

# GOLETA WATER DISTRICT

GOLETA, CALIFORNIA

## Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2015 and 2014





## **Mission**

**To provide an adequate 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 YEARS ENDED  
JUNE 30, 2015 AND 2014**

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**GOLETA WATER DISTRICT  
BOARD OF DIRECTORS  
AS OF JUNE 30, 2015**

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Lauren Hanson	President	Elected	12/12 - 12/16
Rick Merrifield	Vice President	Elected	12/12 - 12/16
Bill Rosen	Director	Elected	12/12 - 12/16
Jack Cunningham	Director	Elected	12/14 - 12/18
Meg West	Director	Elected	12/14 - 12/18

John McInnes, General Manager

David Matson, Assistant General Manager

Jonathan Wunderlich, Administrative Manager/CFO

Tom Bunosky, Operations Manager

Ryan Drake, Water Supply and Conservation Manager

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**GOLETA WATER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

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## **INTRODUCTORY SECTION**

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October 23, 2015

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, 2015 provides the Board of Directors, 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) and audited by Brown Armstrong, Certified Public Accountants, in accordance with generally accepted auditing standards.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. The District has established 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 basic financial statements of the District for the FY ended June 30, 2015 were free of material misstatements. The independent auditors rendered an unmodified ("clean") opinion that the District's basic financial statements for the FY ended June 30, 2015 are presented fairly in conformity with GAAP.

The Management Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A should be read in conjunction with the financial statements.

## **Overview**

During FY 2014-15 the District strengthened its financial condition through continued implementation of the Board-adopted 5-year Financial Plan. The revenue environment has remained stable and is supported by rate adjustments needed to address the costs of providing ongoing water service to District customers.

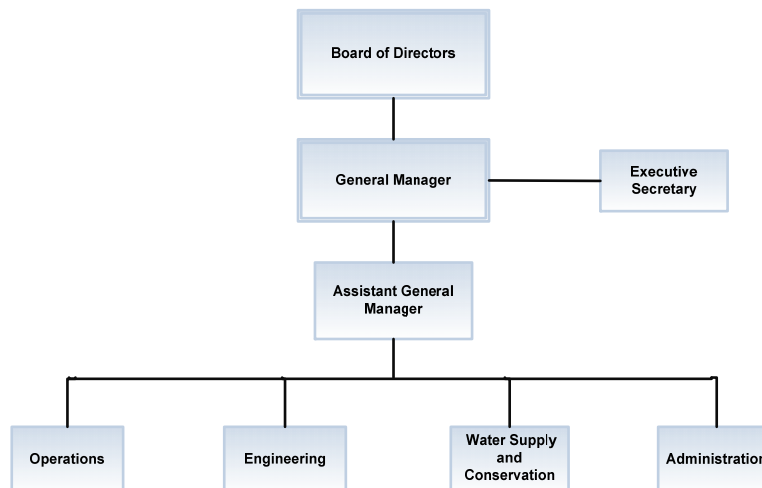
The State of California is in a multi-year drought and in April 2015, Governor Jerry Brown issued an unprecedented mandate for Californians to reduce water consumption by 25%. The Goleta/Santa Barbara region is experiencing an "exceptional drought" and the District's customers have significantly reduced water usage, meeting local targets and exceeding state conservation requirements. As part of the District's plan to address the exceptional drought environment and the related financial impact, the District initiated a cost of service study to support a revised rate structure. Upon completion of the study, the District's Board of Directors reviewed, held public hearings, tabulated protest letters, and adopted an Ordinance to enact new rates and temporary drought surcharges effective July 1, 2015.

As the District and its customers collectively work towards reducing water usage during the drought, the District continues to manage costs and meet its commitment to build a cash reserve, while simultaneously investing in critical capital to increase the sustainability of District operations.

## District Profile

Established November 17, 1944, the Goleta Water 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 16,839 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 60 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, where large employers include the University of California Santa Barbara (UCSB), regional health providers, Goleta Unified School District, and providers in the hospitality industry. The District's service area is also home to a diverse business sector including research and aerospace firms specialize in electronics, telecommunications, medical research, national security, remote sensing manufacturing, and corporate offices of multinational companies. The agricultural sector is another significant water user, with local production focusing primarily on avocados and lemons.

The Goleta economy showed continued signs of improvement during FY 2014-15, evidenced by better employment figures and retail/office vacancy rates, along with the addition of new service accounts resulting from the completion of development projects and property improvements. Overall revenue is influenced by these economic conditions, particularly since the District receives no taxes and collects the majority of its operating revenue through user charges. Consistent with continued improvements in the local economy, water use has also increased during the last several years; however, this trend started to reverse during FY 2014-15 as customers started to conserve in response to the drought and adhered to District-adopted water use restrictions.

## Climate Conditions

Goleta 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 17 inches, though it varies from year to year. Such weather variability influences District revenue as conservation-minded customers are quick to reduce water use when cool and wet weather conditions occur. In FY 2014-15, Goleta precipitation levels were below typical weather patterns, with a cumulative rainfall of 9.64 inches, or 53% of normal levels. The District declared a Stage II Water Shortage Emergency with a 25% conservation target on September 9, 2014. Due to the prolonged and exceptional drought conditions, the District declared a Stage III Water Shortage Emergency on May 12, 2015, which targets a 35% district-wide reduction in water usage. Achieving the target water reduction is necessary to preserve water supplies; however, it will be challenging to do so unless weather patterns change and drought conditions begin to abate. The Santa Barbara Region recorded the warmest year on record for the 12 months ended June 30, 2015, according to the National Oceanic and Atmospheric Administration's Climatological Rankings Report.

## Financial Planning

The District operates under an annual Budget that is adopted by its Board of Directors 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 2014-15 included:

- Achieved compliance with District Code Section 4.08.120-C Reserve Policy ensuring sufficient unrestricted contingency reserve to meet (i) significant unexpected capital project requirements, (ii) a cash equivalent for a fixed period of operations and maintenance expenditures, and (iii) such other reserves as the Board of Directors deems appropriate.
- Completed a 5-year cost of service study to support a revised rate structure needed to recover rising expenses and diminished revenue associated with the ongoing drought.
- Continued rehabilitation and augmentation of the District's ground water production facilities as identified in the Infrastructure Improvement Plan and District Budget.
- Drought preparedness – adopted and implemented a comprehensive public outreach program in response to the drought emergency, including targeted rebate incentive programs, water budgets and surveys, water saving incentive programs, and other drought planning and water conservation programs.

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 of Directors for their leadership and support of our efforts to plan and implement the financial management practices needed to fulfill the policy goals set each year.

Respectfully submitted,

  
John McInnes  
General Manager

  
David Matson  
Assistant General Manager

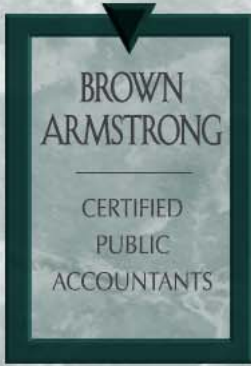
  
Jonathan Wunderlich  
Chief Financial Officer

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## **FINANCIAL SECTION**

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# 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 year ended June 30, 2015, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents. The financial statements as of and for the year ended June 30, 2014, were audited by other auditors whose report dated March 3, 2015, expressed an unmodified opinion on those financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audit 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 of 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 opinions.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Goleta Water District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in conformity 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 the net pension liability, schedule of contributions, and schedule of funding status-other post employment benefits obligation 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 (GASB), 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.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in fiscal year 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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  
October 23, 2015

**GOLETA WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

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 Goleta Water District (the District) using best practice governmental accounting methods similar to those used by private sector companies.

- *The Statement of Net Position* summarizes District investments (assets), deferred outflows and 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 District financial performance over the year, this statement can also be used to determine District cost recovery through its rates and other charges, illustrating overall resource management efficacy and credit worthiness.
- *The Statement of Cash Flows* provides information about District cash receipts and cash payments. The statement reflects net changes in cash resulting from operations, investments, debt service, and non-operating income.

### **Summary Analysis**

District net position, or the difference between assets, deferred outflows and inflows of resources, and liabilities, measures the financial health of the organization. Over time, increases or decreases in District 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 3 years of financial information. Specific attention is placed on comparing fiscal year (FY) 2015 to FY 2014; however, analysis is provided comparing FY 2014 to FY 2013 when significant.

Overall during FY 2015 and FY 2014, the District continued to improve its financial stability. Expenditures were managed to ensure the cash flow goals established in its 5-year financial plan were achieved. 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). Unrestricted cash as of June 30, 2015 was \$10,688,569 compared to \$7,611,895 as of June 30, 2014, and \$6,440,725 as of June 30, 2013.

### **Financial Highlights**

#### New Significant Accounting Standards Implemented

During FY 2015, the District implemented two new statements issued by the Governmental Accounting Standards Board (GASB): Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the District's defined benefit pension plans. The primary impact is the reporting of the District's unfunded pension liability on an accrual basis of accounting on its financial statements. GASB Statement No. 71 establishes standards to record and report contributions made by the District subsequent to the measurement date of the pension liabilities. As part of implementing

these Statements, a prior period adjustment was made which decreased the District's net position by \$10,948,888. The net position amounts presented are net of this prior period adjustment. Please see Note 12 for more information regarding the District's pensions and Note 15 for more information regarding the prior period adjustment.

### Financial Analysis

- During FY 2015, District net position increased \$2,390,027 (5.3%) to \$47,907,800 from \$45,517,773, the net position at the end of FY 2014. Operating revenues decreased by \$3,984,568, operating expenses decreased by \$311,860, and unrestricted cash and cash equivalents increased by \$3,076,674 when compared to FY 2014. Additionally, non-operating revenues increased by \$2,248,116 when compared to FY 2014. The FY 2015 increase in net position is an indicator of the District's improving financial stability. FY 2014 operating revenue increased by \$2,392,649, operating expenses increased by \$3,777,281, and the District increased unrestricted cash and cash equivalents by \$1,171,170 when compared to FY 2013.
- Water sales decreased by \$4,017,701 (16.7%) in FY 2015 and increased by \$1,834,552 (8.3%) in FY 2014. Additionally, the monthly service charge increased by \$97,047 (1.0%) and \$505,157 (5.7%) in FY 2015 and FY 2014, respectively. The water sales decrease in FY 2015 was primarily a result of customer reactions to the Statewide drought and the District's declaration of a Stage 2 Water Shortage Emergency with a 25% conservation target on September 9, 2014, followed by the District's Stage 3 Water Shortage Emergency declaration on May 5, 2015, with a 35% conservation target. Each water shortage emergency stage has associated water use restrictions designed to achieve the overall conservation target. The increase in FY 2014 was primarily the result of a 7% rate increase effective July 1, 2013, compounded by increases in water consumption attributable to weather conditions that drove higher water usage before the drought was declared.
- New water supply charge revenue increased by \$2,199,326 (914.4%) in FY 2015 compared to FY 2014. This contrasts significantly with FY 2014, when new water supply charge revenue decreased by \$599,332 (71.4%) as compared to FY 2013. In FY 2015, the increase is primarily related to the acceleration in commencement of development projects in response to the Board of Directors' (the Board) September 9, 2014 Resolution directing the temporary denial of applications for new and additional service connections for potable water beginning October 1, 2014. In FY 2013, a specific developer responded to improved economic conditions by purchasing water for new water service ahead of new rates and charges effective July 1, 2013.
- Operating expenses decreased by \$311,860 (1.2%) in FY 2015 compared to FY 2014, while Operating expenses increased by \$3,777,281 (16.8%) in FY 2014 compared to FY 2013. The increased level of operating expenses is attributable to higher water supply costs associated with a surface water provider; costs associated with well operations to produce groundwater; costs of critical repairs and maintenance made to District water systems; and additional costs to comply with new, more stringent, Federal water treatment regulations.

## Condensed Statement of Net Position – Analysis:

	2015	2014*	Current Year Increase/ (Decrease)	2013*
<b>Assets:</b>				
Current assets	\$ 29,823,305	\$ 32,411,588	\$ (2,588,283)	\$ 23,365,324
Non-current assets	3,633,366	3,685,227	(51,861)	8,962,622
Capital assets, net	<u>86,877,670</u>	<u>83,461,916</u>	<u>3,415,754</u>	<u>85,263,731</u>
Total assets	120,334,341	119,558,731	775,610	117,591,677
<b>Deferred outflows of resources:</b>	3,828,397	3,379,014	449,383	1,705,497
<b>Liabilities:</b>				
Current liabilities	5,234,121	5,545,629	(311,508)	5,010,512
Non-current liabilities	<u>68,447,457</u>	<u>71,874,343</u>	<u>(3,426,886)</u>	<u>70,137,463</u>
Total liabilities	73,681,578	77,419,972	(3,738,394)	75,147,975
<b>Deferred inflows of resources:</b>	2,573,360	-	2,573,360	-
<b>Net position:</b>				
Net investment in capital assets	34,662,860	30,052,804	4,610,056	33,186,044
Restricted for debt service	2,774,572	2,788,360	(13,788)	6,295,982
Restricted cash and cash equivalents	4,008,904	7,218,851	(3,209,947)	2,742,036
Unrestricted	<u>6,461,464</u>	<u>5,457,758</u>	<u>1,003,706</u>	<u>1,925,137</u>
Total net position	<u>\$ 47,907,800</u>	<u>\$ 45,517,773</u>	<u>\$ 2,390,027</u>	<u>\$ 44,149,199</u>

\*Restated

- Current assets decreased during FY 2015 by \$2,588,283 (8.0%) primarily due to a \$3,915,475 decrease in accounts receivable offset by a \$625,302 increase in prepaid expenses to the Central Coast Water Authority (CCWA). The decrease in accounts receivable is primarily due to the stabilization of the billing platform implemented in January 2014 that initially caused a delay in remitting billings to customers. These delayed billings were subsequently sent and the related receivables collected.
- Non-current assets decreased by \$51,861 during FY 2015 primarily as a result of recurring amortization of non-current assets.
- Net capital assets increased \$3,415,754 (4.1%) during FY 2015. Several water production and treatment assets were completed along with the completion of a “large meter” (e.g., meter size 2 inch and greater) replacement program during FY 2015. Net capital assets decreased \$1,801,815 (2.1%) during FY 2014 primarily due to lower additions of construction related projects and recognition of a \$497,873 impairment charge resulting from permanent construction stoppages, project discontinuations, and changing capital priorities resulting from the ongoing drought emergency.
- Deferred outflows of resources increased \$449,383 (13.3%) during FY 2015 due to the increase in deferred outflows relating to pensions offset against the amortization of debt costs. The \$1,673,517 (98.1%) increase from FY 2013 was primarily related to the implementation of GASB Statement No. 68 and No. 71 which established the deferred outflows pension balance.
- Current liabilities decreased during FY 2015 by \$311,508 (5.6%) primarily as a result of a \$783,554 decrease in customer advances and deposits and accrued expenses offset by increases in accounts payable.
- Non-current liabilities decreased during FY 2015 by \$3,426,886 (4.8%) primarily due to \$1,065,000 in principal reductions on the 2014 Series A COP and a \$2,622,600 decrease in net pension liability offset against a \$105,873 increase in long-term compensated absences and a \$463,212 increase in unfunded post employment benefits.

