,267,253	5,052,870	815,699	7,030,082	2,785,680	2.52
2013	11,835,527	5,068,463	816,100	7,583,164	3,135,384	2.42
2014	12,218,169	5,711,413	816,100	7,322,856	3,539,365	2.07
2015	12,349,806	5,467,213	816,100	7,698,693	3,909,986	1.97
2016	13,112,109	6,345,931	816,100	7,582,278	3,324,260	2.28
2017	12,760,851	5,337,062	816,994	8,240,783	3,444,393	2.39

Source: Carpinteria Valley Water District

# Central Coast Water Authority



# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

A CALIFORNIA JOINT POWERS AUTHORITY

*Central Coast Water Authority*  
*Comprehensive Annual Financial Report*  
*Fiscal Years Ended June 30, 2019 and 2018*

Prepared by Laura Matthews and Lisa Long

Cover photo by Thomas Petersen

Cover design by Julie Baker





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# INTRODUCTORY SECTION





Eric Friedman  
Chairman

Ed Andrisek  
Vice Chairman

Ray Stokes  
Executive Director

Brownstein Hyatt  
Farber Schreck  
General Counsel

*Member Agencies*

City of Buellton

Carpinteria Valley  
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water  
Conservation District,  
Improvement District #1

*Associate Member*

La Cumbre Mutual  
Water Company

January 23, 2020

**Members of the Board  
Central Coast Water Authority**

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019. The Comprehensive Annual Financial Report (“CAFR”) of the Central Coast Water Authority for the fiscal year (“FY”) ended June 30, 2019 is submitted as prepared by the Authority’s Finance and Administration Departments. The report is published to provide to our project participants, the Authority Board, and the investment community detailed information about the financial condition and operating results of the Authority as measured by the financial activity of the Authority.

Responsibility for both the accuracy of the financial report and the completeness and fairness of the presentation rests with the Authority. To the best of our knowledge, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities.

The Authority requires that its financial statements be audited by a Certified Public Accountant selected by the Authority’s Board of Directors, and Nasif, Hicks, Harris & Co., LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on Central Coast Water Authority’s financial statements for the year ended June 30, 2019. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

**PROFILE OF THE AUTHORITY**

The Central Coast Water Authority (“CCWA” or “Authority”) is a public entity organized under a Joint Exercise of Powers Agreement dated August 1, 1991 and operates as a Joint Powers Authority (“JPA”). CCWA is a wholesale water provider to 13 water purveyors and private companies in Santa Barbara County, and another 11 water purchasers in San Luis Obispo County.

CCWA is presently composed of eight members, all of which are public agencies within Santa Barbara County: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). Each member agency is represented on the CCWA Board of Directors by one individual and an alternate. In addition, CCWA has one associate member, the La Cumbre Mutual Water Company and three non-member, private water users, Raytheon Systems Company, Morehart Land Company, and Golden State Water Company. Water service is also provided to Vandenberg Air Force Base through a Utility Agreement.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority's Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The Authority also provides supplemental water to certain entities within San Luis Obispo County: California Men's Colony, County of San Luis Obispo, Cuesta College, City of Morro Bay, Avila Beach Community Services District, Avila Valley Mutual Water Company, Oceano Community Services District, City of Pismo Beach, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

### Facilities

The Authority's facilities include a water treatment plant located at Polonio Pass in northeastern San Luis Obispo County and a distribution system that delivers water from the State Water Project to project participants in Santa Barbara and San Luis Obispo Counties. The distribution system consists of an approximate 130 mile long pipeline, treated water tanks at the water treatment plant, three interim storage facilities, one energy dissipation facility, ten turnouts, four isolation valve facilities, a chloramines removal and water pumping facility and Cachuma Lake inlet monitoring facility.

Central Coast Water Authority is innovative and forward thinking in its methods to provide high-quality water, through an efficient and reliable system that is capable of delivering supplemental water from other water sources in addition to allocations through the State Water Project for our project participants. During the recent and ongoing drought in California, this delivery system was instrumental in allowing our project participants to maintain adequate water resources for their communities by providing a link to the statewide water supply system.

The Authority receives its water through the State Water Project, which is a network of canals, pipelines, tunnels and reservoirs. The State Water Project is managed by the California Department of Water Resources ("DWR"), a State agency which protects, conserves, develops, and manages much of California's water supply including the State Water Project which provides water for more than 27 million residents and businesses, and irrigates about 750,000 acres of farmland. Through the Santa Barbara County Flood Control and Water Conservation District ("SBCFC&WCD"), the Authority holds a contract with DWR to purchase up to 45,486 acre-feet of water per year. The costs for this water are charged to the Authority's Santa Barbara County project participants. San Luis Obispo County pays DWR directly for its DWR costs.

### **LOCAL ECONOMY**

Santa Barbara County is dominated by three principal economic activities: tourism, Vandenberg Air Force Base, and education, and is characterized by three geographically diverse regions. The Santa

Barbara Project Participants are located in all three different geographic areas of Santa Barbara County: North County (City of Santa Maria, City of Guadalupe, Golden State Water Company and Vandenberg Air Force Base); the Santa Ynez Valley (City of Buellton and Santa Ynez River Water Conservation District, Improvement District No. 1, which includes within its boundaries the City of Solvang); and the South Coast (City of Santa Barbara, Goleta Water District, Montecito Water District, Carpinteria Valley Water District, La Cumbre Mutual Water Company, Raytheon Systems Company and Morehart Land Company).

Historically the North County has been an agricultural area, but it has experienced significant urban development in the last twenty-years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future. The general location of certain of the Santa Barbara Project Participants and of the major components of the Authority Project in Santa Barbara County is shown on the map under the caption “Project Map” in the end of the Introductory Section of the CAFR.

## **LONG-TERM FINANCIAL PLANNING**

To assist our project participants, the Authority prepares a Ten-Year Financial plan to provide pro forma projections of the Authority’s expenditures and includes projections for both the Authority and the Department of Water Resources portions of the budget. The Department of Water Resources provides projections for each of these years for both the fixed and variable costs, and the Authority expenses are generally projected with a 3% inflation factor to all operating expenses.

The Ten-Year Financial Plan is prepared only as an informational tool and is used by the member agencies and other project participants for their planning and long-term budgeting purposes.

## **RELEVANT FINANCIAL POLICIES AND CONTROLS**

The Authority has adopted a comprehensive set of financial policies governing Reserves, Purchasing, Budget, Investments, Debt Management, and Capital Improvements. Following is a brief discussion on the policies that were relevant this year:

### Capital Improvement Projects and Carryover

The Capital Improvements Projects (“CIP”) is a component of the non-operating expenses section of the budget. Certain capital expenditures included in the Fiscal year 2018/19 budget were not expended due to timing and scheduling.

When appropriate, capital improvements will be paid through current revenue sources rather than financing capital projects over a period of time. During Fiscal Year 2018/19 the Board approved \$1,159,913 in carryover funds to be used for capital projects not completed in Fiscal Year 2017/18. Also approved by the Board was \$681,425 of carryover funds for capital projects funded for Fiscal Year 2018/19 and carried over into Fiscal Year 2019/20 for completion.

### Investment Policy

The Authority will operate its idle cash investments in compliance with Government Code Section 16045-16054 Uniform Prudent Investor Act which states: “...in investing...property for the benefit of another, a trustee shall exercise judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs....”.

As such, the Board has adopted an Investment Policy governing cash investments.

In April 2018 the Authority's adopted Investment Policy was amended as a part of the annual review to comply with changes in Government Code Section 53630-53686 which addresses investment of surplus funds by local government agencies. Section III(F) was revised to remove an outdated Civil Code reference, and to update language to include the entire definition of the "Prudent Investor Standard". Section VI. REPORTING and Section XIII. PERFORMANCE EVALUATION AND OPERATIONS AUDIT were revised to reflect the authority's practice of submitting quarterly reports to the Board rather than monthly reports.

### Debt Management Policy

Central Coast Water Authority is authorized to incur indebtedness to finance Authority facilities and to assign and pledge to the repayment by its participants. The Debt Management Policy adopted by the Board in 2017 establishes parameters for issuing debt, covers general provisions for periodic review, conditions for debt issuance, standards for use of debt financing, financing criteria, refinancing outstanding debt, outstanding debt limitations, security for debt, a covenant for bond coverage, method of issuance, debt administration and reporting requirements.

### Accounting System

In developing and maintaining the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: a) the safeguarding of assets against losses from unauthorized use or disposition, and b) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Management believes that the Authority's controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **MAJOR INITIATIVES FOR THE FISCAL YEAR**

The activities of the Board and staff at the Authority are driven by our mission statement: To provide San Luis Obispo and Santa Barbara Counties with reliable, high quality supplemental water.

### State Water Project Contract Assignment

The original contract with the Department of Water Resources ("DWR") was executed between DWR and the Santa Barbara County Flood Control and Water Conservation District (the County) in 1963. However, there were no facilities to bring State water into Santa Barbara County until CCWA was formed to construct and operate the facilities for the delivery of State Water in 1991.

When CCWA was formed in 1991, it entered into an agreement with the County called the "Transfer of Financial Responsibility Agreement" ("TFRA") whereby CCWA agreed to be responsible for all costs of the State Water Project in Santa Barbara County. One of the provisions of the TFRA was that the



parties expressed the desire to have the State Water Contract fully assigned from the County to CCWA. However, CCWA did not have ability to levy a property tax in the event of payment default, a key form of payment security in the DWR contracts and bonds, until recent legislation was passed which allows JPAs to exercise the taxing authority of their member agencies. CCWA now has the ability to levy a property tax for State water costs in the event of a payment default to DWR and as such, is actively pursuing full assignment of the State Water contract from the County to CCWA. CCWA will continue to work with DWR and the County to obtain approval for the full assignment of the contract to CCWA.

#### Suspended Water Reacquisition

In the 1980's, Santa Barbara County requested that DWR set aside, or "suspend" 12,214 acre-feet of the County's 57,700 acre-feet of State Water allotment as it was determined the 12,214 acre-feet was in excess of the needs of the various Santa Barbara County water purveyors. DWR agreed to suspend this water and agreed that the County could reacquire the water at a future date, which has been extended a number of times.

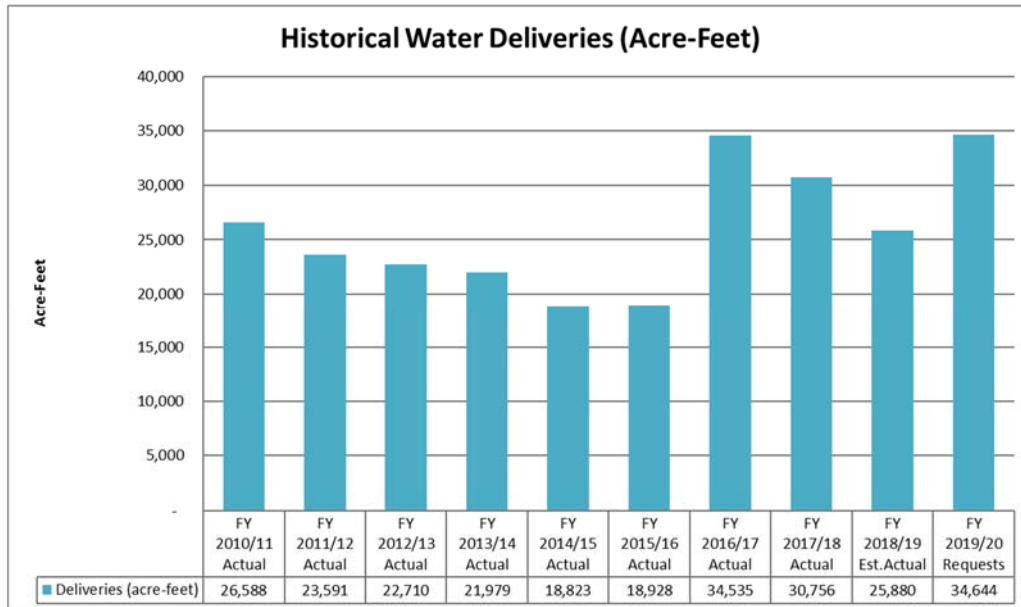
CCWA has requested, and DWR has agreed to allow CCWA, through the County, to reacquire the 12,214 acre-feet of suspended contract allotment. CCWA will continue to pursue this reacquisition in the coming year.

#### Lake Cachuma Bypass Piping Project

CCWA delivers State Water to the Santa Barbara County south coast water agencies including the City of Santa Barbara, Montecito Water District, Carpinteria Valley Water District and the Goleta Water District via pumping facilities into Lake Cachuma. Those agencies then pump their State Water out of Lake Cachuma for treatment and delivery to their customers. However, due to restrictions imposed on CCWA's ability to pump into Lake Cachuma from various fish and other regulatory agencies, CCWA has been precluded from making State Water deliveries into Lake Cachuma and is in the process of constructing bypass piping which will entail the installation of piping up and over the Lake Cachuma dam, thereby allowing State Water deliveries to commence for the benefit of the south coast agencies. It is anticipated the bypass piping project will be completed toward the end of calendar year 2019.

#### Water Deliveries

Total deliveries during FY 2018/19 by CCWA to the Santa Barbara and San Luis Obispo County project participants were 25,880 acre-feet compared to the actual FY 2017/18 deliveries of 30,756 acre-feet. The graph below shows water deliveries for the last ten fiscal years.



CCWA Supplemental Water Purchase Program

In response to the continued ongoing drought in California, the CCWA Board of Directors first authorized the development of a Supplemental Water Purchase Program (“SWPP”) in 2014. The SWPP allows those CCWA project participants to purchase additional water supplies to help meet their demand not being met with other water sources.

Since 2014, CCWA has acquired just over 32,700 acre-feet of water under the SWPP at a total cost of approximately \$13.8 million, or roughly \$422 per acre-foot.

**THE FUTURE**

Water Delivery Projections

For calendar years 2019 and 2020, Santa Barbara and San Luis Obispo County project participants have requested State water deliveries of 34,644 acre-feet for each year.

Department of Water Resources (“DWR”) Activities and Related Costs

During FY 2019/20, CCWA staff will continue to work through the State Water Contractor (“SWC”) board and committees that interact with the DWR which impact CCWA and the California water agencies as a whole. There are many significant issues on which DWR and the SWC are working which have water supply, operational, and fiscal impacts on CCWA. Some of these activities could potentially have a significant fiscal impact to CCWA in the current and future years. Therefore, staff will place a high priority on working through the various available venues to minimize the fiscal impacts to CCWA and ensure that we continue to meet our goal of providing reliable, high quality supplemental water.

The Authority received the DWR Statement of Charges (“SOC”) for calendar year 2019 in May 2018, and the calendar year 2020 SOC in May 2019. The Calendar year 2019 SOC reflected a large increase in the calendar year DWR Transportation Minimum OMP&R cost component. Transportation Minimum costs are fixed Operation & Maintenance (“O&M”) costs related to the O&M of the State Water Project

(“SWP”) facilities which do not vary with the quantity of water delivered to the 29 SWP Contractors. Historically, the Transportation Minimum cost component of DWR SOC has been the most volatile DWR charge for CCWA. The volatility is partly based on DWR’s SOC being based on estimates and then reconciling or preparing a “true-up” based on the actual costs incurred.

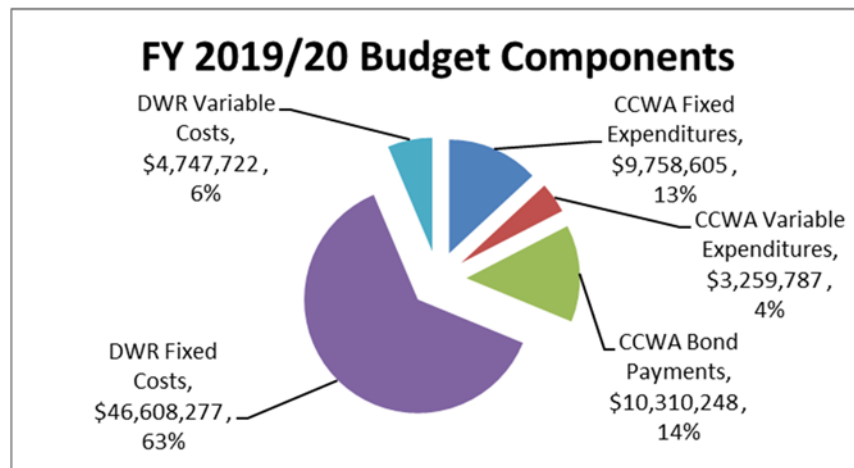
One financial reach which tends to create the most volatility from year-to-year is Reach 33A, due to work done by DWR on the facilities within that reach. Because Reach 33A is located on the coastal branch of the SWP and there are only two SWP Contractors within the coastal branch, the Counties of Santa Barbara (90%) and San Luis Obispo (10%), any changes (up or down) are allocated to only these two counties, further amplifying the variances.

In the calendar year 2018 SOC, DWR estimated the 2019 Transportation Minimum cost of \$7.8 million. In preparing the FY 2018/19 budget, CCWA added an additional \$2 million above the DWR estimate for a total of \$9.8 million. The actual SOC for the calendar year 2019 Transportation Minimum was \$24.3 million, a \$15.5 million increase over the amount used to prepare the FY 2018/19 budget, with one-half due by January 1, 2019, and one-half due by July 1, 2019. The actual SOC for the calendar year 2020 Transportation Minimum was \$15.2 million.

CCWA staff and State Water Contractors (“SWC”) accounting staff are both working with DWR to analyze the reason for the large swings in costs. Additionally, CCWA retained auditors, Ernst & Young to further examine the DWR accounting records to ensure costs that are being charged to CCWA are accurate.

Fiscal Year 2019/20 Budget Summary

The FY 2019/20 budget calls for total project participant payments of \$74.7 million compared to the FY 2018/19 budget of \$64.8 million, a \$9.9 million increase, which is discussed above in the fourth paragraph under DWR Activities and Related Costs. These amounts include \$0.4 million in CCWA credits for FY 2019/20 and \$0.9 million for FY 2018/19. The following graph shows the breakout of the various cost components in the CCWA FY 2019/20 Budget:



## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Coast Water Authority for its comprehensive annual financial report (“CAFR”) for the fiscal year ended June 30, 2018. This was the twenty-second consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one fiscal year. We believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

The authority also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document dated April 25, 2019. This was the twenty-third consecutive year the Authority has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the Authority’s budget document had to be judged proficient as a policy document, financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department. We wish to thank each member of both departments for their assistance in providing the data necessary to prepare this report. Credit is also due to Senior Management and the Board of Directors for leadership and support in maintaining the highest standards of professionalism in the management of Central Coast Water Authority’s finances.

I am pleased to present this report to the Board for formal adoption.

