

GOLETA WATER DISTRICT

GOLETA, CALIFORNIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020





Mission

To provide a reliable supply of quality water at the most reasonable cost to the present and future customers within the Goleta Water District

GOLETA WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

PAGE INTENTIONALLY LEFT BLANK

**GOLETA WATER DISTRICT
BOARD OF DIRECTORS
AS OF JUNE 30, 2020**

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Lauren Hanson	President	Elected	12/16 - 12/20
Kathleen Werner	Vice President	Elected	12/18 - 12/22
Farfalla Borah	Director	Appointed	12/18 - 12/20
Bill Rosen	Director	Elected	12/16 - 12/20
Tom Evans	Director	Elected	12/18 - 12/22

John McInnes, General Manager

David Matson, Assistant General Manager

Francis Chan, Administrative Manager/CFO

Tom Bunosky, Operations Manager

Ryan Drake, Water Supply and Conservation Manager

Daniel Brooks, Chief Engineer

PAGE INTENTIONALLY LEFT BLANK

**GOLETA WATER DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

	<u>Page</u>
Introductory Section:	
Letter of Transmittal	1
Financial Section:	
Independent Auditor's Report	4
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements:	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Notes to the Basic Financial Statements	18
Required Supplementary Information (Unaudited)	47
Statistical Information Section:	
Statistical Information Section – Table of Contents	50
Changes in Net Position by Component – Previous Ten Fiscal Years	51
Operating Revenues by Source – Previous Ten Fiscal Years	53
Operating Expenses by Activity – Previous Ten Fiscal Years	54
Non-Operating Revenues and Expenses – Previous Ten Fiscal Years	55
Revenue Base – Previous Ten Fiscal Years	56
Customers by Type – Previous Ten Fiscal Years	57
Revenue Rates – Previous Ten Fiscal Years	58
Ten Largest Water Users – Current Fiscal Year versus Fiscal Year 2009-10	59
Ratio of Outstanding Debt by Type – Previous Ten Fiscal Years	60
Pledged-Revenue Coverage – Previous Ten Fiscal Years	61
Demographics and Economic Statistics – Previous Ten Fiscal Years	62
Operating and Capacity Indicators – Previous Ten Fiscal Years	63
List of Acronyms:	
List of Acronyms and Abbreviations	64

PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

PAGE INTENTIONALLY LEFT BLANK



November 11, 2020

The Honorable Board of Directors and Customers of Goleta Water District:

The Comprehensive Annual Financial Report (CAFR) of the Goleta Water District (District) for the fiscal year (FY) ended June 30, 2020, provides the Board of Directors (the Board), customers, and the investment community with detailed information about the financial condition and operating results of the District. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This CAFR is presented in conformity with generally accepted accounting principles (GAAP).

Management assumes full responsibility for the completeness and reliability of the information contained in this report. The District operates within a comprehensive framework of internal controls and these controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatements.

The objective of the independent audit was to provide reasonable assurance, and not absolute assurance, that the financial statements of the District were free of material misstatements. Brown Armstrong Accountancy Corporation, independent auditors, has issued an unmodified ("clean") opinion that the District's financial statements for the fiscal years ended June 30, 2020 and 2019, are presented fairly in conformity with GAAP.

The 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. The MD&A should be read in conjunction with the financial statements.

Overview

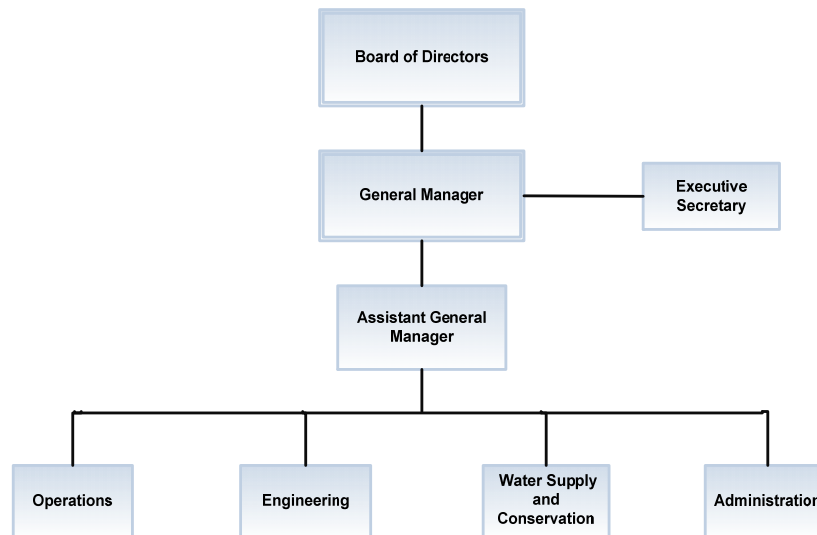
During FY 2019-20, the District successfully navigated through the extraordinary challenges brought by the global COVID-19 pandemic, while simultaneously completing key 5-year financial and operational planning efforts. These plans served as the foundation for the Cost of Service and Rate Design Study, which guided the District's Board of Directors to set rates sufficient to generate the revenue needed to cover anticipated expenditures through 2025.

As the operational environment continues to evolve in the aftermath of the historic drought and severe wildfires, the District is effectively managing costs and meeting its commitments, while simultaneously making key investments that increase the resiliency and sustainability of the District. Given the ongoing COVID-19 pandemic, the District is closely monitoring how the needs of our customers are changing. Initial observations and related water use data do not indicate significant changes that would adversely impact District operations.

District Profile

Established November 17, 1944, the District encompasses an area extending along the south coast of Santa Barbara County west from the Santa Barbara city limits to El Capitan. The District, which spans approximately 29,000 acres (45 square miles), is bound on the south by the ocean and on the north by the foothills of the Santa Ynez Mountains. The District provides water service to approximately 87,000 people through 270 miles of pipeline via 16,800 individual customer accounts. The District manages a complex set of treatment and distribution systems, along with a water supply portfolio that includes Lake Cachuma, an adjudicated ground water basin, recycled water, and the State Water Project.

The District operates under the general direction of an elected five-member Board, who serve four-year terms. Elections for two or three directors are held every two years. The Board employs a General Manager to oversee approximately 65 employees. Staffing is organized into four departments including operations, engineering, water supply and conservation, and administration.



Economic Conditions

The local economy in the Goleta area is stable and diverse; large employers include the University of California, Santa Barbara (UCSB), regional health providers, Goleta Unified School District, and the hospitality sector. The District's service area is also home to a diverse business sector including space research firms, telecommunications, medical research, national security, light manufacturing, retail, wholesale trade, and corporate offices of multinational companies. The agricultural sector is another significant water user, with local production focusing primarily on avocados and lemons.

The local economy has proven to be resilient and the area's unemployment rate has consistently been below that of the County, State and National levels. Goleta's February 2020 unemployment rate was 2.2%; however, it dramatically increased to 10.2% in June 2020 because of the global COVID-19 pandemic that triggered a statewide order to close non-essential service providers and institutions. A prolonged pandemic period will result in a more challenging economic environment, which in turn may affect revenues particularly since the District receives no taxes and collects the majority of its operating revenue through user charges.

Climate Conditions

The Goleta area has a mild climate, with high temperatures normally within ten degrees of 70° year-round and low temperatures that rarely fall below 40°. Annual rainfall typically averages 18 inches, though it varies from year to year. Such weather variability influences District revenues as conservation-minded customers are quick to reduce water use when cool and wet weather conditions occur. In FY 2019-20, Goleta's precipitation levels were below its average weather patterns with 14.7 inches, or 82% of normal levels, compared to 23.8 inches or 132% of normal levels in the previous year. During the historic nearly eight-year drought, the District declared a Stage II Water Shortage Emergency on September 9, 2014, followed by a Stage III Water Shortage Emergency declaration on May 12, 2015. The District continued to operate under a Stage III Water Shortage Emergency for the majority of FY 2018-19. On April 9, 2019, and after the increase of water allocation from Lake Cachuma and the State, the District's Board approved lowering the ongoing Water Shortage Emergency from a Stage III to a Stage I. Per the District's Drought Preparedness and Water Shortage Contingency Plan, the drought surcharge has been suspended, and watering time and day restrictions have been lifted. Under a Stage I there are no mandatory water use restrictions beyond the water waste provisions made permanent by the State of California, and consistent with the District Code. Based on subsequent water allocation, the District's Board terminated the Stage I Water Shortage Emergency on August 13, 2019. While conservation is now voluntary, water remains an important resource.

Financial Planning

The District operates under an annual budget that is adopted by its Board in accordance with its established short and long term financial plans. Actual financial results are reviewed throughout the year to ensure the District's goals are met, and revenues and expenditures are balanced. Together, these foundational documents and oversight activities help ensure reliable and cost-effective service delivery for District customers, and support the financial achievements described in this CAFR. Some of the notable accomplishments for FY 2019-20 included:

- Successful design and implementation of an emergency operating plan to avoid business and service interruptions resulting from the global COVID-19 pandemic. The plan included procuring and redistributing computers, deploying effective security technologies for staff working remotely, and ensuring the safety of District staff and customers.
- Developed the District's 2020-2025 Infrastructure Improvement Plan, with funding for \$50M of the identified \$348M in infrastructure improvement and replacements projects over the next five years.
- Completion of the 2020-2025 Expenditure Forecast that served as the foundation for the Cost of Service and Rate Design Study, which guided the District's Board of Directors to set rates sufficient to generate the revenue needed to cover anticipated expenditures through 2025.
- Maintained water quality throughout the distribution system through the use of coordinated surface and groundwater supplies at various times during the year to meet regulatory requirements.

Looking ahead, the District will continue implementing projects and programs to ensure reliable and sustainable water service for all District customers.

Thank you to the Board for its leadership and support of our efforts to plan and implement responsible financial management practices.

Respectfully submitted,



John McInnes
General Manager



David Matson
Assistant General Manager

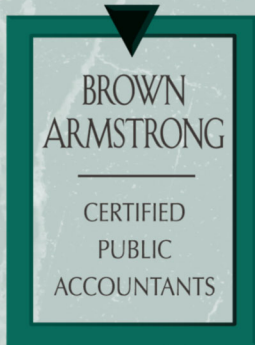


Francis Chan
Chief Financial Officer

PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

PAGE INTENTIONALLY LEFT BLANK



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goleta Water District
Goleta, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Goleta Water District (District), as of and for the fiscal year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year's comparative information has been derived from the District's 2019 financial statements and, in our report dated November 14, 2019, we expressed an unmodified opinion on the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BAKERSFIELD OFFICE (MAIN OFFICE)

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

FRESNO OFFICE

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

STOCKTON OFFICE

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

WWW.BACPAS.COM

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of net pension liability, schedule of contributions, and schedule of changes in the net other postemployment benefits liability and related ratios, 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and statistical sections 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 11, 2020

**GOLETA WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

This annual report consists of a series of financial statements, including the *Statement of Net Position*; *the Statement of Revenues, Expenses, and Changes in Net Position*, and *the Statement of Cash Flows*. These statements were completed using the accrual basis of accounting, which recognizes a full year of revenues and expenses regardless of when cash is received or paid. Each statement provides information about the activities and performance of the District using the best practice of governmental accounting methods similar to those used by private sector companies.

- *The Statement of Net Position* summarizes District investments (assets), deferred outflows of resources and deferred inflows of resources, as well as its obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing liquidity and financial flexibility.
- *The Statement of Revenues, Expenses, and Changes in Net Position* is a record of District revenue and expenses. Providing a measure of the District's financial performance over the year, this statement can also be used to determine the District's cost recovery through its rates and other charges, illustrating overall resource management efficacy and credit worthiness.
- *The Statement of Cash Flows* provides information about the District's cash receipts and cash payments. The statement reflects net changes in cash resulting from operations, investments, debt service, and non-operating income.

Summary Analysis

The Net Position, or the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities, measures the financial health of the District. Over time, increases or decreases in the District's Net Position also indicate the relative fiscal sustainability of the policy choices that govern administrative operations. It is important to keep these indicators in context with other non-financial factors such as changes in economic conditions, population growth, climate, zoning, or the regulatory environment. Since financial statements include a year-over-year comparison, this Management's Discussion and Analysis (MD&A) presents three years of financial information. Specific attention is placed on comparing fiscal year (FY) 2020 to FY 2019; however, analysis is provided comparing FY 2019 to FY 2018, when significant.

Overall during FY 2020 and FY 2019, the District successfully managed through the challenges associated with the recent drought and the initial impacts from the global COVID-19 pandemic. Coupled with the result of these actions, the District was able to invest in a number of critical infrastructure projects outlined in the Infrastructure Improvement Plan (IIP).

Financial Highlights

- During FY 2020, the District's Net Position decreased \$9,932,140 (22%) to \$34,299,623 from \$44,231,763, the Net Position at the end of FY 2019. Operating Revenues decreased by \$6,802,382, Operating Expenses decreased by \$1,963,464, and Unrestricted Cash and Cash Equivalents decreased by \$3,971,792 when compared to FY 2019. The FY 2020 decrease in Net Position demonstrates the challenges the District is facing in continuing to deliver quality water and maintaining and enhancing its infrastructure as water consumption fell as a result of the governor's statewide order to close non-essential service providers and institutions amidst the global COVID-19 pandemic, compounded by cooler summer temperatures and consistent rainfall in the early winter and spring months. During FY 2019, the District's Net Position decreased \$4,466,700 (9%) to \$44,231,763 from \$48,698,463, the Net Position at the end of FY 2018. Operating Revenues decreased by \$3,308,042, Operating Expenses increased by \$10,295,653, and Unrestricted Cash and Cash Equivalents decreased by \$1,134,497 when compared to FY 2018.

Financial Highlights (Continued)

- Water Consumption Sales decreased by \$7,114,094 (24%) in FY 2020 and decreased by \$3,902,641 (12%) in FY 2019. The decrease in FY 2020 in water consumption sales was the result of a combination of lower consumption and the loss of the drought surcharge revenue associated with the Board's declaration on May 1, 2019, to lower the Water Shortage Emergency from a Stage III to a Stage I. The lower consumption was primarily due to cooler than expected summer temperatures and consistent rainfall in the early winter and spring months which was compounded by the governor's statewide order to close businesses and institutions as a result of the global COVID-19 pandemic in March 2020. The decrease in FY 2019 in water consumption sales was the result of the return of seasonal rain starting in December 2018, which lasted over three months and District customers' continued adherence to the previously declared Stage III Water Shortage Emergency water use restrictions.
- Monthly Service Charges increased by \$609,019 (6%) in FY 2020 and increased by \$290,051 (3%) in FY 2019. The increase in FY 2020 and FY 2019 was primarily due to a 4.0% rate increase effective July 1, 2019 and July 1, 2018 respectively.
- Other Charges and Services decreased by \$310,806 (46%) in FY 2020 and increased by \$288,387 (73%) in FY 2019. The decrease in FY 2020 was primarily due a one-time Federal grant of \$195,028 that was received in FY 2019, compounded by reductions in customer delinquent charges of \$49,362 and contract revenue of \$46,382. The increase in FY 2019 was primarily due to the receipt of a Federal grant to help offset the costs incurred resulting from the Santa Barbara Thomas Fire that occurred in December 2017.
- Interest and Investment Earnings decreased by \$164,359 (33%) in FY 2020 and increased by \$235,293 (88%) in FY 2019. The decrease is due to reduced investment rate of returns on funds held at the Local Agency Investment Fund (LAIF) compounded by a reduction in funds held in LAIF during FY 2020.
- Operating Expenses, before Depreciation, decreased by \$1,963,464 (5%) in FY 2020 and increased by \$10,295,653 (37%) in FY 2019. The decrease in FY 2020 operating expenses is primarily due to a decrease in source of supply costs of \$736,479 as a result of refunds received for unexpended funds from the 2018-2019 Fiscal Year and lower CCWA assessments; transmission and delivery costs decreased \$1,077,550 as a result of lower water production; and a decrease in administrative costs of \$1,527,866 primarily related to Governmental Accounting Standards Board (GASB) Statement No. 68 (pension costs). The increase in FY 2019 operating expenses is primarily due to higher source of supply costs and operating costs including the recognition of GASB Statement No. 68 Pension Expense of \$5,426,397.