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

- Deferred inflows of resources increased \$2,573,360 (100%) as a result of the implementation of GASB Statement No. 68 which established the deferred inflows pension balance.
- During FY 2015, the District increased unrestricted net position by \$1,003,706 (18.4%) when compared to the end of FY 2014.

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

	2015	2014*	Current Year Increase/ (Decrease)	2013*
<b>Revenues:</b>				
Operating revenues	\$ 29,884,003	\$ 33,868,571	\$ (3,984,568)	\$ 31,475,922
Non-operating revenues	2,567,957	319,841	2,248,116	933,093
Total revenues	<u>32,451,960</u>	<u>34,188,412</u>	<u>(1,736,452)</u>	<u>32,409,015</u>
<b>Expenses:</b>				
Operating expenses	25,897,182	26,209,042	(311,860)	22,431,761
Depreciation	4,154,508	4,387,462	(232,954)	4,291,712
Non-operating expenses	2,161,792	2,527,846	(366,054)	2,623,519
Total expenses	<u>32,213,482</u>	<u>33,124,350</u>	<u>(910,868)</u>	<u>29,346,992</u>
Net income (loss) before capital contributions	238,478	1,064,062	(825,584)	3,062,023
Capital contributions	<u>2,151,549</u>	<u>304,512</u>	<u>1,847,037</u>	<u>1,049,478</u>
Change in net position	2,390,027	1,368,574	1,021,453	4,111,501
Net position, beginning of year, as restated	<u>45,517,773</u>	<u>44,149,199</u>	<u>1,368,574</u>	<u>40,037,698</u>
Net position, end of year	<u>\$ 47,907,800</u>	<u>\$ 45,517,773</u>	<u>\$ 2,390,027</u>	<u>\$ 44,149,199</u>

\*Restated

- District total operating revenues in FY 2015 decreased \$3,984,568 (11.8%) from FY 2014 and increased \$2,392,649 (7.6%) from FY 2013 to FY 2014. The decrease in FY 2015 was primarily the result of decreased customer demand from conservation behavior associated with the drought, as well as the District's declaration of a Stage 2 Water Shortage Emergency with a 25% conservation target on September 9, 2014, followed by the District's Stage 3 Water Shortage Emergency on May 5, 2015, with a 35% conservation target declaration. Operating revenues in FY 2014 increased from FY 2013 primarily due to scheduled rate increases effective July 1, 2013, (7%) and increased water consumption as dry weather conditions persisted.
- District non-operating revenue increased \$2,248,116 (702.9%) and decreased \$613,252 (65.7%) in FY 2015 and FY 2014, respectively, primarily due to fluctuations in new water supplies charges which require "one-time" payments to obtain new water service. In FY 2015, the increase is primarily related to the acceleration in commencement of development projects in response to the Board's September 9, 2014 Resolution directing the temporary denial of applications for new and additional service connections for potable water beginning on October 1, 2014. In FY 2013, a specific developer responded to improved economic conditions by purchasing water for new water service ahead of new rates and charges effective July 1, 2013.

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

- District operating expenses decreased \$311,860 (1.2%) in FY 2015 when compared to FY 2014 primarily due to the following:
  - Source of Supply costs include amounts paid to the Cachuma Operation and Maintenance Board (COMB); Cachuma Conservation Release Board (CCRB); Goleta Sanitary District (GSD) for recycled water; well operations and maintenance project costs; and the Central Coast Water Authority (CCWA). The \$622,240 (4.3%) increase was primarily due to \$1,035,307 in higher CCWA and State Water Project costs; \$538,010 in increased well operations and maintenance; and \$203,450 in increased water conservation programs expenses. These increases were partially offset by lower COMB and CCRB costs of \$1,055,655.
  - Water treatment costs decreased \$392,593 (16.6%) primarily related to a \$236,907 reduction in personnel related costs; a \$128,075 reduction in chemical and filtering costs and water quality testing; and a \$27,609 decrease in other costs including contracted services and professional and consulting fees.
  - Transmission and distribution costs decreased \$46,985 (1.3%) as a result of decreased water system-related repair and maintenance activities; a \$98,244 decrease in personnel related costs; and a \$77,635 decrease in professional and consulting fees offset by a \$128,891 increase in other general costs categories.
  - Customer accounts costs increased by \$80,432 (6.4%) primarily as a result of increased postage and mailings to customers related to the drought declarations and rate change notifications.
  - General and administration costs decreased in FY 2015 by \$574,954 (12.3%) due to increased personnel costs of \$232,351; increased legal fees of \$352,852; partially offset by \$489,575 in an impairment charge in the Engineering Department for discontinuing capital projects in FY 2014; and a \$657,692 reduction in pension expense as a result of implementing GASB Statement No. 68 in FY 2015.
- District operating expenses increased \$3,777,281 (16.8%) in FY 2014 when compared to FY 2013 primarily due to the following:
  - Source of Supply costs include amounts paid to COMB; CCRB; GSD for recycled water; well operations and maintenance project costs, and the CCWA. The \$2,255,494 (18.7%) increase was primarily due to \$1,476,146 in higher State Water Project costs; \$270,200 increased CCRB fees related to protecting regional water rights; \$447,521 increased well operations and maintenance; and \$129,179 increased water conservation programs expense. These increases were partially offset by lower COMB operations and maintenance costs of \$198,469 in FY 2014.
  - Water treatment costs decreased \$156,424 (6.2%) primarily related to a \$175,368 reduction in payroll costs; \$52,398 reduction in chemical and filtering costs and water quality testing; and offset by a \$71,338 increase in other costs including contracted services and professional and consulting fees.
  - Transmission and distribution costs increased \$673,623 (22.9%) as a result of increased water system-related repair and maintenance activities; a \$278,178 increase in payroll costs; and a \$227,463 increase in contracted services and professional and consulting fees.
  - Customer accounts costs increased by \$208,726 (19.8%) primarily as a result of increased billing activities and related administrative services.
  - General and administration costs increased in FY 2014 by \$795,862 (20.6%) due to increases in payroll of \$237,734 as a result of lower allocations to capital projects; a \$171,797 increase in other postemployment benefits (OPEB) and general costs; and offset by a \$102,245 decrease in professional and consulting fees. Additionally, the District recorded an impairment charge of \$489,575 in FY 2014 in the Engineering Department as a result of permanent construction stoppages, project discontinuations, and changing priorities for capital allocations.

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

- District capital contributions in FY 2015 increased \$1,847,037 (606.6%) primarily due to a State grant (\$500,000) awarded to the District to help offset the construction and operational costs associated with the Lake Cachuma Emergency Drought Pump Facility Project and higher customer/developer contributed assets to the District.

**Capital Assets – Analysis:**

	Balance 2014	Additions	Transfer/ Deletions	Balance 2015
<b>Capital assets:</b>				
Non-depreciable assets	\$ 5,238,394	\$ 7,641,968	\$ (2,904,356)	\$ 9,976,006
Depreciable assets	151,269,230	2,904,356	(8,015,872)	146,157,714
Accumulated depreciation	(73,045,708)	(4,154,508)	7,944,166	(69,256,050)
Total capital assets, net	<u>\$ 83,461,916</u>	<u>\$ 6,391,816</u>	<u>\$ (2,976,062)</u>	<u>\$ 86,877,670</u>

	Balance 2013	Additions	Transfer/ Deletions	Balance 2014
<b>Capital assets:</b>				
Non-depreciable assets	\$ 8,655,256	\$ 3,801,913	\$ (7,218,775)	\$ 5,238,394
Depreciable assets	145,266,821	6,002,409	-	151,269,230
Accumulated depreciation	(68,658,346)	(4,387,362)	-	(73,045,708)
Total capital assets, net	<u>\$ 85,263,731</u>	<u>\$ 5,416,960</u>	<u>\$ (7,218,775)</u>	<u>\$ 83,461,916</u>

At June 30, 2015 and June 30, 2014, District capital investment, net of accumulated depreciation, totaled \$86,877,670 and \$83,461,916, respectively, increasing from \$85,263,731 at June 30, 2013. Capital asset investments include: non-depreciable assets (land, land rights, and construction-in-process projects) and depreciable assets (water treatment plant, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, and vehicles). Throughout FY 2015 and FY 2014, the District continued to fund capital improvements to the existing distribution system, as well as other property, plant, and equipment, and replaced certain large customer meters. In FY 2014, the District recorded an impairment charge of \$497,873 resulting from permanent construction stoppages and project discontinuations and changing priorities for capital projects. (See Note 5 – Capital Assets for additional detail).

**Debt – Analysis:**

	Balance 2014	Adjustments/ Additions	Principal Payments/ Deletions	Balance 2015
<b>Debt:</b>				
Certificates of Participation, Net	<u>\$ 54,994,452</u>	<u>\$ -</u>	<u>\$ (1,353,371)</u>	<u>\$ 53,641,081</u>
	Balance 2013	Adjustments/ Additions	Principal Payments/ Deletions	Balance 2014
<b>Debt:</b>				
Certificates of Participation, Net	<u>\$ 53,783,184</u>	<u>\$ 2,344,593</u>	<u>\$ (1,133,325)</u>	<u>\$ 54,994,452</u>

\*Restated



**Debt – Analysis (Continued):**

- On January 22, 2014, the Districted restructured a portion of its debt at a \$2,603,224 premium and issued the \$19,050,000 2014A COP and refunded \$19,150,000 of COP issued in 2003. In addition to refunding debt, the District was able to release the \$3,520,070 reserve held by the bond trustee on the 2003 Certificates of Participation. To defease the 2003 COPs, the District irrevocably placed \$19,349,495 in a trust which will be used to pay the bond holders as the bonds mature.
- During FY 2015 and 2014, net long-term debt decreased by \$1,353,371 and \$1,133,325 due to principal payments of \$1,045,000 and \$995,000, respectively, and the amortization of the related debts (see Note 9 – Long-Term Debt 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 District 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 at 4699 Hollister Avenue, Goleta, CA 93110-1999.

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## **BASIC FINANCIAL STATEMENTS**

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**GOLETA WATER DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 10,688,569	\$ 7,611,895
Restricted - cash and cash equivalents	4,008,904	7,218,851
Accrued interest receivable	7,173	3,501
Accounts receivable - water sales and services, net	4,026,014	7,941,489
Accounts receivable - other	838,786	372,914
Water-in-storage inventory	620,988	441,980
Materials and supplies inventory	656,698	469,122
Prepaid source of supply costs	8,794,082	8,168,780
Prepaid expenses and other deposits	182,091	183,056
Total Current Assets	29,823,305	32,411,588
<b>NON-CURRENT ASSETS</b>		
Restricted - investments	3,395,851	3,411,381
Prepaid water supply renegotiation costs, net	183,695	214,311
Prepaid bond insurance premiums, net	53,820	59,535
Capital assets, not being depreciated	9,976,006	5,238,394
Depreciable capital assets, net	76,901,664	78,223,522
Total Non-Current Assets	90,511,036	87,147,143
Total Assets	120,334,341	119,558,731
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred financing cost	1,426,272	1,585,341
Deferred pension cost	2,402,125	1,793,673
Total Deferred Outflows of Resources	3,828,397	3,379,014
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	1,705,467	1,237,649
Accrued wages and related payables	241,485	287,766
Customer advances and deposits	1,281,823	2,065,377
Accrued interest payable on certificates of participation	621,279	623,021
Long-term liabilities - due within one year:		
Compensated absences	319,067	286,816
Certificates of participation payable	1,065,000	1,045,000
Total Current Liabilities	5,234,121	5,545,629
<b>NON-CURRENT LIABILITIES</b>		
Long-term liabilities - due in more than one year:		
Compensated absences	894,400	788,527
Other post employment benefits payable	4,857,015	4,393,803
Net Pension Liability	10,119,961	12,742,561
Certificates of participation payable	52,576,081	53,949,452
Total Non-Current Liabilities	68,447,457	71,874,343
Total Liabilities	73,681,578	77,419,972
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension cost	2,573,360	-
<b>NET POSITION</b>		
Net investment in capital assets	34,662,860	30,052,804
Restricted for debt service	2,774,572	2,788,360
Restricted cash and cash equivalents	4,008,904	7,218,851
Unrestricted	6,461,464	5,457,758
Total Net Position	\$ 47,907,800	\$ 45,517,773