Respectfully submitted,



Ray A. Stokes  
Executive Director

# Introductory Section

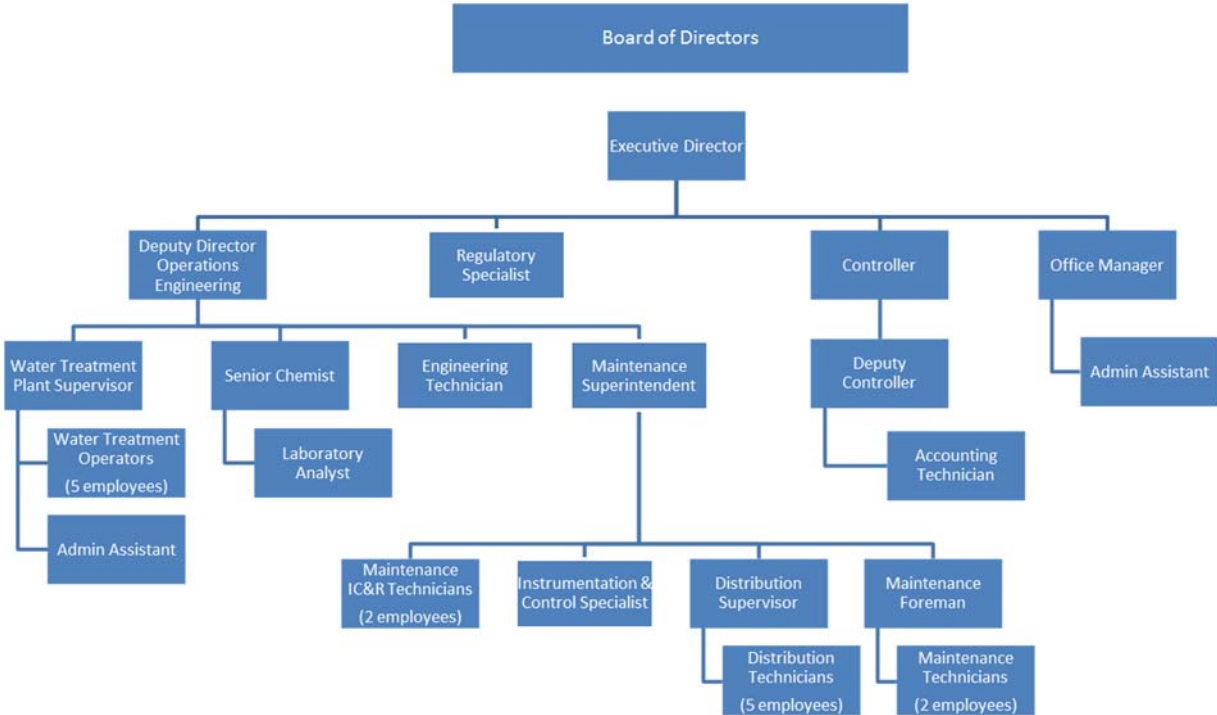
June 30, 2019

## Central Coast Water Authority Board of Directors

Eric Friedman, Chairman	City of Santa Barbara
Ed Andrisek	City of Buellton
Etta Waterfield	City of Santa Maria
Floyd Wicks	Montecito Water District
Harlan Burchardi	Santa Ynez River Water Conservation District, Improvement District #1
Farfalla Borah	Goleta Water District
Gina Rubalcaba	City of Guadalupe
Shirley Johnson	Carpinteria Valley Water District

## Authority Staff

Ray Stokes	Executive Director
John Brady	Deputy Director Operations /Engineering



# Project Map





Government Finance Officers Association

Certificate of  
Achievement  
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in Financial  
Reporting

Presented to

**Central Coast Water Authority**  
**California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# FINANCIAL SECTION







**Nasif, Hicks, Harris & Co., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

104 West Anapamu Street, Suite B | Santa Barbara, CA 93101  
Main: (805) 966-1521 | Fax: (805) 963-1780 | www.nhhco.com

William J. Nasif	Lawrence W. Brown
Steven J. Hicks, Retired	Sarah E. Turner
Jeffery P. Harris	Thomas A. Olson
Jody Dolan Holehouse	Joseph G. Bishop
Thomas W. Burk	Rachelle O. Barnier
Robert Swayne Lyons	Elena Mfund

December 9, 2019

### Independent Auditors' Report

To the Member Agencies of the Central Coast Water Authority

We have audited the accompanying statements of net position of the Central Coast Water Authority ("CCWA") as of June 30, 2019 and 2018, and the related statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise CCWA's basic financial statements, as listed in the foregoing table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the CCWA as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CCWA's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Nasif, Hicks, Harris & Co., LLP*

Nasif, Hicks, Harris & Co., LLP

# Management's Discussion and Analysis

**Fiscal Year Ended  
June 30, 2019**

This section presents management's analysis of the Authority's financial condition and activities for the fiscal year ended June 30, 2019. This information should be read in conjunction with the financial statements and the additional information that we have included in our letter of transmittal.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

## **Summary of Organization and Business**

The Central Coast Water Authority is a public entity duly organized and existing under a Joint Exercise of Powers Agreement – Central Coast Water Authority, dated as of August 1, 1991, by and among nine public agencies in Santa Barbara County, two of which have subsequently merged. The members entered into the Agreement to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses. In particular, the members expressed their desire to create the Authority to finance, develop, operate, and maintain the Authority facilities for their mutual benefit and to act on behalf of the members with respect to the Department of Water Resources (“DWR”) facilities. The Authority currently has a staff of twenty-eight full-time employees and three part-time employees.

The Authority is presently composed of eight members, all of which are public agencies: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water

# Management's Discussion and Analysis

District.) In addition, the Authority has an Associate Member, La Cumbre Mutual Water Company. Each member appoints a representative to the Authority's Board of Directors. San Luis Obispo County Flood Control and Water Conservation District ("SLOFCWCD" and/or San Luis Obispo Water Purchasers) has expressed an interest in joining the Authority. However, any decision to do so must be approved by the unanimous vote of the present members.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The following table shows the voting percentage for each member of the CCWA Board of Directors.

City of Guadalupe	1.15%
City of Santa Maria	43.19%
City of Buellton	2.21%
Santa Ynez R.W.C.D., Improvement District #1	7.64%
Goleta Water District	17.20%
City of Santa Barbara	11.47%
Montecito Water District	9.50%
Carpinteria Valley Water District	7.64%
TOTAL	100.00%

## CCWA Committees

There are currently three Central Coast Water Authority committees. They are the Finance, Operating, and Personnel Committees.

The Operating Committee is composed of the general managers, city administrators or water supply managers from each of the various water districts and cities served by the Authority. The Operating Committee typically meets quarterly to act on matters such as construction, operations, and financial issues and recommends actions to the Authority Board of Directors.

The Finance and Personnel Committees are composed of CCWA Board members appointed by the CCWA Board Chairman. The Committees review and recommend actions to the Authority Board of Directors with regard to finance and personnel related matters.

# Management's Discussion and Analysis

## Santa Barbara County Project Participants

Each Santa Barbara County project participant is a water purveyor or user located in Santa Barbara County which obtained contractual rights to receive water from the State Water Project prior to 1991. Those rights have been assigned to the Authority pursuant to the terms of the Water Supply Agreements.

## San Luis Obispo County Water Purchasers

Each San Luis Obispo County water purchaser is a water purveyor or user located in San Luis Obispo County which obtained contractual rights from SLOCFCWCD to receive water from the State Water Project.

## FINANCIAL HIGHLIGHTS

The following table shows a condensed version of the Authority's balance sheet with corresponding analysis regarding significant variances.

### Condensed Balance Sheet

	June 30, 2019	June 30, 2018	June 30, 2017	2019-18 Change	2018-17 Change
Current Assets	\$ 79,211,151	\$ 70,701,493	\$ 66,317,495	\$ 8,509,658	\$ 4,383,998
Non-Current Restricted Assets	12,689,543	10,930,215	10,432,165	1,759,328	498,050
Capital Assets	92,914,339	94,214,034	95,816,473	(1,299,695)	(1,602,439)
Other Assets	2,510,452	3,688,475	4,818,107	(1,178,023)	(1,129,632)
<b>Total Assets</b>	<b>\$ 187,325,485</b>	<b>\$ 179,534,217</b>	<b>\$ 177,384,240</b>	<b>\$ 7,791,268</b>	<b>\$ 2,149,977</b>
Revenue Bond Deferred Amount	\$ 513,833	\$ 944,761	\$ 1,489,720	\$ (430,928)	\$ (544,959)
Pension Plan Deferred Amount	1,256,477	1,532,296	1,338,314	(275,819)	193,982
OPEB Plan Deferred Amount	59,449	53,122	43,201	6,327	9,921
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,829,759</b>	<b>\$ 2,530,179</b>	<b>\$ 2,871,235</b>	<b>\$ (700,420)</b>	<b>\$ (341,056)</b>
Current Liabilities	\$ 86,149,904	\$ 77,563,390	\$ 72,117,045	\$ 8,586,514	\$ 5,446,345
Non-Current Liabilities	37,046,318	45,883,095	55,577,775	(8,836,777)	(9,694,680)
<b>Total Liabilities</b>	<b>123,196,222</b>	<b>123,446,485</b>	<b>127,694,820</b>	<b>(250,263)</b>	<b>(4,248,335)</b>
Revenue Bond Deferred Amount	\$ 267,207	\$ 491,308	\$ 776,829	\$ (224,101)	\$ (285,521)
Pension Plan Deferred Amount	146,732	139,586	178,146	7,146	(38,560)
OPEB Deferred Amount	7,770	9,280	-	(1,510)	9,280
<b>Total Deferred Inflows of Resources</b>	<b>421,709</b>	<b>640,174</b>	<b>954,975</b>	<b>(218,465)</b>	<b>(314,801)</b>
Net Investment in Capital Assets	\$ 66,554,791	\$ 60,312,509	\$ 55,164,579	\$ 6,242,282	\$ 5,147,930
Restricted - Total	10,418,498	10,411,593	9,978,731	6,905	432,862
Unrestricted	(11,435,976)	(12,746,365)	(13,537,630)	1,310,389	791,265
<b>Total Net Position</b>	<b>65,537,313</b>	<b>57,977,737</b>	<b>51,605,680</b>	<b>7,559,576</b>	<b>6,372,057</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 189,155,244</b>	<b>\$ 182,064,396</b>	<b>\$ 180,255,475</b>	<b>\$ 7,090,848</b>	<b>\$ 1,808,921</b>

# Management's Discussion and Analysis

## BALANCE SHEET ANALYSIS

### June 30, 2019 Comparison to June 30, 2018

- Total assets as of June 30, 2019 are \$187.3 million, or \$7.8 million more than the amount on June 30, 2018.
- Capital and other assets are \$2.5 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2016A revenue bond issuance costs.
- Non-current liabilities are \$8.8 million lower due to the revenue bond principal payment during the year.

### June 30, 2018 Comparison to June 30, 2017

- Total assets as of June 30, 2018 are \$179.5 million, or \$2.1 million more than the amount on June 30, 2017.
- Capital and other assets are \$2.7 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2016A revenue bond issuance costs.
- Non-current liabilities are \$9.7 million lower due to the revenue bond principal payment during the year.

The following table shows a condensed version of the Authority's Statement of Revenues, Expenses and Changes in Net Position with corresponding analysis regarding significant variances.

### Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2019	June 30, 2018	June 30, 2017	2019-18 Change	2018-17 Change
Operating Revenues	\$ 19,442,445	\$ 19,025,855	\$ 20,825,040	\$ 416,590	\$ (1,799,185)
Operating Expenses Excluding Depreciation and Amortization <sup>(1)</sup>	(9,144,370)	(9,529,429)	(10,177,940)	385,059	648,511
Depreciation and Amortization	(1,299,198)	(1,061,706)	(1,027,928)	(237,492)	(33,778)
<b>Operating Income</b>	<b>8,998,877</b>	<b>8,434,720</b>	<b>9,619,172</b>	<b>564,157</b>	<b>(1,184,452)</b>
Non-Operating Revenues	1,281,897	635,825	334,430	646,072	301,395
Non-Operating Expenses	(2,721,198)	(2,698,488)	(3,775,535)	(22,710)	1,077,047
<b>Change in Net Position</b>	<b>7,559,576</b>	<b>6,372,057</b>	<b>6,178,067</b>	<b>1,187,519</b>	<b>193,990</b>
Net Position at Beginning of Year	57,977,737	51,605,680	45,427,613	6,372,057	6,178,067
Net Position at End of Year	\$ 65,537,313	\$ 57,977,737	\$ 51,605,680	\$ 6,372,057	\$ 6,178,067

# Management's Discussion and Analysis

## June 30, 2019 Comparison to June 30, 2018

Operating revenues for the period ending June 30, 2018 are about \$0.4 million higher than the prior year amount. The increase is primarily attributed to an increase in the operating reimbursements from project participants for increases in operations and maintenance cost for the year.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments, or as deposits to the DWR Reserve Fund (See Note 1, item M for further information on the DWR Reserve Fund). For FY 2018/19, this credit totaled \$0.9 million for the fixed component of the O&M assessments, as compared to the FY 2017/18 credit of \$0.67 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about \$0.4 million lower than the prior year amount due to:

1. Decrease in personnel expenses of about \$0.16 million due to salary and benefit savings for unfilled positions during recruitment periods, and new hires entering at a lower pay rate than their predecessors.
2. Increase in unexpended operating reimbursements of \$0.2 million due to an increase in the budget surplus for FY 2018/19 which is payable back to the Authority's project participants.
3. Decrease in supplies, equipment and monitoring expenses of \$0.12 million for lower chemical costs associated with a decrease in water deliveries and therefore a decrease in chemical usage.
4. Decrease in utilities expenses of \$0.3 million for reduced electrical costs for pumping due to decrease in water deliveries.

Non-operating revenues are higher by about \$0.6 million due to the increase of interest income from higher interest rates and the increased balance in cash and investments held for payment to DWR.

Non-operating expenses are \$0.02 million higher due to an increase in interest income paid to CCWA project participants, which was offset by reduced interest expense of the Series 2016A bond.

# Management's Discussion and Analysis

## June 30, 2018 Comparison to June 30, 2017

Operating revenues for the period ending June 30, 2018 are about \$1.8 million lower than the prior year amount. The decrease is primarily attributed to a decrease in the operating reimbursements from project participants for decreases in operations and maintenance cost for the year.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments. For FY 2017/18, this credit totaled \$0.67 million for the fixed component of the O&M assessments, as compared to the FY 2016/17 credit of \$0.73 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about \$0.6 million lower than the prior year amount due to:

5. Decrease in personnel expenses of about \$0.05 million due primarily to the required recording of GASB 75 actuarial OPEB costs including a GASB 75 prior period actuarial adjustment increasing the prior year personnel expenses.
6. Decrease in unexpended operating reimbursements of \$0.06 million due to a decrease in the budget surplus for FY 2017/18 which is payable back to the Authority's project participants.
7. Increase in professional services of \$0.08 million for an increase in legal services.
8. Decrease in supplies, equipment and monitoring expenses of \$0.3 million for lower chemical costs associated with a decrease in water deliveries and therefore a decrease in chemical usage.
9. Decrease in other expenses of \$0.3 million for reductions seen in non-capital projects and appropriated contingency funds.

Non-operating revenues are higher by about \$0.3 million due to the increase of interest income.

Non-operating expenses are \$1.1 million lower due to reduced interest expense of the Series 2016A bond.

Also seen was a \$0.3 million increase in interest income paid to the CCWA project participants.



# Management's Discussion and Analysis

## Capital Assets

The following table provides a summary of the Authority's capital assets and changes from the prior year.

	June 30, 2019	June 30, 2018	June 30, 2017	2019-18 Change	2018-17 Change
Land	\$ 3,178,700	\$ 3,178,700	\$ 3,178,700	\$ -	\$ -
Furniture fixtures and equipment	595,393	491,748	434,462	103,645	57,286
Lab, transportation, plant and pipeline equipment	29,166,337	28,896,483	28,714,588	269,854	181,895
Buildings and structures	48,946,358	48,696,149	48,696,149	250,209	-
Underground pipeline	59,925,077	59,925,077	59,925,077	-	-
Construction in progress	785,149	834,306	464,918	(49,157)	369,388
Total property, plant and equipment	142,597,014	142,022,463	141,413,894	574,551	608,569
Accumulated depreciation	(49,682,675)	(47,808,429)	(45,597,421)	(1,874,246)	(2,211,008)
Net property, plant and equipment	\$ 92,914,339	\$ 94,214,034	\$ 95,816,472	\$ (1,299,695)	\$ (1,602,439)

Please refer to Note 3 on Capital Assets in the Notes to the Financial Statements for additional information regarding the Authority's capital assets.

# Management's Discussion and Analysis

## Debt Administration

On September 28, 2006, the Authority issued Series 2006A refunding revenue bonds in the amount of \$123,190,000, which refunded the outstanding \$142,985,000 Series 1996A revenue bonds. The 2006A revenue bonds were issued at a true interest cost of 4.24% for the purpose of reducing the Authority's total debt service payments over the next 15 years by \$4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million. At June 30, 2016, the Authority had \$59,645,000 of outstanding 2006A revenue bonds.

The Authority's 2006 revenue bond indenture and the Water Supply Agreements require that certain CCWA project participants and contractors maintain a ratio of net revenues to contract payments of at least 1.25. Additionally, the Authority has complied with the Securities and Exchange Commission Rule 15c12, which requires all local governments that bring municipal debt to market after July 3, 1995 to provide specified financial and operating information on an annual basis which mirrors the information provided in the 2006 revenue bond official statement.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued for the purpose of reducing the Authority's total debt service payments over the next 5 years by \$5.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.4 million. The Authority also realized the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016.

At June 30, 2019, the Authority had \$28,870,000 of outstanding 2016A revenue bonds.

Please refer to Note 5 in the Notes to the Financial Statements for additional information regarding the Authority's long-term debt.

# STATEMENT OF NET POSITION

	June 30, 2019	June 30, 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments (Note 2)	\$ 25,163,750	\$ 25,700,752
Interest receivable	114,578	48,018
Prepaid expenses	103,309	482,307
Inventory	<u>120,158</u>	<u>99,548</u>
<b>Total Unrestricted Current Assets</b>	<u>25,501,795</u>	<u>26,330,625</u>
Restricted Current Assets		
Cash and investments held for payment to DWR	<u>53,709,356</u>	<u>44,370,868</u>
<b>Total Current Assets</b>	<u>79,211,151</u>	<u>70,701,493</u>
<b>Non-Current Assets</b>		
Restricted Assets		
Cash and investments for debt service payments	10,418,498	10,411,593
Cash and investments for DWR Reserve (Note 1, Item M)	1,562,433	-
Cash and investments for escrow deposits	480,959	408,675
Interest receivable	<u>227,653</u>	<u>109,947</u>
<b>Total Restricted Non-Current Assets</b>	<u>12,689,543</u>	<u>10,930,215</u>
Capital Assets (Note 3)		
Capital assets, net of accumulated depreciation	89,735,639	91,035,334
Land, not depreciated	<u>3,178,700</u>	<u>3,178,700</u>
<b>Total Capital Assets</b>	<u>92,914,339</u>	<u>94,214,034</u>
Other Assets		
Unamortized bond insurance costs, net	30,333	55,772
Long-term accounts receivable	2,480,119	3,632,703
<b>Total Non-Current Assets</b>	<u>108,114,334</u>	<u>108,832,724</u>
<b>Total Assets</b>	<u>\$ 187,325,485</u>	<u>\$ 179,534,217</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	513,833	944,761
Deferred amount from pension plan (Note 6)	1,256,477	1,532,296
Deferred amount from OPEB (Note 7)	<u>59,449</u>	<u>53,122</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 1,829,759</u>	<u>\$ 2,530,179</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>189,155,244</u>	<u>182,064,396</u>

The notes to the financial statements are an integral part of these statements.