Condensed Statement of Net Position – Analysis

	2020	2019	Current Year Increase/ (Decrease)	2018
Assets:				
Current assets	\$ 19,593,350	\$ 27,278,097	\$ (7,684,747)	\$ 28,600,524
Non-current assets	3,686,150	3,639,088	47,062	3,596,672
Capital assets, net	94,825,218	97,532,703	(2,707,485)	98,608,135
Total Assets	118,104,718	128,449,888	(10,345,170)	130,805,331
Deferred Outflows of Resources:	5,345,692	5,408,358	(62,666)	9,463,475
Liabilities:				
Current liabilities	5,496,043	6,062,661	(566,618)	6,290,796
Non-current liabilities	83,038,700	82,375,889	662,811	85,025,149
Total Liabilities	88,534,743	88,438,550	96,193	91,315,945
Deferred Inflows of Resources:	616,044	1,187,933	(571,889)	254,398
Net Position:				
Net investment in capital assets	48,880,470	50,275,281	(1,394,811)	50,072,219
Restricted for debt service	3,029,440	2,940,797	88,643	2,857,049
Restricted cash and cash equivalents	484,610	704,455	(219,845)	1,083,158
Unrestricted	(18,094,897)	(9,688,770)	(8,406,127)	(5,313,963)
Total Net Position	\$ 34,299,623	\$ 44,231,763	\$ (9,932,140)	\$ 48,698,463

- Current Assets decreased during FY 2020 by \$7,684,747 (28%) primarily due to a \$4,191,637 net decrease in Cash and Cash Equivalents (restricted and unrestricted), and a \$3,696,810 decrease in Prepaid Source of Supply, partially offset by a \$685,104 increase in Account Receivable related to water sales. The decrease in Cash and Cash Equivalents is associated with lower revenues. The increase in Accounts Receivable is attributable to customers deferring payments due to economic challenges related to the COVID-19 pandemic, including the governor's statewide order prohibiting the discontinuance of water service due to non-payment. The decrease in Prepaid Source of Supply is due to a deferral of Central Coast Water Authority (CCWA) assessment as a result of the COVID-19 pandemic.
- Net Capital Assets decreased \$2,707,485 (3%) during FY 2020 and decreased \$1,075,432 (1%) during FY 2019 primarily due to a decrease in construction-in-process in both years.
- Deferred Outflows of Resources decreased \$62,666 (1%) during FY 2020 as a result of the amortization of deferred financing costs and a decrease in deferred pension costs which were partially offset by an increase in deferred OPEB costs. Deferred Outflows of Resources decreased \$4,055,117 (43%) during FY 2019 primarily as a result of amortization of deferred financing costs and changes in Deferred Pension Costs and Deferred OPEB costs.
- Current Liabilities decreased \$566,618 (9%) during FY 2020 primarily due to a decrease in Accounts Payable and Accrued Expenses resulting from lower expenditure levels to balance the revenue shortfalls. Current Liabilities decreased \$228,135 (4%) during FY 2019 primarily due to a reduction in Customer Construction Advances and Deposits as a result of completing customer initiated projects.

Condensed Statement of Net Position – Analysis (Continued)

- Non-Current Liabilities increased during FY 2020 by \$662,811 (1%) due to increases in Other Post-Employment Benefits (OPEB) of \$1,240,904 and the Net Pension Liability of \$901,343 which were partially offset by a reduction in outstanding debt of \$1,535,573. Non-Current Liabilities decreased during FY 2019 by \$2,649,260 (3%) primarily due to a reduction in outstanding debt of \$1,504,392 in addition to decreases in the Net Pension Liability of \$633,409 and Other Post-Employment Benefits (OPEB) of \$724,737.
- Deferred Inflows of Resources decreased \$571,889 (48%) during FY 2020 due to a decrease in the Deferred OPEB Costs of \$820,337, which was partially offset by an increase in Deferred Pension Costs of \$248,448. Deferred Inflows of Resources increased \$933,535 (367%) during FY 2019 due to changes in the Deferred OPEB Costs.
- During FY 2020, Unrestricted Net Position decreased by \$8,406,127 (87%) when compared to the end of FY 2019 primarily due to the net operating loss for FY 2020.

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

	2020	2019	Current Year Increase/ (Decrease)	2018
Revenues:				
Operating revenues	\$ 33,050,742	\$ 39,853,124	\$ (6,802,382)	\$ 43,161,166
Non-operating revenues	369,749	536,288	(166,539)	318,265
Total revenues	33,420,491	40,389,412	(6,968,921)	43,479,431
Expenses:				
Operating expenses	36,082,209	38,045,673	(1,963,464)	27,750,020
Depreciation	5,517,320	5,354,910	162,410	5,335,807
Non-operating expenses	2,348,989	2,324,574	24,415	2,595,891
Total expenses	43,948,518	45,725,157	(1,776,639)	35,681,718
Net income (loss) before capital contributions	(10,528,027)	(5,335,745)	(5,192,282)	7,797,713
Capital contributions	595,887	869,045	(273,158)	1,875,086
Change in net position	(9,932,140)	(4,466,700)	(5,465,440)	9,672,799
Net position, beginning of year	44,231,763	48,698,463	(4,466,700)	39,025,664
Net position, end of year	<u>\$ 34,299,623</u>	<u>\$ 44,231,763</u>	<u>\$ (9,932,140)</u>	<u>\$ 48,698,463</u>

- District Operating Revenues in FY 2020 decreased \$6,802,382 (17%) with a \$7,114,094 decrease in Water Consumption Sales and a \$310,806 decrease in Other Charges and Services, which were partially offset by a \$609,019 increase in Monthly Service Charges.
 - The \$7,114,194 (24%) decrease in Water Consumption Sales in FY 2020 was due to decreased water usage over the prior year which was partially offset by a 4% rate increase that went into effect July 1, 2020. A cooler than expected summer and consistent rainfall in the early winter and spring months reduced water usage and in March of 2020 the governor issued a statewide order to close businesses and institutions as a result of the global COVID-19 pandemic.
 - Monthly Service Charges increased by \$609,019 (6%) in FY 2020 primarily due to a 4% rate increase effective July 1, 2019.

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

- District Operating Revenues in FY 2019 decreased \$3,308,042 (8%) with a \$3,902,641 decrease in Water Consumption Sales offset partially by a \$290,051 increase in Monthly Service Charges and a \$288,387 increase in Other Charges and Services.
 - The \$3,902,641 (12%) decrease in Water Consumption Sales in FY 2019 was due to decreased water usage over the prior year partially was offset by a 4% rate increase that went into effect July 1, 2018. Customers continued to adhere to the District's previously declared Stage III Water Shortage Emergency use restrictions. A return of seasonal rain starting in December 2018 compounded the decrease in consumption compared to prior years. On May 1, 2019, the District eliminated the drought surcharge concurrent with the Board's declaration to lower the Water Shortage Emergency from a Stage III to a Stage I further reducing revenue for the last two months of FY 2019.
 - Monthly Service Charges increased by \$290,051 (3%) in FY 2019 primarily due to a 4% rate increase effective July 1, 2018.
- District Non-Operating Revenues decreased \$166,539 (31%) in FY 2020 and increased \$218,023 (69%) in FY 2019 due to fluctuations in investment returns and the average amount invested.
- District Operating Expenses, excluding depreciation, decreased \$1,963,464 (5%) in FY 2020 when compared to FY 2019 primarily due to the following:
 - Source of Supply costs were lower in FY 2020 by \$736,479 (4%). Source of Supply costs includes amounts paid to the Central Coast Water Authority (CCWA), Cachuma Operation and Maintenance Board (COMB), Cachuma Conservation Release Board (CCRB), and the Goleta Sanitary District (GSD) for recycled water, well operations, and maintenance project costs. The decrease was primarily due to a deferral of the CCWA assessment resulting from the COVID-19 pandemic.
 - Water Treatment costs increased \$1,034,549 (26%) primarily due to additional treatment/chemicals needed to address changing water quality conditions resulting from recent fires around the watershed at Lake Cachuma.
 - Transmission and Distribution costs decreased \$1,077,550 (19%) as a result of cost cutting measures taken and deferral of projects as a response to the lower revenues.
 - General and Administrative costs decreased by \$1,527,866 (17%) primarily due to decrease in GASB Statement No. 68 pension expense of \$2,198,803 partially offset by an increase in Other Post-Employment Benefits of \$202,358 and Property & Liability Insurance of \$165,916.
- District capital contributions in FY 2020 decreased \$273,158 (31%) due to a decrease in customer/developer projects and contributed assets to the District.

FY 2019 vs. FY 2018

- District Operating Expenses, excluding depreciation, increased \$10,295,653 (37%) in FY 2019 when compared to FY 2018 primarily due to the following:
 - Source of Supply costs were higher in FY 2019 by \$2,438,876 (16%). Source of Supply costs includes amounts paid to the CCWA, COMB, CCRB, and the GSD for recycled water, well operations, and maintenance project costs.
 - The increase was primarily due to a special assessment from the California Department of Water Resources (DWR), increased operations and maintenance assessments (COMB) and higher well operations and maintenance charges in FY 2019.

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

- Water Treatment costs increased \$404,916 (11%) primarily due to additional treatment/chemicals needed as water quality deteriorated as a result of the recent fires around the watershed at Lake Cachuma.
 - Transmission and Distribution costs increased \$748,521 (15%) as a result of higher project costs and repairs and maintenance on District infrastructures.
 - General and Administrative costs increased by \$6,545,513 (246%) primarily due to increase in GASB Statement No. 68 pension expense of \$5,426,397 and increase in legal fees of \$1,029,455. The increase in legal fees is attributable to completion of actions by the District to protect the District’s water rights.
- District capital contributions in FY 2019 decreased \$1,006,041 (54%) due to a decrease of \$993,059 in customer/developer contributed assets to the District.

Condensed Statement of Revenues – Analysis

	2020	2019	Current Year Increase/ (Decrease)	2018
Operating revenues:				
Water consumption sales	\$ 22,205,407	\$ 29,319,501	\$ (7,114,094)	\$ 33,222,142
Monthly service charges	10,286,970	9,677,951	609,019	9,387,900
Conveyance charges	186,717	173,218	13,499	157,057
Other charges and services	371,648	682,454	(310,806)	394,067
Total operating revenues	<u>33,050,742</u>	<u>39,853,124</u>	<u>(6,802,382)</u>	<u>43,161,166</u>
Non-operating revenues:				
Interest and investment earnings	337,631	501,990	(164,359)	266,697
New water supply charge	-	-	-	5,467
Other non-operating revenues, net	32,118	34,298	(2,180)	46,101
Total non-operating revenues	<u>369,749</u>	<u>536,288</u>	<u>(166,539)</u>	<u>318,265</u>
Total revenues	<u>\$ 33,420,491</u>	<u>\$ 40,389,412</u>	<u>\$ (6,968,921)</u>	<u>\$ 43,479,431</u>

Condensed Statement of Expenses – Analysis

	2020	2019	Current Year Increase/ (Decrease)	2018
Operating expenses:				
Source of supply	\$ 16,784,789	\$ 17,521,268	\$ (736,479)	\$ 15,082,392
Water treatment	5,048,687	4,014,138	1,034,549	3,609,222
Transmission and distribution	4,577,766	5,655,316	(1,077,550)	4,906,795
Customer accounts	1,991,457	1,647,575	343,882	1,489,748
General and administrative	7,679,510	9,207,376	(1,527,866)	2,661,863
Depreciation	5,517,320	5,354,910	162,410	5,335,807
Total operating expenses	41,599,529	43,400,583	(1,801,054)	33,085,827
Non-operating expenses:				
Interest expense - long-term debt	2,235,226	2,280,268	(45,042)	2,523,564
Loss on disposition of capital assets	77,432	7,975	69,457	35,996
Amortization expense	36,331	36,331	-	36,331
Total non-operating expenses	2,348,989	2,324,574	24,415	2,595,891
Total expenses	\$ 43,948,518	\$ 45,725,157	\$ (1,776,639)	\$ 35,681,718

	Balance 2019	Additions	Transfer/ Deletions	Balance 2020
Capital Assets:				
Non-depreciable assets	\$ 10,443,605	\$ 4,965,810	\$ (8,616,113)	\$ 6,793,302
Depreciable assets	175,373,398	6,711,252	(548,264)	181,536,386
Accumulated depreciation	(88,284,300)	(5,687,703)	467,533	(93,504,470)
Total capital assets, net	\$ 97,532,703	\$ 5,989,359	\$ (8,696,844)	\$ 94,825,218

	Balance 2018	Additions	Transfer/ Deletions	Balance 2019
Capital Assets:				
Non-depreciable assets	\$ 11,078,786	\$ 6,913,683	\$ (7,548,864)	\$ 10,443,605
Depreciable assets	167,820,542	7,748,787	(195,931)	175,373,398
Accumulated depreciation	(80,291,193)	(8,153,316)	160,209	(88,284,300)
Total capital assets, net	\$ 98,608,135	\$ 6,509,154	\$ (7,584,586)	\$ 97,532,703

Capital Assets – Analysis:

At June 30, 2020 and 2019, the District's capital assets, net of accumulated depreciation, totaled \$94,825,218 and \$97,532,703, respectively, decreasing from \$98,608,135 at June 30, 2018. Capital asset investments include: non-depreciable assets (land, land improvements, and construction-in-process projects) and depreciable assets (water treatment plant and equipment, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, and vehicles). Throughout FY 2020 and FY 2019, the District continued to fund capital improvements to the District's wells, existing production and distribution systems, recycled water system, as well as other property, plant, and equipment. Some of the larger capital additions during the two-year period were rehabilitations and restarting groundwater production for all nine of the District wells, replacing over 1,700 large and small meters, improvements to the water treatment facility, improvements and upgrades to the recycled water systems and equipment and completing several developer/customer initiated development projects.

Debt Analysis

	Balance 2019	Adjustments/ Additions	Principal Payments/ Deletions	Balance 2020
Debt:				
Certificates of participation, net	\$ 48,030,838	\$ -	\$ (1,480,574)	\$ 46,550,264
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Balance 2018	Adjustments/ Additions	Principal Payments/ Deletions	Balance 2019
Debt:				
Certificates of participation, net	\$ 49,475,230	\$ -	\$ (1,444,392)	\$ 48,030,838
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During FY 2020 and FY 2019, net long-term debt decreased by \$1,480,574 and \$1,444,392 due to scheduled principal repayments of \$1,260,000 and \$1,150,000, respectively, and the amortization of the related debt costs (see Note 9 – Certificates of Participation for additional detail).

Conditions Affecting Current Financial Position

Management has noted certain items as potential issues that may affect its current financial position in the footnotes to the financial statements (see Note 14 - Commitments and Contingencies for additional detail).

Notes to the Basic Financial Statements

The notes following the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Requests for Information

This financial report is designed to provide the District’s officers, investors, customers, stakeholders, and other interested parties with an overview of the District’s financial condition, as well as insight into current fiscal practices and overall management oversight. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District Administrative Manager/CFO at 4699 Hollister Avenue, Goleta, CA 93110-1999.

BASIC FINANCIAL STATEMENTS

**GOLETA WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS)**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,322,504	\$ 10,294,296
Restricted - cash and cash equivalents	484,610	704,455
Accrued interest receivable	43,449	118,464
Accounts receivable - water sales and services, net	4,629,588	3,944,483
Accounts receivable - other	88,516	157,825
Water-in-storage inventory	1,184,832	1,178,122
Materials and supplies inventory	779,838	966,959
Prepaid source of supply costs	6,016,134	9,712,944
Prepaid expenses and other deposits	43,879	200,549
Total Current Assets	19,593,350	27,278,097
NON-CURRENT ASSETS		
Restricted - investments	3,630,291	3,546,898
Prepaid water supply renegotiation costs, net	30,616	61,232
Prepaid bond insurance premiums, net	25,243	30,958
Capital assets - not depreciable	6,793,302	10,443,605
Capital assets - depreciable, net	88,031,916	87,089,098
Total Non-Current Assets	98,511,368	101,171,791
Total Assets	118,104,718	128,449,888
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	605,515	773,414
Deferred pension cost	4,112,969	4,147,200
Deferred other post-employment benefits (OPEB)	627,208	487,744
Total Deferred Outflows of Resources	5,345,692	5,408,358
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,789,750	2,448,476
Accrued wages and related payables	593,689	500,846
Customer advances and deposits	745,508	806,710
Accrued interest payable on certificates of participation	600,850	606,100
Long-term liabilities - due within one year:		
Compensated absences	451,246	440,529
Certificates of participation	1,315,000	1,260,000
Total Current Liabilities	5,496,043	6,062,661
NON-CURRENT LIABILITIES		
Long-term liabilities - due in more than one year:		
Compensated absences	1,319,176	1,263,038
OPEB	19,682,687	18,441,783
Net pension liability	16,801,573	15,900,230
Certificates of participation	45,235,264	46,770,838
Total Non-Current Liabilities	83,038,700	82,375,889
Total Liabilities	88,534,743	88,438,550
DEFERRED INFLOWS OF RESOURCES		
Deferred pension cost	616,044	367,596
Deferred OPEB	-	820,337
Total Deferred Inflows of Resources	616,044	1,187,933
NET POSITION		
Net investment in capital assets	48,880,470	50,275,281
Restricted for debt service	3,029,440	2,940,797
Restricted cash and cash equivalents	484,610	704,455
Unrestricted	(18,094,897)	(9,688,770)
Total Net Position	\$ 34,299,623	\$ 44,231,763

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)**

	2020	2019
OPERATING REVENUES		
Water consumption sales	\$ 22,205,407	\$ 29,319,501
Monthly service charges	10,286,970	9,677,951
Conveyance charges	186,717	173,218
Other charges and services	371,648	682,454
	33,050,742	39,853,124
OPERATING EXPENSES		
Source of supply	16,784,789	17,521,268
Water treatment	5,048,687	4,014,138
Transmission and distribution	4,577,766	5,655,316
Customer accounts	1,991,457	1,647,575
General and administrative	7,679,510	9,207,376
	36,082,209	38,045,673
Operating income (loss) before depreciation	(3,031,467)	1,807,451
Depreciation expense	(5,517,320)	(5,354,910)
	(8,548,787)	(3,547,459)
Net Operating Loss	(8,548,787)	(3,547,459)
NON-OPERATING REVENUE (EXPENSE)		
Interest and investment earnings	337,631	501,990
Interest expense - certificates of participation	(2,235,226)	(2,280,268)
Amortization expense	(36,331)	(36,331)
Loss on disposition of capital assets, net	(77,432)	(7,975)
Other non-operating revenues, net	32,118	34,298
	(1,979,240)	(1,788,286)
Total Non-Operating Expense, Net	(1,979,240)	(1,788,286)
Net Loss Before Capital Contributions	(10,528,027)	(5,335,745)
CAPITAL CONTRIBUTIONS		
State capital grant	-	62,020
Capital contributions	595,887	807,025
	595,887	869,045
Total Capital Contributions	595,887	869,045
DECREASE IN NET POSITION	(9,932,140)	(4,466,700)
NET POSITION, BEGINNING OF YEAR	44,231,763	48,698,463
NET POSITION, END OF YEAR	\$ 34,299,623	\$ 44,231,763