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>OPERATING REVENUES</b>		
Water consumption sales	\$ 19,988,107	\$ 24,005,806
Monthly service charges	9,508,993	9,411,946
Conveyance charges	83,018	147,635
Other charges and services	303,885	303,184
	<b>29,884,003</b>	<b>33,868,571</b>
<b>OPERATING EXPENSES</b>		
Source of supply	14,926,709	14,304,469
Water treatment	1,978,887	2,371,480
Transmission and distribution	3,567,788	3,614,773
Customer accounts	1,343,012	1,262,580
General and administrative	4,080,786	4,655,740
	<b>25,897,182</b>	<b>26,209,042</b>
Operating income before depreciation	3,986,821	7,659,529
Depreciation expense	(4,154,508)	(4,387,462)
Net operating income (loss)	<b>(167,687)</b>	<b>3,272,067</b>
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Interest and investment earnings	58,322	44,002
New water supply charges	2,439,835	240,509
Interest expense - long-term debt	(2,053,755)	(2,295,542)
Debt issuance costs	-	(199,306)
Amortization expense	(36,331)	(32,998)
Loss on sale/disposition of capital assets, net	(71,706)	-
Other non-operating revenues, net	69,800	35,330
	<b>406,165</b>	<b>(2,208,005)</b>
Net income before capital contributions	<b>238,478</b>	<b>1,064,062</b>
<b>CAPITAL CONTRIBUTIONS</b>		
State capital grant	500,000	-
Capital contributions	1,651,549	304,512
	<b>2,151,549</b>	<b>304,512</b>
<b>INCREASE IN NET POSITION</b>	<b>2,390,027</b>	<b>1,368,574</b>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<b>45,517,773</b>	<b>44,149,199</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 47,907,800</b>	<b>\$ 45,517,773</b>

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers for water sales and services	\$ 34,193,879	\$ 31,752,922
Cash paid to employees for salaries and wages	(10,380,248)	(9,327,811)
Cash paid to vendors and suppliers for materials and services	(16,072,876)	(17,125,407)
	<u>7,740,755</u>	<u>5,299,704</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(6,747,560)	(2,430,647)
Proceeds from new water supply charges	2,439,835	240,509
Proceeds from capital contributions	-	304,512
Proceeds from long-term debt	-	21,453,729
Defeasance of long-term debt	-	(19,150,000)
Principal paid on long-term debt	(1,045,000)	(995,000)
Certificate of participation issuance costs	-	(199,306)
Interest paid on long-term debt	(2,519,777)	(2,432,866)
Loss from disposition of capital assets	(71,706)	-
	<u>(7,944,208)</u>	<u>(3,209,069)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	15,530	3,512,641
Interest and investment earnings	54,650	44,709
	<u>70,180</u>	<u>3,557,350</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(133,273)	5,647,985
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>14,830,746</u>	<u>9,182,761</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 14,697,473</u>	<u>\$ 14,830,746</u>
<b>Reconciliation of cash and cash equivalents to statement of net position:</b>		
Cash and cash equivalents	\$ 10,688,569	\$ 7,611,895
Restricted assets - cash and cash equivalents	4,008,904	7,218,851
<b>Total Cash and Cash Equivalents</b>	<u>\$ 14,697,473</u>	<u>\$ 14,830,746</u>

See accompanying notes to the basic financial statements.

**GOLETA WATER DISTRICT  
STATEMENT OF CASH FLOWS (Continued)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (167,687)</u>	<u>\$ 3,272,067</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	4,154,507	4,387,462
Other non-operating revenue	69,800	35,330
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivables - water sales and services, net	3,915,475	(2,314,907)
Accounts receivable - other	34,128	(295,004)
Water-in-storage inventory	(179,008)	(199,337)
Materials and supplies inventory	(187,576)	(127,894)
Prepaid Central Coast Water Authority source of supply costs	(625,302)	(460,653)
Prepaid expenses and other deposits	965	(61,916)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	467,816	(130,982)
Accrued wages and related payables	(46,282)	87,418
Customer advances and deposits	360,275	494,263
Compensated absences	138,124	136,830
Post employment retirement benefits	463,212	477,027
Net Pension Liability	<u>(657,692)</u>	<u>-</u>
Total adjustments	<u>7,908,442</u>	<u>2,027,637</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,740,755</u>	<u>\$ 5,299,704</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Capital Contributions	<u>\$ 1,143,827</u>	<u>\$ 304,512</u>
Disposition of Assets	<u>\$ 71,706</u>	<u>\$ -</u>
Capitalized Interest on Capital Asset Additions	<u>\$ 314,828</u>	<u>\$ 154,999</u>
Impairment Charge of Capital Assets	<u>\$ -</u>	<u>\$ 497,873</u>

See accompanying notes to the basic financial statements.



**GOLETA WATER DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**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 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 full accrual 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 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 and capital-related deferred outflows of resources and 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 net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

### **New Accounting Pronouncements**

During the year ending June 30, 2015, the District implemented the following standards:

**GASB Statement No. 68** – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The District has implemented the provisions of GASB Statement No. 68 in the current year. The implementation resulted in a prior period adjustment in the amount of \$10,948,888. See additional details in Note 15 – Prior Period Adjustment.

**GASB Statement No. 69** – *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. There was no effect on the District's accounting or financial reporting as a result of implementing this standard.

**GASB Statement No. 71** – *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The provisions of this statement were applied simultaneously with the provisions of GASB Statement No. 68 and this resulted in a Deferred Outflow of Resources – Pension Contribution balance of \$1,816,670 at June 30, 2015.

### **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**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

## **NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

### **Assets, Liabilities, and Net Position (Continued)**

#### **3. Investments and Investment Policy**

In accordance with the District's investment policy, the Board of Directors delegates the investment authority of the District to the General Manager. In accordance with the Government Code sections, 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 moneys 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.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that same fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

#### **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, 9,322 acre-feet of water is allocated to the District as a result of District participation in the Cachuma Lake Project. If all of the allocation is not used in the current year, it is stored in the Cachuma Lake Project for use the following year. In addition, an amount of unused water carried over from prior years, if available, is also stored in the facility. 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 withdrawn from inventory, 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. Interest and indirect costs incurred during the construction phase of capital assets are reflected in the capitalized value of the asset constructed. Donated assets are recorded at estimated fair market value at the date of donation. 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 Renovation 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 will be 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 or 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 two items that qualify for reporting in this category. It is the deferred charge on the refunding and deferred pension reported in the District's Statement of Net Position. See Note 7 for a detailed listing.

## **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 the net position by the District that is applicable to a future reporting period. The District has one item – deferred pension that is reported in the District's Statement of Net Position. See Note 12 for further description of the deferred inflows of resources recognized.

GASB Statement No. 65 also requires debt issuance costs (except prepaid insurance costs) to be recognized as an expense in the period incurred. Previously, these costs were amortized over the life of the related debt issuance. The District implemented GASB Statement No. 65 in FY 2014 and restated its FY 2013 basic financial statements.

#### **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 terminated.

#### **15. Customer Advances and Deposits**

Customer advances represent deposits received in aid of construction, which are refundable if the applicable construction costs are less or do not take place. Customer advances are reclassified to Contributed capital when the applicable construction project is completed.

#### **16. 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.

#### **17. 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 that developed additional new water supplies necessary to provide such 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, multiple-family residential, landscape and recreation irrigation, agricultural irrigation, commercial and other nonresidential uses, and expanded service to existing structures or uses. This charge varies for potable, non-potable, and recycled water service.

#### **18. 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.

## **NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

### **Assets, Liabilities, and Net Position (Continued)**

#### **19. 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.

#### **20. Reclassifications**

Certain prior year balances have been reclassified in order to conform to current year presentation. These reclassifications had no effect upon reported net position. The District reclassified \$1,705,497 of deferred outflows of resources as of June 30, 2014, in order to conform to the current year presentation. The reclassification had no effect on prior year reported net position.

#### **21. Future GASB Statements**

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

**GASB Statement No. 72** – *Fair Value Measurement and Application*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. The District has not fully judged the effect of the implementation of GASB Statement No. 72 as of the date of the basic financial statements.

**GASB Statement No. 73** – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The District has not fully judged the effect of the implementation of GASB Statement No. 73 as of the date of the basic financial statements.

**GASB Statement No. 74** – *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The District has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.

**GASB Statement No. 75** – *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The District has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.

**GASB Statement No. 76** – *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for fiscal years beginning after June 15, 2015. The District has not fully judged the effect of the implementation of GASB Statement No. 76 as of the date of the basic financial statements.

**GASB Statement No. 77** – *Tax Abatement Disclosures*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The District has not fully judged the effect of the implementation of GASB Statement No. 77 as of the date of the basic financial statements.

The above future GASB statements are not expected to have a material effect on the fiscal year 2014-15 financial statements.

## NOTE 2 – CASH AND INVESTMENTS

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

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 10,688,569	\$ 7,611,895
Restricted - cash and cash equivalents	4,008,904	7,218,851
Restricted - investments	<u>3,395,851</u>	<u>3,411,381</u>
Total Cash and Investments	<u>\$ 18,093,324</u>	<u>\$ 18,242,127</u>

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

	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 800	\$ 1,100
Deposits with financial institutions	14,696,673	14,829,646
Investments	<u>3,395,851</u>	<u>3,411,381</u>
Total Cash and Investments	<u>\$ 18,093,324</u>	<u>\$ 18,242,127</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 District 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 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.

<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	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 bond trustee that are not subject to California Government Code restrictions.

**NOTE 2 – CASH AND INVESTMENTS** (Continued)

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are 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 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			
Bbanks or State or Nnational Savings and Loans	None	None	None
Local Agency Investment Fund	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, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund (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 market 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, 2015 and 2014. Of the bank balances, up to \$250,000 in fiscal year (FY) 2015 and FY 2014 are federally insured. The remaining \$2,209,475 and \$2,626,559 on deposit in excess of the federally insured amount was collateralized with securities held by the pledging financial institutions agent at June 30, 2015, and June 30, 2014, respectively.



## NOTE 2 – CASH AND INVESTMENTS (Continued)

### Investment in State Investment Pool

The District is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California.

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value are to changes in market interest rates. During FY 2015 and FY 2014, 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.

Investments at June 30, 2015, consisted of the following:

	Remaining Maturity (in Months)					
	Amount	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	\$ 3,393,177	\$ 3,393,177	\$ -	\$ -	\$ -	\$ -
Dreyfus Treasury and Agency Cash Management	2,674	2,674	-	-	-	-
Total	<u>\$ 3,395,851</u>	<u>\$ 3,395,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments at June 30, 2014, consisted of the following:

	Remaining Maturity (in Months)					
	Amount	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	\$ 3,397,314	\$ 3,397,314	\$ -	\$ -	\$ -	\$ -
Dreyfus Treasury and Agency Cash Management	14,067	14,067	-	-	-	-
Total	<u>\$ 3,411,381</u>	<u>\$ 3,411,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings were obtained from Standard and Poor's (S&P) Ratings Services. Presented below 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.

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Credit Risk (Continued)**

Credit ratings at June 30, 2015, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	S&P Ratings		
				AAA	AA-	BB-
Held by bond trustee:						
California State Treasurer - LAIF	\$ 3,393,177	Not rated	\$ 3,393,177	\$ -	\$ -	\$ -
Dreyfus Treasury and Agency Cash Management	<u>2,674</u>	AAA	<u>-</u>	<u>2,674</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,395,851</u>		<u>\$ 3,393,177</u>	<u>\$ 2,674</u>	<u>\$ -</u>	<u>\$ -</u>

Credit ratings at June 30, 2014, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	S&P Ratings		
				AAA	AA-	BB-
Held by bond trustee:						
California State Treasurer - LAIF	\$ 3,397,314	Not rated	\$ 3,397,314	\$ -	\$ -	\$ -
Dreyfus Treasury and Agency Cash Management	<u>14,067</u>	AAA	<u>-</u>	<u>14,067</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,411,381</u>		<u>\$ 3,397,314</u>	<u>\$ 14,067</u>	<u>\$ -</u>	<u>\$ -</u>

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code 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	
		2015	2014
Held by bond trustee:			
California State Treasurer - LAIF	LAIF	\$ 3,393,177	\$ 3,397,314
Dreyfus Treasury and Agency	U.S. Treasury Obligations	2,674	14,067

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

The balance at June 30 consists of the following:

	<u>2015</u>	<u>2014</u>
Accounts receivable - water sales and services	\$ 4,155,246	\$ 8,096,063
Allowance for uncollectable accounts	<u>(129,232)</u>	<u>(154,574)</u>
Accounts Receivable - Water Sales, Net	<u>\$ 4,026,014</u>	<u>\$ 7,941,489</u>

Customer bills are generated and mailed-out in cycles. As a result of the monthly billing cut-offs, an accrual of \$404,977 and \$1,298,344 for the FYs ended June 30, 2015 and 2014, respectively, were recorded to accrue revenues for bills not recorded and mailed-out by the fiscal year end. These amounts were produced and mailed-out subsequent to the fiscal year end.

The June 30, 2014 accounts receivable amount represents a balance that is above a normal operating balance. This unusually high balance is primarily related to issues associated with the conversion to a new billing platform in January 2014. The conversion caused a delay and as a result of a “catch-up” effort, some customers received more than one cycle bill toward the end of FY 2014.

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.

**NOTE 4 – PREPAID CENTRAL COAST WATER AUTHORITY 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 State Water project to CCWA. Although the District does have an ongoing financial interest pursuant to the Water Supply Agreement between the District and CCWA, the District does not have an equity interest in the CCWA Project.

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 is made up of one representative from each participating entity. Votes on the Board of Directors are approximately apportioned between the entities based upon each entity’s allocation of State water entitlement. The District’s share of the project, based upon number of acre-feet of water, is 17.2%.