Continued

# STATEMENT OF NET POSITION

## LIABILITIES AND NET POSITION

	June 30, 2019	June 30, 2018
<b>Current Liabilities</b>		
Accounts payable	\$ 134,546	\$ 238,286
Deposits for payment to DWR	53,912,176	44,462,834
Accrued interest payable	360,876	469,876
Deposits for supplemental water purchases	-	1,803,949
Other liabilities	91,840	90,411
Compensated absences payable	208,967	222,039
Debt due within one year	9,160,000	8,720,000
Project participant deposits and unearned revenue	22,281,499	21,555,995
<b>Total Current Liabilities</b>	<u>86,149,904</u>	<u>77,563,390</u>
<b>Non-Current Liabilities</b>		
Bonds payable, net (Note 5)	21,168,793	31,552,251
OPEB liability (Note 7)	970,227	883,831
Rate coverage reserve fund (Note 1, Item L)	9,369,439	9,282,179
DWR reserve fund (Note 1, Item M)	1,562,433	-
Escrow deposits	480,959	408,675
Net pension liability (Note 6)	3,494,467	3,756,159
<b>Total Non-Current Liabilities</b>	<u>37,046,318</u>	<u>45,883,095</u>
<b>Total Liabilities</b>	<u>123,196,222</u>	<u>123,446,485</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on refunding	267,207	491,308
Deferred amount from pension plan (Note 6)	146,732	139,586
Deferred amount from OPEB (Note 7)	7,770	9,280
<b>Total Deferred Inflows of Resources</b>	<u>421,709</u>	<u>640,174</u>
<b>Net Position</b>		
Net investment in capital assets	66,554,791	60,312,509
Restricted - future payment of debt service	10,418,498	10,411,593
Unrestricted	(11,435,976)	(12,746,365)
<b>Total Net Position</b>	<u>65,537,313</u>	<u>57,977,737</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 189,155,244</u>	<u>\$ 182,064,396</u>

The notes to the financial statements are an integral part of these statements.

# STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	June 30, 2019	June 30, 2018
<b>Operating Revenues</b>		
Operating reimbursements		
from project participants	\$ 19,284,409	\$ 18,868,309
Other revenues	<u>158,036</u>	<u>157,546</u>
<b>Total Operating Revenues</b>	<u>19,442,445</u>	<u>19,025,855</u>
<b>Operating Expenses</b>		
Personnel expenses	4,839,488	5,005,522
Office expenses	18,517	17,966
General and administrative	213,275	229,679
Professional services	335,847	358,647
Supplies and equipment	1,027,130	1,152,515
Monitoring expenses	86,218	78,986
Repairs and maintenance	278,452	276,386
Utilities	887,696	1,194,942
Unexpended operating reimbursements (Note 1, Item I)	909,746	670,991
Depreciation and amortization	1,299,198	1,061,706
Other expenses	<u>548,001</u>	<u>543,795</u>
<b>Total Operating Expenses</b>	<u>10,443,568</u>	<u>10,591,135</u>
<b>Operating Income</b>	<u>8,998,877</u>	<u>8,434,720</u>
<b>Non-Operating Revenues</b>		
Interest income	<u>1,281,897</u>	<u>635,825</u>
<b>Total Non-Operating Revenues</b>	<u>1,281,897</u>	<u>635,825</u>
<b>Non-Operating Expenses</b>		
Interest expenses	1,552,500	1,978,000
Loss on disposal of capital assets	-	84,561
Interest income paid to project participants	<u>1,168,698</u>	<u>635,927</u>
<b>Total Non-Operating Expenses</b>	<u>2,721,198</u>	<u>2,698,488</u>
<b>Change in Net Position</b>	<u>7,559,576</u>	<u>6,372,057</u>
Net position, at beginning of year	57,977,737	51,605,680
Net position, at end of year	<u>\$ 65,537,313</u>	<u>\$ 57,977,737</u>

*The notes to the financial statements are an integral part of these statements.*

# STATEMENT OF CASH FLOWS

	<i>For the fiscal year ended</i>	
	<i>June 30, 2019</i>	<i>June 30, 2018</i>
<b><i>Cash Flows From Operating Activities</i></b>		
Cash received from project participants and other operating activities	\$ 21,727,402	\$ 19,800,629
Cash payments to employees	(3,175,026)	(3,116,408)
Cash payments to suppliers	<u>(5,295,407)</u>	<u>(5,955,190)</u>
Net cash provided by operating activities	<u>13,256,969</u>	<u>10,729,031</u>
<b><i>Cash Flows from Investing Activities</i></b>		
Interest and dividends on investments	<u>1,025,347</u>	<u>562,522</u>
Net cash provided by investing activities	<u>1,025,347</u>	<u>562,522</u>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>		
Acquisition of capital assets	(992,965)	(811,276)
Deposits received for encroachment permits	800	-
Payments on encroachment permit projects	(1,021)	(1,361)
Interest paid on long-term debt	(1,661,500)	(2,076,500)
Principal payments on long-term debt	<u>(8,720,000)</u>	<u>(7,880,000)</u>
Net cash (used) for capital and related financing activities	<u>(11,374,686)</u>	<u>(10,769,137)</u>
<b><i>Cash Flows from Non-Capital Financing Activities</i></b>		
Proceeds received for DWR and Warren Act charges	59,258,808	45,156,011
Payments of DWR and Warren Act charges	(49,980,508)	(42,951,100)
Proceeds received for supplemental water purchases	59,738	1,816,981
Payments for supplemental water purchases	<u>(1,802,560)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>7,535,478</u>	<u>4,021,892</u>
Net increase in cash and cash equivalents	10,443,108	4,544,308
Cash and cash equivalents, beginning of year	<u>80,891,888</u>	<u>76,347,580</u>
Unrestricted cash and investments	25,163,750	25,700,752
Restricted cash and investments other	480,959	408,675
Restricted cash and investments held for payment to DWR	53,709,356	44,370,868
Restricted cash and investments - DWR Reserve	1,562,433	-
Restricted cash and investments for debt service payments	<u>10,418,498</u>	<u>10,411,593</u>
Cash and cash equivalents, end of year	<u>\$ 91,334,996</u>	<u>\$ 80,891,888</u>
<b><i>Cash Flows From Operating Activities</i></b>		
Operating Income	\$ 8,998,877	\$ 8,434,720
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,299,198	1,061,706
Unexpended operating reimbursements payable to project participants	909,746	670,991
Operating revenues paid from credits and unearned revenue	2,066,492	459,973
Increase in other post-employment liability	86,396	78,143
Increase (decrease) in accounts payable	<u>(103,740)</u>	<u>23,498</u>
Net cash provided by operating activities	<u>\$ 13,256,969</u>	<u>\$ 10,729,031</u>

The notes to the financial statements are an integral part of these statements.

# STATEMENT OF CASH FLOWS

## Supplemental Disclosures of Cash Flow Information

For the fiscal year ended  
June 30, 2019      June 30, 2018

### Schedule of Non-Cash Capital and Related Financing Activities

The Authority completed the construction of certain assets and transferred them from construction in progress to property, plant and equipment.

<u>\$ 1,039,853</u>	<u>\$ 441,368</u>
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The Authority disposed of certain property, plant and equipment which were determined to no longer be usable. The aggregate original purchase cost of the assets disposed.

<u>\$ 416,145</u>	<u>\$ 202,187</u>
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Difference between cost and fair value of investments held by the Authority at the end of the fiscal year.

<u>\$ (164,490)</u>	<u>\$ 46,417</u>
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*The notes to the financial statements are an integral part of these statements.*

# Notes to Financial Statements

## Note 1: Summary of Significant Accounting Policies

The accounting policies of the Central Coast Water Authority ("Authority") conform to Generally Accepted Accounting Principles ("GAAP"). The following summary of the Authority's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

### A. Reporting Entity

The primary purpose of the Central Coast Water Authority is to provide for the development, financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the State Water Project ("SWP") to certain water purveyors and users in Santa Barbara County.

The Central Coast Water Authority was created by its members in August 1991. The Authority is presently composed of eight members, all of which are public agencies, as follows: the cities of Buellton, Guadalupe, Santa Barbara, and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and the Santa Ynez River Water Conservation District, Improvement District No. 1 (SYRWCD, ID#1, in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water District.) In addition, the Authority has one associate member, the La Cumbre Mutual Water Company (together with the members, the "Purveyor Participants"). Each of the Purveyor Participants has entered into a Water Supply Agreement with the Authority, as have non-members: Vandenberg Air Force Base ("Vandenberg AFB"), Raytheon Systems Company (formerly Santa Barbara Research Center), Morehart Land Company and Golden State Water Company (the "Consumer Participants").

The Authority Participants are located in three different geographic areas of Santa Barbara County: North County (Guadalupe, Santa Maria, Golden State Water Company and Vandenberg AFB); the Santa Ynez Valley (Buellton and SYRWCD, ID#1); and the South Coast (Carpinteria, Goleta, La Cumbre Mutual Water Company, Montecito, Morehart Land Company, Santa Barbara and Raytheon Systems Company, formerly Santa Barbara Research Center).

Historically, the North County has been an agricultural area but has seen significant urban development in the last

twenty-six years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future.

In October 1992, the Central Coast Water Authority entered into an agreement with San Luis Obispo ("SLO") County to treat water delivered through the SWP. The entities covered by the agreement include: Avila Beach Community Services District, Avila Valley Mutual Water Company, California Men's Colony, City of Morro Bay, City of Pismo Beach, County of San Luis Obispo Community Services Area #16, Irrigation District #1, Cuesta College, Oceano Community Services District, San Luis Obispo County Operations Center, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

### Facilities Constructed by the Authority

The facilities constructed by the Authority include a water treatment plant located at Polonio Pass in northern San Luis Obispo County and two pipeline extensions: (1) the Mission Hills Extension, a buried pipeline approximately eleven miles long running from the terminus of the Coastal Branch (Phase II) southerly to the vicinity of the Lompoc Valley, and (2) the Santa Ynez Extension, a buried pipeline approximately thirty-two miles long running from the terminus of the Mission Hills Extension easterly through the Santa Ynez Valley, to a terminus at Cachuma Lake and includes one pumping plant near Santa Ynez and one storage tank. Water transported to Lake Cachuma is transported through the existing Tecolote Tunnel, which traverses the Santa Ynez Mountains, to the South Coast of Santa Barbara County.

The water treatment plant receives raw water from the SWP and delivers treated water to purveyors and users located in San Luis Obispo and Santa Barbara Counties.

### Contractual Relationships

The State of California Department of Water Resources ("DWR") entered into contracts (the "State Water Supply Contracts") with San Luis Obispo and Santa Barbara Counties in 1963 pursuant to which the counties received Table A amounts of water from the SWP. San Luis Obispo County's Table A amount was 25,000 acre-feet per year and Santa Barbara County's Table A amount was 57,700 acre-feet per year. In 1981, Santa Barbara County amended its contract to reduce its Table A amount to 45,486 acre-feet per year.



# Notes to Financial Statements

In 1983, Santa Barbara County entered into a series of Water Supply Retention Agreements ("WSRAs") with local water purveyors and users within Santa Barbara County. These WSRAs initially granted the purveyors and users an option to obtain an assignment of Santa Barbara County's State Water Supply Contract rights and, as of July 1, 1989, actually granted the full assignment of those rights. Thereafter, certain of the local water purveyors and users holding the WSRA rights transferred those rights to the Authority, a newly formed Joint Powers Authority, in consideration for Water Supply Agreements dated August 1, 1991, which provide for the delivery of SWP water by the Authority and the payment of required costs by the transferors. The Authority's obligation to make such payments to DWR from the payments it receives pursuant to the Water Supply Agreements is senior to its obligation to make payments with respect to the Bonds. These transfers have been consented to by DWR and were validated by an agreement between Santa Barbara County and the Authority on November 12, 1991 (the "Transfer of Financial Responsibility Agreement").

## The Water Supply Agreements

Each Project Participant has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the Project. The purpose of the Water Supply Agreements is to assist in carrying out the purposes of the Authority with respect to the Project by: (1) requiring the Authority to sell, and the Project Participants to buy, a specified amount of water from the project, and (2) assigning the Project Participants' Table A amount rights in the Project to the Authority.

In accordance with the provisions of each Water Supply Agreement, the Authority fixes charges for each Project Participant to produce revenues from the Project equal to the amounts anticipated to be needed by the Authority to meet the costs of the Authority to deliver to each Project Participant its pro rata share of water from the Project as set forth in each Water Supply Agreement. Each Project Participant is required to pay to the Authority an amount equal to its share of the total Fixed Project Costs and certain other costs in the proportion established in accordance with the applicable Water Supply Agreement, including the Santa Barbara Project Participant's share of payments to DWR under the State Water Supply Contract, as amended (including capital, operation, maintenance, power and replacement costs of the DWR Facilities), debt service on the Bonds and all Authority operating and administrative costs. Such obligation is to be honored by each Project Participant whether or not water is furnished to it from the

Project at all times or not at all and whether or not the Project is completed, operable, operated or retired. Such payments are not subject to any reduction and are not conditioned upon performance by the Authority or any other Project Participant under any agreement.

The Water Supply Agreements set forth detailed provisions concerning the time and method of payment by each Contractor of certain costs, including Fixed Project Costs and other operation and maintenance costs, as well as the method of allocation of such costs and expenses and the remedies available to the Authority in the event a project participant defaults in its payments to the Authority.

## B. Basis of Accounting

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheets. Where appropriate, net total position (i.e., fund equity) is segregated into net position invested in capital assets, net of related debt and unrestricted net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

This report has been prepared in conformance with Generally Accepted Accounting Principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"). Additionally, the Authority applies all Financial Accounting Standards Board ("FASB") statements and interpretations, Accounting Principles Board ("APB") opinions, and Accounting Research Bulletins ("ARB's") issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

# Notes to Financial Statements

## C. Investments

The Authority has developed an investment policy that exceeds the minimum requirements established by the State of California. The Authority believes that it has adhered to established policies for all investment activities. As of June 30, 2019, the investment portfolio has a weighted average maturity of 132.75 days and a yield to maturity of 2.383%.

The Authority reports investments with a maturity greater than one year at the time of purchase at fair value. As of June 30, 2019 all investments are reported at amortized cost.

## D. Capital Assets

Capital assets, consisting of property, plant and equipment purchased or constructed by the Authority which meet or exceed the Authority's capitalization threshold of \$10,000 and an estimated useful life of five years or more, are stated at cost. Depreciation has been computed over the estimated useful life of each asset using the straight-line method. Interest costs have been capitalized based on the average outstanding capital expenditures. In addition, certain technical and engineering related studies associated with the Project have also been capitalized and included in the basis of the assets. The ranges of depreciation rates are:

Furniture fixtures and equipment	5-10 years
Equipment	10-50 years
Buildings and structures	30-50 years
Underground pipeline	75 years

## E. Inventories

Certain chemical purchases for use at the water treatment plant have been recorded to an inventory account to be expensed in proportion to the amount of water treated at the water treatment plant on a monthly basis.

## F. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a

future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. See Note 4 for a detailed listing of the deferred outflows and inflows of resources the Authority has recognized.

## G. Deposits

Deposits include cash receipts from project participants for amounts payable to the Department of Water Resources ("DWR") and Warren Act Charges payable to the U.S. Bureau of Reclamation and the Cachuma Operations and Maintenance Board ("COMB").

## H. Operating Reimbursements from Project Participants

Operating reimbursements from project participants include amounts paid for Authority operating expenses and debt service payments. Debt service operating assessment receipts for both principal and interest are recorded as operating revenues.

## I. Unexpended Operating Assessments

Prior to fiscal year 2015/16, it was the Authority's policy to return unexpended fixed and variable operating assessments and interest income to the project participants after the close of each fiscal year. Beginning fiscal year 2015/16 the Authority revised this policy with respect only to the variable operating assessment component. A quarterly true-up process of variable operating costs was implemented to help avoid over and under collections due to changes in water deliveries. For fiscal year 2018/19, the unexpended fixed operating assessments and the investment income earned on the Authority's unrestricted cash balances are recorded as unearned revenue and returned to the project participants as credits. Beginning fiscal year 2018/19, credits for Participants electing to participate in the newly established and voluntary DWR Reserve Fund were transferred to their DWR Reserve Fund balances. Credits for Participants not electing to participate in the DWR Reserve Fund will be applied to their following year's operating assessments. See Note 1, item M for further information on the DWR Reserve Fund.

## J. Operating and Non-Operating Revenues and Expenses

Project participant assessment payments for operations and maintenance expenses, revenue bond debt service payments and miscellaneous revenues are considered operating revenues. Interest income and gains on sale of capital assets and investments are considered non-operating revenues.

# Notes to Financial Statements

Operations and maintenance expenses and depreciation and amortization expenses are considered operating expenses. Revenue bond interest expenses and other extraordinary expenses are considered non-operating expenses.

## K. Long-Term Accounts Receivable

Certain project participants requested that the Authority finance local facilities and other costs associated with the State water project owned and operated by the individual project participants. These costs are recorded as a long-term receivable on the Authority's statement of net position, and repaid by the project participants in the form of revenue bond debt service payments to the Authority.

## L. Rate Coverage Reserve Fund

In December 1997, the Authority adopted the rate coverage reserve fund policy to provide a mechanism to allow the Authority's project participants to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments as defined in the Water Supply Agreement.

Under the rate coverage reserve fund policy, a project participant may deposit with the Authority up to twenty five percent (25%) of its State water contract payments in a given year. Amounts on deposit in the rate coverage reserve fund are used to satisfy a portion of the rate coverage obligation found in the Water Supply Agreement.

The following table shows a summary of project participant deposits in the rate coverage reserve fund as of June 30, 2019.

Project Participant	June 30, 2019
City of Buellton	\$ 278,320
Carpinteria Valley Water District	849,807
City of Guadalupe	193,404
La Cumbre Mutual Water Company	405,364
Montecito Water District	1,476,619
City of Santa Maria	5,064,215
Shandon (SLO County)	15,398
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	619,570
Santa Ynez WCD, ID #1	466,743
Total	<u>\$9,369,440</u>

## M. Department of Water Resources (DWR) Reserve Fund

In March 2019, the Authority adopted the DWR reserve fund policy to provide a mechanism to provide the Authority's project participants with a funding source for payments to the State of California Department of Water Resources ("DWR") when there is a difference between estimates used to prepare the DWR portion of the annual CCWA budget and the actual amounts billed to the Authority by DWR.

Contributions to the DWR Reserve Fund are voluntary with Project Participants electing to participate in the reserve fund notifying the Authority. Funding of each participating Project Participant's share of the DWR Reserve Fund will come from a combination of (1) CCWA Operating Expense budget surpluses, if any (2) Interest earnings on funds held in all other accounts on behalf of the participating Project Participant and (3) excess amounts, if any, from any of the DWR Statement of Charges cost components.

The following table shows a summary of project participant deposits in the DWR reserve fund as of June 30, 2019.