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers for water sales and services	\$ 32,637,403	\$ 41,413,163
Cash paid to employees for salaries and wages	(12,112,583)	(9,553,201)
Cash paid to vendors and suppliers for materials and services	(18,937,522)	(26,274,477)
	1,587,298	5,585,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,555,700)	(4,027,695)
Proceeds from capital grants	-	62,020
Proceeds from sale of capital assets	-	27,749
Principal paid on certificates of participation	(1,260,000)	(1,200,000)
Interest paid on certificates of participation	(2,292,488)	(2,353,988)
	(6,108,188)	(7,491,914)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(83,393)	(78,748)
Interest and investment earnings	412,646	471,977
	329,253	393,229
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,191,637)	(1,513,200)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,998,751	12,511,951
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,807,114	\$ 10,998,751
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 6,322,504	\$ 10,294,296
Restricted cash and cash equivalents	484,610	704,455
Total Cash and Cash Equivalents	\$ 6,807,114	\$ 10,998,751

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)**

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	<u>\$ (8,548,787)</u>	<u>\$ (3,547,459)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	5,517,320	5,354,910
Other non-operating revenue	32,118	34,298
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable - water sales and services, net	(685,104)	1,495,212
Accounts receivable - other	69,309	76,123
Water-in-storage inventory	(6,710)	(486,299)
Materials and supplies inventory	187,121	27,704
Prepaid source of supply costs	3,696,810	(1,301,229)
Prepaid expenses and other deposits	156,670	27,729
Deferred outflows OPEB	(959,802)	806,518
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(658,726)	197,210
Accrued wages and related payables	92,843	(28,873)
Customer advances and deposits	202,456	(11,296)
Compensated absences	66,854	282,849
Net OPEB	1,240,904	(724,737)
Net pension	1,184,022	3,382,825
Total Adjustments	<u>10,136,085</u>	<u>9,132,944</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,587,298</u>	<u>\$ 5,585,485</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Capital Contributions	<u>\$ 332,230</u>	<u>\$ 297,279</u>
Disposition of Assets	<u>\$ (77,432)</u>	<u>\$ (7,975)</u>
Capitalized Interest on Capital Asset Additions	<u>\$ (664)</u>	<u>\$ (9,774)</u>

See accompanying notes to the basic financial statements.

PAGE INTENTIONALLY LEFT BLANK

**GOLETA WATER DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

Established on November 17, 1944, the Goleta Water District (the District) encompasses an area extending along the south coast of Santa Barbara County west from the Santa Barbara city limits to El Capitan. The District is governed by a five-member Board of Directors (the Board) who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary governmental units are financially accountable. The District is financially accountable if it appoints a voting majority of the component unit's governing body and: 1) it is able to impose its will on that component unit, or 2) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Goleta Water District Financing Corporation (the Corporation) was incorporated in May 1993. The Corporation is a California nonprofit public benefit corporation formed to assist the District by acquiring, constructing, operating, and maintaining facilities, equipment, or other property needed by the District and leasing or selling such property to the District and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations. No separate financial statements are prepared for the Corporation.

Basis of Accounting and Measurement Focus

The District operates as a utility enterprise and the accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

The District is accounted for as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting.

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are water consumption sales and related services. Operating expenses for the District include water purchases, water production, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses consist of new water supply charges, grant funding, investment income, interest expense, and other miscellaneous revenues.

Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Net Position

In the Statement of Net Position, net position is classified in the following categories:

- *Net investment in capital assets* – This amount is the District’s net investment in its various capital assets and includes capital assets net of accumulated depreciation, capital-related deferred outflows of resources, and is reduced by capital-related borrowings and deferred inflows of resources.
- *Restricted for debt service* – This amount is restricted for various bond issues and is not available for the general needs of the District. These funds must be maintained at specific levels and are restricted by certain bond covenants.
- *Restricted cash and cash equivalents* – This amount is restricted for custodial costs due to third parties for customer funded capital projects and specific capital projects, which are eligible for funding from restricted bond proceeds.
- *Unrestricted* – This amount of unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

New Accounting Statements

GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following GASB Statements have been implemented in the current financial statements:

GASB Statement No. 95 – *Postponement of the Effective Date of Certain Authoritative Guidance*. The requirements of GASB Statement No. 95 are effective immediately.

Assets, Liabilities, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents are generally considered to be short-term, highly liquid investments with a maturity of three months or less from the purchase date. Substantially all of the District’s cash is invested in interest bearing accounts.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Assets, Liabilities, and Net Position (Continued)

3. Investments and Investment Policy

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with the District's investment policy, the Board delegates the investment authority of the District to the General Manager. In accordance with the Government Code, collateral established as security for District funds will be those securities specified by law as eligible for collateral for deposits of local public agencies. Investment of District monies not required for immediate expenditure will be made in securities or other certificates of indebtedness as provided for by law for the investment of public funds.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the provision for doubtful accounts and the write-off of those accounts.

5. Federal and State Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the Statement of Net Position and as capital grant contribution or operating grant revenue, as appropriate, on the Statement of Revenues, Expenses, and Changes in Net Position.

6. Water-in-Storage Inventory

On October 1 of each year, the District is entitled to 9,322 acre-feet of water as a result of District participation in the Cachuma Lake Project. The actual annual allocation is subject to availability. If all of the available allocation is not used in the current fiscal year, it is stored for use in the following year. In addition, the District may purchase water from other agencies to meet its customers' demand. The amount of unused purchased water is also stored. The District has its own facilities for storing water in which stored water carries no cost. This stored water is subject to loss through evaporation, natural disasters, dam ruptures, excess rainfall, and dam spillage at the various facilities. The losses are not covered by insurance.

7. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe, and pipe fittings for construction and repair of District water transmission and distribution systems. Inventory is valued at cost using the weighted average method. Inventory items are charged to expense at the time that individual items are consumed or capitalized when individual items are used in internally constructed projects.

8. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Assets, Liabilities, and Net Position (Continued)

9. Restricted Assets

Certain assets of the District are restricted in use by ordinance or debt covenant, and accordingly are shown as restricted assets on the accompanying Statement of Net Position. Certificates of Participation (COP) reserve funds and construction funds set aside from COP proceeds are restricted for future debt service payments and construction projects. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Indirect costs incurred during the construction phase of capital assets are reflected in the capitalized value of the asset constructed. Contributed capital assets are recorded at estimated fair value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and distribution system	20-50 years
Recycled water system	33 1/3 years
Water treatment plant/equipment	10-30 years
Wells	25 years
Pumping equipment	25 years
Structures and improvements	15-50 years
Other plant and equipment	5-25 years
Capitalized interest	50 years

11. Prepaid Water Supply Renegotiation Costs

Renegotiation costs represent the capital portion of expenses incurred by the Cachuma Project Authority (CPA) on behalf of the District and others in order to renegotiate the Lake Cachuma water supply contract with the U.S. Bureau of Reclamation. A new agreement was developed in April 1996, and renegotiation costs are amortized over the term of the new contract, which is 25 years.

12. Prepaid Bond Insurance Premiums

Prepaid bond insurance premium issuance costs are amortized using the straight-line method over the remaining life of the respective debt service.

13. Deferred Outflows of Resources and Deferred Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period. The District has three items that qualify for reporting in this category. They are the deferred charge on the deferred financing, deferred pension, and deferred other post-employment benefits (OPEB) reported in the District's Statement of Net Position. See Notes 7, 10 and 12 for further description of the deferred outflows of resources recognized.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Assets, Liabilities, and Net Position (Continued)

13. Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items, deferred pension and deferred other post-employment benefits (OPEB), reported in the District's Statement of Net Position. See Notes 7, 10 and 12 for further description of the deferred inflows of resources recognized.

14. Compensated Absences

District personnel policies provide for accumulation of vacation, sick leave, and compensated time-off. Liabilities for vacation, sick leave, and compensated time-off are recorded when benefits are earned to the extent it is probable that benefits will result in termination payments. Cash payment of unused vacation, a percentage of earned sick time, and compensated time-off is available to qualified employees when retired or are terminated.

15. Customer Advances and Deposits

Customer advances represent deposits received for District inspection and/or construction related to customer projects, which are refundable if the applicable inspection and/or construction costs are less or do not take place. Customer advances are recorded as other charges and services or contributed capital when the applicable construction project is completed.

16. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis in accordance with GASB Statement No. 75. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

GAAP requires that the reported results must pertain to liability and asset information within certain timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019

17. Water Sales

Water sales are normally billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

18. New Water Supply Charges

New water supply charge revenue was described in previous years as capacity charges. All new water service connections are subject to the new water supply charge, a one-time charge, currently \$45,361 per acre-foot for potable water. The purpose is to recover a portion of the costs associated with the additional cost to obtain new water supplies necessary to provide the additional service. The conditions letter issued by the District to the applicant pursuant to District Code Section 5.08.20 (F) includes the amount of the new water supply charge for the new service. The new water supply charge must be paid prior to issuance of a Can and Will Serve Letter or application of approval at the date of this reporting period. The formula for determining this charge, described in the District's Code at Appendix A (12), is based on the type of project and required service size. Project types include single-family, residential,

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

18. New Water Supply Charges (Continued)

multiple-family residential, landscape and recreation irrigation, agricultural irrigation, commercial and other nonresidential users, and expanded service to existing structures or users. This charge varies for potable, non-potable, and recycled water service. In response to the drought, the Board passed a Resolution on September 9, 2014, which became effective on October 1, 2014, banning any new or additional service connections for potable water. Even with the end of the Water Shortage Emergency, the moratorium remains effective until the necessary conditions identified in the voter-approved SAFE Ordinance to lift the restrictions on new water entitlements are met.

19. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or by real estate developers desiring services that require capital expenditures to connect to the District's transmission and distribution system.

20. Budgetary Policies

The District adopts an annual budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period.

21. Reclassifications

Certain prior year balances may have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position.

22. Future GASB Statements

The following GASB Statements will be implemented in future financial statements, as amended by Statement No. 95:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of GASB Statement No. 84 are effective for periods beginning after December 15, 2019.

GASB Statement No. 87 – *Leases*. The requirements of GASB Statement No. 87 are effective for periods beginning after June 15, 2021.

GASB Statement No. 90 – *Majority Equity Interests*. The requirements of GASB Statement No. 90 are effective for periods beginning after December 15, 2019.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for periods beginning after December 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 2021-22)

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for periods beginning after June 15, 2021.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for periods beginning after June 15, 2022.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

22. Future GASB Statements (Continued)

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 /deferred Compensation Plans.* The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 2021-22)

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	2020	2019
Cash and cash equivalents	\$ 6,322,504	\$ 10,294,296
Restricted - cash and cash equivalents	484,610	704,455
Restricted - investments	3,630,291	3,546,898
	<u>3,630,291</u>	<u>3,546,898</u>
Total cash, cash equivalents and investments	<u>\$ 10,437,405</u>	<u>\$ 14,545,649</u>

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

	2020	2019
Cash on hand	\$ 1,000	\$ 1,000
Deposits with financial institutions	6,806,114	10,997,751
Investments	3,630,291	3,546,898
	<u>3,630,291</u>	<u>3,546,898</u>
Total cash, cash equivalents and investments	<u>\$ 10,437,405</u>	<u>\$ 14,545,649</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held the by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Types*	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Time Deposits, Non-Negotiable	5 years	None	None
Money Market Mutual Funds	N/A	20%	None
Santa Barbara County Pooled Investment Fund	N/A	None	None
State of California's Local Agency Investment Fund (LAIF)	N/A	None	None
Local Government Investment Pools (Joint Power Authority Pools)	N/A	None	None

*Excluding amounts held by the bond trustees that are not subject to California Government Code restrictions.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Types</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Obligations	None	None	None
Bankers Acceptances	None	None	None
Commercial Paper	180 days	30%	10%
Corporate Bonds, Debentures, and Notes	None	None	None
Interest Bearing Accounts - State or National			
Banks or State or National Savings and Loans	None	None	None
LAIF	None	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	None	None	None

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District's deposits may not be returned to it. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District has deposits with various banks with various bank balances as of June 30, 2020 and 2019. Of the bank balances, up to \$250,000 per institution are federally insured. The remaining \$814,588 and \$873,014 on deposit in excess of the federally insured amount was collateralized with securities held by the pledging financial institutions agent at June 30, 2020 and 2019, respectively.

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At June 30, 2020 and 2019, the District had no investments that are required to be disclosed in the three-tiered fair value hierarchy.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value are to changes in market interest rates. During FY 2020 and FY 2019, the District managed its liquidity needs by investing only in short-term securities. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

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

	Amount	Remaining Maturity (in Months)				
		12 Months or Less	13 to 24 Months	25 to 60 Months	25 to 60 Months	More than 60 Months
Held by Bond Trustee:						
California State Treasurer - LAIF	\$ 3,630,291	\$ 3,630,291	\$ -	\$ -	\$ -	\$ -
Total	\$ 3,630,291	\$ 3,630,291	\$ -	\$ -	\$ -	\$ -

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

	Amount	Remaining Maturity (in Months)				
		12 Months or Less	13 to 24 Months	25 to 60 Months	25 to 60 Months	More than 60 Months
Held by Bond Trustee:						
California State Treasurer - LAIF	\$ 3,546,898	\$ 3,546,898	\$ -	\$ -	\$ -	\$ -
Total	\$ 3,546,898	\$ 3,546,898	\$ -	\$ -	\$ -	\$ -

Credit Risk

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings were obtained from Standard and Poor's (S&P) Ratings Services. Presented is the minimum legal rating required, where applicable, by the California Government Code or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings at June 30, 2020, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	S&P Rating		
				AAA	AA-	BB-
Held by Bond Trustee:						
California State Treasurer - LAIF	\$ 3,630,291	Not rated	\$ 3,630,291	\$ -	\$ -	\$ -
Total	\$ 3,630,291		\$ 3,630,291	\$ -	\$ -	\$ -

Credit ratings at June 30, 2019, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	S&P Rating		
				AAA	AA-	BB-
Held by Bond Trustee:						
California State Treasurer - LAIF	\$ 3,546,898	Not rated	\$ 3,546,898	\$ -	\$ -	\$ -
Total	\$ 3,546,898		\$ 3,546,898	\$ -	\$ -	\$ -

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code other than money market funds which are limited to 20% of the District's portfolio at the time of initial purchase. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Reported Amounts	
		2020	2019
Held by Bond Trustee:			
California State Treasurer - LAIF	LAIF	\$ 3,630,291	\$ 3,546,898

NOTE 3 – ACCOUNTS RECEIVABLE – WATER SALES AND SERVICES, NET

The balance at June 30 consists of the following:

	2020	2019
Accounts receivable - water sales and services	\$ 4,782,121	\$ 4,006,222
Allowance for uncollectable accounts	(152,533)	(61,739)
Accounts Receivable - water sales and services, net	<u>\$ 4,629,588</u>	<u>\$ 3,944,483</u>

Customer bills are generated and mailed in cycles. As a result of the monthly billing cut-offs, accruals of \$621,219 and \$710,508 for the FY 2020 and FY 2019, respectively, were recorded to accrue revenues for bills not recorded and mailed by the fiscal year-end. The bills related to these amounts were produced and mailed subsequent to the fiscal year-end.

The District extends credit to customers in the normal course of operations. When customer accounts are deemed uncollectible, the District uses the allowance method for the provision for doubtful accounts and the write-off of those accounts.

NOTE 4 – PREPAID SOURCE OF SUPPLY COSTS

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

Each project participant, including the District, has entered into a Water Supply Agreement to provide for the development, financing, construction, operation, and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by: (1) requiring CCWA to sell, and the Santa Barbara Project participants to buy, a specified amount of water from CCWA ("take or pay"); and (2) assigning the project participant's entitlement rights in the SWP to CCWA. Although the District has an ongoing financial interest pursuant to the Water Supply Agreement between the District and CCWA, the District does not have an equity interest in the CCWA Project.

NOTE 4 – PREPAID SOURCE OF SUPPLY COSTS (Continued)

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

CCWA is composed of eight voting members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors of CCWA is made up of one representative from each participating entity. Votes for the Board of Directors of CCWA are approximately apportioned between the entities based upon each entity’s allocation of State water entitlement. The District’s share of the project, based upon number of acre-feet of water, is 17.2%.

Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

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

Per CCWA, the District’s estimated payments for State Water infrastructure for the next ten fiscal years are summarized below:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 8,657,304
2022	8,990,877
2023	6,643,998
2024	7,173,732
2025	7,248,361
2026-2030	<u>39,166,013</u>
Total	<u>\$ 77,880,285</u>

Additional information and complete financial statements for the CCWA are available at www.CCWA.com or for public inspection, at 255 Industrial Way, Buellton, CA, Monday through Friday, between the hours of 8 a.m. and 5 p.m.