**NOTE 4 – PREPAID CENTRAL COAST WATER AUTHORITY SOURCE OF SUPPLY COSTS**

(Continued)

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>Fiscal Year</u>	<u>Amount</u>
2016	\$ 8,087,599
2017	8,035,119
2018	7,748,547
2019	7,594,275
2020	7,605,556
2021-2025	<u>25,888,849</u>
Total	<u>\$ 64,959,945</u>

Additional information and complete financial statements for the CCWA are available at [www.ccwa.com](http://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 2014	Additions/ Transfers	Deletions/ Transfers	Balance 2015
Capital Assets, not being depreciated:				
Land and land rights	\$ 549,325	\$ -	\$ -	\$ 549,325
Construction-in-process	4,689,069	7,641,968	(2,904,356)	9,426,681
Total Capital Assets, not being depreciated	5,238,394	7,641,968	(2,904,356)	9,976,006
Depreciable Capital Assets:				
Transmission and distribution system	58,961,410	2,629,150	(73,539)	61,517,021
Recycled water system	24,993,007	-	(62,490)	24,930,517
Water treatment plan/equipment	40,499,807	128,663	(4,032,760)	36,595,710
Wells	10,325,519	-	-	10,325,519
Pumping equipment	2,923,651	23,011	(878,957)	2,067,705
Structures and improvements	3,206,589	-	(125,504)	3,081,085
Other plant and equipment	8,088,391	123,532	(2,842,622)	5,369,301
Capitalized interest	2,270,856	-	-	2,270,856
Total Depreciable Capital Assets	151,269,230	2,904,356	(8,015,872)	146,157,714
Accumulated Depreciation:				
Transmission and distribution system	(28,085,806)	(1,425,073)	63,482	(29,447,397)
Recycled water system	(15,697,388)	(808,907)	43,743	(16,462,552)
Water treatment plan/equipment	(14,574,633)	(1,114,698)	4,032,760	(11,656,571)
Wells	(3,890,545)	(392,912)	-	(4,283,457)
Pumping equipment	(1,856,806)	(60,425)	878,957	(1,038,274)
Structures and improvements	(1,622,907)	(118,571)	103,684	(1,637,794)
Other plant and equipment	(7,129,518)	(188,505)	2,821,540	(4,496,483)
Capitalized interest	(188,105)	(45,417)	-	(233,522)
Total Accumulated Depreciation	(73,045,708)	(4,154,508)	7,944,166	(69,256,050)
Total Depreciable Capital Assets, Net	78,223,522	(1,250,152)	(71,706)	76,901,664
Total Capital, Net	\$ 83,461,916	\$ 6,391,816	\$ (2,976,062)	\$ 86,877,670

**NOTE 5 – CAPITAL ASSETS** (Continued)

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

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Capital Assets, not being depreciated:				
Land and land rights	\$ 549,325	\$ -	\$ -	\$ 549,325
Construction-in-process	8,105,931	3,801,913	(7,218,775)	4,689,069
<b>Total Capital Assets, not being depreciated</b>	<b>8,655,256</b>	<b>3,801,913</b>	<b>(7,218,775)</b>	<b>5,238,394</b>
Depreciable Capital Assets:				
Transmission and distribution system	56,514,469	2,446,941	-	58,961,410
Recycled water system	24,435,706	557,301	-	24,993,007
Water treatment plan/equipment	40,282,548	217,259	-	40,499,807
Wells	8,484,165	1,841,354	-	10,325,519
Pumping equipment	2,692,341	231,310	-	2,923,651
Structures and improvements	3,206,589	-	-	3,206,589
Other plant and equipment	7,777,881	310,510	-	8,088,391
Capitalized interest	1,873,122	397,734	-	2,270,856
<b>Total Depreciable Capital Assets</b>	<b>145,266,821</b>	<b>6,002,409</b>	<b>-</b>	<b>151,269,230</b>
Accumulated Depreciation:				
Transmission and distribution system	(26,644,354)	(1,441,452)	-	(28,085,806)
Recycled water system	(14,886,620)	(810,768)	-	(15,697,388)
Water treatment plan/equipment	(13,468,096)	(1,106,537)	-	(14,574,633)
Wells	(3,546,281)	(344,264)	-	(3,890,545)
Pumping equipment	(1,796,789)	(60,017)	-	(1,856,806)
Structures and improvements	(1,500,937)	(121,970)	-	(1,622,907)
Other plant and equipment	(6,665,145)	(464,373)	-	(7,129,518)
Capitalized interest	(150,124)	(37,981)	-	(188,105)
<b>Total Accumulated Depreciation</b>	<b>(68,658,346)</b>	<b>(4,387,362)</b>	<b>-</b>	<b>(73,045,708)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>76,608,475</b>	<b>1,615,047</b>	<b>-</b>	<b>78,223,522</b>
<b>Total Capital, Net</b>	<b>\$ 85,263,731</b>	<b>\$ 5,416,960</b>	<b>(7,218,775)</b>	<b>\$ 83,461,916</b>

In FY 2015, major capital asset additions during the year included various projects and upgrades to District transmission and distribution systems, other plant equipment and related capital interest. The District also replaced over 700 meters that were 2 inches and greater in meter size during the fiscal year. A portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects.

In FY 2014, major capital asset additions during the year included various projects and upgrades to District transmission and distribution systems, recycled system and wells. A portion of these additions were constructed by the District and transferred out of construction-in-process upon completion of these various projects. In FY 2014, the District recorded an impairment charge of \$497,873 resulting from permanent construction stoppages, project discontinuations, and changing priorities for capital allocations. These impairment losses are reportable as direct operating expenses.

The amount of interest costs capitalized in FY 2015 and FY 2014 were \$314,979 and \$154,999, respectively. Total interest costs incurred before capitalized interest during FY 2015 and FY 2014 were \$2,368,734 and \$2,450,541, 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>2015</u>	<u>2014</u>
Corona Del Mar – Process Improvements	\$ 1,417,478	\$ 741,286
Corona Del Mar – Sludge Bed Construction	1,210,379	1,154,612
Anita & San Ricardo PIPELINE	705,839	6,930
University Well Project	659,523	15,689
San Ricardo Well Project	591,953	16,946
Architectural Improvements	552,914	467,653
Van Horne Generator Replacement and Study	528,345	401,408
7000 Hollister	324,078	136,398
Airport Well	246,478	146,077
University of California, Santa Barbara Sierra Madre	239,434	171,491
Residences at Sandpiper	221,750	170,418
Santa Antonio Well Project	221,680	1,984
Sherpa Data Warehouse	182,298	53,752
Copper service line replacements	131,926	-
USBR Title Transfer	130,712	124,690
La Riata Improvement Zone	-	167,336
Various other minor projects <\$100,000	<u>2,061,894</u>	<u>912,399</u>
Construction-in-Process	<u><u>\$ 9,426,681</u></u>	<u><u>\$ 4,689,069</u></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>2015</u>	<u>2014</u>
Prepaid charges	\$ 59,535	\$ 61,916
Accumulated amortization	<u>(5,715)</u>	<u>(2,381)</u>
Prepaid Charges, Net	<u><u>\$ 53,820</u></u>	<u><u>\$ 59,535</u></u>

**NOTE 7 – DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

The deferred outflows of resources balance at June 30, 2015, consists of:

	Balance 2014	Additions	Amortization	Balance 2015
Deferred charge from 2010 refunding	\$ 1,541,523	\$ -	\$ (163,973)	\$ 1,377,550
Deferred charge from 2014 refunding	43,818	-	4,903	48,721
Deferred pension - FY 2015 contributions	1,793,673	22,997	-	1,816,670
Deferred pension - change in actual vs. proportional contributions	-	794,545	(209,089)	585,456
Deferred Outflows of Resources	<u>\$ 3,379,014</u>	<u>\$ 817,542</u>	<u>\$ (368,159)</u>	<u>\$ 3,828,397</u>

The deferred inflows of resources balance at June 30, 2015, consists of:

	Balance 2014	Additions	Amortization	Balance 2015
Deferred pension - proportionate share of investment return	\$ -	\$ 3,172,366	\$ (634,473)	\$ 2,537,893
Deferred pension - adjustments due to differences in proportions	-	48,134	(12,667)	35,467
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 3,220,500</u>	<u>\$ (647,140)</u>	<u>\$ 2,573,360</u>

**NOTE 8 – COMPENSATED ABSENCES**

Changes to compensated absences for 2015 were as follows:

Balance 2014	Earned	Taken	Balance 2015	Current Portion	Long-Term Portion
<u>\$ 1,075,343</u>	<u>\$ 891,214</u>	<u>\$ (753,090)</u>	<u>\$ 1,213,467</u>	<u>\$ 319,067</u>	<u>\$ 894,400</u>

Changes to compensated absences for 2014, were as follows:

Balance 2013	Earned	Taken	Balance 2014	Current Portion	Long-Term Portion
<u>\$ 938,513</u>	<u>\$ 834,733</u>	<u>\$ (697,903)</u>	<u>\$ 1,075,343</u>	<u>\$ 286,816</u>	<u>\$ 788,527</u>



## **NOTE 9 – LONG-TERM DEBT INCLUDED IN NON-CURRENT LIABILITIES**

Changes in long-term debt amounts for the current year were as follows:

	Balance 2014	Additions/ (Deletions)	Principal Payments/ Amortization	Balance 2015
Debt:				
2010A Certificates of participation	\$ 33,915,000	\$ -	\$ -	\$ 33,915,000
2014A Certificates of participation	19,050,000	-	(1,045,000)	18,005,000
Total Debt	52,965,000	-	(1,045,000)	51,920,000
Unamortized premium, net	2,029,452	-	(308,371)	1,721,081
Total Net Debt	54,994,452	-	(1,353,371)	53,641,081
Less Current Portion	(1,045,000)	(1,065,000)	1,045,000	(1,065,000)
Net Long-Term Debt	<u>\$ 53,949,452</u>	<u>\$ (1,065,000)</u>	<u>\$ (308,371)</u>	<u>\$ 52,576,081</u>

### **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 is considered 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.

### **2010 Series A Certificates of Participation Payable**

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 are secured by a pledge of the District's revenues.

**NOTE 9 – LONG-TERM DEBT INCLUDED IN NON-CURRENT LIABILITIES** (Continued)**2010 Series A Certificates of Participation Payable** (Continued)

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 purchase;
- Anita Wellhead treatment plant;
- Relocation of the Goleta Beach recycled waterline;
- Recycled water booster pump controls rebuild; and
- Other plant and infrastructure replacements.

Annual debt service payments are as follows:

Fiscal Year(s)	Principal	Interest	Total
2016	\$ -	\$ 1,649,738	\$ 1,649,738
2017	-	1,649,738	1,649,738
2018	-	1,649,738	1,649,738
2019	-	1,649,738	1,649,738
2020	-	1,649,738	1,649,738
2021-2025	-	8,248,688	8,248,688
2026-2030	13,205,000	6,777,625	19,982,625
2031-2035	16,820,000	3,154,956	19,974,956
2036	3,890,000	97,250	3,987,250
Total	33,915,000	\$ 26,527,209	\$ 60,442,209
Total Non-Current	\$ 33,915,000		

**2014 Series A Certificates of Participation Payable**

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.

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 are scheduled to commence on December 1, 2014, and continue through December 1, 2024. The revenue COP are secured by a pledge of District revenues.

The capital improvement projects intended to be 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 injections capabilities;
- Renewable energy generating projects; and
- Other plant and infrastructure replacements.

**NOTE 9 – LONG-TERM DEBT INCLUDED IN NON-CURRENT LIABILITIES** (Continued)

Annual debt service payments are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,065,000	\$ 840,425	\$ 1,905,425
2017	1,105,000	802,350	1,907,350
2018	1,150,000	757,250	1,907,250
2019	1,200,000	704,250	1,904,250
2020	1,260,000	642,750	1,902,750
2021-2025	<u>12,225,000</u>	<u>1,820,375</u>	<u>14,045,375</u>
Total	18,005,000	<u>\$ 5,567,400</u>	<u>\$ 23,572,400</u>
Less current portion	<u>(1,065,000)</u>		
Total Non-Current	<u>\$ 16,940,000</u>		

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS PAYABLE (OPEB)**

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

**Plan Description – Eligibility**

The District administers its post employment benefits plan (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, 5 years of consecutive full-time service, and (2) 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 and have 10 years of service.

Membership in the OPEB Plan consisted of the following members as of June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Active plan members	61	59	59
Retirees and beneficiaries receiving benefits	<u>48</u>	<u>47</u>	<u>47</u>
Total Plan Membership	<u>109</u>	<u>106</u>	<u>106</u>

**Plan Description – Benefits**

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 Plan members and the District are established and may be amended by the Board of Directors and the Service Employees International Union Local 620 (SEIU).

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS PAYABLE (OPEB)** (Continued)**Funding Policy**

The District is required to contribute the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 13.3% of the annual covered payroll.

The District contributes a fixed amount for health care benefits, a fixed amount for dental care, and 100% of the premium for vision. The District funds the Plan on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined ARC cost.

**Annual OPEB Cost and Net OPEB Obligation**

The balance at June 30 consists of the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 850,507	\$ 850,507	\$ 675,588
Interest on net OPEB obligation	197,721	176,255	179,502
Adjustment to annual required contribution	<u>(204,363)</u>	<u>(182,176)</u>	<u>(167,424)</u>
Total Annual OPEB Expense	843,865	844,586	687,666
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(380,653)</u>	<u>(367,559)</u>	<u>(360,931)</u>
Total Change in Net OPEB Payable Obligation	463,212	477,027	326,735
OPEB Payable - Beginning of Year	<u>4,393,803</u>	<u>3,916,776</u>	<u>3,590,041</u>
OPEB Payable - Fiscal Year End	<u>\$ 4,857,015</u>	<u>\$ 4,393,803</u>	<u>\$ 3,916,776</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for FY 2015 and the two preceding years were as follows:

**Three-Year History of Net OPEB Obligation**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2015	\$ 843,865	\$ 380,653	45.1%	\$ 4,857,015
2014	844,586	367,559	43.5%	4,393,803
2013	687,666	360,931	52.5%	3,916,776

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS PAYABLE (OPEB)** (Continued)

**Funded Status and Funding Progress of the Plan**

Using the most recent actuarial valuation dated July 1, 2014, the following is the funded status of the Plan:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Plan Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
7/1/2014	\$ 9,964,857	\$ -	\$ 9,964,857	0%	\$ 6,387,131	156.02%

**Actuarial Methods and Assumptions**

In FY 2015, the District retained a professional actuary to independently assess the District's OPEB liability. The actuarial methods and assumptions were updated, including techniques designed to reduce short-term volatility in AAL and the actuarial value of assets, consistent with the long-term perspective of the calculations. The required supplemental schedule of funding progress immediately following the notes presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and Plan members to that point.

Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 60. At retirement, 80% of retirees are assumed to be married, and marital status is adjusted to reflect mortality. Life expectancy was based on the CalPERS mortality for miscellaneous employees. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using the CalPERS turnover rate of miscellaneous employees for other employees.

Based on the number of Plan participants, GASB Statement No. 45 requires the District to examine the existing liability for retiree benefits as well as future annual expected premium costs triennially. The District's Actuarial Study of Retiree Health Liabilities was last prepared on August 28, 2014, and a revaluation is not required until July 1, 2017, unless a major Plan change is likely to cause a material change in accrual costs and/or liabilities.

The following is a summary of the actuarial assumptions and methods used by a certified actuary when determining District OPEB obligations:

Valuation date	July 1, 2014
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	26 years as of the valuation date
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increase	2.75%
Inflation - discount rate	2.75%
Individual salary growth	2.75%
Trend	4.00%

## **NOTE 11 – DEFERRED COMPENSATION SAVINGS PLAN**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Actual employee contributions for FY 2015 and 2014 were \$195,117 and \$211,375, respectively. Market value of all Plan assets held in trust by the District's three deferred compensation plans at June 30, 2015 and 2014 amounted to \$3,159,832 and \$3,760,421, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this Plan, the assets and related liabilities are not shown on the statement of net position.

## **NOTE 12 – DEFINED BENEFIT PENSION PLAN**

### **A. General Information about the Pension Plans**

***Plan Descriptions*** – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous (all other) Employee Pension 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 and 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 the 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 Plans' provisions and benefits in effect at June 30, 2015, 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, 2015, employees in this retirement plan pay 3.33% of their annual covered salaries and the District makes the remaining required employee contribution;

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

A. General Information about the Pension Plans (Continued)

- 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, 2015, employees in this retirement plan pay 3% of their annual covered salaries and the District makes the remaining required employee contribution;
- 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 July 1, 2014, the District will no longer be permitted to make a portion of the contributions on behalf of its employees in the CalPERS 2% at 62 Risk Pool Retirement Plan;
- 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 both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>
Contributions - Employer	\$ 1,317,243
Contributions - Employee (Paid by Employer)	320,460

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of \$10,119,961.

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, 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 plans 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, 2013 and 2014, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013	0.39%
Proportion - June 30, 2014	0.41%
Change - Increase (Decrease)	0.02%

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

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

For the year ended June 30, 2015, the District recognized a pension expense of \$1,158,978. At June 30, 2015, 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	\$ 1,816,670	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Change in Employer's Proportion and Differences between the Employer's Contributions and the Employer's Proportionate Share of Contributions	585,455	35,467
Net Differences between Projected and Actual Earnings on Plan Investments	-	<u>2,537,893</u>
Total	<u>\$ 2,402,125</u>	<u>\$ 2,573,360</u>

\$1,816,670 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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 Ended June 30,</u>	
2016	\$ (438,049)
2017	(438,049)
2018	(477,335)
2019	(634,472)
2020	-
Thereafter	<u>-</u>
Total	<u>\$ (1,987,905)</u>



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

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

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	
Valuation Date	June 30, 2013	
Measurement Date	June 30, 2014	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.50%	
Inflation	2.75%	
Salary Increases	Varies	(1)
Investment Rate of Return	7.50%	(2)
Mortality	Derived using CalPERS' Membership Data	
Port Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Purchasing Power applies, 2.75% thereafter	
Increase		

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

(2) Net of pension plan investment expenses, including inflation.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

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

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

***Sensitivity of the 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 each Plan, calculated using the discount rate for each 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:

	Miscellaneous
1% Decrease Net Pension Liability	\$ 16,364,096
Current Discount Rate Net Pension Liability	\$ 10,119,961
1% Increase Net Pension Liability	\$ 4,937,920

***Pension Plan Fiduciary Net Position*** – Detailed information about each 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, 2015, the District participated in the liability and property programs and Worker's Compensation Program of the ACWA/JPIA as follows:

General and auto liability, and public officials and employees' errors and omissions: Total risk financing pooled self-insurance limits of \$2,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers in the amount of \$58 million which increases the limits on the insurance coverage noted above.

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

Employee dishonesty 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 \$1,000,000 per occurrence.

Property loss coverage: Total risk financing pooled self-insurance limits of \$100,000 subject to a \$10,000 deductible per occurrence. ACWA/JPIA has purchased coverage for its members with a total policy limit (all members) of \$100 million.

Boiler and machinery coverage: Total risk financing pooled self-insurance limits of \$100,000 per occurrence, subject to various deductibles depending on the type of equipment.

Workers' compensation insurance up to California statutory limits for all work related injuries and illnesses covered by California law. The ACWA/JPIA liability limit is \$2 million per accident/disease. ACWA/JPIA has purchased excess coverage for its members with a total policy limit (all members) from \$2 million to Statutory Limits.

After a sustained period of low claims by the District, ACWA/JPIA refunded approximately \$6,000 in April 2014 as part of a rate stabilization program that is designed to calibrate premiums versus claims for each pooled insurance program. Settled claims have not exceeded any of the coverage amounts in any of the last two fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2015 and 2014. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). IBNR claims payable as of June 30, 2015 and 2014, were \$74,010 and \$7,745, 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. In order to provide potable water to these customers for domestic consumption the District currently provides bottled water. A pipeline, booster pump station and reservoir might be built in the future depending on regulations and requirements of the 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.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES** (Continued)

**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 750 feet. Immediate actions were needed to reduce this risk. Foundation modifications have been completed, and the reservoir can now be operated safely at Elevation 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 fifty year total repayment period beginning October 2002. The District's share is based on the same 36.25% which is applied to the Cachuma entitlement. The District is 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>Fiscal Year</u>	<u>Amount</u>
2016	\$ 94,847
2017	94,847
2018	94,847
2019	94,847
2020	94,847
Thereafter	<u>1,446,132</u>
Total	<u>\$ 1,920,367</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, 2015, the District held \$374,043 related to such agreements.

**Grant Awards**

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would be insignificant.

**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 1,000 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.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES** (Continued)

**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 mounted system to the existing lake inlet tower as the water levels at Lake Cachuma continue to diminish due to the current severe draught 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 guarantee amount of \$2,016,000.

**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 – PRIOR PERIOD ADJUSTMENT**

During FY 2015, the District implemented two new statements issued by the Governmental Accounting Standards Board (GASB): Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the District's defined benefit pension plans. The primary impact is the reporting of the District's unfunded pension liability on an accrual basis on its financial statements. GASB Statement No. 71 establishes standards to record and report contributions made by the District subsequent to the measurement date of the pension liabilities.

The financial statements have been retroactively restated for this adjustment and the portion of the adjustment applicable to the current and prior years in the amount of \$10,948,888 has been treated as a retroactive restatement of the June 30, 2013, net position balance. The details of this restatement are as follows:

Increase in Deferred Outflows of Resources - Pension Costs	\$ 1,793,673
Increase in Net Pension Liability	<u>(12,742,561)</u>
Total decrease in net position (unrestricted)	<u><u>\$ (10,948,888)</u></u>

The effect on the June 30, 2013, Statement of Net Position was as follows:

Net position at June 30, 2013, as previously reported	\$ 55,098,087
Prior period adjustment for Deferred Outflows of Resources - Pension Costs	1,793,673
Prior period adjustment for Net Pension Liability	<u>(12,742,561)</u>
Net position at June 30, 2013, as restated	<u><u>\$ 44,149,199</u></u>

**NOTE 15 – PRIOR PERIOD ADJUSTMENT** (Continued)

For the year ended June 30, 2014, this change had the effect of decreasing net position by \$10,948,888, as compared to the amounts previously reported. The details of this restatement are as follows:

Net position at June 30, 2013, as restated	\$ 44,149,199
Change in net position, as previously reported for June 30, 2014	<u>1,368,574</u>
Net position at June 30, 2014, as restated	<u>\$ 45,517,773</u>

**NOTE 16 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 23, 2015, which is the date the financial statements were issued. There are no reportable events through this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**GOLETA WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**A COST SHARING DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2015  
LAST 10 YEARS\***

	2015
Proportion of the Net Pension Liability	0.41%
Proportionate Share of the Net Position Liability	\$ 10,119,961
Covered-Employee Payroll	\$ 5,917,488
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	171.02%
Plan's Fiduciary Net Position	\$ 10,639,461,174
Plan's Total Pension Liability	\$ 13,110,948,452
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation; therefore, only one year is shown.

Notes to Schedule:

Benefit changes: In 2015, there were no benefit changes.

Changes in assumptions: In 2015, there were no changes in assumptions.

**GOLETA WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**A COST SHARE PLAN DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
AS OF JUNE 30, 2015  
LAST 10 YEARS\***

	2015
Contractually Required Contribution (Actuarially Determined)	\$ 1,319,331
Contributions in Relation to the Actuarially Determined Contributions	1,319,331
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ 5,917,488
Contributions as a Percentage of Covered- Employee Payroll	22.30%

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation; therefore, only one year is shown.

**Notes to Schedule:**

Valuation date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	3.0%, average, including inflation of 2.75%
Investment rate of return	7.5%, net of administrative expense
Retirement age	55 - 62 yrs.
Mortality	Derived using CalPERS' Membership Data for all Funds

**GOLETA WATER DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

**SCHEDULE OF FUNDING STATUS – OTHER POST EMPLOYMENT BENEFITS OBLIGATION**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Plan Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
7/1/2014	\$ 9,964,857	\$ -	\$ 9,964,857	0.00%	\$ 6,387,131	156.02%
7/1/2011	9,964,857	-	8,151,680	0.00%	5,104,324	159.70%
6/30/2010	16,079,140	-	16,079,140	0.00%	5,051,116	318.33%
6/30/2009	15,530,050	-	15,530,050	0.00%	4,623,141	335.92%

**Note:**

This Schedule of Funding Status is presented for the years that an actuarial study has been prepared from the effective date of GASB Statement No. 45. Actuarial review and analysis of the post employment benefits liability and funding status is performed every three years or more often if there are significant changes to the plan. The next scheduled actuarial review and analysis of the post employment benefits liability and funding status will be performed based on the year ending June 30, 2017.

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**STATISTICAL INFORMATION SECTION**

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**GOLETA WATER DISTRICT  
STATISTICAL 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.

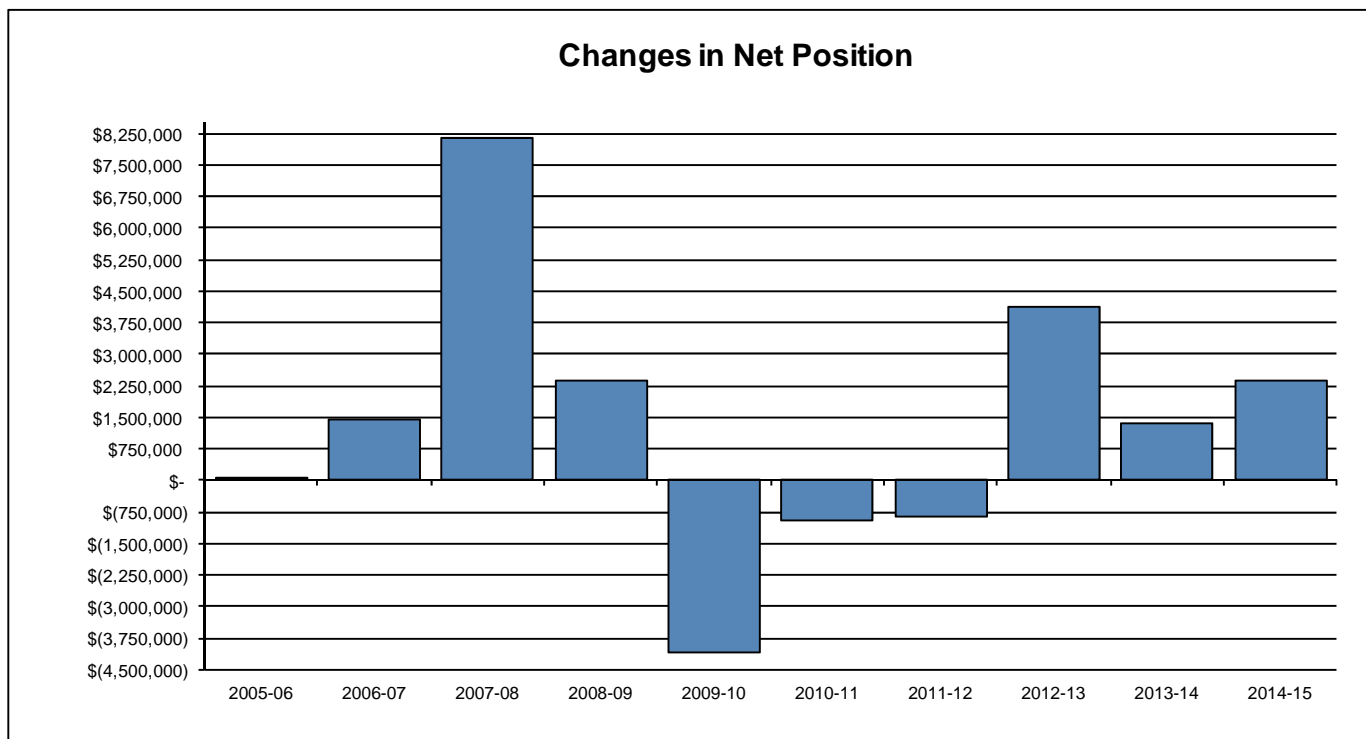
**Table of Contents**

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

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

**Schedule 1**

<b>Description</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Changes in net position:					
Operating revenues (see schedule 2)	\$ 19,820,429	\$ 23,275,841	\$ 26,147,078	\$ 25,245,709	\$ 23,875,390
Operating expenses (see schedule 3)	(18,477,813)	(19,099,548)	(20,806,256)	(22,717,232)	(22,829,750)
Depreciation and amortization	(3,052,138)	(3,148,347)	(1,620,145)	(3,951,664)	(4,639,138)
<b>Operating income</b>	<b>(1,709,522)</b>	<b>1,027,946</b>	<b>3,720,677</b>	<b>(1,423,187)</b>	<b>(3,593,498)</b>
Net non-operating revenue(expense) (see schedule 4)	307,975	(392,509)	3,541,627	3,510,204	(1,734,390)
<b>Net income (loss) before capital contributions</b>	<b>(1,401,547)</b>	<b>635,437</b>	<b>7,262,304</b>	<b>2,087,017</b>	<b>(5,327,888)</b>
Capital contributions	1,457,127	822,157	875,732	277,963	1,246,321
<b>Changes in net position</b>	<b>\$ 55,580</b>	<b>\$ 1,457,594</b>	<b>\$ 8,138,036</b>	<b>\$ 2,364,980</b>	<b>\$ (4,081,567)</b>
Net position by component:					
Net investment in capital assets <sup>(1)</sup>	\$ 29,061,204	\$ 35,613,775	\$ 41,625,111	\$ 42,404,294	\$ 41,984,446
Restricted	10,625,609	6,419,910	3,459,351	3,670,054	3,389,233
Unrestricted	3,744,323	2,855,045	7,942,304	9,317,398	5,936,500
<b>Total net position</b>	<b>\$ 43,431,136</b>	<b>\$ 44,888,730</b>	<b>\$ 53,026,766</b>	<b>\$ 55,391,746</b>	<b>\$ 51,310,179</b>



**Notes:**

- (1) Net of related debt.
- (2) Restated.
- (3) 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.
- (4) The District implemented GASB Statement No. 68, and No. 71 and as a result, there was Prior Period Adjustment to establish the Net Pension Liability of \$10,948,888 that was reflected in FY 12-13 since it is included in the Management's Discussion and Analysis section.