Project Participant	June 30, 2019
City of Buellton	\$ 44,953
City of Guadalupe	23,887
La Cumbre Mutual Water Company	68,434
Morehart Land Company	18,772
City of Santa Barbara	182,580
Raytheon	4,889
City of Santa Maria	930,077
Golden State Water Company	37,122
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	123,249
Santa Ynez WCD, ID #1	128,469
Total	<u>\$1,562,432</u>

## N. Self-Funded Dental/Vision Insurance Plan

The Authority maintains a self-insured plan for dental and vision coverage offered to employees. Under the provisions of the plan, each full-time employee was provided \$3,345 this fiscal year to pay dental and vision expenses for the employee and their qualified dependents.

The following table shows a summary of the claims liability and claims paid for the plan years ended June 30, 2019 and 2018.

	2019	2018
Maximum claims liability	104,726	\$ 97,005
Actual claims paid	(63,476)	(61,323)

# Notes to Financial Statements

## O. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results will differ from those estimates.

## P. New and Future Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and parallels the pension standards issued in 2012 – GASB Statement No. 68. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The provisions of this Standard require the Authority to report a liability for the proportionate share of the net OPEB obligation.

In March 2016, the GASB issued Statement No. 82, Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017 to address issues identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

In March 2018, the GASB issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”. This Statement addresses

improvement of the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Further information regarding acceleration terms of the Authority’s bond agreement can be found in Note 5. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Future GASB Pronouncements:

Statement No. 87, “Leases.” The requirements of this Statement may affect the Authority’s financial statements beginning in fiscal year 2020/2021.

## Q. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office, and are in accordance with the implementation of GASB Statement No. 68. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

## R. Other Post Employment Benefit (“OPEB”) Liability

In measuring the net OPEB liability, deferred outflows and inflows of resources related to the OPEB benefit and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been prepared in accordance with GASB Statement No. 75. The valuation for the fiscal years 2017/18 and 2018/19 was actuarially prepared and was based on the Authorities Plan provisions, participant data and asset information provided by the Authority. As permitted under GASB 75, the total OPEB liability has been calculated using the June 30, 2017 actuarial valuation.

# Notes to Financial Statements

## Note 2: Cash and Investments

### A. Pooling

The Authority follows the practice of pooling cash and investments for all funds under its direct daily control. Funds held by outside fiscal agents under provisions of the bond indenture are maintained separately. Interest income from cash and investments with fiscal agents is credited directly to the related accounts. The Authority considers all pooled cash and investments to be cash equivalents.

### B. Demand Deposits

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, \$250,000 is insured by Federal depository insurance.

The California Government Code requires California banks and savings and loan associations to secure the Authority's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total deposits.

As of June 30, 2019, the reported amount of the Authority's demand deposits was \$492,273 and the bank balance was \$575,826. The difference of \$83,553 was principally due to checks which had not yet cleared the bank.

As of June 30, 2018, the reported amount of the Authority's demand deposits was \$260,541 and the bank balance was \$415,651. The difference of \$155,110 was principally due to checks which had not yet cleared the bank.

### C. Cash and Investments

The Authority is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments: securities issued or guaranteed by the Federal Government or its agencies, commercial paper, money market funds, and the State Treasurer's Local Agency Investment Funds ("LAIF").

All of the Authority's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the Authority's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes equal to 150% of the Authority's deposits. The Authority may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC").

The fair value of pooled investments is determined annually and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. LAIF invests in Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.

At June 30, 2019, the carrying value of the Authority's position in LAIF was \$64,829,784 and the fair value was \$64,940,759, with an overall average maturity of 173 days.

At June 30, 2018, the carrying value of the Authority's position in LAIF was \$39,700,846 and the fair value was \$39,626,481 with an overall average maturity of 193 days.

The par value of U.S. Treasury Notes held by the Authority as of June 30, 2019 was \$10,000,000. The net unamortized discounts and premiums associated with these notes of (\$22,307) resulted in a carrying value of \$9,977,694 of the bonds. These notes had a fair value of \$9,986,562 as of June 30, 2019. Fair value in this instance is the value at which the notes held were actively trading on open markets at the date of the financial statements.

The par value of U.S. Treasury Notes held by the Authority as of June 30, 2018 was \$33,000,000. The net unamortized discounts and premiums associated with these bonds of (\$216,195) resulted in a carrying value of \$32,783,805 of the bonds. These bonds had a fair value of \$32,811,753 as of June 30, 2018. Fair value in this instance is the value at which the notes held were actively trading on open markets at the date of the financial statements.

## *Credit Risk and Concentration of Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The policy sets specific parameters by type of investment for credit quality, maturity length, and maximum percentage investment.

## *Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

## *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Treasurer mitigates this risk by investing in shorter-term investments that are not subject to significant adjustments due to interest rate fluctuations.

# Notes to Financial Statements

## Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Capital Assets, Not Depreciated				
Land	\$ 3,178,700	\$ -	\$ -	\$ 3,178,700
Construction-in-process	834,306	992,965	(1,042,123)	785,149
Total Capital Assets, Not Depreciated	<u>4,013,006</u>	<u>992,965</u>	<u>(1,042,123)</u>	<u>3,963,849</u>
Depreciable Assets:				
Furniture fixtures and equipment	491,748	103,645	-	595,393
Lab equipment	267,902	-	-	267,902
Transportation equipment	719,682	66,112	-	785,795
Plant equipment	16,420,038	560,068	(416,145)	16,563,961
Pipeline equipment	11,488,862	59,817	-	11,548,680
Buildings and structures	48,696,149	250,210	-	48,946,358
Underground pipeline	59,925,077	-	-	59,925,077
Total Depreciable Assets	<u>138,009,457</u>	<u>1,039,853</u>	<u>(416,145)</u>	<u>138,633,165</u>
Accumulated Depreciation:				
Furniture fixtures and equipment	(429,202)	(18,122)	-	(447,324)
Lab equipment	(251,024)	(3,320)	-	(254,345)
Transportation equipment	(629,206)	(64,488)	-	(693,694)
Plant equipment	(7,739,052)	(329,853)	416,145	(7,652,761)
Pipeline equipment	(7,412,650)	(353,700)	-	(7,766,350)
Buildings and structures	(14,730,022)	(716,840)	-	(15,446,861)
Underground pipeline	(16,617,274)	(804,067)	-	(17,421,341)
Total Accumulated Depreciation	<u>(47,808,429)</u>	<u>(2,290,391)</u>	<u>416,145</u>	<u>(49,682,675)</u>
Total Depreciable Capital Assets, net	<u>90,201,028</u>	<u>(1,250,539)</u>	<u>-</u>	<u>88,950,490</u>
Total Capital Assets, net	<u>\$ 94,214,034</u>	<u>\$ (257,574)</u>	<u>\$ (1,042,123)</u>	<u>\$ 92,914,339</u>

# Notes to Financial Statements

Capital asset activity for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2018
Capital Assets, Not Depreciated				
Land	\$ 3,178,700	\$ -	\$ -	\$ 3,178,700
Construction-in-process	464,918	811,276	(441,888)	834,306
Total Capital Assets, Not Depreciated	<u>3,643,618</u>	<u>811,276</u>	<u>(441,888)</u>	<u>4,013,006</u>
Depreciable Assets:				
Furniture fixtures and equipment	434,462	57,285	-	491,748
Lab equipment	267,902	-	-	267,902
Transportation equipment	679,028	40,654	-	719,682
Plant equipment	16,349,022	133,139	(62,123)	16,420,038
Pipeline equipment	11,418,636	118,126	(47,900)	11,488,862
Buildings and structures	48,696,149	92,163	(92,163)	48,696,149
Underground pipeline	59,925,077	-	-	59,925,077
Total Depreciable Assets	<u>137,770,276</u>	<u>441,368</u>	<u>(202,186)</u>	<u>138,009,457</u>
Accumulated Depreciation:				
Furniture fixtures and equipment	(401,122)	(28,080)	-	(429,202)
Lab equipment	(247,704)	(3,320)	-	(251,024)
Transportation equipment	(539,525)	(89,681)	-	(629,206)
Plant equipment	(7,453,568)	(343,979)	58,495	(7,739,052)
Pipeline equipment	(7,099,157)	(346,818)	33,325	(7,412,650)
Buildings and structures	(14,043,139)	(712,688)	25,806	(14,730,022)
Underground pipeline	(15,813,207)	(804,067)	-	(16,617,274)
Total Accumulated Depreciation	<u>(45,597,421)</u>	<u>(2,328,634)</u>	<u>117,626</u>	<u>(47,808,429)</u>
Total Depreciable Capital Assets, net	<u>92,172,855</u>	<u>(1,887,267)</u>	<u>(84,560)</u>	<u>90,201,028</u>
Total Capital Assets, net	<u>\$ 95,816,473</u>	<u>\$ (1,075,990)</u>	<u>\$ (526,448)</u>	<u>\$ 94,214,034</u>



# Notes to Financial Statements

## Note 4: Deferred Outflows of Resources and Deferred Inflows of Resources

Beginning in fiscal year 2014/2015, the Authority reported deferred outflows and inflows of resources in connection with its issue of revenue bonds in 2006 & 2016 and pension-related adjustments in accordance with GASB 68, and in fiscal year 2017/2018 began reporting OPEB related adjustments in accordance with GASB 75.

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2019.

	<u>Deferred Outflows of Resources</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	\$ 13,195,235
Accumulated Amortization	<u>(12,681,402)</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	\$ 513,833
Pension-related adjustments	1,256,477
OPEB-related adjustments	<u>59,449</u>
Total Deferred Outflows of Resources, Net	<u>\$ 1,829,759</u>

	<u>Deferred Inflows of Resources</u>
Deferred amount on refunding	\$ 267,207
Pension-related adjustments	146,732
OPEB-related adjustments	<u>7,770</u>
Total Deferred inflows of Resources	<u>\$ 421,709</u>

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2018.

	<u>Deferred Outflows of Resources</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	\$ 13,195,235
Accumulated Amortization	<u>(12,250,474)</u>
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	\$ 944,761
Pension-related adjustments	1,532,296
OPEB-related adjustments	<u>53,122</u>
Total Deferred Outflows of Resources, Net	<u>\$ 2,530,179</u>

	<u>Deferred Inflows of Resources</u>
Deferred amount on refunding	\$ 491,308
Pension-related adjustments	139,586
OPEB-related adjustments	<u>9,280</u>
Total Deferred inflows of Resources	<u>\$ 640,174</u>

# Notes to Financial Statements

## Note 5: Long-Term Debt

On September 28, 2006, the Authority issued \$123,190,000 in revenue bonds with an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an Average interest rate of 5.47%.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$8.25 million. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2022 in proportion to the bond interest expense incurred for each fiscal year. The Authority completed the refunding to reduce its total debt service payments over the next 15 years by \$4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million.

The 1996 Revenue Bonds were issued to advance refund the 1992 Revenue Bonds. The 1992 Revenue Bonds were issued by the Authority for the benefit of its participants to finance a portion of the costs of developing a pipeline and water treatment plant, to reimburse certain project participants for costs incurred in connection with the State Water Project, and to finance certain other facilities. Each of the participants in the financing held elections authorizing issuance of revenue bonds for the construction of the State Water Project. In order to reduce issuance costs and insure the proceeds are available on a timely basis, the Authority issued the bonds for all participants requiring financing.

The City of Santa Maria, Golden State Water Company, Vandenberg AFB, Avila Valley Mutual Water Company, San Luis Coastal Unified School District, and San Miguelito Mutual Water Company contributed cash for their proportionate share of capital costs. Such net contributions totaling \$22,562,433 at June 30, 2016 and June 30, 2015 have been accounted for as contributed capital. Under the Water Supply Agreements, each Project Participants is obligated to make payments to the Authority, with the payments pledged to secure the payment of the principal and interest of the bonds. The 2006 bonds are backed by a municipal bond insurance policy issued by Financial Security Assurance.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of \$45,470,000, which refunded the outstanding \$59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued for the purpose of reducing the Authority's total debt service payments over the subsequent 5 years by \$5.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5.4 million. The Authority also

realized the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016. Aggregate savings between the 2006A and 2016A Bond debt service at the time of the refunding is shown below:

Fiscal Year	Refunding Revenue Bond Savings		Refunding Savings (Costs)
	2016A Series Revenue Bond Principal and Interest Due	2006A Series Revenue Bond	
2017 <sup>(1)</sup>	1,578,819	1,224,175	(354,644)
2018	9,956,500	11,528,050	1,571,550
2019	10,381,500	11,476,750	1,095,250
2020	10,374,500	11,467,625	1,093,125
2021	10,360,125	11,453,750	1,093,625
2022	10,347,375	11,439,000	1,091,625
Total	52,998,819	58,589,350	5,590,531

(1) Fiscal Year 2017 only reflects the increase cost of interest due to the timing of refunding.

The annual requirements to pay all debt outstanding, as of June 30, 2019, are as follows:

Fiscal Year	Interest	Principal	Total
2020	1,214,500	9,160,000	10,374,500
2021	745,125	9,615,000	10,360,125
2022	252,375	10,095,000	10,347,375
	\$ 2,212,000	\$ 28,870,000	\$ 31,082,000

The 2016A bond outstanding bears interest of 5.00%, with a true interest cost of 1.355%.

In the unlikely event that the Authority defaults on its obligations under the Series 2016A refunding revenue bonds, acceleration protocols exist under the terms of the refunding revenue bond agreement that may accelerate the due date of the entire amount payable for the bonds. Therefore, were a default of payment to occur the debt that is currently classified as non-current may be required to be re-classified as a current obligation.

Project Participants are classified as either "Northern Santa Barbara Project Participants" or "Southern Santa Barbara Project Participants" based on their location. In the event that a project participant defaults on their share of the Series 2016A refunding revenue bonds, the share of other participants in their same classification may be increased to cover those participant(s) that have defaulted, provided that such increases for any non-defaulting participant shall not exceed, without its written consent, an accumulated maximum of 25% of its Fixed and Variable Costs for such Year. In the water supply agreement this is referred to as the "Step-up Provision". In the history of the Authority there has never been a situation where implementing the Step-Up Provision was necessary.

# Notes to Financial Statements

The long-term liability activity for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Revenue Bonds:				
Series 2016A Revenue Bonds	\$ 37,590,000	\$ -	\$ (8,720,000)	\$ 28,870,000
Premium on Issuance of 2016 Series A	2,682,251	-	(1,223,459)	1,458,793
Total	40,272,251	-	(9,943,459)	30,328,793
Less: Current Portion	(8,720,000)	-	(440,000)	(9,160,000)
Total Bonds Payable, net	31,552,251	-	(10,383,459)	21,168,793
OPEB Liability	883,831	179,349	(92,953)	970,227
Rate Coverage Reserve Fund	9,282,179	87,260	-	9,369,439
DWR Reserve Fund	-	-	1,562,433	1,562,433
Escrow Deposits	408,675	80,755	(8,472)	480,959
Net Pension Liability	3,756,159	(261,692)	-	3,494,467
Total Non-Current Liabilities	<u>\$ 45,883,096</u>	<u>\$ 85,672</u>	<u>\$ (8,922,450)</u>	<u>\$ 37,046,318</u>

The long-term liability activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Revenue Bonds:				
Series 2016A Revenue Bonds	\$ 45,470,000	\$ -	\$ (7,880,000)	\$ 37,590,000
Premium on issuance of 2016 Series A	4,241,029	-	(1,558,778)	2,682,251
Total	49,711,029	-	(9,438,778)	40,272,251
Less: Current Portion	(7,880,000)	-	(840,000)	(8,720,000)
Total Bonds Payable, net	41,831,029	-	(10,278,778)	31,552,251
OPEB Liability	805,688	264,376	(186,233)	883,831
Rate Coverage Reserve Fund	9,215,803	66,376	-	9,282,179
Escrow Deposits	406,931	3,957	(2,213)	408,675
Net Pension Liability	3,318,324	437,835	-	3,756,159
Total Non-Current Liabilities	<u>\$ 55,577,775</u>	<u>\$ 772,543</u>	<u>\$ (10,467,224)</u>	<u>\$ 45,883,095</u>

# Notes to Financial Statements

## Note 6: Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

### A. General Information about the Pension Plans

**Plan Description** - All qualified employees and probationary employees are required to participate in the Authority's cost-sharing multiple-employer defined benefit pension plan ("Plan") administered by the California Public Employees' Retirement System ("CalPERS"). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pools. Accordingly, rate plans are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The Authority currently sponsors one miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and the Authority's resolution. Requests for detailed plan provisions and copies of CalPERS' annual financial report can be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA, 94229-2703 or <http://www.calpers.ca.gov>.

**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, equal to one year of full time employment. Classic and PEPRA members with five years of total service are eligible to retire at age 50 or 52 respectively with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Authority Plan	
	Classic Member*	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	17.582%	7.266%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Authority's required contribution for the unfunded liability was \$216,535 in fiscal year 2018/19. The Authority's required contribution for the unfunded liability was \$192,554 in fiscal year 2017/18.

\*A Classic PERS member is an employee who qualifies under one of the following categories: An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired on or after January 1, 2013, yet is eligible for reciprocity with another public retirement system. An employee who is brought back by the same CalPERS employer, regardless of the length of break in service.

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law ("PERL") 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 the 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 any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

# Notes to Financial Statements

Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The Authority's contributions to the Plan for the year ended June 30, 2019 were \$606,354.

The Authority's contributions to the Plan for the year ended June 30, 2018 were \$569,625.

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

As of June 30, 2019, the Authority reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)	
	Fiscal Year Ending	
	June 30, 2019	June 30, 2018
Total	\$ 3,494,467	\$ 3,756,159

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

### Proportionate Share of Net Pension Liability

	Percentage Share of Plan		Change: Increase (Decrease)
	6/30/2019	6/30/2018	
Measurement Date	6/30/2018	6/30/2017	
Percentage of Plan (PERF C) NPL	0.03626%	0.03787%	(0.00161%)

### Pension Expense for Fiscal Year

Total pension expense for fiscal year	2018/19
	\$ 627,627

For the year ending June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 134,077	\$ (45,626)
Changes of assumptions	398,380	(97,635)
Net differences between projected and actual earnings on plan investments	17,276	-
Change in employer's proportion	37,435	(603)
Differences between the employer's contributions and the employer's proportionate share of contributions	62,955	(2,868)
Pension contributions subsequent to measurement date	606,354	-
Total	\$ 1,256,477	\$ (146,732)

\$606,354 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2020	387,615
2021	239,856
2022	(92,650)
2023	(31,431)
2024	-
Thereafter	-

# Notes to Financial Statements

**Actuarial Assumptions** - For the measurement period ending June 30, 2018, the total pension liabilities were determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions:

	Plan
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Inflation	2.50%
Projected salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the December 2017 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of the *CalPERS Experience Study and Review of Actuarial Assumptions December 2017*. The Experience Study report may be accessed on the CalPERS website at <http://www.calpers.ca.gov> under Forms and Publications.

## Change in Assumptions –

In 2018, demographic assumptions and inflation rate were changed in accordance to the *CalPERS Experience Study and Review of Actuarial Assumptions December 2017*. The Experience Study report may be accessed on the CalPERS website at <http://www.calpers.ca.gov> under Forms and Publications.