NOTE 5 – CAPITAL ASSETS

Changes in capital assets for the current year were as follows:

	Balance July 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,262,265	\$ -	\$ -	\$ 2,262,265
Construction-in-process	8,181,340	4,965,810	(8,616,113)	4,531,037
Total capital assets, not being depreciated	10,443,605	4,965,810	(8,616,113)	6,793,302
Depreciable Capital Assets:				
Transmission and distribution system	77,029,138	3,521,760	(291,057)	80,259,841
Recycled water system	25,130,497	3,129,400	(37,500)	28,222,397
Water treatment plant/equipment	39,208,806	45,004	-	39,253,810
Wells	18,976,590	-	-	18,976,590
Pumping equipment	2,393,512	-	(114,077)	2,279,435
Structures and improvements	4,436,662	-	-	4,436,662
Other plant and equipment	5,927,337	15,088	(105,630)	5,836,795
Capitalized interest	2,270,856	-	-	2,270,856
Total depreciable capital assets	175,373,398	6,711,252	(548,264)	181,536,386
Accumulated Depreciation:				
Transmission and distribution system	(38,257,059)	(1,985,481)	255,531	(39,987,009)
Recycled water system	(19,694,595)	(1,055,987)	30,190	(20,720,392)
Water treatment plant/equipment	(16,720,612)	(1,354,812)	-	(18,075,424)
Wells	(5,224,939)	(795,663)	-	(6,020,602)
Pumping equipment	(974,654)	(95,720)	76,182	(994,192)
Structures and improvements	(2,206,313)	(155,490)	-	(2,361,803)
Other plant and equipment	(4,790,938)	(199,133)	105,630	(4,884,441)
Capitalized interest	(415,190)	(45,417)	-	(460,607)
Total accumulated depreciation	(88,284,300)	(5,687,703)	467,533	(93,504,470)
Total depreciable capital assets, net	87,089,098	1,023,549	(80,731)	88,031,916
Total capital assets, net	<u>\$ 97,532,703</u>	<u>\$ 5,989,359</u>	<u>\$ (8,696,844)</u>	<u>\$ 94,825,218</u>

In FY 2020, major capital asset additions during the year included improvements to the District's transmission and distribution system, and recycled water system. The majority of these additions were transferred out of construction-in-process upon completion of the various projects.

NOTE 5 – CAPITAL ASSETS (Continued)

Changes in capital assets for the prior year were as follows:

	Balance July 1, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,216,986	\$ 45,279	\$ -	\$ 2,262,265
Construction-in-process	8,861,800	6,868,404	(7,548,864)	8,181,340
Total capital assets, not being depreciated	11,078,786	6,913,683	(7,548,864)	10,443,605
Depreciable Capital Assets:				
Transmission and distribution system	71,192,603	5,867,128	(30,593)	77,029,138
Recycled water system	24,946,221	196,304	(12,028)	25,130,497
Water treatment plant/equipment	39,011,102	197,704	-	39,208,806
Wells	18,165,611	810,979	-	18,976,590
Pumping equipment	2,393,512	-	-	2,393,512
Structures and improvements	4,095,851	340,811	-	4,436,662
Other plant and equipment	5,744,786	335,861	(153,310)	5,927,337
Capitalized interest	2,270,856	-	-	2,270,856
Total depreciable capital assets	167,820,542	7,748,787	(195,931)	175,373,398
Accumulated Depreciation:				
Transmission and distribution system	(33,626,797)	(4,648,062)	17,800	(38,257,059)
Recycled water system	(18,886,335)	(817,745)	9,485	(19,694,595)
Water treatment plant/equipment	(15,372,643)	(1,347,969)	-	(16,720,612)
Wells	(4,378,989)	(845,950)	-	(5,224,939)
Pumping equipment	(878,934)	(95,720)	-	(974,654)
Structures and improvements	(2,053,093)	(153,220)	-	(2,206,313)
Other plant and equipment	(4,724,629)	(199,233)	132,924	(4,790,938)
Capitalized interest	(369,773)	(45,417)	-	(415,190)
Total accumulated depreciation	(80,291,193)	(8,153,316)	160,209	(88,284,300)
Total depreciable capital assets, net	87,529,349	(404,529)	(35,722)	87,089,098
Total capital assets, net	\$ 98,608,135	\$ 6,509,154	\$ (7,584,586)	\$ 97,532,703

In FY 2019, major capital asset additions during the year included improvements to the District's transmission and distribution system, wells, structures and improvements, and other plant and equipment. The majority of these additions were transferred out of construction-in-process upon completion of the various projects.

The amount of interest costs capitalized in FY 2020 and FY 2019 was \$(664) and \$(9,774), respectively. Total interest costs incurred before capitalized interest during FY 2020 and FY 2019 were \$2,235,226 and \$2,270,494, respectively.

NOTE 5 – CAPITAL ASSETS (Continued)**Construction-in-Process**

The District has been involved in various construction projects throughout the fiscal year. The balances of the various construction projects that comprise the construction-in-process balances at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
General Wells Upgrade and Management	\$ 960,447	\$ 960,448
Corona Reservoir Pipe Extension	644,391	631,439
Corona Del Mar Plant Aeration System	464,476	291,792
7000 Hollister Mixed Use (Westar)	386,808	355,246
Electrical Upgrade San Marcos Well	245,772	-
UCSB San Joaquin Apartments	168,505	169,500
Recycled Water Booster Pump Station Modification Hollister	137,592	135,885
80' Monopole at Corona Del Mar	112,736	110,803
San Marcos Preserve	106,046	102,063
Sludge Beds	100,763	-
Ekwil/Fowler Waterline Relocation	97,959	-
Hollister/217 Improvements	84,177	-
Cielo/Cambridge Wharf Head to Hydrant Upgrades	68,067	-
Mariposa Assisted Living Project	66,250	-
UCSB 12116 Blow Off Leak	61,408	-
Ellwood Reservoir Aeration	-	1,401,755
Booster Pump Station Upgrade	-	1,289,141
Recycled Water Pump Station Upgrades	-	555,070
Cavaletto Tree Farm Development	-	432,285
DBP Reduction Corona Del Mar	-	409,547
SCADA Replacements & Upgrades	-	151,254
Lateral 7 PRV Improvements	-	116,849
Goleta Valley Cottage Hospital	-	106,557
Various other minor projects	825,640	961,706
Total Construction-in-process	<u>\$ 4,531,037</u>	<u>\$ 8,181,340</u>

NOTE 6 – PREPAID BOND INSURANCE PREMIUMS

The prepaid balance relates to the bond insurance issuance costs for the 2014 Series A COP. The prepaid charges are being amortized over a 10-year period, consistent with the terms of the COP. The prepaid charges net balances are as follows:

The balance at June 30 consists of the following:

	<u>2020</u>	<u>2019</u>
Prepaid bond insurance premiums	\$ 30,958	\$ 36,673
Amortization expense	(5,715)	(5,715)
Prepaid bond insurance premiums, net	<u>\$ 25,243</u>	<u>\$ 30,958</u>

NOTE 7 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The deferred outflows of resources balance at June 30, 2020, consisted of:

	Balance July 1, 2019	Additions/ Adjustments	Amortization/ Deletions	Balance June 30, 2020
Deferred charge from 2010 refunding	\$ 721,661	\$ -	\$ (163,973)	\$ 557,688
Deferred charge from 2014 refunding	51,753		(3,925)	47,828
Deferred pension - contributions	2,043,572	232,151	-	2,275,723
Deferred pension - differences between actual and expected experience	402,463	674,063	-	1,076,526
Deferred pension - proportionate share of investment return	78,607	-	(78,607)	-
Deferred pension - change in assumptions	1,368,421	-	(851,256)	517,165
Deferred pension - change in actual vs. proportional contributions	254,137	(10,583)	-	243,554
Deferred OPEB - contribution post measurement date	487,744	3,036	-	490,780
Deferred OPEB - assumption changes	-	136,428	-	136,428
Deferred outflows of resources	<u>\$ 5,408,358</u>	<u>\$ 1,035,095</u>	<u>\$ (1,097,761)</u>	<u>\$ 5,345,692</u>

The deferred inflows of resources balance at June 30, 2020, consisted of:

	Balance July 1, 2019	Additions/ Adjustments	Amortization/ Deletions	Balance June 30, 2020
Deferred pension - proportionate share of investment return	\$ -	\$ 293,744	\$ -	\$ 293,744
Deferred pension - adjustments due to differences in proportions	367,596	(45,296)	-	322,300
Deferred OPEB - assumption changes	820,337	-	(820,337)	-
Deferred inflows of resources	<u>\$ 1,187,933</u>	<u>\$ 248,448</u>	<u>\$ (820,337)</u>	<u>\$ 616,044</u>

NOTE 8 – COMPENSATED ABSENCES

Changes to compensated absences for 2020 were as follows:

Balance July 1, 2019	Earned	Taken	Balance June 30, 2020	Current Portion	Long-Term Portion
<u>\$ 1,703,567</u>	<u>\$ 1,190,503</u>	<u>\$ (1,123,648)</u>	<u>\$ 1,770,422</u>	<u>\$ 451,246</u>	<u>\$ 1,319,176</u>

NOTE 8 – COMPENSATED ABSENCES (Continued)

Changes to compensated absences for 2019, were as follows:

Balance July 1, 2018	Earned	Taken	Balance June 30, 2019	Current Portion	Long-Term Portion
\$ 1,420,718	\$ 1,375,314	\$ (1,092,465)	\$ 1,703,567	\$ 440,529	\$ 1,263,038

NOTE 9 – CERTIFICATES OF PARTICIPATION (COP)

Changes in COPs payable (long-term debt) for the current year were as follows:

	Balance July 1, 2019	Additions/ (Deletions)	Principal Payments/ Amortization	Balance June 30, 2020
COPs:				
2010A Certificates of Participation	\$ 33,915,000	\$ -	\$ -	\$ 33,915,000
2014A Certificates of Participation	13,485,000	-	(1,260,000)	12,225,000
Total COPs	47,400,000	-	(1,260,000)	46,140,000
Unamortized premium, net	630,838	-	(220,574)	410,264
Total net COPs	48,030,838	-	(1,480,574)	46,550,264
Less current portion	(1,260,000)	(1,315,000)	1,260,000	(1,315,000)
Net COPs	\$ 46,770,838	\$ (1,315,000)	\$ (220,574)	\$ 45,235,264

2003 Refunding Certificates of Participation Payable

The 2003 COP in the amount of \$47,000,000 were executed on October 16, 2003. The funds were used to refund the 1993 Goleta Water District Refunding Revenue COP and to finance certain improvements to the District's water supply, treatment, and distribution systems.

The 2003 COP has been fully refunded with the issuance of the \$33,915,000 2010 Series A Revenue COP followed by the issuance of the \$19,050,000 2014 Series A Revenue COP. For financial reporting purposes, the refunded portion of 2003 COP has been defeased and not reported in these financial statements.

Following are the three capital improvement projects financed from the COP proceeds:

- Upgrades and improvements to the District's Corona del Mar Treatment Plant, which were needed to meet state and federal water quality standards;
- Replacement and enlargement of the Patterson Reservoir, which were needed to add additional water storage capacity; and
- Rehabilitation of six Aquifer Storage and Recovery (ASR) wells, which were necessary to meet demand during droughts, peak use periods, and emergencies.

NOTE 9 – CERTIFICATES OF PARTICIPATION (COP) (Continued)

2010 Series A Certificates of Participation

On August 26, 2010, the District issued the \$33,915,000 2010 Series A Revenue COP to (i) refund a portion of the 2003 COP; (ii) refund outstanding bank loans and related financing costs; (iii) refund outstanding amounts under a loan contract with the State Water Resources Control Board; (iv) fund \$5,000,000 of improvements to the water system; (v) fund a reserve; and (vi) pay related costs of execution and delivery of the 2010 Series A COP.

The advanced refund of the 2003 COP resulted in an economic loss of approximately \$1.7 million and a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1.6 million. The difference, reported in the accompanying financial statements as Deferred Outflows of Resources, is being charged to interest through the fiscal year ended June 30, 2025, using the straight-line method.

Interest is payable semi-annually on March 1st and September 1st of each year commencing March 1, 2012, with interest rates ranging from 4.25% to 5.00%. Principal payments are scheduled to commence on September 1, 2025, and continue through September 1, 2035. The revenue COP is secured by a pledge of the District's revenues.

The capital improvement projects financed from \$5,000,000 of the COP proceeds include:

- Cathedral Oaks Highway 101 overcrossing;
- Old Town Goleta waterline replacement;
- Santa Barbara County El Embarcadero system improvements;
- San Antonio well site purchase;
- Anita Wellhead treatment plant;
- Relocation of the Goleta Beach recycled waterline;
- Recycled water booster pump controls rebuild; and
- Other critical treatment plant and infrastructure replacements.

Annual debt service payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 1,649,738	\$ 1,649,738
2022	-	1,649,738	1,649,738
2023	-	1,649,738	1,649,738
2024	-	1,649,738	1,649,738
2025		1,649,738	1,649,738
2026-2030	13,205,000	6,777,625	19,982,625
2031-2035	16,820,000	3,154,955	19,974,955
2036	<u>3,890,000</u>	<u>97,250</u>	<u>3,987,250</u>
Total	<u>\$ 33,915,000</u>	<u>\$ 18,278,520</u>	<u>\$ 52,193,520</u>
Total long-term 2010 Series A COP	<u>\$ 33,915,000</u>		

2014 Series A Certificates of Participation

On January 22, 2014, the District issued the \$19,050,000 2014 Series A Revenue COP to (i) refund a portion of the 2003 Revenue Certificates of Participation; (ii) fund \$5,540,575 of improvements to the water system; and (iii) pay related costs of execution and delivery of the 2014 Series A COP.

NOTE 9 – CERTIFICATES OF PARTICIPATION (COP) (Continued)

2014 Series A Certificates of Participation (Continued)

The advanced refund resulted in an economic loss of approximately \$199,495 and a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$40,865. The difference, reported in the accompanying financial statements as Deferred Outflows of Resources, is being charged to interest through the fiscal year ended June 30, 2025, using the straight-line method.

Interest is payable semi-annually on June 1st and December 1st of each year commencing June 1, 2014, with interest rates ranging from 2.00% to 5.00%. Principal payments commenced on December 1, 2014, and continue through December 1, 2024. The revenue COP is secured by a pledge of District revenues.

The capital improvement projects financed from \$5,540,575 of the COP proceeds include:

- Improvements to the Corona del Mar Water Treatment Plant for process enhancements;
- Distribution system reliability improvements, including booster systems upgrades, new valves, system interconnection improvements, and mainline replacements;
- Meter replacements;
- Well augmentations to support groundwater pumping and injection capabilities;
- Renewable energy generating projects; and
- Other critical treatment plant and infrastructure replacements.

Annual debt service payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,315,000	\$ 578,375	\$ 1,893,375
2022	1,380,000	511,000	1,891,000
2023	3,015,000	401,125	3,416,125
2024	3,175,000	246,375	3,421,375
2025	3,340,000	83,500	3,423,500
Total	<u>\$ 12,225,000</u>	<u>\$ 1,820,375</u>	<u>\$ 14,045,375</u>
Less: current portion 2014 Series A COP	<u>\$ (1,315,000)</u>		
Total long-term 2014 Series A COP	<u>\$ 10,910,000</u>		

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 12, the District provides OPEB.

Plan Description and Eligibility

The District administers its other post-employment benefits plan (OPEB Plan), a single-employer defined benefit plan. The following requirements must be satisfied for employees hired on or before August 12, 2014, in order to be eligible for lifetime post-employment medical benefits: (1) Attainment of age 50, (2) 5 years of consecutive full-time service, and (3) Retirement from the California Public Employees' Retirement System (CalPERS) and from the District (the District must be the last employer prior to retirement). Employees hired after August 12, 2014, have the same eligibility criteria except they must be at least 52 years of age, have 10 years of service, and are eligible to receive \$20 per month for each year of service toward the purchase of their own health care benefits until reaching age 65.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits Provided

The District offers post-employment health care, dental care, and vision care benefits to retired employees who satisfy the eligibility rules. Retirees hired on or before August 12, 2014, may enroll in any plan available through the District and Association of California Water Agencies Joint Powers Insurance Authority (JPIA), but are not eligible to change plans. Retirees hired after August 12, 2014, who satisfy the eligibility criteria, will receive \$20 per month for each year of service toward the purchase of their own health care benefits until reaching age 65. The benefit provisions and the contribution requirements of OPEB Plan members and the District are established and may be amended by the Board and the Service Employees International Union Local 620 (SEIU).

Employees Covered By Benefits

At the OPEB liability measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Active employees	58
Inactive employees receiving benefits	55
	<hr/>
	113
	<hr/> <hr/>

Funding Policy

The District covers a fixed amount (subject to annual increases) for health care and dental care benefits, and 100% of the premium for vision. The District pays 100% of the cost of the OPEB Plan. The District funds the OPEB Plan on a pay-as-you-go basis and records a liability for the net OPEB liability.