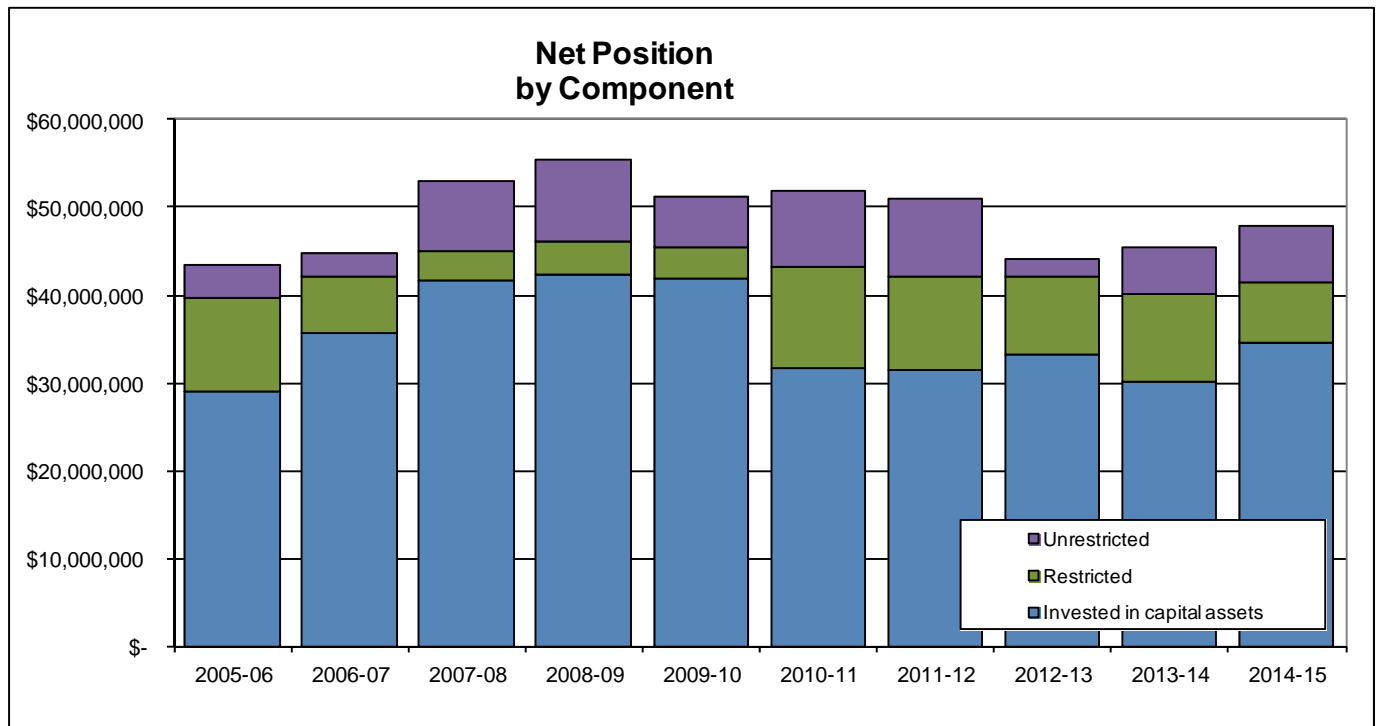
**Source:** Goleta Water District Audited Financial Statements.



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

**Schedule 1  
(Continued)**

Description	2010-11 <sup>(3)</sup>	2011-12 <sup>(2)</sup>	2012-13 <sup>(2) (4)</sup>	2013-14 <sup>(4)</sup>	2014-15
Changes in net position:					
Operating revenues (see schedule 2)	\$ 22,975,387	\$ 27,136,533	\$ 31,475,922	\$ 33,868,570	\$ 29,884,003
Operating expenses (see schedule 3)	(19,107,945)	(21,051,673)	(22,431,761)	(26,209,042)	(25,897,182)
Depreciation and amortization	(4,640,497)	(4,230,480)	(4,291,712)	(4,387,462)	(4,154,508)
<b>Operating income</b>	(773,055)	1,854,380	4,752,449	3,272,066	(167,687)
Net non-operating revenue (expense) (see schedule 4)	(481,665)	(3,085,787)	(1,690,426)	(2,208,005)	406,165
<b>Net income (loss) before capital contributions</b>	(1,254,720)	(1,231,407)	3,062,023	1,064,061	238,478
Capital contributions	287,292	348,495	1,049,478	304,512	2,151,549
<b>Changes in net position</b>	<u>\$ (967,428)</u>	<u>\$ (882,912)</u>	<u>\$ 4,111,501</u>	<u>\$ 1,368,573</u>	<u>\$ 2,390,027</u>
Net position by component:					
Net investment in capital assets <sup>(1)</sup>	\$ 31,738,373	\$ 31,456,427	\$ 33,186,044	\$ 30,052,804	\$ 34,662,860
Restricted	11,580,096	10,765,472	9,038,018	10,007,211	6,783,476
Unrestricted	8,551,029	8,764,687	1,925,137	5,457,758	6,461,464
<b>Total net position</b>	<u>\$ 51,869,498</u>	<u>\$ 50,986,586</u>	<u>\$ 44,149,199</u>	<u>\$ 45,517,773</u>	<u>\$ 47,907,800</u>



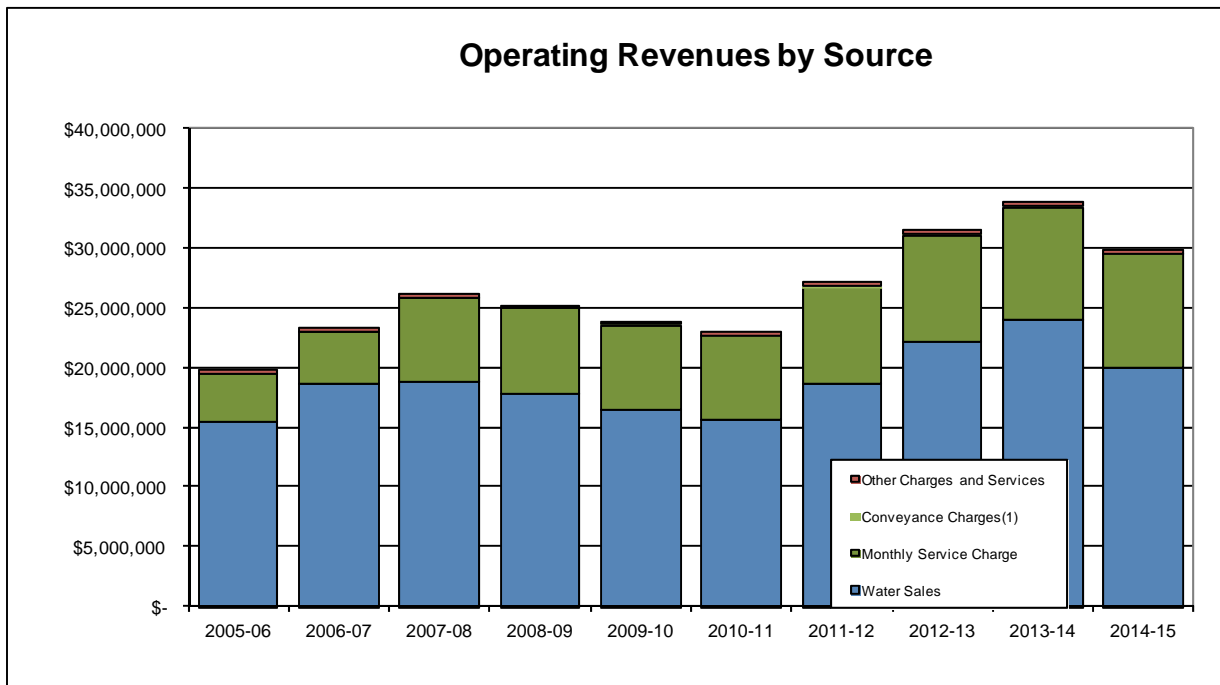
**Notes:**

- (1) Net of related debt.
- (2) Restated.
- (3) 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.
- (4) The District implemented GASB Statement No. 68, and No. 71 and as a result, there was Prior Period Adjustment to establish the Net Pension Liability of \$10,948,888 that was reflected in FY 12-13 since it is included in the Management's Discussion and Analysis section.

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

Schedule 2

Fiscal Year	Water Sales	Monthly Service Charge	Conveyance Charges <sup>(1)</sup>	Other Charges and Services	Total Operating Revenue
2005-06	\$ 15,425,971	\$ 4,117,481	\$ -	\$ 276,977	\$ 19,820,429
2006-07	18,582,563	4,380,462	-	312,816	23,275,841
2007-08	18,750,446	7,073,409	-	323,223	26,147,078
2008-09	17,891,753	7,086,522	-	267,434	25,245,709
2009-10	16,493,699	7,052,721	60,951	268,019	23,875,390
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



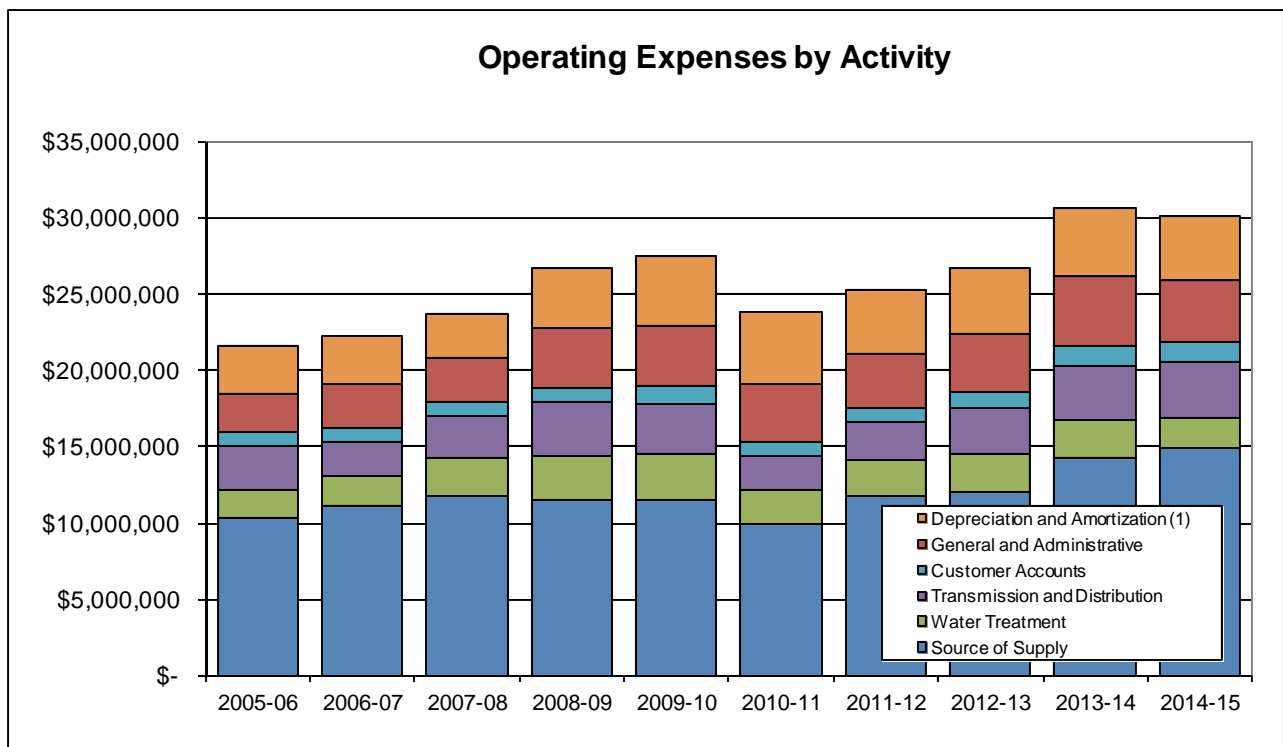
**Note:** (1) Conveyance Charges were classified as Water Consumption Revenue in FYs 2005-2009.