**Discount Rate** No changes were made in the discount rate in fiscal year 2018-19. In Fiscal Year 2016-17, the financial reporting discount rate used by CalPERS was reduced from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board of Administration approved lowering the funding discount rate used from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuation. The discount rate used in the actuarial valuation reflects the long-term expected rate of return for the plan. Lowering the discount rate means the Authority will see increases in both normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the PEPRa may also see their contributions rates rise.

To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, the amortization and smoothing methods adopted by the CalPERS Board in 2013 were used. CalPERS conducted cash flow projections to determine if assets would run out under the assumed discount rate. CalPERS refers to these projections as “crossover tests”. Based on crossover testing of the plan, the tests revealed the assets would not run out. Therefore the 7.15% long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (“PERF”) cash flows. Using historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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-

# Notes to Financial Statements

term, the present value of benefits was calculated for each PERF 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.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate.

Asset Class <sup>(a)</sup>	Assumed	Real Return Years 1–10 <sup>(b)</sup>	Real Return Years 11+ <sup>(c)</sup>
	Target Allocation		
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92)%
Total	100.00%		

<sup>(a)</sup> In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>(b)</sup> An expected inflation of 2.0% used for this period.

<sup>(c)</sup> An expected inflation of 2.92% used for this period.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’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:

	Discount Rate – 1%	Current Discount Rate	Discount Rate + 1%
Miscellaneous	(6.15%)	(7.15%)	(8.15%)
Plan’s Net Pension Liability/(Asset)	\$5,846,986	\$3,494,467	\$1,552,502

**Pension Plan Fiduciary Net Position** – Detail information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

## Note 7: Post-Employment Benefits Other Than Pensions

### A. General Information about OPEB

The Authority provides other post-employment benefits (“OPEB”), to qualified employees who retire within 120 days of separation from employment with the Authority, and are eligible to receive medical services under a plan offered through the California Public Employees’ Medical and Hospital Care Act (“PEMHCA”) at the time of retirement. The CalPERS PEMHCA Plan is a defined contribution, cost sharing multiple-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the CalPERS. Copies of the CalPERS annual financial report can be found online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Plan Description - Eligibility:** For full time employees retired prior to September 22, 2016, or retiring with less than 10 years of service with the Authority, the benefit will be the minimum contribution as required by PEMCHA. Vesting will be applied to an enhanced retiree benefit that is provided for employees retired after September 22, 2016, who are at least 62 years of age at retirement and have at least 10 years of service with the Authority. This vesting schedule ranges from 50% to 80% of the retiree premium only and is based on years of CCWA service. The enhanced contribution requirements are established and may be amended by the Board of Directors. Plan information is summarized in the table below:

Plan Information	
	Fiscal Year End June 30, 2019
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Non-employer contributing entities	No
Covered Participants as of June 30, 2018 Measurement Date	
In-actives currently receiving benefits	3
In-actives entitled to but not yet receiving benefits	2
Active Employees	30
Total	35

# Notes to Financial Statements

## Applicable Dates and Periods

	Fiscal Year End
	<b>June 30, 2019</b>
Measurement date (MD)	June 30, 2018
Measurement period	July 1, 2017 to June 30, 2018
Actuarial Valuation Date	June 30, 2017

**Actuarial Assumptions** - For the measurement period ending June 30, 2018, the total pension liabilities were determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and June 30, 2018 total OPEB liabilities were based on the following actuarial methods and assumptions:

### Significant Actuarial Assumptions used for Total OPEB Liability

Actuarial Assumption	Measurement Date
Actuarial Valuation Date	June 30, 2017
Contribution Policy	Authority Contributes full ADC
Discount Rate	6.50% at June 30, 2018 6.50% at June 30, 2017 Equals long-term expected rate of return on assets since expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75%
Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study*
Mortality	CalPERS 1997-2011 Experience Study*
Mortality Improvement	Mortality Improvement Society of Actuaries Scale MP-2017 Aggregate – 3%
Salary Increases	Merit – CalPERS 1997-2015 Experience Study <del>Non-Medicare</del> -7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Medical Trend	<del>Medicare</del> -6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	4.25%
Cap Increases	Medical Trend 45% elect single coverage
Active Employee/Spouse Participation at Retirement	35% elect dual coverage (spouses pay full premium, no Authority cash subsidy except for survivors)
Medical Plan at Retirement	Remain in their current plan upon retirement
Changes of Assumptions	None
Changes of benefit terms	None

\*The CalPERS Experience Study reports may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Funding Policy:** PEMHCA determines the amount contributed by the Authority toward retiree health insurance. In January 2019, the minimum required contribution the Authority pays toward the cost of retiree health insurance increased from \$133 per month to \$136 per month, which is the same amount contributed toward active employee health insurance. The balance of the retiree premium, averaging approximately \$224 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. Beginning in calendar year 2009, the contribution amount increases by the change in the annual consumer price index. During the 2018-19 fiscal year \$4,464 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis. During the 2017-18 fiscal year \$5,123 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis.

### Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2019, is shown below:

	Net OPEB Liability	
	Fiscal Year Ending	
	6/30/2018	6/30/2019
	Measurement Date 6/30/2017	Measurement Date 6/30/2018
Total OPEB Liability	\$ 1,118,401	\$ 1,271,000
Fiduciary Net Position	234,570	300,773
Net OPEB Liability	\$ 883,831	\$ 970,227
Funded Status	21.0%	23.7%

**Annual OPEB Cost:** For fiscal year ended June 30, 2019, the Authority recorded the OPEB expense as indicated below. This cost is comprised by calculating service cost, interest on Total OPEB Liability, projected earnings on investments, and any return of assets:

OPEB Expense for Fiscal Year 2018/19	
Measurement Period 2016/17	
OPEB Expense	\$ 138,008



# Notes to Financial Statements

Changes in Net OPEB Liability during the fiscal year are shown below:

Deferred Outflows/Inflows	Balances at June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments*	-	7,770
Employer contributions made subsequent to the measurement date**	59,449	-
<b>Total</b>	<b>\$ 59,449</b>	<b>\$ 7,770</b>

\* Deferred Inflows and Outflows combined for footnote disclosure

\*\* Contributions to trust of \$52,325 plus \$5,022 cash benefits and \$2,102 implied subsidy benefits paid by the Authority

\$59,449 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2020	(2,522)
2021	(2,522)
2022	(2,522)
2023	(204)
2024	-
Thereafter	-

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

## Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/18 (6/30/17 measurement date)	\$ 1,118,401	\$ 234,570	\$ 883,831
Changes for the year:			
Service Cost	79,354	-	79,354
Interest	77,709	-	77,709
Benefit changes	-	-	-
Actual vs. expected exp.	-	-	-
Assumption changes	-	-	-
Contributions—employer *	-	53,122	(53,122)
Contributions—employee	-	-	-
Net investment income**	-	17,801	(17,801)
Benefit payments	(4,464)	(4,464)	-
Administrative Exp.	-	(256)	256
<b>Net Changes</b>	<b>152,599</b>	<b>66,203</b>	<b>86,396</b>
Balance at 6/30/19 (6/30/18 measurement date)	\$ 1,271,000	\$ 300,773	\$ 970,227

\* Contributions to trust of \$53,122 plus \$4,464 cash benefits paid by the Authority.

\*\* Adjusted for rounding issues

**Sensitivity of the Net OPEB Liability to Changes in the Interest Rate and Healthcare Trend Rate**— The following presents the Authority's net OPEB liability for the Plan, illustrating sensitivity based on changes in the discount rate and changes in the Healthcare Trend Rate:

## Changes in the Discount Rate

	1% Decrease (5.50%)	Current Rate (6.50%)	1% increase (7.50%)
Net OPEB Liability	\$ 1,186,615	\$ 970,227	\$ 794,774

## Changes in the Healthcare Trend Rate

	1% Decrease	Current Trend	1% increase
Net OPEB Liability	\$ 754,390	\$ 970,227	\$ 1,245,759

# Notes to Financial Statements

## Expected Long-Term Rate of Return

Asset Class Component	Portfolio Weight * ICMA-RC	Expected Real Rate of Return
US Short Duration Govt/Credit	9.70%	1.26%
US Aggregate Bonds	20.05%	1.47%
TIPS	3.40%	1.29%
US High Yield Bonds	4.85%	3.60%
US Large Cap	39.65%	4.36%
US Mid Cap	7.55%	4.86%
US Small Cap	2.10%	5.18%
Int'l Equity – Developed	11.05%	4.60%
Int'l Equity – Emerging Markets	1.65%	5.58%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return**		6.50%

\* For VT II Model Portfolio Moderate Fund  
\*\* Rounded

### Note 8: Commitments and Uncertainties

The Authority entered into a water exchange agreement with Antelope Valley-East Kern Water Agency (“AVEK”) in 2015 on behalf of certain project participants for a total of 9,600 acre-feet (AF) of water. This exchange was an even 1:1 exchange with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to AVEK, and are estimated to be \$250 per AF. As of June 2019, 5,781 AF had been returned, leaving a balance of 3,819 AF to be returned in the future. Estimated transportation costs for that water are \$954,750. Actual costs and timing of the return are not known at this time, however all water in this exchange must be returned by December 31, 2025.

The Authority entered into an additional exchange agreement with AVEK in 2016 on behalf of certain project participants to allow for delivery of 10,000 AF of water. That agreement was an unbalanced 2:1 exchange requiring return of 5,000 AF, with no obligation to pay transportation charges. As of June 2019, a total of 3,000 AF has been returned, leaving a balance of 2,000 to be returned. Actual timing of the return is not known at this time, however all water in the 2016 AVEK exchange must be returned no later than December 31, 2026.

The Authority entered into a water exchange agreement in December 2016 with the Castaic Lake Water Agency (“CLWA”) on behalf of certain project participants for a total of up to 1,500 acre-feet (“AF”) of water. This exchange was an unbalanced 2:1 exchange requiring return of 750 AF, with

participants responsible for the transportation charges for delivery of the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water delivered to CCWA. CLWA will be responsible for the delivery charges of the return water. As of June 30, 2019 a balance remains of 750 AF of water to be returned. Actual timing of the return is not known at this time, however all water in this exchange must be returned by December 31, 2026.

The Authority entered into a water exchange agreement in June 2018 with the Mojave Water Agency (“MWA”) on behalf of certain project participants for a total of up to 5,633 acre-feet (“AF”) of water at the cost of \$320 per AF plus administrative costs. This exchange was an unbalanced 4:1 exchange requiring return of 1,409 AF, with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to MWA, and are estimated to be \$250 per AF. As of June 30, 2019 a balance remains of 1,409 AF of water to be returned. Actual timing of the return is not known at this time, however all water in this exchange must be returned by December 31, 2028.

The Authority leases equipment under non-cancelable operating leases. Lease payments made in FY 2018/19 totaled \$7,010 with future scheduled lease payments as of June 30, 2019 of \$9,570, resulting in total scheduled lease payments of \$16,580.

The Authority is involved in various legal proceedings, lawsuits and claims of a nature considered normal for its activities. It is the Authority's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. For the periods ending June 30, 2019 and June 30, 2018, the Authority estimates no liability for claims or judgments.

All of the accounts receivable recorded by the Authority are payable by its local participants and the DWR under the agreements more fully described in Note 1.

### Note 9: Joint Powers Insurance Authority

The Authority participates in the liability, property and fidelity bond insurance program organized by the Association of California Water Agencies Joint Powers Insurance Authority (“ACWA - JPIA”). ACWA - JPIA is a joint powers insurance authority created to provide a self-

# Notes to Financial Statements

insurance program to water agencies in the State of California.

ACWA-JPIA provides liability, property, workers' compensation, fidelity, boiler and machinery insurance for approximately 300 water agencies for losses in excess of the members' 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 board composed of members from participating members. 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. The Authority has not incurred any settlements which exceeded insurance coverage for the past three fiscal years.

## *Note 10: Deferred Compensation Plan*

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the terms of this plan, employees may defer amounts of income up to one hundred percent of salary or \$19,000 per year, whichever is less. Additionally, employees over the age of 50 are permitted to defer up to an additional \$6,000 per year for those years in which they did not fully contribute the annual maximum prior to age 50.

# Required Supplementary Information

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FIVE YEAR REVIEW <sup>1</sup>

As of June 30, 2019

	Fiscal Year End				
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2018	06/30/2017	06/30/2017	06/30/2015	06/30/2014
Authority's Proportion of the Net Pension Liability	0.036260%	0.037875%	0.038348%	0.037178%	0.040196%
Authority's Proportionate Share of the Net Pension Liability	\$3,494,467	\$3,756,159	\$3,318,324	\$2,551,875	\$2,501,206
Authority's covered Payroll	2,980,919	2,835,039	2,771,667	2,713,663	2,860,537
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	117.23%	132.49%	119.72%	94.04%	87.44%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	73.31%	74.06%	78.40%	79.28%

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in the future fiscal years until 10 years of data is presented.

## SCHEDULE OF PLAN OPEB CONTRIBUTIONS - FIVE YEAR REVIEW <sup>1</sup>

As of June 30, 2019

Miscellaneous Plan	2018-19 <sup>1</sup>	2017-18 <sup>1</sup>	2016-17 <sup>1</sup>	2015-16 <sup>1</sup>	2014-15 <sup>1</sup>
Actuarial determined contributions (ADC)	\$ 481,354	\$ 444,625	\$ 423,429	\$ 395,321	\$ 392,033
Contributions in relation to the actuarially determined contribution <sup>2</sup>	(606,354)	(569,625)	(548,429)	(395,321)	(392,033)
Contribution deficiency (excess)	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ -	\$ -
Authority's covered payroll <sup>3,4</sup>	\$ 3,014,603	\$ 2,980,919	\$ 2,835,039	\$ 2,771,667	\$ 2,713,663
Contributions as a percentage of covered payroll <sup>3</sup>	20.11%	19.11%	19.34%	14.26%	14.45%

<sup>1</sup> This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total covered earnings, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

<sup>4</sup> Fiscal Payroll from prior year was assumed to increase by the 3.00% payroll growth assumption.

# Required Supplementary Information

## SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS As of June 30, 2019

	2018-19 Measurement Period 2017/18
Changes in Total OPEB Liability	
Service Cost	\$ 79,354
Interest	77,709
Actual vs. Expected Experience	-
Assumption Changes	-
Benefit Payments	(4,464)
Changes of benefit terms	-
Net Changes	\$ 152,599
Total OPEB Liability (beginning of year)	1,118,401
Total OPEB Liability (end of year)	1,271,000
 Changes in Plan Fiduciary Net Position	
Contributions - employer	\$ 53,122
Contributions - employee	-
Net Investment income	17,801
Benefit payments	(4,464)
Administrative Expenses	(256)
Other Changes	-
Net Changes	66,203
Plan Fiduciary Net Position (beginning of year)	234,570
Plan Fiduciary Net Position (end of year)	300,773
 Net OPEB Liability	\$ 970,227
Fiduciary Net Position as a percentage of Total OPEB Liability	23.7%
Covered Payroll*	3,273,043
Net OPEB Liability as a percentage of covered payroll	29.6%

\*For the 12-month period ending on June 30, 2018 (Measurement Date)

# Required Supplementary Information

## SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

As of June 30, 2019

	<b>2018-19</b>
Actuarial determined contributions (ADC) \$	152,227
Contributions in relation to the actuarially determined contribution <sup>1</sup>	(59,449)
Contribution deficiency	\$ 92,778
Authority's covered payroll <sup>2</sup> \$	3,224,398
Contributions as a percentage of covered payroll	1.8%

<sup>1</sup> Actual 2018/19 contribution

<sup>2</sup> For the 12 month period ending on June 30, 2019 (fiscal year end)

### Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were derived from the June 30, 2017 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	20-year fixed period for 2017/18
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.50%
General Inflation	2.75%
Medical Trend	<u>Non-Medicare</u> - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years <u>Medicare</u> - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality Improvement Society of Actuaries Scale MP-2017



# STATISTICAL SECTION





## STATISTICAL SECTION NARRATIVE SUMMARY

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

### Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

### Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt.

### Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the activities performed by the Authority.

TABLE 1

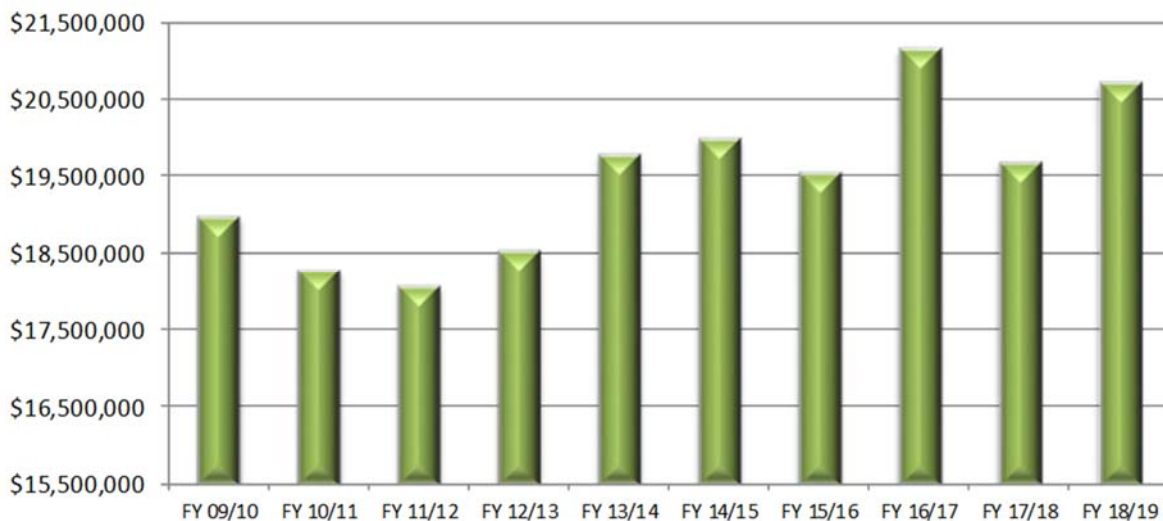
## General Governmental Revenues by Source

Fiscal Year	Operating Assessments	Debt Service Assessments	Other Revenues	Interest Income	Total Revenues
2009/10	\$ 7,706,451	\$ 10,837,837	\$ 144,825	\$ 287,296	\$ 18,976,409
2010/11	7,100,093	10,828,491	105,552	236,522	18,270,658
2011/12	7,056,434	10,751,690	64,258	166,276	18,038,658
2012/13	7,504,558	10,758,676	125,443	139,554	18,528,231
2013/14	8,642,389	10,669,540	329,292	120,693	19,761,914
2014/15	9,100,035	10,620,321	146,713	118,755	19,985,824
2015/16	8,702,151	10,560,476	108,915	176,276	19,547,818
2016/17	9,667,165	10,857,086	307,089	328,130	21,159,470
2017/18	9,901,333	8,966,976	157,546	635,825	19,661,680
2018/19	9,997,429	9,286,980	158,036	1,281,897	20,724,342

Source: Central Coast Water Authority

(1) Operating Assessments exclude yearend credits for unexpended operating reimbursements.