Net OPEB Liability

At June 30, 2020, the District reported a net OPEB liability of \$19,682,687. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2019
Actuarial cost method	Entry age
Inflation rate	2.75% per year (same as used for pension).
Investment return/discount rate	3.50%, net of expenses.
Healthcare cost trend rate	4.00% per year.
Payroll increase	2.75% per year. Since benefits do not depend on salary (as they do for pension, using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.
Fiduciary Net Position (FNP)	Not applicable as the District's OPEB Plan does not have any assets or investments.
Mortality rates	2014 CalPERS active mortality for miscellaneous employees.
Retirement rates	2009 CalPERS retirement rate tables for miscellaneous employees
Costs for retiree coverage	Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 37.4% of non-Medicare medical premium. Liabilities for active participants are based on the first year costs shown below, which include the implicit rate subsidy. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. Fair value of the OPEB Plan assets, which is not applicable to the District as the District's OPEB Plan has no assets), and the net OPEB liability during the measurement period ended June 30, 2019.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 6/30/2019 (Measurement date June 30, 2018)	\$ 18,441,783	\$ -	\$ 18,441,783
Changes recognized for the measurement period:			
Service cost	59,865	-	59,865
Interest on total OPEB liability	691,039	-	691,039
Employer contributions as Benefeit Payments	-	487,744	(487,744)
Actual Benefit payments from Employer	(487,744)	(487,744)	-
Expected Minus Actual Benefit Payments	(85,229)	-	(85,229)
Expected Balance at June 30, 2020	18,619,714	-	18,619,714
Experience (Gains)/Losses	110,255	-	110,255
Changes in Assumptions	952,718	-	952,718
Net changes	1,240,904	-	1,240,904
Actual Balance at 6/30/2020 (Measurement date June 30, 2019)	<u>\$ 19,682,687</u>	<u>\$ -</u>	<u>\$ 19,682,687</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2019:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Net OPEB liability	\$ 23,472,224	\$ 19,682,687	\$ 16,771,920

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2019:

	Trend 1% Decrease 3.00%	Valuation Trend 4.00%	Trend 1% Increase 5.00%
Net OPEB liability	\$ 16,742,364	\$ 19,682,687	\$ 23,428,273

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$771,883. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 136,428	\$ -
District contributions subsequent to the measurement date	490,780	-
Total deferred outflow and inflow of resources	<u>\$ 627,208</u>	<u>\$ -</u>

The \$490,780 reported as deferred outflows of resources related to contributions made subsequent to the June 30, 2019 measurement date that will be recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2021. Amounts reported as deferred outflows of resources related to changes in assumptions will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 17,594
2022	17,594
2023	17,594
2024	17,594
2025	17,594
2026-2030	48,458
Total	<u>\$ 136,428</u>

NOTE 11 – DEFERRED COMPENSATION PLAN

The District offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of \$19,500 during 2020 (calendar year), and \$19,000 during 2019 (calendar year) to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The plan is administered through third-party administrators. The District does not perform the investing function and has no fiduciary accountability for the plan and the assets in the plan are not the legal property of the District and are not subject to claims of the District's general creditors. Thus, plan assets and any related liability to plan participants have been excluded from the District's financial statements.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous (all other) Employee Pension Plan (Plan), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and the District'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 or their beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 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 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

On August 9, 2011, as a result of negotiations with SEIU, a two-tiered retirement program was introduced similar to programs instituted by other agencies participating in CalPERS. On January 1, 2013, the State of California implemented legislation setting a new maximum benefit, a lower-cost pension formula with requirements to work longer in order to reach full retirement age, and a cap on the amount used to calculate a pension for new members hired on or after January 1, 2013, creating a three-tier retirement program for the District. On August 27, 2014, as a result of negotiations with SEIU, the District initiated a three-year process to require employees to pay their full normal share of pension costs with employee cost increases effective January 1, 2015, January 1, 2016, and January 1, 2017.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

- All employees hired prior to January 1, 2012, are members of the CalPERS 2.7% at 55 Risk Pool Retirement Plan for which the employee contribution rate is 8% of their annual covered salaries. Effective January 1, 2017, employees in this retirement plan pay 8% of their annual covered salaries.
- Employees hired during calendar year 2012 or employees hired on or after January 1, 2013, who have been in the CalPERS systems are members of the CalPERS 2.0% at 55 Risk Pool Retirement Plan for which the employee contribution rate is 7% of their annual covered salaries. Effective January 1, 2017, employees in this retirement plan pay 7% of their annual covered salaries.
- Employees hired on or after January 1, 2013, who have not previously participated in the CalPERS system or who have been out of the CalPERS system for more than six months are members of the CalPERS 2.0% at 62 Risk Pool Retirement Plan for which the employee contribution rate is 6.25% of their annual covered salaries.
- Effective January 1, 2017, all other employees are required to pay up to 50% of the normal costs of their pension benefit; up to a maximum 8% of the contribution rate.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**Contributions** (Continued)

For the fiscal year ended June 30, 2020, the District's contributions recognized as part of pension expense for the Plan were \$2,275,753.

	<u>2020</u>	<u>2019</u>
Contributions - Employer	\$ 2,275,723	\$ 2,043,572

As of June 30, 2020, the District reported its proportionate share of the net pension liability of \$16,801,573.

The District's net pension liability is measured as the proportionate share of the total CalPERS net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2020 and 2019 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.42190%
Proportion - June 30, 2020	0.41957%
Change - Increase	-0.00233%

For the fiscal year ended June 30, 2020, the District recognized a pension expense of \$3,459,745. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,275,723	\$ -
Differences between expected and actual experience	1,076,526	-
Changes in assumptions	517,166	-
Change in employer's proportion	-	322,300
Difference between the employer's contributions and proportionate share of contributions	243,554	-
Differences between projected and actual earnings on plan investments	-	293,744
	<u> </u>	<u> </u>
Total deferred outflow and inflow of resources	<u>\$ 4,112,969</u>	<u>\$ 616,044</u>

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

The \$2,275,723 is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**Contributions** (Continued)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,230,961
2022	(223,125)
2023	154,009
2024	<u>59,357</u>
Total	<u>\$ 1,221,202</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

The underlying mortality assumptions used in the June 30, 2018 valuation were 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, refer to the 2014 experience study report. All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study report can be found on the CalPERS website.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)***Discount Rate***

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 the 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. These rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	77.00%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

⁽¹⁾ An expected inflation of 2.0% was used for this period.

⁽²⁾ An expected inflation of 2.92% was used for this period.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$ 25,189,933	\$ 16,801,573	\$ 9,877,575

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/JPIA (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2020, the District participated in the liability and property programs and worker's compensation program of the ACWA/JPIA as follows:

General liability, auto liability, and public officials' errors and omissions: Total risk financing pooled self-insurance limits of \$5 million per occurrence. The ACWA/JPIA purchased additional excess coverage layers up to \$55 million, which increases the limits on the insurance coverage noted above.

In addition to the above, the District has retained the following insurance coverage:

Crime coverage: Up to \$100,000 per occurrence includes public employee dishonesty, forgery, or alteration and computer fraud coverage; and excess crime coverage for up to \$1 million per occurrence.

Property loss coverage: Total risk financing pooled self-insurance limits of \$100,000 subject to various deductibles depending on the type of property or equipment. ACWA/JPIA has purchased coverage for its members with a total policy limit of \$500 million.

Workers' compensation insurance: Up to California statutory limits for all work related injuries and illnesses covered by California law. The ACWA/JPIA self-retained limit is \$2 million per occurrence. ACWA/JPIA has purchased excess coverage for its members with a per occurrence limit of \$2 million to Statutory Limits.

Cyber liability coverage: Includes third party liability and first part coverages, up to \$3 million limit, subject to retention of \$10,000 to \$50,000 (depending on annual revenue).

Liabilities include an amount for claims that have been incurred but not reported (IBNR). IBNR claims outstanding as of June 30, 2020 and 2019, were \$189,233 and \$261,676, respectively.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Goleta West Conduit Project

The California State Health Department requires that all surface water supplied to customers be filtered and meet certain requirements as part of the treatment process. Currently, the District supplies treated surface water to customers on its Goleta West Conduit. The water is not filtered, does not meet the Health Department's requirements and therefore, cannot be used for domestic consumption. The District currently provides bottled water in order to provide potable water to these customers for domestic consumption. A pipeline, booster pump station, and reservoir might be built in the future depending on regulations and requirements of the Environmental Protection Agency (EPA) and State Health Department. The District has completed an analysis of treatment alternatives for necessary system improvements to provide filtered potable water to these customers which could be used for domestic consumption. The cost was found to be prohibitive for the limited number of customers.

The Cachuma Lake Project – Seismic Safety of Bradbury Dam

On December 19, 1994, the U.S. Bureau of Reclamation (Bureau), the owner of Bradbury Dam, issued a letter indicating that, as part of the ongoing Safety of Dams evaluation of Bradbury Dam, the Bureau determined that dam failure would likely occur during a large earthquake. The Bureau further determined that there was a risk to the downstream public should failure occur when the reservoir is above elevation of 750 feet. Immediate actions were needed to reduce this risk. Foundation modifications have been completed, and the reservoir can now be operated safely at an elevation of 750 feet, which is the design capacity of the reservoir.

The total cost of the seismic modification project as proposed by the Bureau was \$45.3 million. The Member Units are required to collectively contribute 15% of the project's total cost for a total obligation of \$6.8 million. The amount and manner in which costs are apportioned among Member Units is according to the following: the obligation is split 48.7% municipal and industrial and 51.3% irrigation with a 50-year total repayment period beginning October 2002. The District's share is based on the same 36.25% which is applied to the Cachuma Lake Project entitlement. The District was required to make annual payments of \$59,765 through October 2015, \$94,847 commencing October 2016 through 2026, and \$35,082 commencing October 2027 through 2051 to finance the project. The District's future obligations are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 94,847
2022	94,847
2023	94,847
2024	94,847
2025	94,847
Thereafter	1,066,745
Total	<u>\$ 1,540,980</u>

The Cachuma Lake Project – Seismic Safety of Lauro Dam

On December 19, 1994, the Bureau, the owner of Lauro Dam, issued a letter indicating that, as part of the ongoing Safety of Dams evaluation of Lauro Dam, the Bureau determined that dam failure would likely occur during a large earthquake. The Bureau further determined that there was a risk to the downstream public, including potential loss of life and reduction of the available water supply. Immediate actions were needed to reduce this risk. Modifications have been completed, and the reservoir can now be operated safely at a crest height of 137 feet.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

The Cachuma Lake Project – Seismic Safety of Lauro Dam (Continued)

The total cost of the seismic modification project as proposed by the Bureau was \$6.73 million. The Member Units are required to collectively contribute 15% of the project's total cost for a total obligation of \$1,009,737. The amount and manner in which costs are apportioned among Member Units is according to the following: the obligation is split 49.3% municipal and industrial and 50.7% irrigation with a 50-year total repayment period beginning October 2008. The District's share is based on the same 40.42% which is applied to the Cachuma Lake Project entitlement. The District is required to make annual payments of \$19,161 through October 2032 and \$4,942 commencing October 2033 through 2057 to finance the project to finance the project.

The District's future obligations are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 19,161
2022	19,161
2023	19,161
2024	19,161
2025	19,161
Thereafter	<u>276,844</u>
Total	<u>\$ 372,649</u>

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from advances for construction. At June 30, 2020, the District held \$233,696 related to such agreements.

Goleta Sanitary District Recycled Water Facility

Since 1995, as an environmental sustainability effort, the District has delivered recycled water to certain users in the community. This is done under the Agreement for Construction and Operation of the Goleta Sanitary District/Goleta Water District Wastewater Reclamation Project, by and between the District and the Goleta Sanitary District, dated October 15, 1990, and as amended by Amendment No. 1, Amendment No. 2, and Amendment No. 3 thereto. The Recycled Water Project has a capacity of approximately 3,000 acre-feet per year and the District is currently delivering approximately 800 acre-feet per year to the University of California at Santa Barbara, several golf courses, and other users previously using potable water for irrigation purposes. Per the agreement, the distribution system is owned and operated by the District, separate from the reclamation plant which is owned and operated by the Goleta Sanitary District. While the District has capitalized the assets associated with the distribution and recognizes the associated depreciation in these financial statements, the financial statements have not included any liability associated with replacing the reclamation plant.

Non-Exchange Financial Guarantee

On July 25, 2014, the District guaranteed \$2,016,000 of the seven year \$3,200,000 line-of-credit of the Cachuma Operations and Maintenance Board (COMB), a legally separate entity in which the District is a member agency. On July 25, 2014, COMB secured two loans: (1) \$2,000,000 non-revolving line-of-credit and (2) \$1,200,000 revolving line-of-credit to finance an emergency pumping project to cause and allow the pumping of water through installation of a floating platform system mounted to the existing lake inlet tower as the water levels at Lake Cachuma continue to diminish due to the current severe drought conditions. Both lines-of-credit mature on July 25, 2021, with quarterly interest payments. In the event that COMB is unable to make a payment, the District will be required to make that payment up to its guaranteed amount of \$2,016,000.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

Federal and State Disaster Assistance

On January 2, 2018, a presidential major disaster was declared for the areas affected by the Thomas Fire. On January 11, 2018, the declaration was expanded to include areas affected by the Montecito Debris Flows. The declaration made federal disaster assistance available to the State of California to supplement the District's local recovery efforts. During FY 2018, the District incurred an estimated \$290,000 of emergency response and disaster recovery costs for these events. On August 8, 2018, the District was notified by the State of California – Office of Emergency Services that the claim submitted for the Thomas Fire disaster assistance was approved for \$247,000. This amount was subsequently received by the District and was included in other charges and services in FY 2019.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that there are no legal matters that will materially affect its financial statements.

NOTE 15 – SUBSEQUENT EVENTS

The COVID-19 pandemic outbreak in the United States has caused business disruption through mandated closure of businesses. While the disruption is expected to be temporary, the durations of the closures and the related financial impacts on the district remain uncertain and cannot be estimated at this time.

Subsequent events have been evaluated through November 11, 2020, which is the date the financial statements were issued.

PAGE INTENTIONALLY LEFT BLANK

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**GOLETA WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**A COST-SHARING DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2020
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.41957%	0.42190%	0.41942%	0.42369%	0.42369%	0.44542%
District's proportionate share of the net pension liability \$	16,801,573	\$ 15,900,230	\$ 16,533,639	\$ 14,718,384	\$ 11,021,977	\$ 10,119,961
District's covered payroll	\$ 8,732,764	\$ 8,493,625	\$ 8,052,226	\$ 7,478,078	\$ 6,435,748	\$ 5,917,488
District's proportionate share of the net pension liability as a percentage of covered payroll	192.40%	187.20%	205.33%	196.82%	171.26%	171.02%
Pension plan's fiduciary net position	\$13,979,687,268	\$13,122,440,092	\$12,074,499,781	\$10,923,476,287	\$10,896,036,068	\$10,639,461,174
Pension plan's total pension liability	\$17,984,188,264	\$16,891,153,209	\$16,016,547,402	\$14,397,353,530	\$13,639,503,084	\$13,110,948,452
Plan fiduciary net position as a percentage of the total pension liability	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

* Fiscal year 2015 was the 1st year of implementation; therefore, only six years are shown. Additional years will be presented as they become available.

Notes to Schedule:

Benefit changes: There have been no benefit changes.

Changes of assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

**GOLETA WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**A COST SHARING DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2020
LAST 10 FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 2,519,278	\$ 2,297,709	\$ 2,044,877	\$ 2,077,972	\$ 1,584,725	\$ 1,319,331
Contributions in relation to the actuarially determined contributions	<u>2,275,723</u>	<u>2,043,572</u>	<u>1,849,717</u>	<u>1,658,945</u>	<u>2,050,356</u>	<u>1,319,331</u>
Contribution deficiency (excess)	<u>\$ 243,555</u>	<u>\$ 254,137</u>	<u>\$ 195,160</u>	<u>\$ 419,027</u>	<u>\$ (465,631)</u>	<u>\$ -</u>
Covered payroll	\$ 8,732,764	\$ 8,493,625	\$ 8,052,226	\$ 7,478,078	\$ 6,435,748	\$ 5,917,488
Contributions as a percentage of covered payroll	26.06%	24.06%	22.97%	22.18%	31.86%	22.30%
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

* Fiscal year 2015 was the 1st year of implementation; therefore, only six years are shown. Additional years will be presented as they become available.

**GOLETA WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 59,865	\$ 60,594	\$ 58,972
Interest on total OPEB liability	691,039	719,079	556,250
Differences between expected and actual experience	(85,229)	-	-
Experience (gains)/losses	110,255		
Changes of assumptions	952,718	(957,060)	-
Benefit payments	<u>(487,744)</u>	<u>(547,350)</u>	<u>(426,531)</u>
Net change in total OPEB liability	1,240,904	(724,737)	188,691
Total OPEB liability - beginning	<u>18,441,783</u>	<u>19,166,520</u>	<u>18,977,829</u>
Total OPEB liability - ending	<u>\$ 19,682,687</u>	<u>\$ 18,441,783</u>	<u>\$ 19,166,520</u>
Covered payroll	\$ 8,732,764	\$ 8,493,625	\$ 8,052,226
District's net OPEB liability as a percentage of covered payroll	225.39%	217.12%	238.03%
Measurement date	6/30/2019	6/30/2018	6/30/2017

* Fiscal year 2018 was the 1st year of implementation; therefore, only three years are shown. Additional years will be presented as they become available.