**Source:** Goleta Water District Audited Financial Statements.

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

**Schedule 3**

<b>Fiscal Year</b>	<b>Source of Supply</b>	<b>Water Treatment</b>	<b>Transmission and Distribution</b>	<b>Customer Accounts</b>	<b>General and Administrative</b>	<b>Depreciation and Amortization <sup>(1)</sup></b>	<b>Total Operating Expenses</b>
2005-06	\$ 10,364,501	\$ 1,836,761	\$ 2,860,188	\$ 857,214	\$ 2,559,149	\$ 3,052,138	\$ 21,529,951
2006-07	11,069,528	1,946,499	2,339,804	882,476	2,861,241	3,148,347	22,247,895
2007-08	11,777,844	2,437,979	2,773,177	891,142	2,926,114	2,845,876	23,652,132
2008-09	11,556,246	2,824,069	3,486,767	973,101	3,877,049	3,951,664	26,668,896
2009-10	11,522,500	2,958,871	3,293,092	1,146,336	3,908,951	4,639,138	27,468,888
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



**Note:**

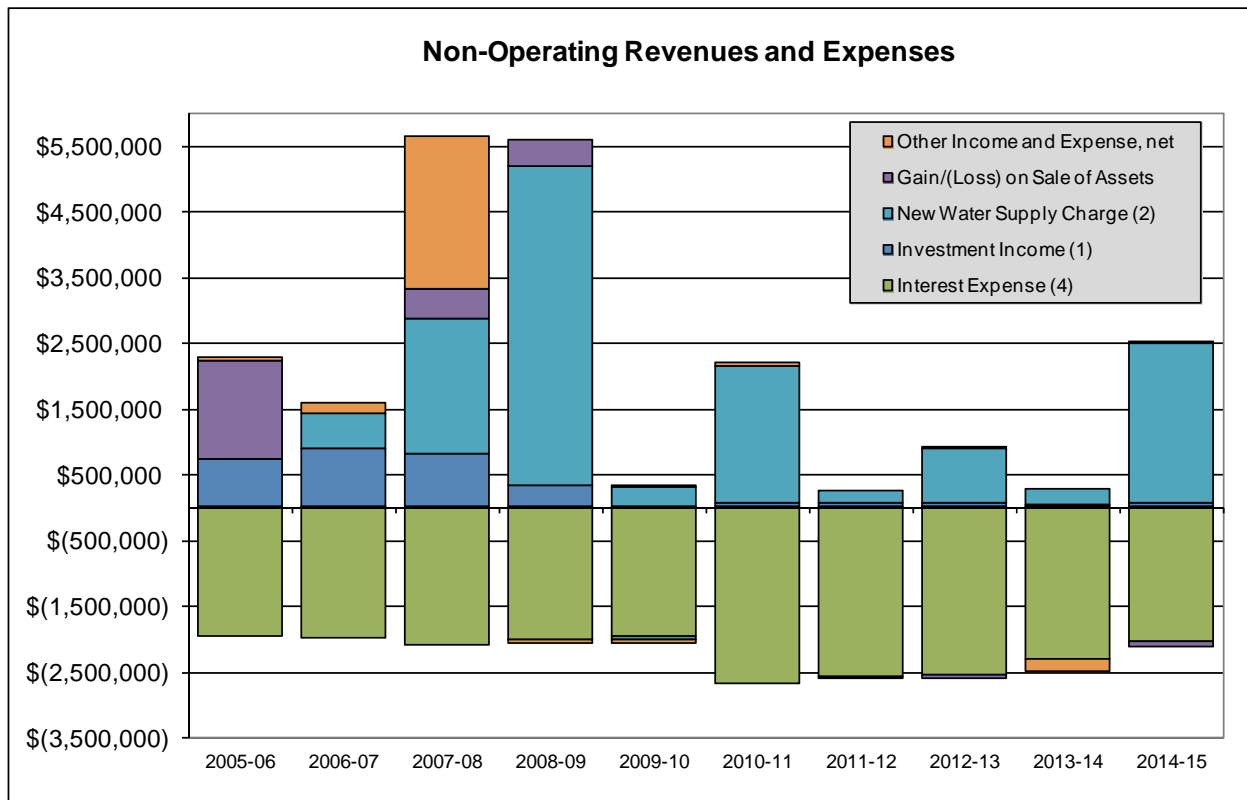
(1) Fiscal year 2012-13, the District recorded a prior adjustment to properly capitalize interest costs incurred during the construction phase of capital assets for the fiscal years 2005-06 through 2012-13. Additional depreciation expense of \$58,360 recorded for fiscal years 2005-06 through 2009-10 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**

<b>Fiscal Year</b>	<b>Investment Income <sup>(1)</sup></b>	<b>New Water Supply Charge <sup>(2)</sup></b>	<b>Gain/(Loss) on Sale of Assets</b>	<b>Interest Expense <sup>(4)</sup></b>	<b>Other Income and Expense, net</b>	<b>Net Non-Operating Revenues/(Expenses)</b>
2005-06	\$ 736,719	\$ -	\$ 1,496,104	\$ (1,966,097)	\$ 41,249	\$ 307,975
2006-07	898,501	515,955	-	(1,985,205)	178,240	(392,509)
2007-08	803,891	2,058,188	456,725	(2,098,927)	2,321,750 <sup>(3)</sup>	3,541,627
2008-09	338,908	4,846,624	402,230	(2,017,803)	(59,755)	3,510,204
2009-10	(43,888)	310,949	12,929	(1,958,678)	(55,702)	(1,734,390)
2010-11	67,164	2,069,370	-	(2,683,811)	65,611	(481,666)
2011-12	71,525	182,905	-	(2,582,323)	(19,530)	(2,347,423)
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



**Notes:**

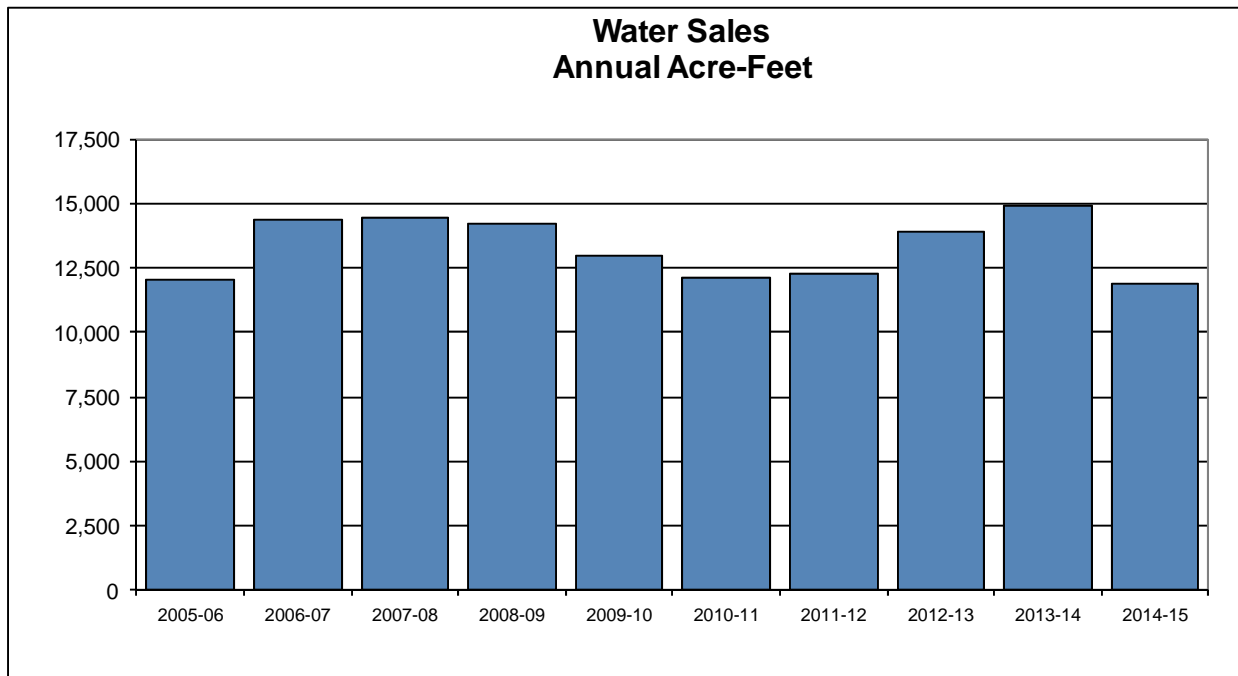
- (1) Includes interest income and realized and unrealized gains and losses on investments.
- (2) In FY 2005 System Development Fees (New Water Supply Charges) were classified as Capital Contribution in the Goleta Water District Audited Financial Statements.
- (3) Includes one-time accrual reversal of \$2,184,000 for post employment benefits.
- (4) 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 Sales (acre-feet)
2005-06	12,077
2006-07	14,406
2007-08	14,415
2008-09	14,198
2009-10	12,971
2010-11	12,161
2011-12	12,275
2012-13	13,923
2013-14	14,884
2014-15	11,883



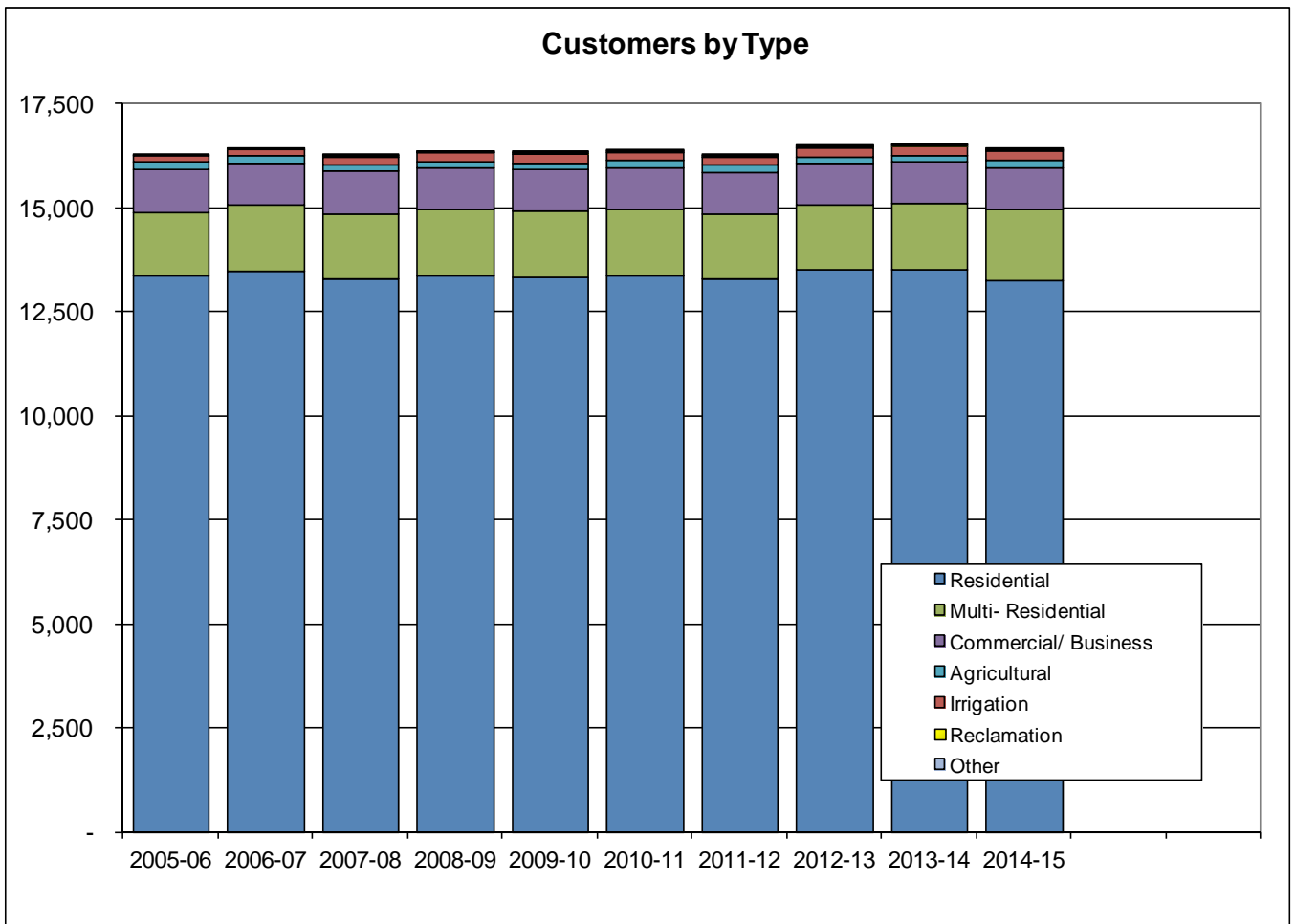
**Note:** See Schedule 2 "Revenue by Source" for information regarding water sales.

**Source:** Goleta Water District Annual Continuing Disclosure Annual Report.

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

**Schedule 6**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Multi-Residential</b>	<b>Commercial/ Business</b>	<b>Agricultural</b>	<b>Recreation Irrigation</b>	<b>Reclamation</b>	<b>Other</b>	<b>Total</b>
2005-06	13,369	1,551	1,026	164	154	32	-	16,296
2006-07	13,497	1,574	1,028	168	162	30	-	16,459
2007-08	13,317	1,558	1,016	164	180	32	8	16,275
2008-09	13,386	1,582	1,002	165	199	32	7	16,373
2009-10	13,348	1,579	1,010	165	205	32	7	16,346
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



Source: Goleta Water District.