### Total Revenue Comparison



# Statistical Section

TABLE 2

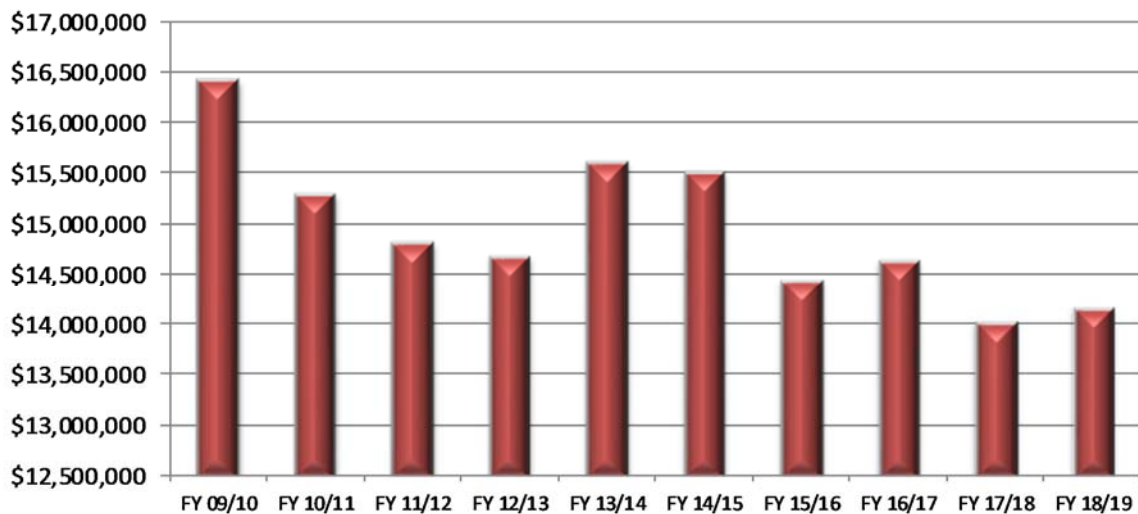
## General Governmental Expenses by Function

Fiscal Year	Operating Expenses	Capital Improvements	Interest Expense	Interest paid to Participants	Total Expenses
2009/10	\$ 10,640,777	\$ 428,879	\$ 5,083,426	\$ 273,944	\$ 16,427,026
2010/11	10,058,131	180,428	4,818,276	236,432	15,293,267
2011/12	9,786,406	365,801	4,490,322	165,476	14,808,005
2012/13	9,908,687	459,637	4,169,532	139,500	14,677,356
2013/14	10,937,701	749,170	3,805,662	120,693	15,613,226
2014/15	11,671,645	314,087	3,409,975	118,755	15,514,462
2015/16	10,633,214	629,440	2,994,662	176,276	14,433,592
2016/17	11,205,868	254,360	2,869,594	301,630	14,631,452
2017/18	10,591,135	811,276	1,978,000	635,927	14,016,338
2018/19	10,443,568	992,965	1,552,500	1,168,698	14,157,731

Source: Central Coast Water Authority

(1) Operating Expenses include yearend credits for unexpended operating reimbursements, and interest credits paid to project participants are shown on a separate line.

### Total Expenditures Comparison



# Statistical Section

TABLE 3

## Change in Net Position and Net Position Components Last Ten Fiscal Years

	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Net position, at beginning of year	\$ 19,070,613	\$ 22,020,369	\$ 25,026,753	\$ 28,570,625	\$ 32,843,775
Operating revenues	18,685,951	18,018,693	17,872,382	18,383,991	19,641,221
<b>Operating Expenses</b>					
Operating expenses	5,765,512	6,006,570	5,855,361	6,451,537	7,261,549
Depreciation and amortization	3,078,809	3,053,027	2,980,787	2,770,306	2,715,546
Unexpended operating reimbursements	1,796,456	998,534	950,258	686,844	960,606
Total operating expenses	10,640,777	10,058,131	9,786,406	9,908,687	10,937,701
Operating Income	8,045,174	7,960,562	8,085,976	8,475,304	8,703,520
<b>Non-operating revenues</b>					
Interest income and miscellaneous	304,506	251,965	166,276	144,240	120,693
<b>Non-Operating Expenses</b>					
Interest expense	5,083,426	4,818,276	4,490,322	4,169,532	3,805,662
Bond issuance expenses	-	-	-	-	-
Interest income to project participants	273,944	236,432	165,476	139,500	120,693
Other expenses	42,553	151,435	52,582	37,362	101,140
Total non-operating expenses	5,399,923	5,206,143	4,708,380	4,346,394	4,027,495
Increase in Net Position	2,949,757	3,006,384	3,543,872	4,273,150	4,796,718
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	-	-	-
Net position, at end of year	22,020,369	25,026,753	28,570,625	32,843,775	37,640,493
Net investment in capital assets	15,969,556	19,447,578	23,467,011	28,134,152	33,258,360
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,590,054	11,545,053	11,597,425	11,540,588	11,537,581
Unrestricted	(5,539,241)	(5,965,878)	(6,493,811)	(6,830,965)	(7,155,448)
<b>Total Net Position</b>	<b>\$ 22,020,369</b>	<b>\$ 25,026,753</b>	<b>\$ 28,570,625</b>	<b>\$ 32,843,775</b>	<b>\$ 37,640,493</b>

Continued

# Statistical Section

TABLE 3 (continued)

## Change in Net Position and Net Position Components Last Ten Fiscal Years

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Net position, at beginning of year	\$ 37,640,493	\$ 39,694,735	\$ 45,427,613	\$ 51,605,680	\$ 57,977,737
Operating revenues	19,831,984	19,334,566	20,825,040	19,025,855	19,442,445
<b>Operating Expenses</b>					
Operating expenses	7,805,038	7,592,444	9,448,706	8,858,438	8,234,624
Depreciation and amortization	2,710,711	2,710,417	1,027,928	1,061,706	1,299,198
Unexpended operating reimbursements	1,155,896	330,353	729,234	670,991	909,746
Total operating expenses	11,671,645	10,633,214	11,205,868	10,591,135	10,443,568
Operating Income	8,160,339	8,701,352	9,619,172	8,434,720	8,998,877
<b>Non-operating revenues</b>					
Interest income and miscellaneous	153,840	213,252	334,430	635,825	1,281,897
<b>Non-Operating Expenses</b>					
Interest expense	3,409,975	2,994,662	2,869,594	1,978,000	1,552,500
Bond issuance expenses	-	-	576,155	-	-
Interest income to project participants	118,755	176,276	301,630	635,927	1,168,698
Other expenses	88,164	10,788	28,156	84,561	-
Total non-operating expenses	3,616,894	3,181,726	3,775,535	2,698,488	2,721,198
Increase in Net Position	4,697,285	5,732,878	6,178,067	6,372,057	7,559,576
Refund of capital contributions	-	-	-	-	-
Restatement of net position	(2,643,043)	-	-	-	-
Net position, at end of year	39,694,735	45,427,613	51,605,680	57,977,737	65,537,313
Net investment in capital assets	38,420,586	44,108,951	55,164,579	60,312,509	66,554,791
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,522,948	11,513,337	9,978,731	10,411,593	10,418,498
Unrestricted	(10,248,799)	(10,194,675)	(13,537,630)	(12,746,365)	(11,435,976)
<b>Total Net Position</b>	<b>\$ 39,694,735</b>	<b>\$ 45,427,613</b>	<b>\$ 51,605,680</b>	<b>\$ 57,977,737</b>	<b>\$ 65,537,313</b>

# Statistical Section

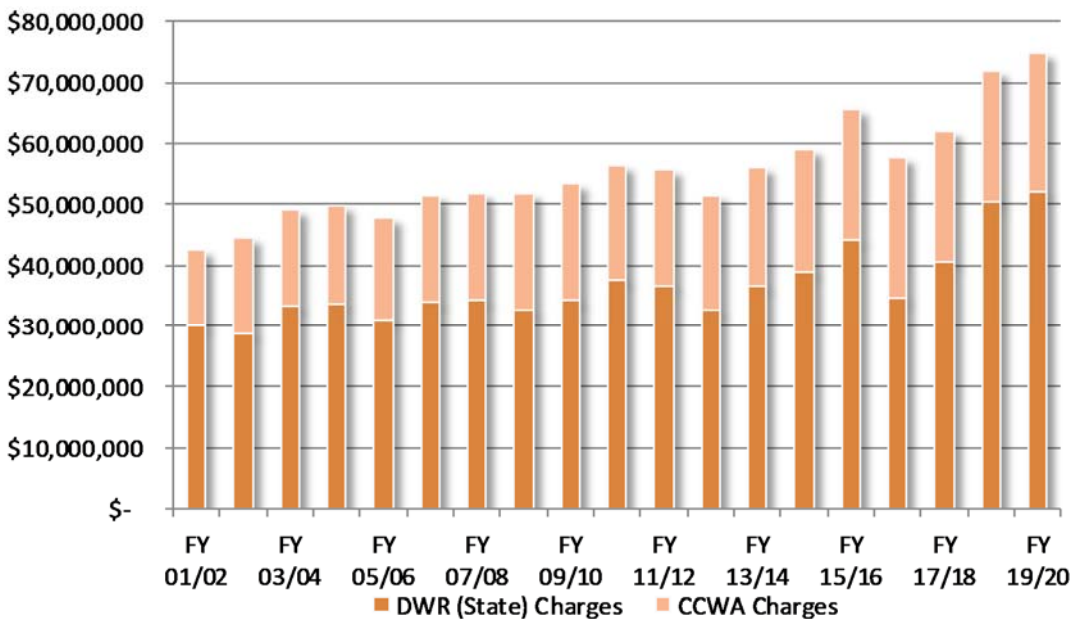
TABLE 4

## Fiscal Year Gross Budget History (Excludes Credits)

Fiscal Year	CCWA Charges	DWR (State) Charges	Total	Increase (Decrease)	Percentage Change
FY 01/02	\$ 12,732,473	\$ 29,872,420	\$ 42,604,893	\$ 1,573,801	4%
FY 02/03	15,923,396	28,667,780	44,591,176	1,986,283	5%
FY 03/04	15,826,610	33,290,820	49,117,430	4,526,254	10%
FY 04/05	16,309,830	33,576,516	49,886,346	768,916	2%
FY 05/06	16,898,682	30,918,963	47,817,645	(2,068,701)	-4%
FY 06/07	17,665,638	33,887,106	51,552,744	3,735,099	8%
FY 07/08	17,368,381	34,383,152	51,751,533	198,789	0%
FY 08/09	18,866,218	32,712,348	51,578,566	(172,967)	0%
FY 09/10	19,113,716	34,400,137	53,513,853	1,935,287	4%
FY 10/11	18,542,903	37,656,903	56,199,806	2,685,953	5%
FY 11/12	19,000,056	36,704,353	55,704,409	(495,397)	-1%
FY 12/13	18,871,714	32,473,910	51,345,624	(4,358,785)	-8%
FY 13/14	19,303,293	36,720,999	56,024,292	4,678,668	9%
FY 14/15	19,905,931	38,928,105	58,834,036	2,809,744	5%
FY 15/16	21,408,675	44,258,987	65,667,662	6,833,626	12%
FY 16/17	22,991,413	34,730,498	57,721,911	(7,945,751)	-12%
FY 17/18	21,280,493	40,494,796	61,775,289	4,053,378	7%
FY 18/19	21,485,218	50,494,069	71,979,287	10,203,998	17%
FY 19/20	22,618,488	52,066,151	74,684,639	2,705,353	4%

Note: Excludes CCWA credits.

## CCWA Gross Budget by Fiscal Year



# Statistical Section

TABLE 5

FY 2018/19 Total Payments by Project Participant

Project Participant	FY 2018/19 Operating Expenses <sup>(1)</sup>	FY 2018/19 Debt Service Payments	FY 2018/19 DWR Costs <sup>(2)</sup>	FY 2018/19 Warren Act Charges <sup>(3)</sup>	FY 2018/19 CCWA Credits	FY 2018/19 Total Payments
Guadalupe	\$ 124,848	\$ 147,451	\$ 629,372	\$ -	\$ (2,325)	\$ 899,346
Santa Maria	3,757,587	-	18,712,332	-	(317,035)	22,152,884
Golden State Water Co.	132,839	-	573,758	-	(9,666)	696,931
Vandenberg AFB	1,329,580	-	6,540,437	-	-	7,870,017
Buellton	142,302	261,085	692,126	-	(11,799)	1,083,714
Santa Ynez (Solvang)	419,763	802,069	1,751,173	-	(32,994)	2,940,011
Santa Ynez	419,666	301,220	601,972	-	(448,890)	873,968
Goleta	960,864	2,528,216	6,190,170	265,884	(2,004)	9,943,130
Morehart Land	32,714	116,100	224,795	2,236	(3,538)	372,307
La Cumbre	228,707	555,829	1,179,161	30,000	(2,089)	1,991,608
Raytheon	3,438	24,292	64,442	1,337	(871)	92,638
Santa Barbara	701,678	1,554,249	4,172,948	139,552	(1,363)	6,567,064
Montecito	567,683	1,826,775	4,050,180	140,114	(1,504)	6,583,248
Carpinteria	316,129	1,044,360	2,429,190	81,004	(5,643)	3,865,040
Shandon	12,731	11,730	N/A	-	(355)	24,106
Chorro Valley	280,742	934,464	N/A	-	(25,174)	1,190,032
Lopez	241,215	241,633	N/A	-	(24,505)	458,343
<b>TOTAL:</b>	<b>\$ 9,672,486</b>	<b>\$ 10,349,473</b>	<b>\$ 47,812,056</b>	<b>\$ 660,127</b>	<b>\$ (889,755)</b>	<b>\$ 67,604,387</b>

(1) Adjusted for Santa Ynez Exchange Agreement Modifications and Regional WTP Treatment Allocation.

(2) Includes January 2, 2019 Supplemental Fixed Assessment

(3) Adjusted for Santa Ynez Exchange Agreement Modifications.

This schedule represents the budgeted amounts plus the increase or decrease in charges for certain participants due to changes in delivery requests which were not included in the original fiscal year 2017/18 budget.

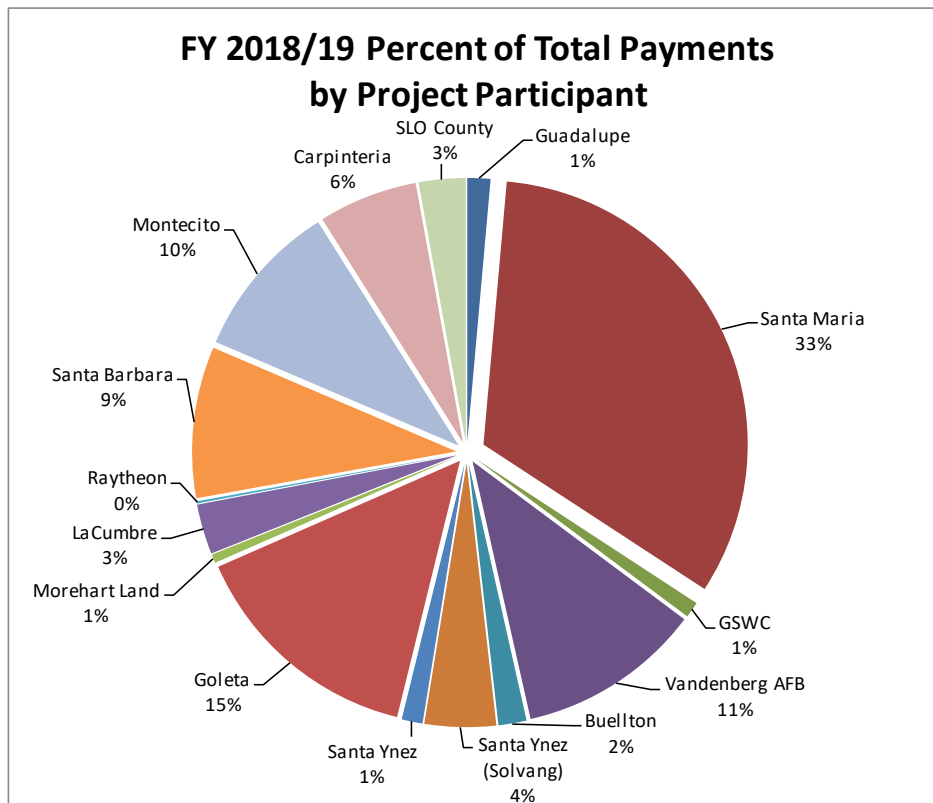


TABLE 6

## Ratio of Outstanding Debt by Type For Total Bonded Debt to Total Expenses

Fiscal Year	Bond Issue	Principal	Interest <sup>(1)</sup>	Total Debt Service	Total Expenses	Ratio of Debt Service to Total Expenses
2009/10	2006 Bonds	6,430,000	5,147,726	11,577,726	16,545,789	69.97%
2010/11	2006 Bonds	6,695,000	4,885,226	11,580,226	15,405,833	75.17%
2011/12	2006 Bonds	6,960,000	4,577,326	11,537,326	14,912,912	77.36%
2012/13	2006 Bonds	7,335,000	4,247,463	11,582,463	14,677,356	78.91%
2013/14	2006 Bonds	7,625,000	3,900,975	11,525,975	15,613,226	73.82%
2014/15	2006 Bonds	8,010,000	3,510,100	11,520,100	15,514,462	74.25%
2015/16	2006 Bonds	8,405,000	3,099,725	11,504,725	14,433,592	79.71%
2016/17	06 & 16 Bonds	8,825,000	3,023,619	11,848,619	13,963,559	84.85%
2017/18	2016 Bonds	7,880,000	2,076,500	9,956,500	14,016,338	71.03%
2018/19	2016 Bonds	8,720,000	1,661,500	10,381,500	14,157,731	73.33%

(1) Represents actual cash payment without regard to payments from the capitalized interest fund.

Source: Central Coast Water Authority

### Ratio of Debt Service to Total Expenses

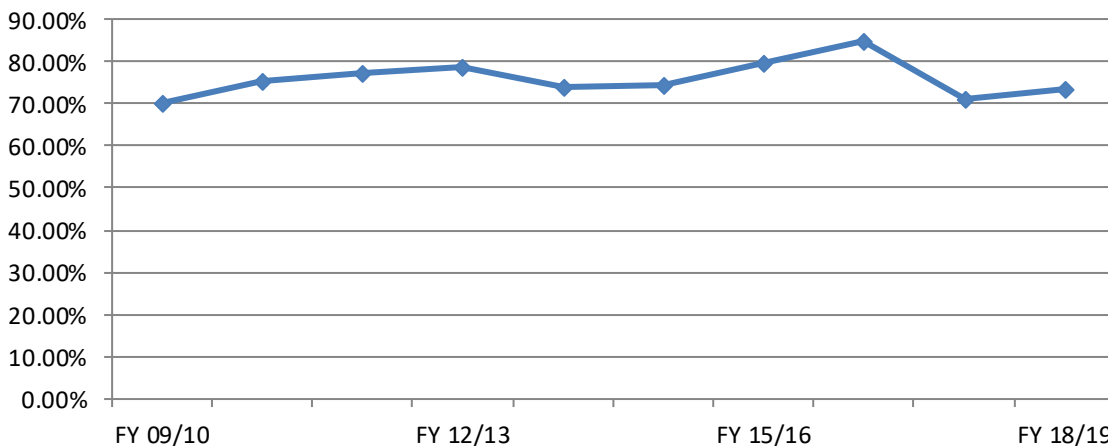




TABLE 7  
*Selected Demographic Information*  
*Santa Barbara County*

Santa Barbara County is located on the Pacific coast of the southern portion of the U.S. state of California, just west of Ventura County. The estimated total population of the County as of January 2018 was 453,457 according to the Santa Barbara County 2017/18 CAFR. The county seat is Santa Barbara and the largest city is Santa Maria.