STATISTICAL INFORMATION SECTION

PAGE INTENTIONALLY LEFT BLANK

**GOLETA WATER DISTRICT
STATISTICAL INFORMATION SECTION
UNAUDITED**

The statistical section of the Comprehensive Annual Financial Report presents detailed information for context, and to better understand the information contained in the financial statements, note disclosures, and required supplementary information.

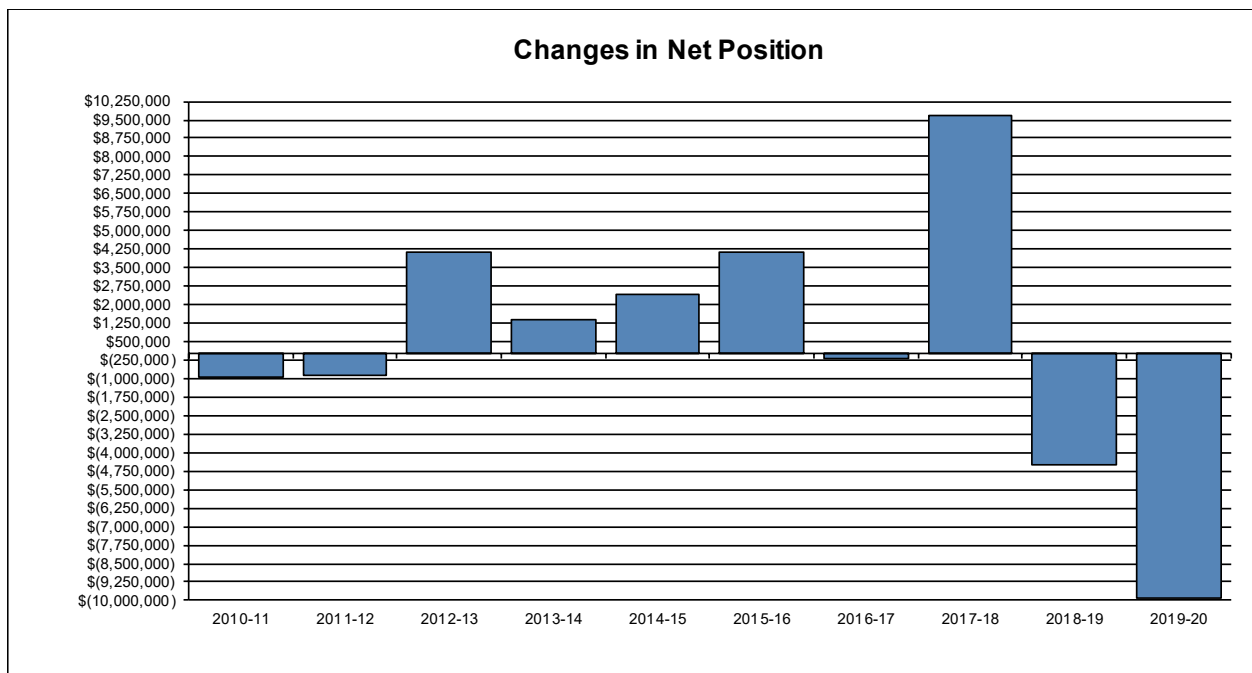
Table of Contents

	<u>Page</u>
Financial Trends Provides historical context to help the reader understand how District financial performance has changed over time.	51-55
Revenue Capacity Helps the reader assess the District's most significant sources of revenue.	56-59
Debt Capacity Informs the reader regarding the affordability of District debt and its ability to assume additional debt in the future.	60-61
Demographic Information Offers indicators to help the reader understand the community environment within which the District operates.	62
Operating Information Contains staffing levels and infrastructure data to help the reader understand how the District provides its services.	63

**GOLETA WATER DISTRICT
CHANGES IN NET POSITION BY COMPONENT
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 1

Description	2010-11 ⁽²⁾	2011-12 ⁽¹⁾	2012-13 ^{(1) (3)}	2013-14 ⁽³⁾
Changes in net position:				
Operating revenues (see Schedule 2)	\$ 22,975,387	\$ 27,136,533	\$ 31,475,922	\$ 33,868,570
Operating expenses (see Schedule 3)	(19,107,945)	(21,051,673)	(22,431,761)	(26,209,042)
Depreciation and amortization	(4,640,497)	(4,230,480)	(4,291,712)	(4,387,462)
Operating income (loss)	(773,055)	1,854,380	4,752,449	3,272,066
Net non-operating revenue (expense) (see Schedule 4)	(481,665)	(3,085,787)	(1,690,426)	(2,208,005)
Net income (loss) before capital contributions	(1,254,720)	(1,231,407)	3,062,023	1,064,061
Capital contributions	287,292	348,495	1,049,478	304,512
Changes in net position	\$ (967,428)	\$ (882,912)	\$ 4,111,501	\$ 1,368,573
Net position by component:				
Net investment in capital assets ⁽¹⁾	\$ 31,738,373	\$ 31,456,427	\$ 33,186,044	\$ 30,052,804
Restricted	11,580,096	10,765,472	9,038,018	10,007,211
Unrestricted	8,551,029	8,764,687	1,925,137	5,457,758
Total net position	\$ 51,869,498	\$ 50,986,586	\$ 44,149,199	\$ 45,517,773



Notes:

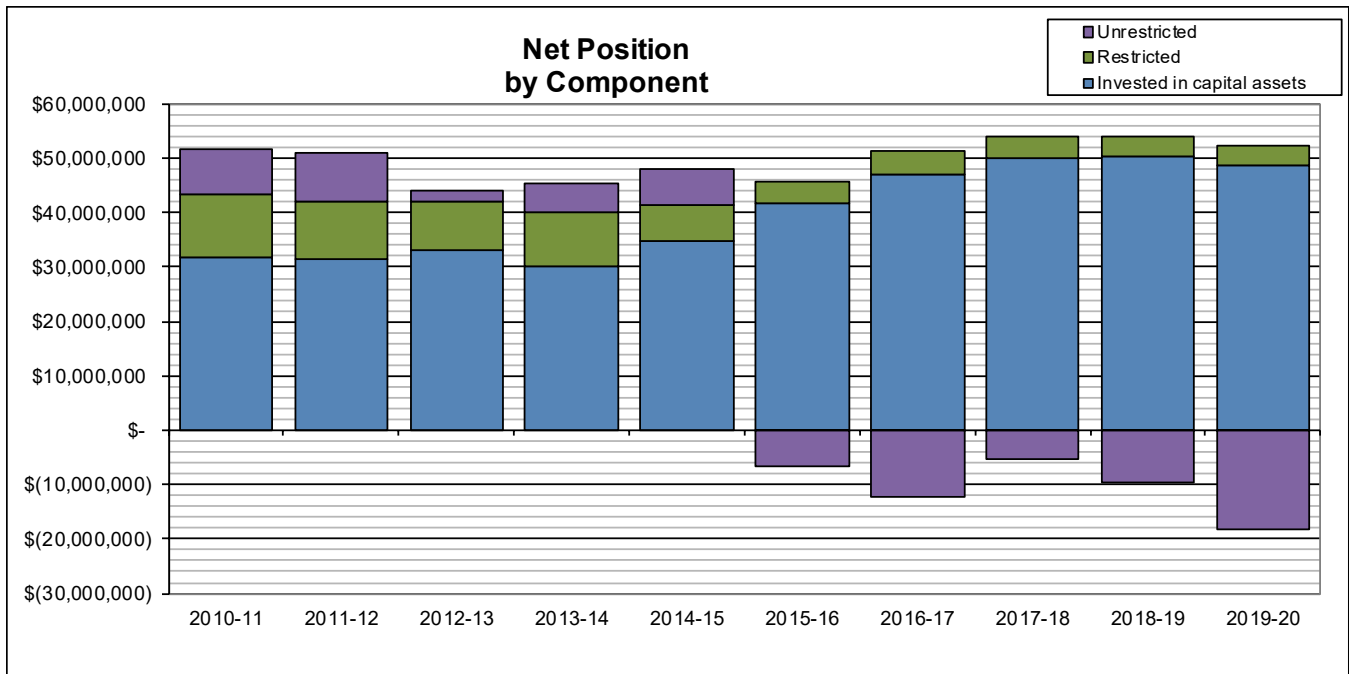
- (1) Restated.
- (2) In fiscal year 2012-13, the District recorded a prior period adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. This schedule has not been revised to reflect the restated amounts for fiscal years 2005-06 through 2009-10. Instead, the cumulative effect of the restatement on net position for these years of \$1,526,747 is included in the FY 2010-11 net position balance.
- (3) The District implemented GASB Statement No. 68, and No. 71 and as a result, there was a Prior Period Adjustment to establish the Net Pension Liability of \$10,948,888 that was reflected in FY 2012-13 since it is included in the Management's Discussion and Analysis section.
- (4) The District implemented GASB Statement No. 75 and as a result, there was a prior period adjustment made to establish the OPEB Liability which resulted in a decrease in unrestricted net position of \$12,862,652.

Source: Goleta Water District Audited Financial Statements.

**GOLETA WATER DISTRICT
CHANGES IN NET POSITION BY COMPONENT (Continued)
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

**Schedule 1
(Continued)**

<u>Description</u>	<u>2015-16 ⁽⁴⁾</u>	<u>2016-17 ⁽⁴⁾</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 38,876,872	\$ 37,807,585	\$ 43,161,166	\$ 39,853,124	\$ 33,050,742
Operating expenses (see Schedule 3)	(29,820,487)	(33,407,576)	(27,750,020)	(38,045,673)	(36,082,209)
Depreciation and amortization	(4,384,529)	(4,834,866)	(5,335,807)	(5,354,910)	(5,517,320)
Operating income (loss)	4,671,856	(434,857)	10,075,339	(3,547,459)	(8,548,787)
Net non-operating revenue (expense) (see Schedule 4)	(1,717,348)	(1,995,151)	(2,277,626)	(1,788,286)	(1,979,240)
Net income (loss) before capital contributions	2,954,508	(2,430,008)	7,797,713	(5,335,745)	(10,528,027)
Capital contributions	1,201,564	2,254,452	1,875,086	869,045	595,887
Changes in net position	\$ 4,156,072	\$ (175,556)	\$ 9,672,799	\$ (4,466,700)	\$ (9,932,140)
Net position by component:					
Net investment in capital assets ⁽¹⁾	\$ 41,777,503	\$ 46,966,900	\$ 50,072,219	\$ 50,275,281	\$ 48,880,470
Restricted	3,932,081	4,285,911	3,940,207	3,645,252	3,514,050
Unrestricted	(6,508,364)	(12,227,147)	(5,313,963)	(9,688,770)	(18,094,897)
Total net position	\$ 39,201,220	\$ 39,025,664	\$ 48,698,463	\$ 44,231,763	\$ 34,299,623



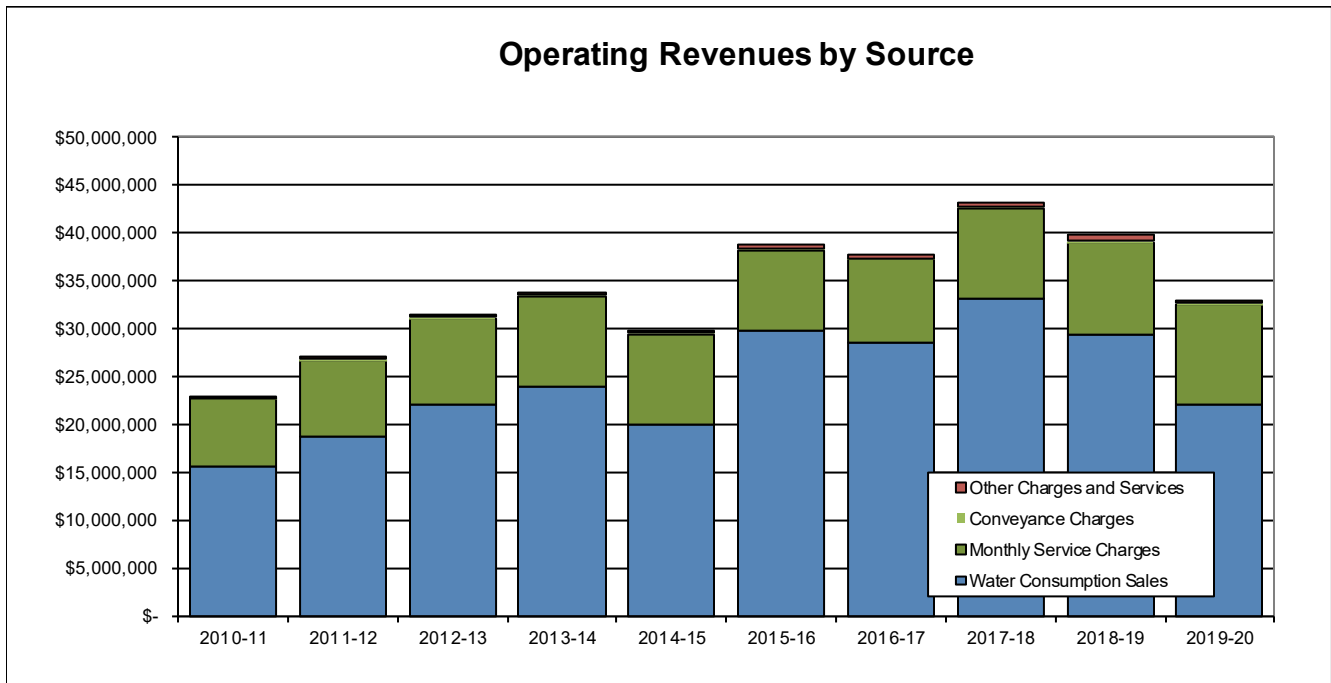
Notes:

- (1) Restated.
- (2) In fiscal year 2012-13, the District recorded a prior period adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. This schedule has not been revised to reflect the restated amounts for fiscal years 2005-06 through 2009-10. Instead, the cumulative effect of the restatement on net position for these years of \$1,526,747 is included in the FY 2010-11 net position balance.
- (3) The District implemented GASB Statements No. 68 and No. 71 and as a result, there was a Prior Period Adjustment to establish the Net Pension Liability of \$10,948,888 that was reflected in fiscal year 2012-13 since it is included in the Management's Discussion and Analysis section.
- (4) The District implemented GASB Statement 75 and as a result there was a prior period adjustment made to establish the OPEB liability which resulted in a decrease in unrestricted net position of \$12,862,652.

**GOLETA WATER DISTRICT
OPERATING REVENUES BY SOURCE
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 2

Fiscal Year	Water Consumption Sales	Monthly Service Charges	Conveyance Charges	Other Charges and Services	Total Operating Revenues
2010-11	\$ 15,672,687	\$ 6,987,420	\$ 49,225	\$ 266,055	\$ 22,975,387
2011-12	18,668,008	7,998,014	193,749	276,762	27,136,533
2012-13	22,171,254	8,906,789	133,961	263,918	31,475,922
2013-14	24,005,806	9,411,946	147,635	303,184	33,868,571
2014-15	19,988,107	9,508,993	83,018	303,885	29,884,003
2015-16	29,771,141	8,523,948	122,860	458,923	38,876,872
2016-17	28,532,348	8,734,422	124,603	416,212	37,807,585
2017-18	33,222,142	9,387,900	157,057	394,067	43,161,166
2018-19	29,319,501	9,677,951	173,218	682,454	39,853,124
2019-20	22,205,407	10,286,970	186,717	371,648	33,050,742

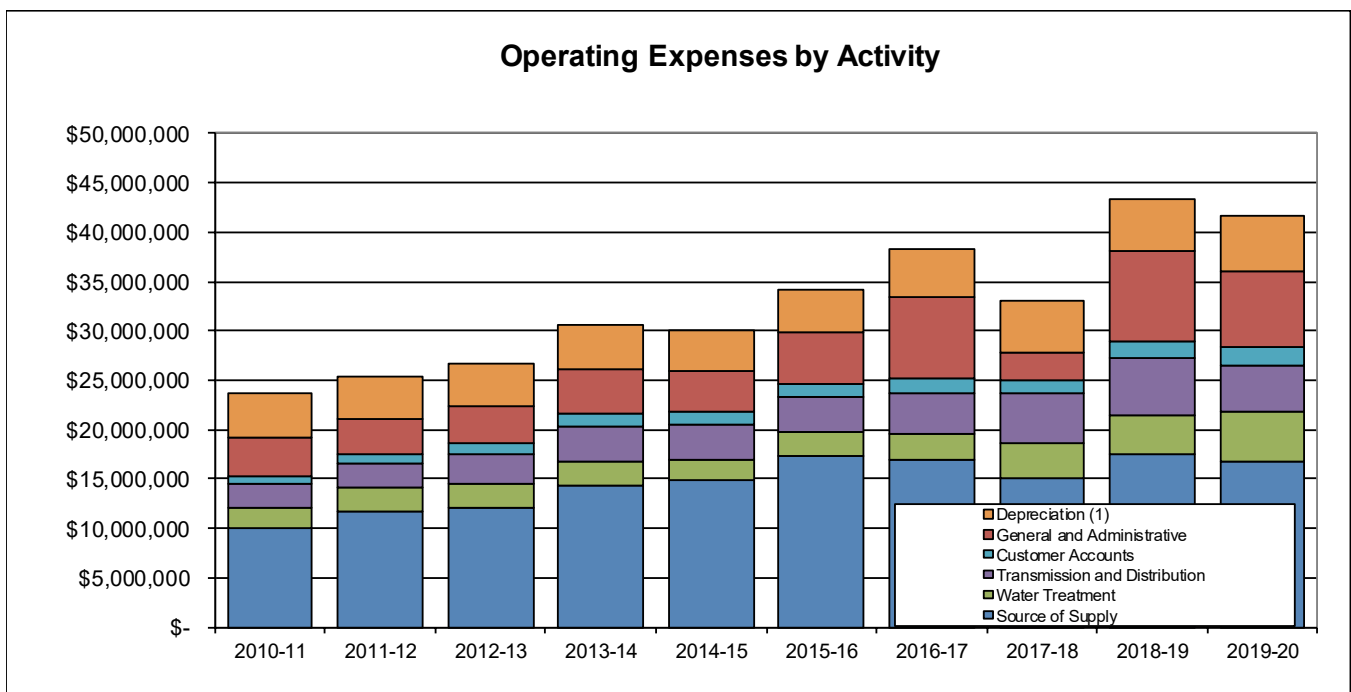


Source: Goleta Water District Audited Financial Statements.