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

**Schedule 7**

	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Monthly Service Charges<sup>(1)</sup></b>										
<u>Meter Size</u>										
5/8" & 3/4" <sup>(2)</sup>	\$ 17.71	\$ 18.42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ultra low flow <sup>(2)</sup>	-	-	9.21	9.21	9.21	9.21	10.68	11.87	12.70	13.08
Low flow <sup>(2)</sup>	-	-	18.42	18.42	18.42	18.42	21.37	23.74	25.40	26.16
All other <sup>(2)</sup>	-	-	27.63	27.63	27.63	27.63	32.05	35.61	38.10	39.24
1"	24.00	24.96	46.06	46.06	46.06	46.06	53.43	59.36	63.52	65.42
1 1/2"	39.31	40.88	92.10	92.10	92.10	92.10	106.84	118.69	127.00	130.81
2"	55.86	58.09	147.38	147.38	147.38	147.38	170.96	189.94	203.23	209.33
3"	93.31	97.04	276.33	276.33	276.33	276.33	320.54	356.12	381.05	392.48
4"	141.89	144.57	460.55	460.55	460.55	460.55	534.24	593.54	635.09	654.14
6"	258.88	269.23	921.09	921.09	921.09	921.09	1,068.46	1,187.06	1,270.16	1,308.26
8"	381.26	396.51	1,473.76	1,473.76	1,473.76	1,473.76	1,709.56	1,899.32	2,032.28	2,093.24
10"	503.65	523.79	3,500.72	3,500.72	3,500.72	3,500.72	4,060.84	4,511.59	4,827.40	4,972.22
<b>Water Usage Charges (per HCF)<sup>(1)</sup></b>										
<u>User Type</u>										
Urban Conservation <sup>(2)</sup>	\$ 3.55	\$ 3.55	\$ 3.55	\$ 3.55	\$ 3.55	\$ 3.55	\$ 4.12	\$ 4.58	\$ 4.90	\$ 5.04
Urban <sup>(3)</sup>	3.55	3.71	3.71	3.71	3.71	3.71	4.30	4.78	5.12	5.27
Urban Agriculture	1.00	1.00	1.00	1.00	1.00	1.00	1.16	1.29	1.38	1.42
Goleta West Conduit										
Agriculture	1.00	1.00	1.00	1.00	1.00	1.00	1.06	1.18	1.26	1.30
Recreation Irrigation	2.57	2.68	2.68	2.68	2.68	2.68	3.11	3.45	3.70	3.81
Reclaimed	2.17	2.17	2.17	2.17	2.17	2.17	2.49	2.76	2.96	3.05

**Notes:**

- (1) Rates as of June 30 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).
- (3) Residential agricultural customers are charged at Urban rate unless usage exceeds 11 HCF per dwelling for any given month.

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

**GOLETA WATER DISTRICT  
TEN LARGEST WATER USERS  
CURRENT FISCAL YEAR VERSUS FISCAL YEAR 2004-05  
UNAUDITED**

**Schedule 8**

FY 2014-15			FY 2004-05		
Name	Water Sales (Acre-Feet)	Percentage of Total Water Purchased	Name	Water Sales (Acre-Feet)	Percentage of Total Water Purchased
Public institution	848	7.13%	Public institution	973	7.10%
Private grower	616	5.18%	Private grower	693	5.06%
Private grower	272	2.29%	Private business	283	2.06%
Private business	238	2.00%	Private grower	258	1.88%
Private business	201	1.69%	Private grower	252	1.84%
Private grower	195	1.64%	Private business	238	1.73%
Private business	188	1.58%	Private business	229	1.67%
Public agency	150	1.27%	Public agency	208	1.52%
Private grower	136	1.14%	Private grower	183	1.33%
Private grower	128	1.08%	Private grower	163	1.19%
Total attributable to ten largest water users:	<u>2,972</u>	<u>25.00%</u>		<u>3,480</u>	<u>25.38%</u>
Total water sales (acre-feet)	<u>11,883</u>	<u>100.00%</u>		<u>13,705</u>	<u>100.00%</u>

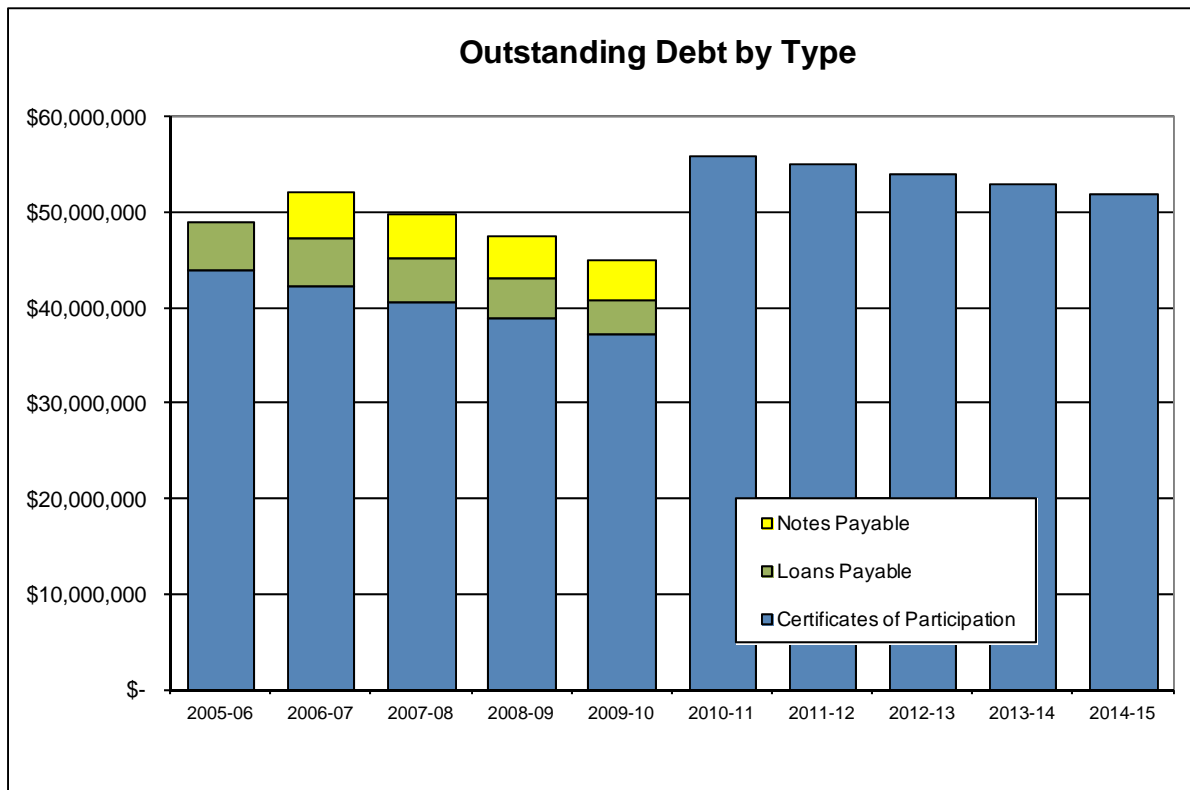
**Sources:** Goleta Water District  
CCWA FY 2003/2004 Continuing Disclosure Annual Report.



**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
2005-06	\$ -	\$ 44,040,000	\$ 4,922,476	\$ 48,962,476	\$ 1,594	0.060%
2006-07	4,941,625	42,395,000	4,860,321	52,196,946	1,730	0.063%
2007-08	4,705,415	40,715,000	4,476,921	49,897,336	1,663	0.064%
2008-09	4,457,920	39,005,000	4,082,786	47,545,706	1,560	0.059%
2009-10	4,197,810	37,225,000	3,677,615	45,100,425	1,450	0.060%
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%



Source: Goleta Water District Audited Financial Statements.

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

Schedule 10

Fiscal Year	Operating Revenues	Operating Expenses <sup>(1)</sup>	Net Available Revenues	Debt Service			Coverage Ratio
				Principal <sup>(2)</sup>	Interest	Total	
2004-05	\$ 19,028,366	\$(18,143,671)	\$ 884,695	\$ 1,697,917	\$ 1,657,837	\$3,355,754	0.26
2005-06	19,820,429	(18,477,813)	1,342,616	1,977,799	1,966,097	3,943,896	0.34
2006-07	23,275,841	(19,099,548)	4,176,293	2,076,332	1,985,205	4,061,537	1.03
2007-08	26,147,078	(20,806,256)	5,340,822	2,299,610	2,109,143	4,408,753	1.21
2008-09	25,245,709	(22,717,232)	2,528,477	2,351,630	2,031,131	4,382,761	0.58
2009-10	23,833,852	(22,829,750)	1,004,102	2,445,281	1,970,974	4,416,255	0.23
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	33,868,571	(26,209,042)	7,659,529	995,000	2,432,866	3,427,866	2.23
2014-15	29,884,003	(25,897,182)	3,986,821	1,045,000	2,053,755	3,098,755	1.29

**Notes:**

(1) Excludes depreciation expense.

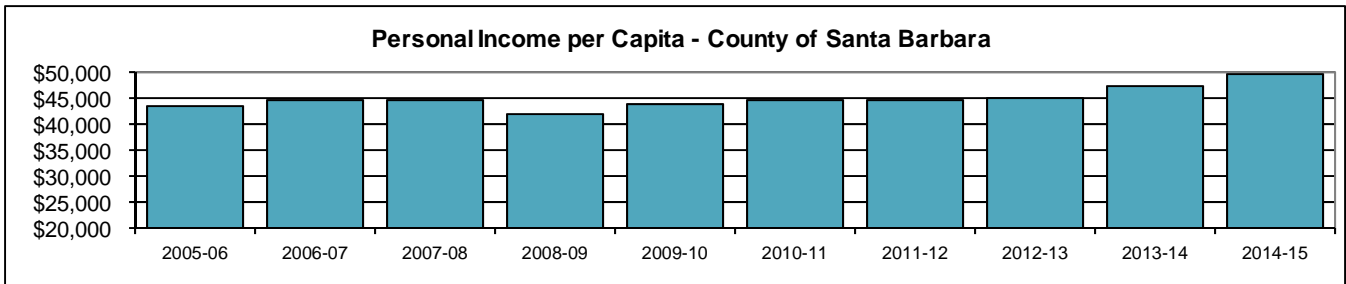
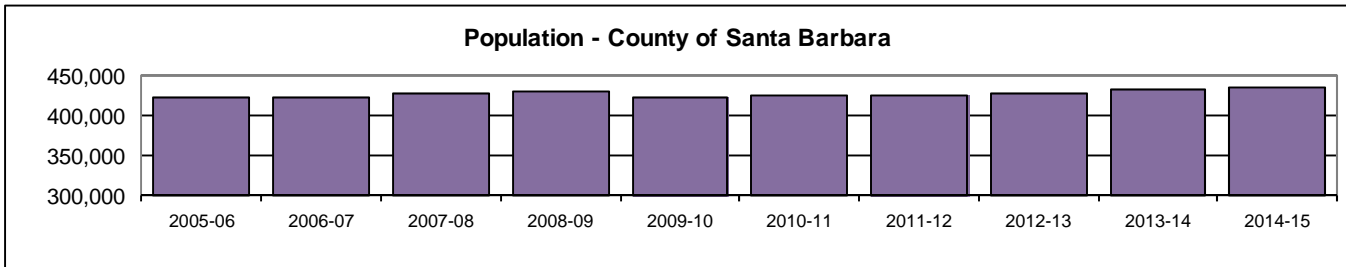
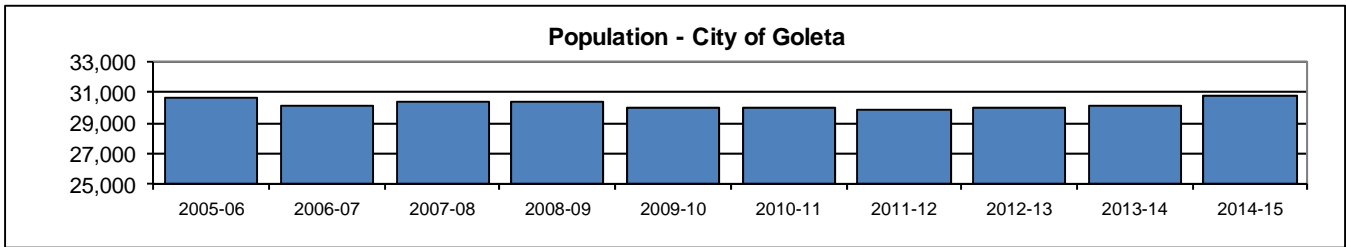
(2) Excludes payments associated with refinancing.

**Source:** Goleta Water District Audited Financial Statements.

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

**Schedule 11**

Fiscal Year	Goleta <sup>(1)</sup>		County of Santa Barbara <sup>(3)</sup>		
	Population <sup>(2)</sup>	Unemployment Rate	Population <sup>(2)</sup>	Personal Income (\$ billions)	Personal Income per Capita
2005-06	30,721	3.50%	422,000	18.3	43,400
2006-07	30,096	3.80%	423,540	18.9	44,600
2007-08	30,400	5.20%	428,655	19.1	44,600
2008-09	30,404	8.20%	430,333	18.1	42,100
2009-10	30,001	8.80%	423,740	18.6	43,900
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 <sup>(4)</sup>	6.30%	429,200 <sup>(4)</sup>	19.3	45,000
2013-14	30,202 <sup>(4)</sup>	5.40%	433,000 <sup>(4)</sup>	20.6	47,600
2014-15	30,765	5.00%	435,697	21.7	49,800



**Notes:**

- (1) A substantial portion of the District lies within the City of Goleta and is therefore 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.

**Source:** 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)**

Department	Fiscal Year									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Management	3	3	4	2	3	3	3	3	3	3
Operations Management	2	2	2	2	2	2	2	2	2	2
Water Treatment	13	12	14	10	10	10	12	11	10	11
Distribution	14	9	9	16	16	14	16	14	14	16
Water Supply	0	1	2	2	2	2	6	8	8	9
Warehouse	1	1	1	1	1	1	1	1	1	1
Meter Services	7	5	5	5	5	5	5	5	5	5
Engineering Services	11	11	12	11	10	7	4	4	5	5
Customer Service	2	3	3	3	2	1	1	1	1	2
Accounting and Finance	3	3	3	4	5	4	7	8	8	8
Payroll	1	1	1	1	1	1	1	1	1	1
Human Resources	1	1	1	1	1	1	1	1	1	1
	58	52	57	58	58	51	59	59	59	64

**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)
2005-06	45	265	9	1,402	29
2006-07	45	265	9	1,410	29
2007-08	45	266	9	1,422	29
2008-09	45	266	9	1,437	29
2009-10	45	270	9	1,448	29
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

**Source:** Goleta Water District - Administrative Services and Engineering Departments.

## **LIST OF ACRONYMS**

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## **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



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