For thousands of years, the area was home to the Chumash tribe of Native Americans, complex hunter-gatherers who lived along the coast and in interior valleys leaving rock art in many locations including Painted Cave. European contact had devastating effects on the Chumash Indians, including a series of disease epidemics that drastically reduced Chumash population. The Chumash survived, however, and thousands of Chumash descendants still live in the Santa Barbara area or surrounding counties.

The County has a total area of 3,789 square miles and four of the Channel Islands – San Miguel Island, Anacapa Island, Santa Cruz Island and Santa Rosa Island – are in Santa Barbara County. They form the largest part of the Channel Islands National Park.

Santa Barbara County has a mountainous interior abutting a coastal plains area. The largest concentration of people is on this coastal plain, referred to as the south coast – the part of the county south of the Santa Ynez Mountains – which includes the cities of Santa Barbara, Goleta and Carpinteria, as well as the unincorporated areas of Hope Ranch, Mission Canyon, Montecito and Isla Vista. North of the mountains are the towns of Santa Ynez, Solvang, Buellton, Lompoc; the unincorporated towns of Los Olivos and Ballard; the unincorporated areas of Mission Hills and Vandenberg Village; and Vandenberg Air Force Base, where the Santa Ynez River flows out to the sea. North of the Santa Ynez Valley are the cities of Santa Maria and Guadalupe.

Santa Barbara County is home to a beautiful landscape and great climate for living, playing and working. The County is well known for its strong sense of community, prime agricultural land, award winning wineries, and attractive cultural and tourism opportunities. However, Santa Barbara County also touts its talented and highly skilled workforce and business sectors, from high tech to health care to design. Quality institutions like UC Santa Barbara and Vandenberg Airforce Base continue to attract high quality individuals to the County. It is these attributes that attract and retain businesses in the area.

**TABLE 8**  
**Miscellaneous Statistical Information**

Form of government	Joint Powers Authority
Date of organization	August 1, 1991
Number of full-time equivalent positions	30.25
Polonio Pass Water Treatment Plant design capacity	43 million gallons per day
Authority pipeline (in miles)	42.5
Coastal Branch pipeline (in miles)	100.6
Number of water storage tanks	7
Number of turnouts	10

<u>Agency</u>	<u>Table A Amount (AFY)</u>
City of Buellton	578
Carpinteria Valley Water District	2,000
Goleta Water District	4,500
City of Guadalupe	550
La Cumbre Mutual Water Co.	1,000
Montecito Water District	3,000
Morehart Land Co.	200
City of Santa Barbara	3,000
Raytheon Systems Company	50
City of Santa Maria	16,200
Santa Ynez River W.C.D. #1	2,000
Southern California Water Co.	500
Vandenberg Air Force Base	5,500
Total Santa Barbara County *	<u>39,078</u>
Avila Beach C.S.D	100
Avila Valley Mutual Water Co., Inc.	20
California Mens Colony (State)	400
County of SLO C.S.A. No. 16 I.D. #1	100
County of SLO (Op. Center & Reg. Park)	425
City of Morro Bay	1,313
Oceano CSD	750
City of Pismo Beach	1,240
San Luis Coastal Unified School District	7
San Miguelito Mutual Water Co.	275
SLO Co. Comm. Coll. District (Cuesta College)	200
Total San Luis Obispo County	<u>4,830</u>
<b>TOTAL TABLE A AMOUNT</b>	<b><u>43,908</u></b>

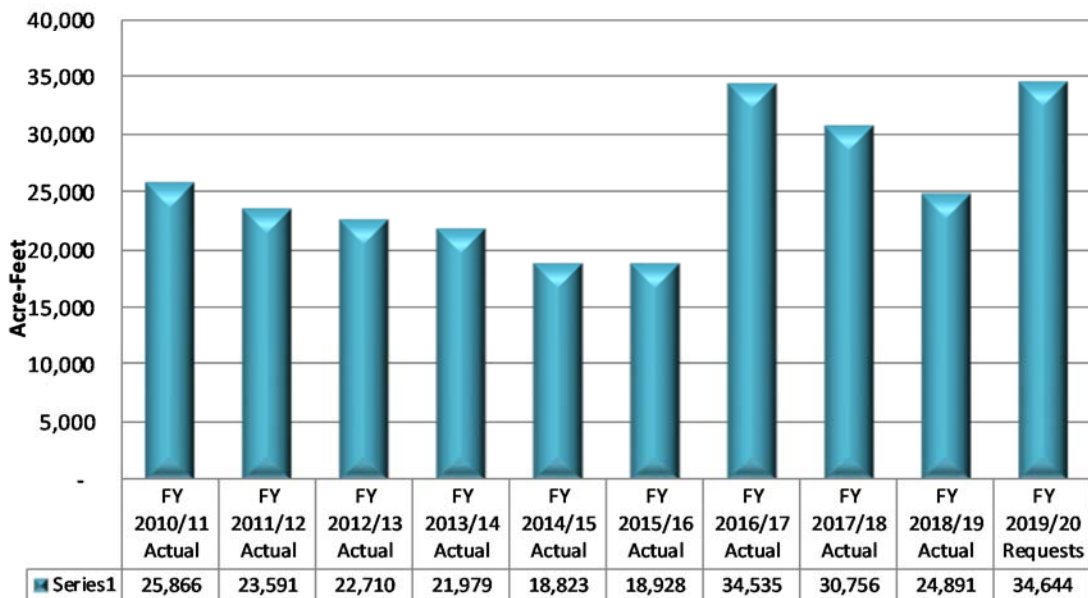
Note: \* Excludes CCWA drought buffer of Table A amount of 3,908 AFY and Goleta Water District additional Table A amount of 2,500 AFY.

TABLE 9

## FY 2018/19 Actual State Water Deliveries (acre feet)

Project Participant	Table A Deliveries	Exchange Agreement Deliveries	Total Deliveries
Shandon Turnout (SLO County)	61	N/A	61
Lopez Turnout (SLO County)	798	N/A	798
Chorro Valley Turnout (SLO County)	1,743	N/A	1,743
City of Guadalupe	353	N/A	353
City of Santa Maria	8,712	N/A	8,712
Golden State Water Company	377	N/A	377
Vandenberg Air Force Base	2,296	N/A	2,296
City of Buellton	211	N/A	211
Santa Ynez ID #1 (City of Solvang)	690	N/A	690
Santa Ynez ID #1	100	1,362	1,462
Goleta Water District	3,273	(491)	2,782
Morehart Land Company	31	N/A	31
La Cumbre Mutual Water Company	480	N/A	480
Raytheon Systems Company	11	N/A	11
City of Santa Barbara	2,182	(327)	1,855
Montecito Water District	2,239	(326)	1,913
Carpinteria Valley Water District	1,334	(218)	1,116
<b>TOTAL:</b>	<b>24,891</b>	<b>-</b>	<b>24,891</b>

## Historical Water Deliveries (Acre-Feet)



# Statistical Section

TABLE 10  
 Historical Water Availability Compared to Actual Deliveries & Costs  
 Santa Barbara County Project Participants Only

Calendar Year	(Acre-Feet)		Total CCWA Actual Costs
	Available Water	Actual Deliveries	
1998	38,986	18,618	\$ 36,225,479
1999	45,486	20,137	24,898,645
2000	40,937	22,741	50,707,485
2001	23,734	18,945	39,445,139
2002	34,715	27,600	37,237,621
2003	41,476	26,970	43,929,781
2004	30,793	29,705	44,152,940
2005	41,092	23,343	43,750,040
2006	49,506	23,275	47,067,848
2007	31,516	27,740	45,660,843
2008	22,036	18,391	46,236,486
2009	24,162	15,452	48,521,830
2010	24,033	17,775	50,707,485
2011	38,389	21,050	51,876,819
2012	29,566	19,474	45,904,819
2013	22,430	18,018	54,450,977
2014 <sup>(1)</sup>	9,955	15,942	59,621,280
2015 <sup>(2)</sup>	14,691	11,673	67,372,895
2016 <sup>(3)</sup>	45,774	28,807	53,704,188
2017 <sup>(4)</sup>	51,622	29,696	61,352,586
2018 <sup>(5)</sup>	34,883	28,165	76,476,705
2019 <sup>(6)</sup>	39,195	22,959	74,197,973
<b>Total:</b>	<b>734,977</b>	<b>486,476</b>	<b>\$ 1,103,499,864</b>
<b>Avg. Cost per Acre-foot:</b>	<b>\$ 1,501</b>	<b>\$ 2,268</b>	
<b>Percent of Table A:</b>	<b>73.45%</b>	<b>48.61%</b>	

- (1) 2014 amounts include CCWA Supplemental Water Purchase Program costs of \$4.2 million for 5,909 AF.
- (2) 2015 amounts include CCWA Supplemental Water Purchase Program costs of \$4.8 million for 9,600 AF.
- (3) 2016 amounts include CCWA Supplemental Water Purchase Program costs of \$2.9 million for 11,500 AF.
- (4) No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2017.
- (5) 2018 amounts include CCWA Supplemental Water Purchase Program costs of \$1.8 million for 5,633 AF.
- (6) 2019 amounts are estimates. No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2019.



# Statistical Section

TABLE 11

## Schedule of Insurance Valued June 30, 2019

<b>Company</b>	<b>Policy Period</b>	<b>Insurance Type</b>	<b>Limits</b>	<b>Coverages</b>
Alliant Insurance Services	4-1-18 to 7-1-19	Excess Crime Coverage	\$ 7,000,000	Dishonesty, faithful performance, forgery, computer fraud, pension plans including ERISA
ACWA Joint Powers Insurance Authority	4-1-18 to 7-1-19	Crime Coverage	\$ 300,000	Public employee theft, depositors forgery or alterations, computer and funds transfer fraud
ACWA Joint Powers Insurance Authority	4-1-18 to 7-1-19	Property Insurance	\$ 75,368,006	Buildings (\$31,873,798); Personal property (\$1,530,882); Fixed Equipment (\$41,963,326)
ACWA Joint Powers Insurance Authority	10-1-18 to 10-1-19	General and Auto Liability	\$ 5,000,000	Liability JPIA pooled layer
Evanston Insurance Co #MPEREV0057-13-5	10-1-18 to 10-1-19	General and Auto Liability	\$ 6,000,000	Liability umbrella policy
Great American Insurance Company/ Lloyd's Brit-Scion #1827291/#PEXS1014018	10-1-18 to 10-1-19	General and Auto Liability	\$ 9,000,000	Liability umbrella policy
Great American Insurance Company of New York #EXC2275784	10-1-18 to 10-1-19	General and Auto Liability	\$ 10,000,000	Liability umbrella policy
Great American Insurance Co. of NY/ Endurance Risk Solutions Assurance Lloyd's Hiscox #3342492/#EXC10007886203/#B0180PN1803182	10-1-18 to 10-1-19	General and Auto Liability	\$ 20,000,000	Liability umbrella policy
General Security Indemnity Company of Arizona #FA0024236-2017-1	10-1-18 to 10-1-19	General and Auto Liability	\$ 10,000,000	Liability umbrella policy

# Statistical Section

TABLE 12

## Full-time Equivalent Employees by Position

Position Title	Number Authorized FY 2016/17	Number Authorized FY 2017/18	Number Authorized FY 2018/19	Change Over FY 2016/17	Change Over FY 2017/18
Executive Director	1.00	1.00	1.00	-	-
Deputy Director of Operations	1.00	1.00	1.00	-	-
Finance Director	1.00	-	-	(1.00)	-
Safety & Environmental Specialist	1.00	1.00	1.00	-	-
Controller	1.00	1.00	1.00	-	-
Deputy Controller	-	1.00	1.00	1.00	-
Office Manager	1.00	1.00	1.00	-	-
Accounting Technician	0.75	0.75	0.75	-	-
Administrative Assistant	1.50	1.50	1.50	-	-
WTP Supervisor	1.00	1.00	1.00	-	-
Distribution Supervisor	1.00	1.00	1.00	-	-
Maintenance Manager	1.00	1.00	1.00	-	-
Maintenance Foreman	1.00	1.00	1.00	-	-
Senior Chemist	1.00	1.00	1.00	-	-
Laboratory Analyst	1.00	1.00	1.00	-	-
IT/Instrumentation & Control Specialist	1.00	1.00	1.00	-	-
Engineering Technician	1.00	1.00	1.00	-	-
Maintenance Technician	2.00	2.00	2.00	-	-
Maintenance/IC&R Technician	2.00	2.00	2.00	-	-
WTP Operator	5.00	5.00	5.00	-	-
Distribution Technician	5.00	5.00	5.00	-	-
<b>TOTAL:</b>	<b>30.25</b>	<b>30.25</b>	<b>30.25</b>	<b>-</b>	<b>-</b>

**TABLE 13**  
**Santa Barbara County Largest Employers**

Company or Organization	Jobs (1)	Percent of Total County Employment
County of Santa Barbara	4,600	2.23%
University of California, Santa Barbara	4,300	2.08%
Cottage Health System	3,600	1.74%
Vandenberg Air Force Base	2,500	1.21%
Santa Maria-Bonita School District	2,120	1.03%
Chumash Casino Resort	2,000	0.97%
Marian Regional Medical Center	1,920	0.93%
Allan Hancock College	1,480	0.72%
Santa Barbara Unified School District	1,400	0.68%
Safran <sup>(2)</sup>	1,200	0.58%
Total ten largest	25,120	12.16%
Total all other	181,422	87.84%
Total companies or organizations	206,542	100.00%

(1) Source: County of Santa Barbara CAFR, FY ended June 30, 2019

(2) Safran was previously called Zodiac Aerospace before the two companies merged in December 2018

# Statistical Section

## City of Pismo Beach

### (San Luis Obispo County)

#### Historic Water Connections and Sales Revenues

Fiscal Year	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
Ending June 30			
2009	4,540	\$ 2,834,803	1,939
2010	4,558	2,874,984	1,735
2011	4,569	3,048,595	1,717
2012	4,584	3,257,915	1,785
2013	4,596	3,390,236	1,828
2014	4,695	3,793,692	1,944
2015	4,718	3,362,918	1,840
2016	4,787	3,201,546	1,644
2017	4,836	3,346,533	1,589
2018	4,848	3,938,273	1,782

#### Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Pismo Coast Village	11,452	\$ 48,993
Pismo Beach Mobile Home Park	11,316	48,494
Cliff's Shell Beach	11,092	42,449
Oxford Suites Hotel	8,576	28,611
Pismo Lighthouse Suites	6,496	26,743
Motel 6	6,173	24,396
Kon Tiki	5,774	22,932
Dolphin Bay	5,729	23,928
Seacrest Resort	5,675	22,568
Shorecliff Lodge	5,231	20,126
Total	77,514	\$ 309,237

(1) In hundred cubic feet.

#### State Water Payment Coverage Calculations

Fiscal Year	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
Ending June 30					
2009	\$ 4,563,012	\$ 1,828,215	\$ 2,734,797	\$ 1,279,114	2.14
2010	4,316,125	2,954,934	1,361,191	1,290,981	1.05
2011	4,652,847	2,665,865	1,986,982	1,633,880	1.22
2012	5,003,098	2,612,189	2,390,909	1,435,883	1.67
2013	5,002,618	2,616,024	2,386,594	1,413,314	1.69
2014	5,638,215	2,671,261	2,966,954	1,238,740	2.40
2015	6,490,834	2,748,519	3,742,315	1,562,731	2.39
2016	5,975,795	3,384,808	2,590,987	1,503,993	1.72
2017	6,730,397	3,211,371	3,519,026	1,443,742	2.44
2018	6,464,939	3,646,068	2,818,871	1,508,550	1.87

Source: City of Pismo Beach



# Statistical Section

## City of Morro Bay

### (San Luis Obispo County)

#### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	5,547	\$ 3,588,500	1,130
2010	5,545	3,574,319	1,282
2011	5,385	3,421,151	1,250
2012	5,401	3,396,936	1,177
2013	5,455	3,377,534	1,141
2014	5,473	3,491,575	1,214
2015	5,455	3,311,970	1,094
2016	5,455	4,130,990	996
2017	5,483	5,077,312	942
2018	5,496	5,647,331	936

#### Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
City of Morro Bay	18,740	\$ 221,670
Morro Bay High School	15,103	95,713
Pacific Care Center	8,616	204,700
Mission Linen Center	8,130	193,389
CA Dept of Parks	5,472	94,943
Imperial Coast, LP	4,754	124,127
Silver City Resort	4,172	99,614
San Luis Central School District	2,634	34,461
Morro Elementary School	2,171	27,501
Culligan Water	2,119	46,333
Total	71,911	\$ 1,142,451

(1) In hundred cubic feet.

#### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2009	\$ 3,893,904	\$ 1,273,381	\$ 2,620,523	\$ 2,055,446	1.27
2010	3,661,837	1,587,764	2,074,073	1,968,552	1.05
2011	3,491,186	1,813,559	1,677,627	2,108,814	0.80
2012	3,646,957	2,021,803	1,625,154	2,186,578	0.74
2013	3,453,217	1,764,241	1,688,976	2,155,816	0.78
2014	3,550,868	1,958,281	1,592,587	2,158,842	0.74
2015	3,332,358	1,599,955	1,732,403	2,238,795	0.77
2016	4,487,576	1,969,828	2,517,748	2,166,523	1.16
2017	5,029,287	1,286,244	3,743,043	2,010,166	1.86
2018	5,647,331	1,138,167	4,509,164	2,157,811	2.09

Source: City of Morro Bay

# Statistical Section City of Guadalupe

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Municipal Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	1,926	\$ 1,303,214	966
2010	1,915	1,344,941	900
2011	1,927	1,320,373	921
2012	1,931	1,466,881	989
2013	1,940	1,462,443	912
2014	1,945	1,769,651	1,078
2015	1,960	1,721,143	1,039
2016	1,973	1,624,652	952
2017	2,017	1,727,388	944
2018	2,099	1,998,263	1,189

## Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Apio Cooler	203,864	\$ 820,324
County Housing Authority	6,903	27,777
Guadalupe Union School	6,875	27,664
Riverview Townhomes	4,349	17,501
Guadalupe Laundromat	4,002	16,102
Obispo Cooling	3,032	12,199
Pan American Seed	2,734	11,002
JR Simplot Co.	2,552	10,269
Guadalupe Cemetery	2,237	9,000
P & M Properties	1,680	6,759
<b>Total</b>	<b>238,228</b>	<b>\$ 958,597</b>

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	\$ 1,418,311	\$ 629,726	\$ 165,923	\$ 954,508	\$ 690,201	1.38
2010	1,402,871	436,644	165,531	1,131,758	699,287	1.62
2011	1,395,787	426,842	167,444	1,136,389	667,445	1.70
2012	1,519,883	499,857	167,705	1,187,731	599,469	1.98
2013	1,515,152	435,004	167,787	1,247,935	758,852	1.64
2014	1,856,503	505,615	167,787	1,518,675	744,436	2.04
2015	1,811,430	468,004	186,615	1,530,041	741,040	2.06
2016	1,729,167	698,968	186,615	1,216,814	663,337	1.83
2017	1,847,672	453,726	186,819	1,580,765	796,095	1.99
2018	2,204,907	860,891	188,366	1,532,382	877,255	1.75

Source: City of Guadalupe

# Statistical Section

## City of Santa Maria

### Historic Water Connections and Sales Revenues

Fiscal Year	Water	Sales	Water
Ending June 30	Connections	Revenues	Deliveries (acre-feet per year)
2009	20,919	\$ 25,859,215	14,489
2010	20,927	25,411,420	13,986
2011	21,050	26,393,674	13,016
2012	21,199	27,803,548	13,264
2013	21,385	29,938,893	13,338
2014	21,580	31,962,813	13,882
2015	21,901	31,403,212	13,009
2016	22,152	33,883,550	12,022
2017*	22,362	37,915,296	12,357
2018	22,692	37,915,296	12,357

\* In fiscal year 2017, the number of connections for 2017 was reported as 22,981. The City discovered (while preparing the 2018 report) that number was overstated by 619. The correct number of connections for 2017 is 22,362, as reflected above.