**GOLETA WATER DISTRICT
OPERATING EXPENSES BY ACTIVITY
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 3

Fiscal Year	Source of Supply	Water Treatment	Transmission and Distribution	Customer Accounts	General and Administrative	Depreciation ⁽¹⁾	Total Operating Expenses
2010-11	\$ 9,968,271	\$ 2,190,570	\$ 2,280,486	\$ 846,299	\$ 3,822,319	\$ 4,640,497	\$ 23,748,442
2011-12	11,699,420	2,426,226	2,489,968	935,180	3,500,879	4,230,480	25,282,153
2012-13	12,048,975	2,527,904	2,941,150	1,053,854	3,859,878	4,291,712	26,723,473
2013-14	14,304,469	2,371,480	3,614,773	1,262,580	4,655,740	4,387,462	30,596,504
2014-15	14,926,709	1,978,887	3,567,788	1,343,012	4,080,786	4,154,508	30,051,690
2015-16	17,389,791	2,384,031	3,458,880	1,446,817	5,140,968	4,384,529	34,205,016
2016-17	16,972,892	2,666,658	4,057,736	1,456,875	8,253,415	4,834,866	38,242,442
2017-18	15,082,392	3,609,222	4,906,795	1,489,748	2,661,863	5,335,807	33,085,827
2018-19	17,521,268	4,014,138	5,655,316	1,647,575	9,207,376	5,354,910	43,400,583
2019-20	16,784,789	5,048,687	4,577,766	1,991,457	7,679,510	5,517,320	41,599,529



Note:

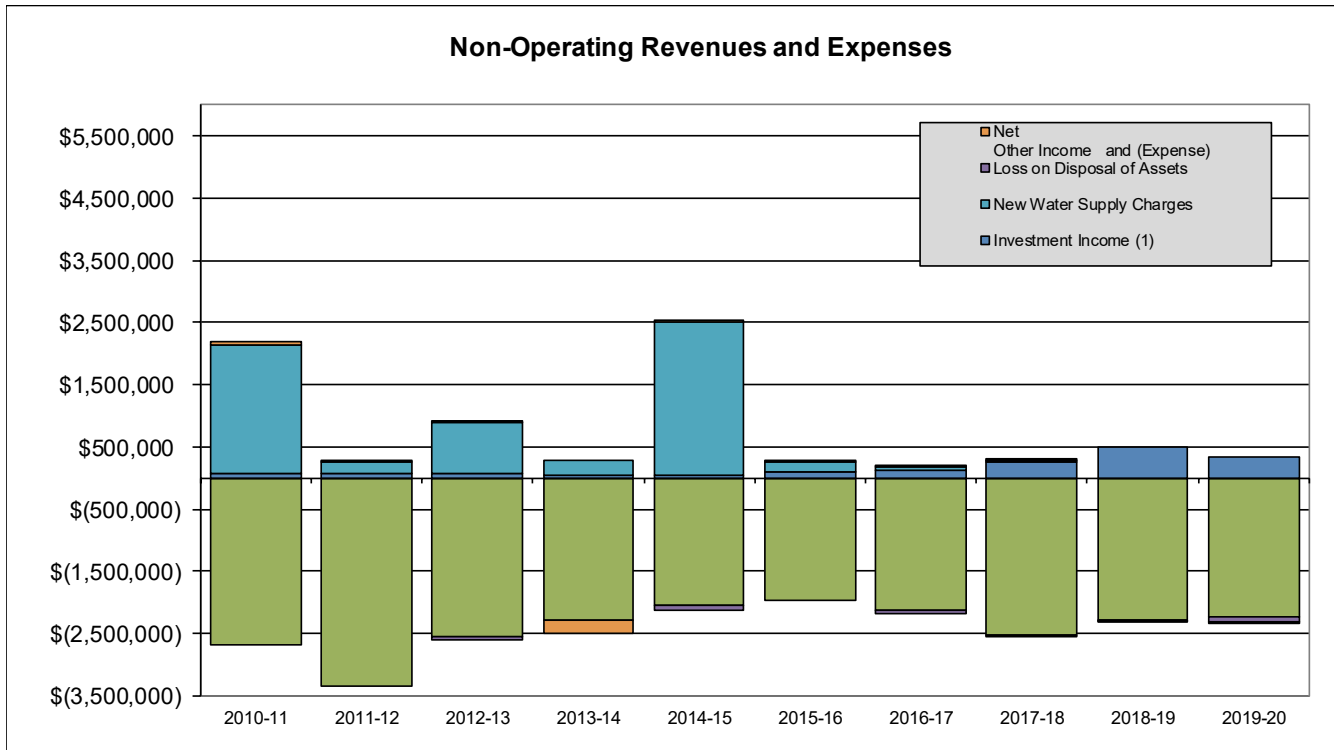
⁽¹⁾ In fiscal year 2012-13, the District recorded a prior adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. Additional depreciation expense of \$58,360 recorded for fiscal years 2005-06 through 2009-10 as a result of the restatement is not reflected in this schedule.

Source: Goleta Water District Audited Financial Statements.

**GOLETA WATER DISTRICT
NON-OPERATING REVENUES AND EXPENSES
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 4

Fiscal Year	Investment Income ⁽¹⁾	New Water Supply Charges	Loss on Disposal of Assets	Interest Expense ⁽²⁾	Net Other Income and (Expense)	Net Non-Operating Revenues (Expenses)
2010-11	\$ 67,164	\$ 2,069,370	\$ -	\$ (2,683,811)	\$ 65,611	\$ (481,666)
2011-12	71,525	182,905	-	(3,345,265)	5,048	(3,085,787)
2012-13	61,671	839,841	(44,927)	(2,547,976)	965	(1,690,426)
2013-14	44,002	240,509	-	(2,295,542)	(196,974)	(2,208,005)
2014-15	58,322	2,439,835	(71,706)	(2,053,755)	33,469	406,165
2015-16	105,392	150,681	-	(1,978,264)	4,843	(1,717,348)
2016-17	129,423	38,268	(38,801)	(2,129,278)	5,237	(1,995,151)
2017-18	266,697	5,467	(35,996)	(2,523,564)	9,770	(2,277,626)
2018-19	501,990	-	(7,975)	(2,280,268)	(2,033)	(1,788,286)
2019-20	337,631	-	(77,432)	(2,235,226)	(4,213)	(1,979,240)



Notes:

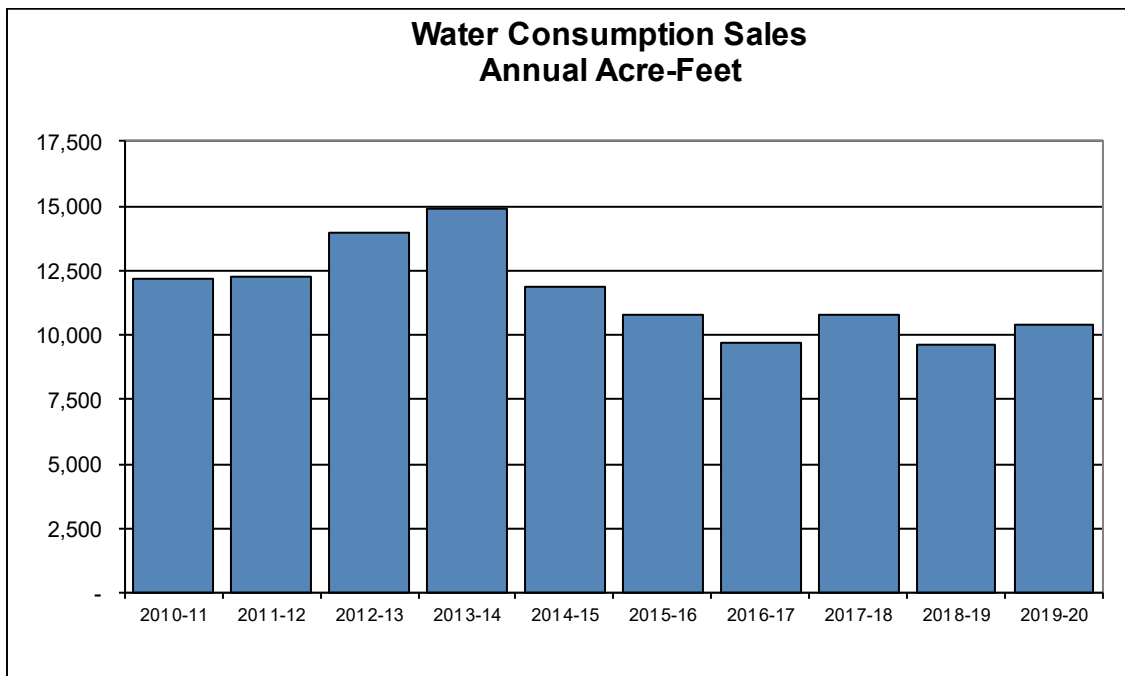
- (1) Includes interest income and realized and unrealized gains and losses on investments.
- (2) In fiscal year 2012-13, the District recorded a prior period adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. Interest incurred of \$1,585,409 that was previously reported as expense during fiscal years 2005-06 through 2009-10 and was capitalized as a result of the restatement is not reduced from the interest expense amounts presented in this schedule.

Source: Goleta Water District Audited Financial Statements.

**GOLETA WATER DISTRICT
REVENUE BASE
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 5

Fiscal Year	Water Consumption Sales (acre-feet)
2010-11	12,161
2011-12	12,275
2012-13	13,923
2013-14	14,884
2014-15	11,883
2015-16	10,773
2016-17	9,659
2017-18	10,799
2018-19	9,631
2019-20	10,432



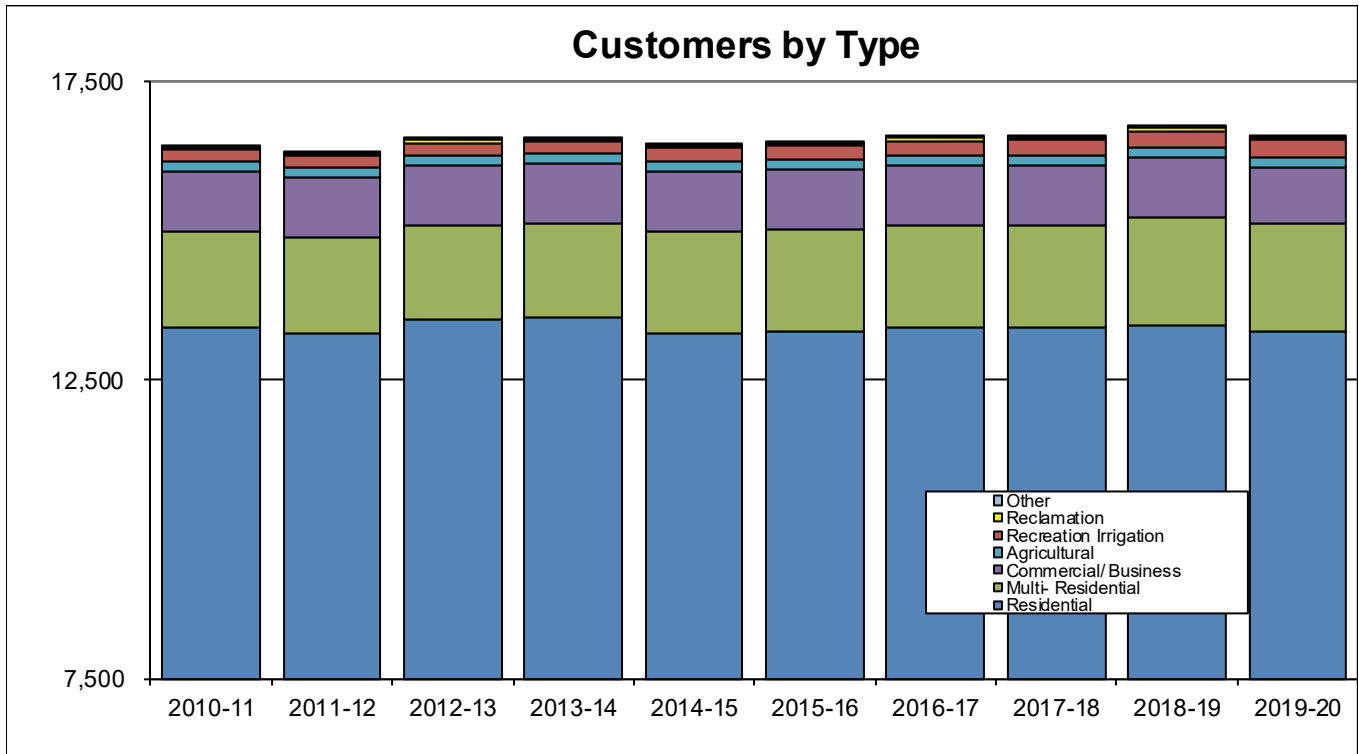
Note: See Schedule 2 “Operating Revenues by Source” for information regarding water sales.

Source: Goleta Water District Annual Continuing Disclosure Report.

**GOLETA WATER DISTRICT
CUSTOMERS BY TYPE
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 6

Fiscal Year	Residential	Multi-Residential	Commercial/Business	Agricultural	Recreation Irrigation	Reclamation	Other	Total
2010-11	13,386	1,591	1,009	164	212	32	7	16,401
2011-12	13,294	1,587	997	165	213	32	7	16,295
2012-13	13,528	1,572	989	165	221	36	7	16,518
2013-14	13,537	1,587	993	167	222	35	1	16,542
2014-15	13,284	1,694	1,018	159	237	42	7	16,441
2015-16	13,300	1,710	1,014	163	240	42	5	16,474
2016-17	13,368	1,723	995	166	257	47	5	16,561
2017-18	13,368	1,734	987	165	276	43	5	16,578
2018-19	13,408	1,825	992	165	288	42	5	16,725
2019-20	13,312	1,807	948	165	287	46	5	16,570



Source: Goleta Water District.

**GOLETA WATER DISTRICT
REVENUE RATES
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 7

Charges ⁽¹⁾	Fiscal Year									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Meter Size										
5/8" & 3/4" ⁽²⁾										
Ultra low flow ⁽²⁾	\$ 9.21	\$ 10.68	\$ 11.87	\$ 12.70	\$ 13.08	\$ 14.14	\$ 14.57	\$ 15.16	\$ 15.77	\$ 16.41
Low flow ⁽²⁾	18.42	21.37	23.74	25.40	26.16	29.20	30.08	31.29	32.55	33.86
All other ⁽²⁾	27.63	32.05	35.61	38.10	39.24	44.40	45.74	47.57	49.48	51.46
1"	46.06	53.43	59.36	63.52	65.42	68.16	70.21	73.02	75.95	78.99
1 1/2"	92.10	106.84	118.69	127.00	130.81	127.57	131.40	136.66	142.13	147.82
2"	147.38	170.96	189.94	203.23	209.33	198.85	204.82	213.02	221.55	230.42
3"	276.33	320.54	356.12	381.05	392.48	424.58	437.32	454.82	473.02	491.95
4"	460.55	534.24	593.54	635.09	654.14	757.23	779.95	811.15	843.60	877.35
6"	921.09	1,068.46	1,187.06	1,270.16	1,308.26	1,672.04	1,722.21	1,791.10	1,862.75	1,937.26
8"	1,473.76	1,709.56	1,899.32	2,032.28	2,093.24	2,860.09	2,945.90	3,063.74	3,186.29	3,313.75
10"	3,500.72	4,060.84	4,511.59	4,827.40	4,972.22	4,523.38	4,659.09	4,845.46	5,039.28	5,240.86
Fire Line Charge	-	-	-	-	-	9.44	9.73	10.12	10.53	10.96
Water Usage Charges (per HCF)⁽¹⁾										
User Type										
Single Family										
Residential Ultra Low Flow (0-6 HCF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4.52	\$ 4.66	\$ 4.85	\$ 5.05	\$ 5.26
Residential Low Flow (7-16 HCF)	-	-	-	-	-	5.57	5.74	5.97	6.21	6.46
Residential Low Flow (Greater than 17 HCF)	-	-	-	-	-	6.12	6.31	6.57	6.84	7.12
Urban Conservation	3.55	4.12	4.58	4.90	5.04	-	-	-	-	-
Urban ⁽³⁾	3.71	4.30	4.78	5.12	5.27	5.25	5.41	5.63	5.86	6.10
Urban Agriculture	1.00	1.16	1.29	1.38	1.42	1.80	1.86	1.94	2.02	2.11
Goleta West Conduit										
Agriculture	1.00	1.06	1.18	1.26	1.30	1.35	1.40	1.46	1.52	1.59
Recreation Irrigation	2.68	3.11	3.45	3.70	3.81	5.25	5.41	5.63	5.86	6.10
Reclaimed	2.17	2.49	2.76	2.96	3.05	3.26	3.36	3.50	3.64	3.79
Drought Surcharges Per HCF⁽⁴⁾										
Stage 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stage 2	-	-	-	-	-	1.57	1.62	1.68	1.75	-
Stage 3	-	-	-	-	-	2.60	2.68	2.79	2.90	-
Stage 4	-	-	-	-	-	3.92	4.04	4.20	4.37	-
Stage 5	-	-	-	-	-	5.73	5.90	6.14	6.39	-

Notes:

- (1) Rates as of July 1 of each fiscal year.
- (2) Monthly service charges converted to a tiered structure effective July 1, 2007. 5/8" & 3/4" meters are based on average 12 month water use. Ultra low flow (4 or less HCF), low flow (greater than 4 but less than 8 HCF), and all other 5/8" & 3/4" meter rates (greater than 8 HCF) through June 30, 2015. Monthly service charge tier structure changed July 1, 2015. Based on individual monthly use, the new tiers are: ultra-low flow (6 or less HCF), low flow (greater than 6 but less than 17 HCF), and all other 5/8" & 3/4" meter rates (greater than 16 HCF).
- (3) Agricultural customers are charged at urban rate unless usage exceeds 11 HCF per dwelling for any given month.
- (4) Drought surcharges apply uniformly to all customers except for use of reclaimed water. On May 1, 2019, the District eliminated the Drought Surcharge concurrent with the Board's declaration to lower the Water Shortage Emergency from a Stage III to a Stage I.