### Largest Customers as of June 30, 2018

	Water	Annual
	Usage <sup>(1)</sup>	Payment
City of Santa Maria	274,074	\$ 1,794,502
Nipomo Community Services District	411,642	1,558,477
Santa Maria Elementary School	123,151	820,463
SP Village Green, LLC	63,876	393,113
Fresh Venture Foods	63,819	383,406
Titan Frozen Fresh	60,427	360,854
Casa Grande Mobile Homes	56,698	259,134
Allan Hancock College	48,961	218,609
S.B. County Housing Authority	28,254	201,744
Santa Maria Joint Union High School District	26,704	183,839
Total	1,157,606	\$ 6,174,141

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year	Total	Operating	Rate	Net	State Water	
Ending June 30	Revenues <sup>(1)</sup>	Expenses	Coverage Fund	Revenues	Payments	Coverage
2009	\$ 33,521,237	\$ 11,232,624	\$ 4,242,530	\$ 26,531,143	\$ 15,438,235	1.72
2010	32,956,256	9,282,313	4,258,071	27,932,014	17,103,082	1.63
2011	34,634,358	10,389,795	4,281,382	28,525,945	17,150,434	1.66
2012	36,330,166	10,260,908	4,288,071	30,357,329	14,671,346	2.07
2013	38,305,281	12,698,916	4,290,188	29,896,553	17,851,202	1.67
2014	42,467,011	11,523,665	4,290,188	35,233,534	17,793,198	1.98
2015	41,771,720	13,564,740	5,001,279	33,208,259	19,191,415	1.73
2016	44,478,328	12,193,440	5,001,279	37,286,167	16,072,296	2.32
2017	48,626,344	14,727,515	5,006,756	38,905,585	18,589,602	2.09
2018	53,564,449	16,796,669	5,001,279	41,769,059	19,867,737	2.10

(1) Includes wastewater fees and charges.

Source: City of Santa Maria

# Statistical Section City of Buellton

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	1,548	\$ 1,467,933	1,284
2010	1,558	1,467,931	1,300
2011	1,557	1,387,651	1,184
2012	1,570	1,368,805	1,212
2013	1,569	1,460,658	1,226
2014	1,569	1,532,887	1,300
2015	1,582	1,436,127	1,141
2016	1,584	1,426,171	1,043
2017	1,699	1,865,124	1,089
2018	1,733	2,416,040	1,240

## Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Professional Investment Planning	19,090	\$ 79,523
Buellton Union School District	18,784	68,156
Flying Flags Association, L.P.	14,844	41,377
Santa Ynez Valley Marriott	9,383	35,610
Rivergrove Mobilehome Park	8,679	26,989
Terravant Wine Co	6,190	27,323
Buellton Village Center LLC	5,862	38,343
Milt Guggia Ent Inc	5,078	23,104
Hampton Inn	4,670	23,235
The Inn Group	4,484	18,885
Total	97,064	\$ 382,545

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	\$ 1,659,083	\$ 497,597	\$ 255,558	\$ 1,417,044	\$ 896,715	1.58
2010	1,579,341	542,240	256,494	1,293,595	943,326	1.37
2011	1,494,307	486,807	257,898	1,265,398	938,136	1.35
2012	1,431,453	598,093	258,300	1,091,660	894,257	1.22
2013	1,512,243	550,655	258,427	1,220,015	1,017,156	1.20
2014	1,555,656	553,211	258,427	1,260,872	962,999	1.31
2015	1,642,522	632,937	274,861	1,284,446	1,043,536	1.23
2016	1,983,721	490,933	274,861	1,767,649	908,360	1.95
2017	2,069,593	728,200	275,162	1,616,555	946,522	1.71
2018	2,675,975	759,603	274,861	2,191,233	1,017,206	2.15

Source: City of Buellton

# Statistical Section

## Santa Ynez River Water Conservation District, ID# 1 (City of Solvang only)

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales		Water
		Revenues		Deliveries (acre-feet per year)
2009	2,017	\$	4,085,678	1,483
2010	1,981		3,957,709	1,315
2011	2,019		3,927,817	1,322
2012	2,118		4,167,680	1,347
2013	2,153		4,455,120	1,416
2014	2,156		4,631,124	1,409
2015	2,178		4,361,233	1,074
2016	2,211		4,378,420	962
2017	2,225		4,490,615	997
2018	2,227		4,823,204	1,178

### Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Rancho Santa Ynez Mobile Estates	20,924	\$ 114,673
City of Solvang	10,268	98,671
Alisal Gues Ranch	15,365	84,997
Atterdag Village	6,586	77,651
Mission Oaks	9,910	58,887
Worldmark	5,566	57,080
Chumash Casino Resort (Hotel Corque)	6,542	53,499
Solvang Mesa, LLMD	7,308	53,203
Solvang School	8,772	38,233
Holiday Inn	5,237	32,617
<b>Total</b>	<b>96,478</b>	<b>\$ 669,511</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	\$ 4,199,436	\$ 1,537,148	\$ 599,048	\$ 3,261,336	\$ 2,448,490	1.33
2010	4,043,117	1,321,839	603,156	3,324,434	2,637,865	1.26
2011	3,995,627	1,214,624	604,939	3,385,942	2,647,201	1.28
2012	4,230,365	1,231,366	605,884	3,604,883	2,438,576	1.48
2013	4,677,242	1,436,931	606,183	3,846,494	2,656,129	1.45
2014	5,152,838	1,998,916	606,183	3,760,105	2,743,342	1.37
2015	4,920,397	1,580,530	606,183	3,946,050	2,960,871	1.33
2016	4,751,452	1,317,454	606,183	4,040,181	2,534,152	1.59
2017	4,668,636	1,213,706	606,847	4,061,777	2,557,331	1.59
2018	4,946,103	1,332,300	611,871	4,225,674	2,691,366	1.57

Source: City of Solvang

# Statistical Section

## Santa Ynez River Water Conservation District, ID# 1

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	2,583	\$ 5,030,245	5,947
2010	2,579	5,096,678	5,416
2011	2,519	5,009,463	5,255
2012	2,515	5,371,780	5,260
2013	2,598	5,531,585	5,371
2014	2,624	6,889,450	5,358
2015	2,618	6,157,964	4,341
2016	2,664	5,868,155	3,712
2017	2,672	6,367,009	3,511
2018	2,692	7,798,410	3,817

### Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Private Agriculture	129	\$ 56,162
Private Agriculture	103	42,710
Private Agriculture	82	35,616
Private Agriculture	51	29,169
Private Agriculture	50	28,098
Private Agriculture	48	23,210
Private Agriculture	48	19,310
Private Agriculture	44	21,483
Private Agriculture	42	17,025
Private Agriculture	35	19,146
Total	632	\$ 291,930

(1) In acre-feet per year.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30 <sup>(1)</sup>	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	\$ 8,797,488	\$ 3,683,262	\$ 1,012,862	\$ 6,127,088	\$ 3,799,166	1.61
2010	8,785,547	3,778,443	1,019,126	6,026,230	3,956,531	1.52
2011	8,759,268	3,597,194	1,022,142	6,184,216	4,003,719	1.54
2012	8,209,585	3,179,858	1,023,739	6,053,466	4,112,646	1.47
2013	8,213,596	3,310,123	1,024,244	5,927,717	4,238,934	1.40
2014	10,538,309	4,610,406	1,024,244	6,952,147	4,307,127	1.61
2015	9,533,850	4,781,398	1,062,841	5,815,293	4,604,806	1.26
2016	9,657,032	4,713,576	1,062,841	6,006,297	3,895,465	1.54
2017	10,127,574	4,585,443	1,064,005	6,606,136	3,606,066	1.83
2018	11,585,534	4,811,401	1,072,814	7,846,947	3,623,388	2.17

(1) Includes State water payments for the City of Solvang.

Source: Santa Ynez Improvement District #1

# Statistical Section

## Goleta Water District

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	16,373	\$ 17,891,752	14,198
2010	16,346	16,554,650	12,971
2011	16,401	15,721,915	12,161
2012	16,295	18,668,008	12,275
2013	16,518	22,171,254	13,923
2014	16,542	24,005,806	14,884
2015	16,441	19,988,107	11,883
2016	16,474	29,771,141	10,773
2017	16,561	28,532,344	9,658
2018	16,578	33,222,144	10,799

### Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
U.C.S.B.	935	\$ 3,320,774
Cavaletto Ranches, LLC	559	1,034,978
Sandpiper Golf Course	278	366,985
Touchstone Glen Annie Golf	232	484,993
Roy Butera	177	375,684
County of Santa Barbara	169	726,572
Wallover, Inc.	152	291,846
Bacara Resort	142	532,691
William R. Pulice	113	238,873
Santa Barbara Unified School District	91	380,949
Total	2,848	\$ 7,754,345

(1) In acre-feet per year.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	\$ 31,044,059	\$ 14,448,077	\$ -	\$ 16,595,982	\$ 7,317,439	2.27
2010	24,129,754	16,268,616	-	7,861,138	6,561,134	1.20
2011	25,378,145	11,788,948	-	13,589,197	7,251,071	1.87
2012	27,426,627	14,741,694	-	12,684,933	6,309,979	2.01
2013	32,409,693	15,146,414	-	17,263,279	7,284,547	2.37
2014	34,188,412	18,210,976	-	15,977,436	7,998,066	2.00
2015	32,951,960	16,527,332	-	16,424,628	9,369,850	1.75
2016	39,174,119	21,847,412	-	17,326,707	7,973,075	2.17
2017	38,016,844	24,700,536	-	13,316,308	8,707,040	1.53
2018	43,479,431	19,018,608	-	24,460,823	8,731,412	2.80

Source: Goleta Water District

# Statistical Section

## La Cumbre Mutual Water Company

### Historic Water Connections and Sales Revenues

Fiscal Year Ending Dec. 31	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2008	1,468	\$ 2,489,710	1,937
2009	1,468	2,586,518	1,702
2010	1,469	2,377,639	1,523
2011	1,471	2,608,037	1,465
2012	1,471	3,023,989	1,587
2013	1,485	3,279,957	1,776
2014	1,494	3,117,612	1,373
2015	1,494	3,242,513	1,140
2016	1,497	3,241,825	1,067
2017	1,504	3,998,026	1,202

### Largest Customers as of December 31, 2017

	Water Usage <sup>(1)</sup>	Annual Payment
La Cumbre Golf & Country Club	40,317	\$ 245,918
Stephen Redding	5,776	84,954
Timothy Pasquinelli	5,293	75,105
Overwater, LLC	4,004	58,362
Jeffrey Henley	4,120	57,950
Frances Nielsen	3,514	51,380
Dean & Darcy Christal	3,145	44,169
Susan Caffrey	2,661	37,178
Carriage Hill Association	2,601	29,427
Stuart & Annette Rubin	2,122	29,133
<b>Total</b>	<b>73,553</b>	<b>\$ 713,576</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending Dec. 31	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2008	\$ 3,451,050	\$ 1,408,802	\$ 376,576	\$ 2,418,824	\$ 1,540,843	1.57
2009	3,510,409	1,670,353	392,003	2,232,059	1,684,349	1.33
2010	3,261,377	1,649,171	389,217	2,001,423	1,870,892	1.07
2011	3,641,641	1,419,353	391,224	2,613,512	1,962,355	1.33
2012	3,987,385	1,401,788	391,135	2,976,732	1,425,464	2.09
2013	4,402,802	1,530,254	391,135	3,263,683	1,696,315	1.92
2014	4,185,177	1,504,177	391,135	3,072,135	1,875,217	1.64
2015	4,306,838	1,453,837	391,135	3,244,136	2,052,272	1.58
2016	4,526,872	1,911,022	392,065	3,007,915	1,572,834	1.91
2017	5,196,914	1,792,262	391,135	3,795,787	1,769,030	2.15

Source: La Cumbre Mutual Water Co.



# Statistical Section City of Santa Barbara

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	26,153	\$ 28,669,429	13,819
2010	26,504	28,163,162	13,428
2011	26,761	27,181,923	13,284
2012	26,649	29,992,081	13,949
2013	26,797	32,683,467	14,366
2014	26,919	33,296,287	14,218
2015	26,921	31,512,114	10,775
2016	26,988	41,433,002	9,935
2017	27,111	46,187,721	9,009
2018	17,191	52,356,068	9,918

## Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Santa Barbara Unified School District	37,021	\$ 508,728
Cottage Hospital	34,749	487,405
Dario Pini	24,844	335,977
Housing Authority	26,025	325,269
City of Santa Barbara Parks	26,768	236,449
Santa Barbara Community College District	11,640	198,516
Hilton Santa Barbara Beachfront Report (Formerly Fess Parker Double Tree)	21,987	188,483
Belmond El Encanto	13,172	168,625
Santa Barbara Highlands HOA (Miramonte)	15,680	158,049
City of Santa Barbara Waterfront	10,412	140,978
<b>Total</b>	<b>222,298</b>	<b>\$ 2,748,479</b>

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Parity Debt Service	Coverage
2009	\$ 33,914,071	\$ 18,885,951	\$ 15,028,120	\$ 4,314,561	\$ 1,857,100	2.44
2010	33,763,232	18,546,457	15,216,775	4,466,645	1,697,698	2.47
2011	32,082,335	17,793,001	14,289,334	4,619,893	1,847,271	2.21
2012	37,696,027	19,547,823	18,148,204	4,180,184	1,738,160	3.07
2013	38,439,062	21,464,993	16,974,069	4,744,097	1,847,618	2.58
2014	37,185,303	22,994,993	14,190,310	5,230,535	2,774,171	1.77
2015	35,348,935	25,475,134	9,873,801	6,348,335	2,654,446	1.10
2016	45,677,508	21,316,587	24,360,921	5,780,222	3,225,980	2.70
2017	52,271,592	22,533,661	29,737,931	6,335,560	4,274,453	2.80
2018	57,798,973	29,129,726	28,669,247	5,668,670	4,520,212	2.81

Source: City of Santa Barbara

# Statistical Section

## Montecito Water District

### Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	4,583	\$ 10,015,310	5,963
2010	4,558	9,429,322	5,274
2011	4,575	8,401,945	4,715
2012	4,577	9,345,967	5,302
2013	4,585	10,573,025	5,945
2014	4,597	11,260,539	5,775
2015	4,593	6,752,280	3,331
2016	4,601	7,652,442	3,440
2017	4,602	7,470,909	3,127
2018	4,604	8,925,156	3,783

### Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Golf Club	38,884	\$ 330,668
Resort Hotel	35,342	401,173
Agricultural	33,393	256,068
Agricultural	25,598	174,425
Agricultural	22,596	144,748
Private College	16,104	171,615
Resort Hotel	14,378	160,323
Single Family Residential Community	12,973	145,592
Single Family Home	9,738	105,576
Retirement Community	7,713	111,475
<b>Total</b>	<b>216,719</b>	<b>\$ 2,001,663</b>

(1) In hundred cubic feet.

### State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	\$ 13,873,852	\$ 6,528,920	\$ 1,075,696	\$ 8,420,628	\$ 5,144,227	1.64
2010	14,555,964	5,931,617	1,079,637	9,703,984	5,123,778	1.89
2011	12,277,049	5,588,083	1,085,554	7,774,520	5,334,729	1.46
2012	13,224,023	6,299,364	1,087,250	8,011,909	4,412,658	1.82
2013	14,315,026	6,497,450	1,087,787	8,905,363	4,898,038	1.82
2014	16,880,381	8,222,385	1,087,787	9,745,783	5,978,116	1.63
2015	16,264,644	8,048,179	1,417,526	9,633,991	6,573,858	1.47
2016	20,063,580	9,007,873	1,417,526	12,473,233	5,778,933	2.16
2017	18,583,907	7,760,628	1,419,078	12,242,357	5,491,272	2.23
2018	18,541,652	8,570,817	1,417,526	11,388,361	5,966,292	1.91

Source: Montecito Water District

# Statistical Section Carpinteria Valley Water District

## Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2009	4,288	\$ 10,393,601	4,099
2010	4,326	10,089,936	3,825
2011	4,322	10,101,197	3,599
2012	4,339	10,575,216	3,871
2013	4,441	10,798,634	4,352
2014	4,444	11,229,175	4,551
2015	4,485	11,031,043	3,728
2016	4,501	12,023,205	3,604
2017	4,503	12,457,730	3,395
2018	4,506	12,776,055	3,870

## Largest Customers as of June 30, 2018

	Water Usage <sup>(1)</sup>	Annual Payment
Circle G	29,623	\$ 66,900
Emmett, Morgan	27,459	61,667
Ota, Tom	26,467	66,135
Schaff, Victor	25,801	52,957
Cate School	23,519	120,844
Casitas Village Home Assn	19,280	270,999
Villa Del Mar HOA	18,534	248,727
Sandpiper Village	17,799	248,691
Reiter Brothers, Inc	17,109	40,381
City of Carpinteria	14,037	118,148
<b>Total</b>	<b>219,628</b>	<b>\$ 1,295,450</b>

(1) In hundred cubic feet.

## State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2009	\$ 11,005,014	\$ 5,395,430	\$ 807,038	\$ 6,416,622	\$ 2,923,214	2.20
2010	10,499,950	4,639,111	809,995	6,670,834	3,006,719	2.22
2011	10,350,057	4,791,179	814,431	6,373,309	3,107,837	2.05
2012	11,267,253	5,052,870	815,699	7,030,082	2,785,680	2.52
2013	11,835,527	5,068,463	816,100	7,583,164	3,135,384	2.42
2014	12,218,169	5,711,413	816,100	7,322,856	3,539,365	2.07
2015	12,349,806	5,467,213	816,100	7,698,693	3,909,986	1.97
2016	13,112,109	6,345,931	816,100	7,582,278	3,324,260	2.28
2017	12,760,851	5,337,062	816,994	8,240,783	3,444,393	2.39
2018	13,325,096	5,914,427	823,757	8,234,426	3,732,379	2.21

Source: Carpinteria Valley Water District