Source: Goleta Water District Board of Directors-approved rate ordinances.

**GOLETA WATER DISTRICT
TEN LARGEST WATER USERS
CURRENT FISCAL YEAR VERSUS FISCAL YEAR 2010-11
UNAUDITED**

Schedule 8

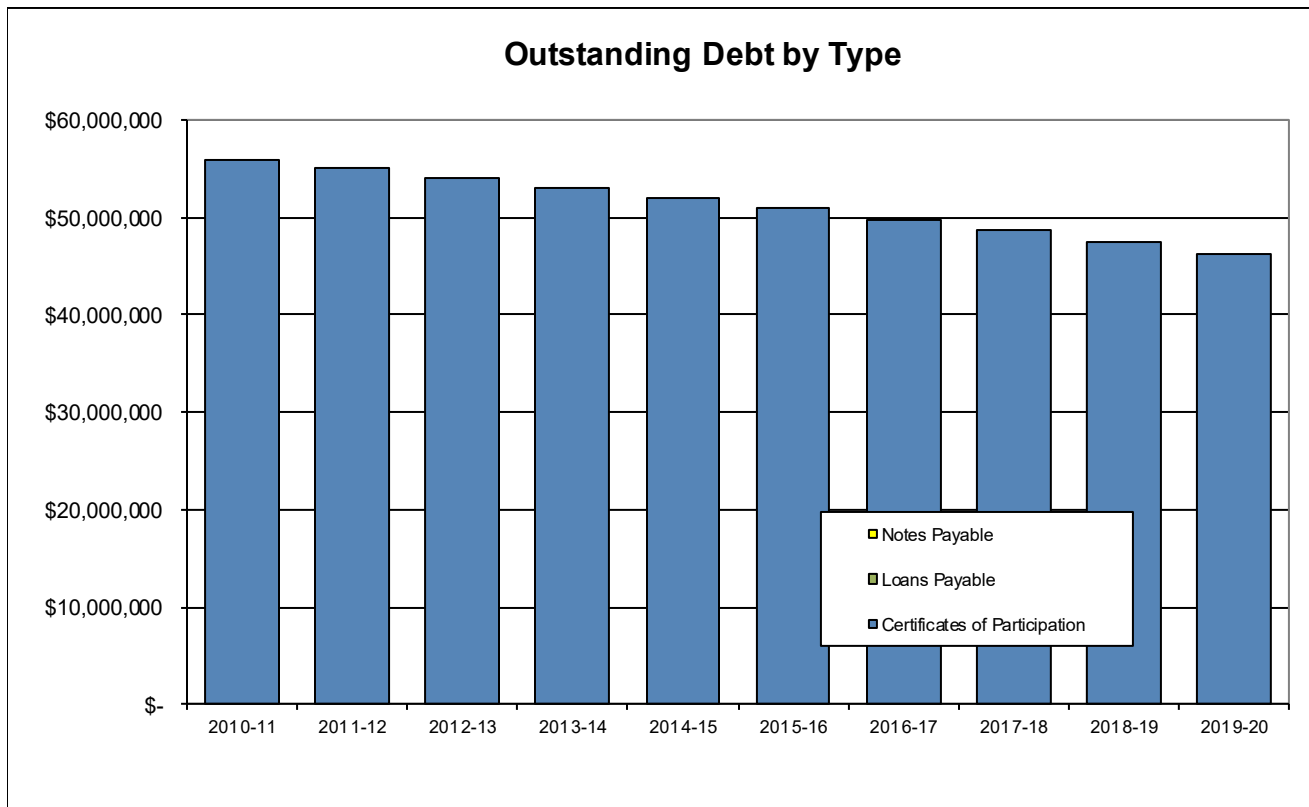
FY 2019-20			FY 2010-11		
Name	Water Consumption Sales (Acre-Feet)	Percentage of Total Water Purchased	Name	Water Consumption Sales (Acre-Feet)	Percentage of Total Water Purchased
Public institution	855	8.20%	Public institution	871	7.16%
Private grower	477	4.57%	Private grower	357	2.94%
Private business	258	2.47%	Private business	231	1.90%
Private business	211	2.02%	Private business	227	1.87%
Public institution	177	1.70%	Private grower	178	1.46%
Public institution	168	1.61%	Private grower	168	1.38%
Private grower	144	1.38%	Private grower	154	1.27%
Private grower	144	1.38%	Private grower	138	1.13%
Private business	114	1.09%	Public institution	126	1.04%
Private grower	97	0.93%	Public institution	123	1.01%
Total attributable to ten largest water users:	<u>2,645</u>	<u>25.35%</u>		<u>2,573</u>	<u>21.16%</u>
Total water consumption sales (acre-feet)	<u>10,432</u>	<u>100.00%</u>		<u>12,161</u>	<u>100.00%</u>

Source: Goleta Water District

**GOLETA WATER DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 9

Fiscal Year	Notes Payable	Certificates of Participation	Loans Payable	Total		
				Debt	Per Capita	As a Share of Personal Income
2010-11	\$ -	\$ 55,945,000	\$ -	\$ 55,945,000	\$ 1,863	0.063%
2011-12	-	55,020,000	-	55,020,000	1,842	0.064%
2012-13	-	54,060,000	-	54,060,000	1,804	0.064%
2013-14	-	52,965,000	-	52,965,000	1,754	0.068%
2014-15	-	51,920,000	-	51,920,000	1,688	0.071%
2015-16	-	50,855,000	-	50,855,000	1,628	0.071%
2016-17	-	49,750,000	-	49,750,000	1,566	0.070%
2017-18	-	48,600,000	-	48,600,000	1,521	0.078%
2018-19	-	47,400,000	-	47,400,000	1,447	0.087%
2019-20	-	46,140,000	-	46,140,000	1,432	0.087%



Sources: Goleta Water District Audited Financial Statements
County of Santa Barbara

**GOLETA WATER DISTRICT
PLEGDED-REVENUE COVERAGE
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 10

Fiscal Year	Operating Revenues	Operating Expenses ⁽¹⁾	Net Available Revenues	Debt Service			Coverage Ratio
				Principal ⁽²⁾	Interest	Total	
2010-11	\$ 22,975,387	\$(19,107,945)	\$ 3,867,442	\$ 885,000	\$ 1,933,861	\$ 2,818,861	1.37
2011-12	27,136,533	(21,051,673)	6,084,860	925,000	2,351,948	3,276,948	1.86
2012-13	31,475,922	(22,431,761)	9,044,161	960,000	2,369,145	3,329,145	2.72
2013-14	33,868,570	(26,209,042)	7,659,528	995,000	2,432,866	3,427,866	2.23
2014-15	29,884,003	(25,897,182)	3,986,821	1,045,000	2,516,588	3,561,588	1.12
2015-16	38,876,872	(29,820,487)	9,056,385	1,065,000	2,490,163	3,555,163	2.55
2016-17	37,807,585	(33,407,576)	4,400,009	1,105,000	2,452,089	3,557,089	1.24
2017-18	43,161,166	(27,750,020)	15,411,146	1,150,000	2,628,651	3,778,651	4.08
2018-19	39,853,124	(38,045,673)	1,807,451	1,200,000	2,353,988	3,553,988	0.51
2019-20	33,050,742	(36,082,209)	(3,031,467)	1,260,000	2,292,488	3,552,488	-0.85

Notes:

⁽¹⁾ Excludes depreciation expense.

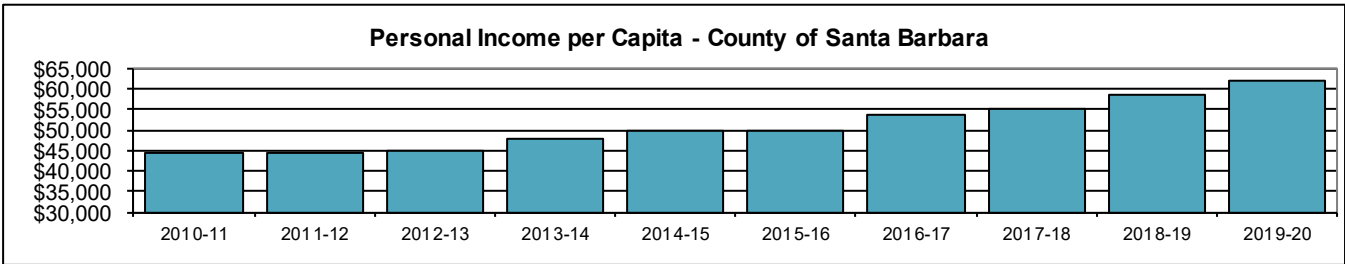
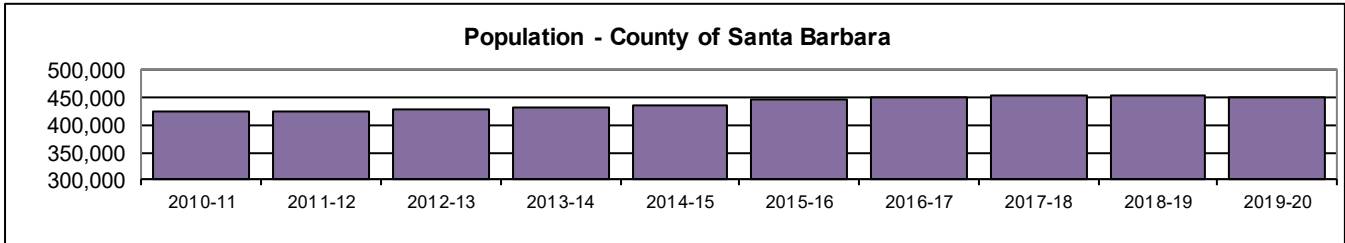
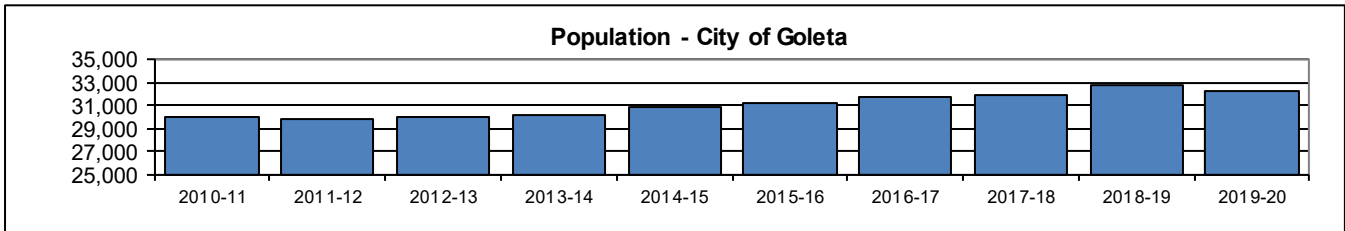
⁽²⁾ Excludes payments associated with refinancing.

Source: Goleta Water District Audited Financial Statements

**GOLETA WATER DISTRICT
DEMOGRAPHICS AND ECONOMICS STATISTICS
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 11

Fiscal Year	City of Goleta ⁽¹⁾	County of Santa Barbara ⁽³⁾			
	Population ⁽²⁾	Unemployment Rate	Population ⁽²⁾	Personal Income (\$ billions)	Personal Income per Capita
2010-11	30,032	8.90%	426,189	19.0	\$44,600
2011-12	29,863	7.90%	426,351	19.0	\$44,600
2012-13	29,962	⁽⁴⁾ 6.30%	429,200	⁽⁴⁾ 19.3	\$45,000
2013-14	30,202	⁽⁴⁾ 5.40%	433,000	⁽⁴⁾ 20.6	\$47,600
2014-15	30,765	4.70%	435,697	21.7	\$49,700
2015-16	31,235	4.90%	446,717	22.3	\$49,900
2016-17	31,760	4.30%	450,663	24.2	\$53,700
2017-18	31,949	3.90%	453,467	25.0	\$55,100
2018-19	32,759	3.50%	454,593	26.6	\$58,600
2019-20	32,223	11.60%	451,840	28.0	\$62,000



Notes:

- (1) A substantial portion of the District lies within the City of Goleta and therefore the City of Goleta is a reasonable basis for determining District demographic and economic statistics.
- (2) Population as of January 1.
- (3) County of Santa Barbara data is updated annually and is representative of District conditions and experience.
- (4) Estimated amounts per California Department of Finance.

Sources: California Department of Finance and California Labor Market Info

**GOLETA WATER DISTRICT
OPERATING AND CAPACITY INDICATORS
PREVIOUS TEN FISCAL YEARS
UNAUDITED**

Schedule 12

District Employees by Department (Actual on Payroll at June 30)

Division	Fiscal Year									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
General Management	3	3	3	3	3	3	3	3	3	3
Operations Management	2	2	2	2	2	2	2	2	2	2
Water Treatment	10	12	11	10	11	10	12	11	12	13
Distribution	14	16	14	14	16	17	16	16	14	16
Water Supply	2	6	8	8	9	9	10	10	9	10
Warehouse	1	1	1	1	1	1	1	1	1	1
Meter Services	5	5	5	5	5	5	5	5	5	5
Engineering Services	7	4	4	5	5	5	5	5	5	5
Customer Service	1	1	1	1	2	2	2	2	1	2
Accounting and Finance	4	7	8	8	8	8	8	8	8	8
Human Resources/Payroll	2	2	2	2	2	2	2	2	2	1
	51	59	59	59	64	64	66	65	62	66

Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Miles of Water Mains	Number of Wells	Number of Fire Hydrants	System Capacity (MGD)
2010-11	45	270	9	1,455	29
2011-12	45	270	9	1,468	29
2012-13	45	270	9	1,466	29
2013-14	45	270	9	1,474	29
2014-15	45	270	9	1,480	29
2015-16	45	271	9	1,502	29
2016-17	45	271	9	1,505	29
2017-18	45	272	10	1,520	29
2018-19	45	272	11	1,520	29
2019-20	45	272	11	1,525	29

Source: Goleta Water District - Administrative Services and Operations Departments

LIST OF ACRONYMS

PAGE INTENTIONALLY LEFT BLANK

LIST OF ACRONYMS AND ABBREVIATIONS

ACWA	Association of California Water Agencies
AFY	Acre Feet per Year
APC	Annual Pension Cost
ARC	Annual Required Contribution
ASR	Aquifer Storage and Recovery
BUREAU	U.S. Bureau of Reclamation
CAFR	Comprehensive Annual Financial Report
CalPERS	California Public Employees' Retirement System
CCRB	Cachuma Conservation and Release Board
CCWA	Central Coast Water Authority
CIP	Capital Improvement Projects
COMB	Cachuma Operation and Maintenance Board
COP	Certificates of Participation
CPA	Cachuma Project Authority
CSDA	California Special Districts Association
CUWCC	California Urban Water Conservation Council
DWR	Department of Water Resources
EPA	Environmental Protection Agency
FASB	Financial Accounting Standards Board
FTE	Full Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GIS	Geographic Information System
GSD	Goleta Sanitary District
GWC	Goleta West Conduit
GWD	Goleta Water District
HCF	Hundred Cubic Feet
IBNR	Incurred But Not Reported
IIP	Infrastructure Improvement Plan
JPIA	Joint Power Insurance Authority
LAFCO	Local Agency Formation Commission
LAIF	Local Agency Investment Fund
MD&A	Management's Discussion and Analysis
MGD	Million Gallons Per Day
NWSC	New Water Supply Charge
OPEB	Other Post Employment Benefits
SEIU	Service Employees International Union
SLGS	State and Local Government Series
SWP	State Water Project
SWRCB	State Water Resources Control Board
UAAL	Unfunded Actuarial Accrued Liability



Goleta Water District
4699 Hollister Avenue
Goleta, CA 93110
www.goletawater.com